ANNUAL REPORT TO UNITHOLDERS

2014

NORTHERN VISION DEVELOPMENT LIMITED PARTNERSHIP
AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2014

NORTHERN VISION DEVELOPMENT LIMITED PARTNERSHIP

2014 ANNUAL REPORT TO UNITHOLDERS

We are pleased to provide you with this report on the activities of Northern Vision Development Limited Partnership ("NVD" or "the Partnership") for 2014. Included herewith are financial statements as at and for the year ended December 31, 2014, along with comparable results for the year ended December 31, 2013, which have been audited by Deloitte LLP.

An annual meeting of the Partnership will be held at **5:00 pm on Wednesday May 27, 2015 at the offices of OPUS Corporation** Suite 500, 5119 Elbow Drive S.W. Calgary, Alberta. We invite all interested stakeholders to join us for this meeting, to receive an update on the progress of the Partnership as well as information about future plans.

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OVERVIEW AND BACKGROUND

NVD, a private real estate partnership, was established in February 2004 with a mandate to acquire properties with strong growth prospects located in Whitehorse, Yukon. Since inception, the Partnership has acquired, and partially developed or sold, a diverse base of commercial, residential, industrial and hospitality properties that are intended to provide regular distributions and capital appreciation for unitholders. NVD is managed by its general partner, Northern Vision Development Corp., a private company based in Whitehorse and formed under the laws of the Yukon. The operations of the Partnership are overseen by a board of directors comprised of individuals with a diverse mix of skill sets and experience in the real estate and hospitality industries.

At the end of 2014 there were 21,029,970 units of the Partnership outstanding (2013 - 21,029,970 units) with no options or purchase warrants issued. No distributions were made to unitholders during the year. Rights to convert associated with convertible debentures result in there being an estimated 23,115,544 units outstanding on a fully diluted basis (which is dependent on the most recent NAV estimate). The Net Asset Value ("NAV") per Unit was not estimated by the board and management as at December 31, 2014 because a formal third party valuation has been arranged that will provide an updated value prior to the Annual General Meeting, providing an arm's length updated on estimated NAV value. The Partnership has not conducted a formal third party valuation since October 31, 2011 in the lead up to its 2012 Liquidity Event. When the formal third party valuation is available, an update will be sent to unitholders.

HIGHLIGHTS FOR THE YEAR

OPERATIONS

During 2014 the Partnership focused on the completion of NVD Place and the full integration of Hotels it acquired in 2013. The following summarizes key highlights from operations:

- Renovation of hotels acquired in 2013 including the Downtown Hotel in Dawson (rooms completed May 2014) and the Edgewater Hotel (lobby in January 2014);
- Substantial completion of NVD Place (formerly Canadian Tire), a 50,000+ square foot shopping mall in downtown Whitehorse;
- Sale of one lot in the Titanium Way Business Park, one River's Reach residential condominium and one Waterfront Station commercial condominium;
- Sale of the undeveloped portion of the Nugget Beach property fronting First Avenue for use as a 48-unit seniors housing complex;
- Sale of the Partnership's interest in the Titanium Way Storage Joint Venture; *and*
- Successful celebration marking NVD's first ten years as a Partnership operating in the Yukon.

FINANCIAL HIGHLIGHTS FOR 2014

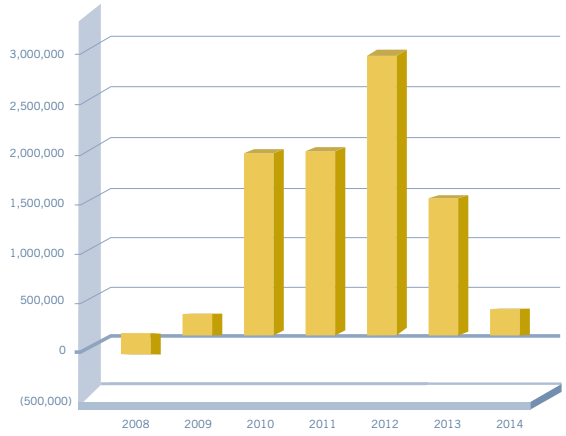
PROPERTY AND EQUIPMENT ASSETS

21.4%

GROSS REVENUES RENTAL PROPERTIES & HOTELS

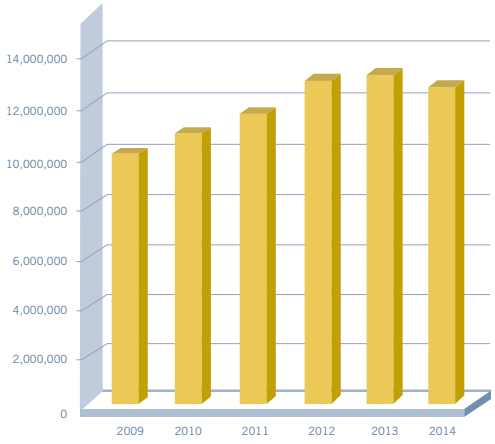
15.3%

NET INCOME ($)



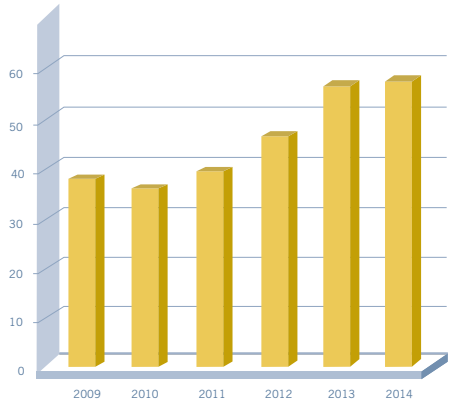
After an increase in 2012 due to development projects, net income has dropped significantly. This drop reflects higher costs related in particular to the pace of new revenue growth being slower than the pace of increase in costs associated with interest and depreciation.

GROSS PROFIT ($)



After a steady increase from 2009 to 2012, Gross Profit performance has flattened out over the past two years showing a slight decline in 2014. Vacancy in the Rental Division and flat Hotel Division performance are the reasons.

TOTAL ASSETS ($ MILLIONS)



Asset growth associated with the completion of NVD Place, offset by sale of certain assets, combined to limit asset growth in 2014 to $1.2 million over the previous year.

GROSS OPERATING INCOME VS. INTEREST COST AND DEPRECIATION ($)

The drop in net income is caused by a combination of a decline in Gross Operating Income and an increase in depreciation and interest costs. This graph illustrates this relationship between gross income and combined interest and depreciation costs and clearly illustrates the recent pressure on net income.

FINANCIAL HIGHLIGHTS

The following is a summary of the Partnership's **key financial highlights** for the year:

- Substantial completion of the NVD Place project saw *Property and equipment* assets grow by 21.4% to $48.5 million from $39.9 million at the end of 2013;
- Retirement of the remaining $500,000 in short term notes taken out in 2013 to help fund acquisition and development activity;
- Draw down of the remaining room on the $5.76 million financing facility required for the construction of NVD Place;
- Onetime payment of an additional $250,000 on RBC debt related to Waterfront Station to keep mortgage financing in line with revenues generated by the property;
- Decline in *Gross revenues* of 5.6% from $18.3 million in 2013 to $17.3 million in 2014, due primarily to a decline in sales of assets held for sale (Titanium Way Business Park lots), offset by growth in Hotel and Rental Division revenues;
- *Gross revenues* related to sustained income sources (rental properties and hotels) increased to $15.1 million, representing a 15.3% increase over the $13.1 million from this source in 2013 as a result of full year inclusion of the Downtown and Edgewater and the half year inclusion of rents from NVD Place.
- *Income from Operations* dropped to $61,000 from $1.4 million in 2013 due to sharp increases in depreciation and interest expense and the absence of sufficient offsetting revenue growth associated with new development projects and hotel acquisitions;
- Recorded an 87.2% decrease in Net Income to $201,000, down from $1.6 million in 2013;
- Recorded *Available Funds from Operations* ("AFFO") of ($103,000) and therefore did not make a distribution to unitholders for the year.

LETTER TO UNITHOLDERS

Dear unitholders:

This past year was a tough one for Northern Vision Development LP ("NVD"). A highlight was the celebration marking our first ten years of operations in the Yukon. We were delighted to have unitholders join us for this event, as well as many stakeholders who recognized the mark that NVD has left on the Yukon community in its first decade. However, operating results were disappointing for the year as Yukon economic growth continued to lag Canadian average growth rates.

For this year's annual report, we have combined the CEO and Chairman's message and shortened the Report on Operations in order to create a more efficient report. We hope that this reporting continues to provide you with full insight into operations and would invite any feedback that you have on this approach.

KEY EVENTS

In June, we marked the substantial completion of NVD Place and hosted a grand opening event to mark the occasion. Some tenants had already taken up residency in the project as early as the fall of 2013, but most commenced operations in summer 2014. Leasing efforts have been slower than anticipated as a result of the economy. At the writing of this report the property is approximately two thirds leased. We will continue to focus throughout 2015 on efforts to lease up the remainder of the project.

Sales of available land inventory (assets held for sale) slowed markedly during the year. On the heels of a record year for Titanium Way Business Park lot sales in 2013, we managed only one lot sale in 2014. We also sold one commercial condominium in Waterfront Station and one residential condominium in River's Reach. The sales highlight for the year was the disposal of the majority of the unused portion of Nugget Beach on First Avenue. This land was subdivided from the larger Nugget Beach parcel, and sold for use as a 48-unit Seniors Housing complex.

Our Hotel Division experienced mixed results. The Best Western Gold Rush Inn continued its pattern of top and bottom line growth and posted record bottom line results for the year. The Coast High Country Inn benefited from its relatively new flag with strong growth in the Rooms Division. Unfortunately this was offset by challenges in the Food and Beverage area meaning the Coast High Country Inn Net Operating Income was up only marginally. The Edgewater Hotel and Downtown Hotel both delivered disappointing results as we moved to integrate these properties fully into the Division. The Edgewater experienced softer than expected room revenues and suffered from the loss of the commercial food and beverage lease early in the year. Efforts to replace the food and beverage lease with our own operations did not prove to be profitable and in 2015 we will enter into a new lease for the food and beverage premises commencing in May.

The Downtown Hotel had a strong summer, but suffered from margin challenges for the first four months of the year and food and beverage performance issues for much of the year. Changes have been made to both properties and we expect much more consistent results and positive contribution from them in 2015. At the writing of this report, and after two months of results in 2015, our Hotel Division is already more than $100,000 ahead of the same period in 2014 on a Net Operating Income basis.

A HIGHLIGHT WAS THE CELEBRATION MARKING OUR FIRST TEN YEARS OF OPERATIONS IN YUKON.

GOING FORWARD

To accommodate the development activities of the Partnership and the growth of the Hotel Division we had expanded NVD's human resources. With the completion of development activities and a continuing soft economy, we will not require this depth of resource in the near term. Hotel management requirements are also settling down as we have now fully integrated our new hotels into the Division. Consequently we have trimmed expenses associated with NVD's operations across the board: management positions have been eliminated, salary cost has been trimmed, board costs have been reduced and steps have been taken to reduce costs in other areas. We have also made payments on debt where appropriate to bring the debt in line with property related revenues, and due to a lack of acquisition and development activity for the time being, our depreciation expenses will peak and begin to decline. Altogether this will lead to improved margins and improved bottom line performance in 2015 even if leasing efforts are not completely successful in filling our remaining vacancies.

In short, management will focus on making revenue improvements where possible, but will also keep a careful eye on expenses in order to have a positive impact on bottom line. As a result, we expect to return closer to historical net income levels in 2015 even if the economy in the Yukon remains flat.

NET ASSET VALUE AND DISTRIBUTION

The board has directed management to obtain a third party estimate of Net Asset Value ("NAV") for the Partnership prior to the Partnership's AGM in May 2015. We will provide this estimate to unitholders as soon as it is available. Available Funds from Operations ("AFFO") was negative for the year, at ($102,744) which led to the decision by the Board of Directors not to make a distribution in 2014. It is a clear intention of the Partnership to provide regular distributions to unitholders and as a result there will be significant focus on a return to the levels of Net Income and AFFO required to make regular and meaningful distributions to unitholders. This effort will be restricted somewhat by the need to begin to retire convertible debt which matures in the middle of 2016. The Partnership will likely commence to redeem some of this debt in 2015 unless debenture holders exercise their option to convert to equity.

In last year's Report to Unitholders we noted that the annual return would be lower in the 2014-2015 period due to: (1) the general performance of the Yukon economy and the related higher vacancy rates for rentals and downward pressure on Hotel Division Net Operating Income; and

(2) the use of short term and convertible debt for acquisition and development activity which has temporarily increased interest expense. We also noted we would focus on reducing that debt, particularly higher-interest rate debt, in order to create improved returns for unitholders over the medium and long term. In early 2014 we completed the payout of the short term notes with interest at 8% per annum and in 2015 we will commence addressing the convertible debt which pays 6.75% per annum. During this time, our unitholders will have to be patient with respect to distribution expectations.

SUMMARY

Despite the tough economy, NVD is well positioned for the long term. Even with some human resources cuts we benefit from a strong management team with ample depth to meet the challenges of building margin performance. Our assets are of high quality and well placed to take advantage of future growth in the Yukon. While expectations are that the Yukon economy will likely continue to lag the average in Canada in 2015, due to continuing softness in commodity prices, there are new mines on the drawing board and current estimates for the last half of the current decade are positive.

As we await the beginning of a stronger economic cycle we will focus on tight cost control, minor asset improvement and overall improvement in bottom line performance.

We take this opportunity to thank the management team for the considerable efforts they have made to steer the company through difficult times. We also thank the members of our board for their continued diligence in ensuring that we are strategically focused and operating under a strong governance model. The collective efforts of board and management will show results in 2015.

We hope that you can join us for the Annual General Meeting in May and we look forward to communicating to you on the Partnership's progress at that meeting, and again in the summer through our Semi Annual Report to unitholders. As always, we thank you for your continuing support of the Partnership and, like you, we look forward to a return to higher levels of Net Income in the near term.

Sincerely,

Northern Vision Development LP

Richard S. Thompson
CEO

Piers McDonald
Chairman

REPORT ON OPERATIONS

The following chart provides key operating and financial statistics for the past five years:

Northern Vision Development LP

Operating Statistics

	2010	2011	2012	2013	2014
Income and Expenses ($ unless otherwise noted)					
Hotel					
Revenue	9,234,720	10,064,594	10,515,791	11,518,087	12,731,544
Margin Contribution	1,419,837	2,343,805	2,146,338	2,289,245	2,245,975
Margin percentage	*15.4%*	*23.3%*	*20.4%*	*19.9%*	*17.6%*
Rental Property					
Revenue	1,531,762	1,443,409	1,488,530	1,624,695	2,234,947
Margin Contribution	1,422,999	1,375,236	1,328,661	1,487,711	1,834,708
Margin percentage	*92.9%*	*95.3%*	*89.3%*	*91.6%*	*82.1%*
Sales Activities					
Revenue	2,328,605	1,914,616	9,185,247	5,044,853	2,290,123
Margin Contribution	1,000,304	707,295	2,072,778	1,332,306	558,059
Margin percentage	*43.0%*	*36.9%*	*22.6%*	*26.4%*	*24.4%*
Expense					
Interest	573,203	569,552	570,631	1,002,509	1,478,241
Percentage of Revenue	*4.4%*	*4.2%*	*2.7%*	*5.5%*	*8.5%*
Depreciation	1,135,998	1,133,946	1,282,615	1,430,456	1,757,355
Percentage of Revenue	*8.7%*	*8.4%*	*6.0%*	*7.8%*	*10.1%*
Other Expenses	1,094,886	1,100,589	950,841	1,406,328	1,416,426
Percentage of Revenue	*8.4%*	*8.2%*	*4.5%*	*7.7%*	*8.2%*
Income from Operations	1,330,670	1,774,785	2,786,617	1,401,635	61,259
Percentage of Revenue	*10.2%*	*13.2%*	*13.1%*	*7.7%*	*0.4%*
Balance Sheet and Related					
Total Assets ($ million)	34.9	38.7	45.8	56.0	57.1
Total Debt ($ million)	14.7	17.1	20.9	27.8	29.1
Debt as % of Assets	*42.1%*	*44.3%*	*45.6%*	*50.1%*	*51.0%*
Weighted Average Cost of Debt (%)	*4.19%*	*4.18%*	*5.15%*	*4.72%*	*4.32%*

NVD experienced a significant drop in Net Income from Operations in 2014. Revenue was down due to a reduction in sales activity and flat hotel operations offset by the fact that the Edgewater and Downtown hotels were included for an entire year in 2014. Costs were up due to significant increases in interest and depreciation expense. As a result, Net Income from operations for the year was down over 95% to $61,259 from over $1.4 million in 2013.

DIVISIONAL PERFORMANCE

I. HOTELS DIVISION

A Year of Integration and Management Changes

Revenues for the Hotel Division were up 10.5% for the year from $11.5 million to $12.7 million. This was due to the inclusion of full year financial results from the Edgewater and Downtown Hotels versus partial year inclusion in 2013, as well as growth at the Best Western Gold Rush Inn ("Gold Rush") which posted revenue gains in excess of 6% for the year. Although room revenues were up over 4% at the Coast High Country Inn ("High Country"), a drop in food and beverage revenues at that property meant that overall it posted flat revenues on a year over year basis. The growth in revenues at the Gold Rush and the growth in room revenues at the High Country followed a year in which both properties saw declines in overall revenues. The economy in the Yukon was slow for the second year in a row, and the competitive environment remained relatively stable with no new entrants into the Marketplace in 2014. In early 2015 the Ramada Inn was acquired by Holloway Lodging Corp., a TSX-listed company, and was rebranded as a Days Inn. This acquisition does not cause any change of room inventory in the Territory.

The Gold Rush continued its strong annual performance gains, contributing $1.75 million in annual Gross Operating Margin (before interest and depreciation) which was up 17.4% year over year. The High Country finished 2014 with Gross Operating Margin up 2.6% year over year to $559,000.

Integration

The main focus during the year was to maintain and grow market share and integrate the new hotels (Edgewater, Downtown) efficiently into operations. Unfortunately there were issues that arose with respect to both of these hotel integration projects.

Edgewater Hotel: Acquired in May 2013, the Edgewater had delivered Net Operating Income results in 2013 in keeping with expectations. In January 2014 the Hotel was closed to accommodate a lobby renovation which was successfully completed on time and on budget, and that was well received by guests. Unfortunately in April, it became apparent that the operator of the food and beverage lease would be unable to achieve success. NVD took over the operation and reopened it in May, but it was not commercially successful and at the completion of the main occupancy season for the Hotel, the operations were again mothballed. Late in the year, a new tenant with substantial experience was identified to begin operations under a commercial lease commencing May 2015. During the first quarter of 2015 the seating areas and kitchens of the food and beverage operation are undergoing renovations, and new operation of the restaurant will commence in the lead up to the high season.

With the difficulties in food and beverage the Edgewater delivered disappointing Net Operating Income results. Already in 2015 there has been substantial improvement and the Hotel is well ahead of budget in the first quarter of 2015. It is anticipated that the problems experienced in 2014 have been resolved.

Downtown Hotel, Dawson: The Downtown produced disappointing results for the half year during which NVD operated it in 2013. In 2014, NVD split operating responsibilities for the hotel with its Joint Venture partner, Chief Isaac Inc. ("CII"). CII has taken responsibility for food and beverage operations at the Downtown and NVD has handled the room related operations. This change has yet to deliver an improvement at the bottom line, and once again results for this property were disappointing in 2014.

NVD completed a major room renovation project in May 2014 which has been very well received. Since completion, both Average Daily Rates ("ADR") and occupancy levels have improved. The summer volumes were also helped by a new flight service operated by Air North from Fairbanks, Alaska to Dawson, Yukon which was developed in partnership with Holland America Lines. This service is delivering cruise passengers for a longer length of stay in Dawson, leading to overall increases in room nights booked during summer 2014. Furthermore, a competing Dawson Hotel – the Midnight Sun – closed in 2014 which removed rooms inventory during high season. Consequently the summer results in both rooms and food and beverage were ahead of budget expectations. However with mining activity dropping across the Yukon, the shoulder and winter seasons were softer than normal and once again the Downtown delivered disappointing Net Operating Income results for the full year.

Improvements are expected and are already being seen in 2015. A decision was made to leave the Annex building open over the winter season and to use it for long term stays that have led to better results in the first quarter than experienced last year. Management changes have also been made, leading to improved marketing, and higher margin expectations. It is anticipated that positive Net Operating Income will be achieved in 2015. The Downtown Hotel's Sourtoe cocktail received substantial worldwide attention in 2014 which helped build awareness of both the Downtown Hotel, and Dawson.

Management: With disappointing results overall for the division and in the food and beverage area in particular, the Partnership moved to make changes mid-year. NVD's General Manager of over five years resigned and was replaced by Dylan Soo who had distinguished himself as a solid Rooms and Revenue Manager for NVD's Hotel Division since 2009. Dylan's attention on performance metrics and professionalism is having an impact and it is anticipated that Net Operating Income levels will respond well to his stewardship. The responsibilities were split for the Dawson Hotel to give CII more of a role in Food and Beverage given the fact that they are much closer to the Dawson audiences and Adam Gerle was named NVD's manager of this hotel. These changes should bring positive outcomes for the Downtown Hotel in 2015. In Whitehorse, Executive Chef Gedas Pabrista resigned, making room for executive Sous-Chef Dave Verney to take over responsibilities. Dave has brought new energy to the role and patrons are looking forward to the changes he will make in the coming year.

II. RENTAL DIVISION

Rental division revenues were up 43.9% in 2014 to $2.3 million. This resulted from the inclusion of a partial year of NVD Place revenues in the financial reporting, as well as 100% of Waterfront Station revenues (NVD only owned 50% of Waterfront station for nine months of 2013). NVD Place was substantially completed by June 2014 allowing the Partnership to begin recognizing rents from this property at the time.

As the soft economy continued, leasing activity throughout the year was muted and the Partnership exited the year with substantial vacancy at both Waterfront Station and NVD Place. Filling this vacancy will continue to be the focus of significant management efforts in 2015. There were also vacancies in other premises in the portfolio, most notably in Titanium Way. The table on the following page provides a snapshot of the vacancies in the portfolio at the time of writing of this report.

Summary of Leasable Square Footage - NVD - As of March 24, 2015

Property	Leasable	Leased	NVD Ownership	Net NVD Leasable	Net NVD Leased	Percent Leased	Percentage of Portfolio
Commercial	(sf)	(sf)	(%)	(sf)	(sf)	(%)	(%)
NVD Place	45,854	29,671	100%	48,854	29,671	64.7%	30.1%
Yukon Centre Mall	40,304	37,792	100%	40,304	37,792	93.8%	26.5%
Waterfront Station*	24,311	15,752	100%	24,311	15,752	64.8%	16.0%
Spook Creek Station	10,107	10,107	100%	10,107	10,107	100.0%	6.6%
Titanium Way 166	7,606	4,981	33%	2,484	1,627	65.5%	1.6%
Edgewater Retail	6,400	6,400	100%	6,400	6,400	100.0%	4.2%
Nugget Beach	5,899	5,899	100%	5,899	5,899	100.0%	3.9%
Titanium Way 170	5,345	2,704	67%	3,560	1,801	150.6%	2.3%
Pizza Hut	4,413	4,413	100%	4,413	4,413	100.0%	2.9%
Gold Rush Inn Retail	1,761	1,761	100%	1,761	1,761	100.0%	1.2%
Trades Centre I	1,760	880	100%	1,760	880	50.0%	1.2%
Car Cross VIC	1,384	1,384	50%	692	692	100.0%	0.5%
Total Commercial	**155,144**	**120,360**		**146,854**	**116,103**	**79.1%**	**96.5%**

* Condos that are vacant and available for sale are also included in leasable square footage. At Waterfront station 1,495 sf under temporary lease are also considered to be vacant.

	Leasable	Leased	Ownership	Net NVD Leasable	Net NVD Leased	Percent Leased	Percentage of Portfolio
Residential	(sf)	(sf)	(%)	(sf)	(sf)	(%)	(%)
River's Reach NVD	2,208	2,208		2,208	2,208	100.0%	1.5%
River's Reach JV	3,394	3,394		3,055	3,055	100.0%	2.0%
Total Residential	5,602	5,602		5,263	5,263	100.0%	3.5%
Total Portfolio	**160,746**	**125,962**		**152,116**	**121,365**	**79.8%**	**100.0%**

Currently just under 80% of NVD's portfolio is leased. For the second year running the Partnership was below historical levels which have traditionally seen vacancy close to nil. The two areas of concern are the Titanium Way properties (TW 170, TW 166 and Trades Centre I – none of which are more than two thirds leased), and the new office/retail projects built by NVD: Waterfront Station and NVD Place, which are both approximately 65% leased. Waterfront Station is actually running at a much higher occupancy level than 65%, but the condominiums sold are not counted as part of the leaseable portfolio. Taking the sales and temporary leases into consideration, Waterfront station is 85% occupied.

Demand for both lease premises and commercial condominium space has been weak for more than two years. NVD management continues to focus on a comprehensive leasing program aimed at attracting qualified tenants to both Waterfront Station and NVD Place, while at the same time looking to be inventive in attracting new users to the Titanium Way properties. Early indications are that the Hotel Division Net Operating Income will move up sharply in 2015. The same expectations are in place for the Rental Division as full year inclusion of NVD Place will drive up revenues, and some leasing success has been achieved early in 2015. However, the economy will need to shift further into positive territory in order to provide for sustained improvement in the Rental division.

SALES PROGRAM – NUGGET BEACH WAS THE SIGNIFICANT EVENT

Titanium Way Business Park: Following a year in which NVD recorded sixteen lot sales, it was clear that gains from this source would decline in 2014 as there were only seven lots left in inventory. Only one lot was sold in 2014 and because partial consideration included prepayment of advertising services, the gain from this sale will be recognized in 2015 and 2016. This drops the available inventory for sale in the Titanium Way Business Park to six lots.

Titanium Way 170 Condominium: Because of the difficulty leasing the units in this complex, Management actively listed these condominiums for sale in 2014. Mid-year one unit was sold for a gain of just over $40,000.

River's Reach: One residential condo unit was sold early in 2014, netting NVD a gain of approximately $32,000 on the sale. The remaining five units that NVD owns either directly (two) or through its 90% owned Joint Venture with Ketza Group (three) are all on the first and second floors of the complex and are all under lease.

Nugget Beach: The Nugget Beach property, between First and Second Avenues, is a well located property with significant development potential. Since purchase, NVD has operated two buildings on the property – currently occupied by EDI Systems and Investor's Group/Domino's Pizza. Management has kept an eye out for development potential for the undeveloped part of the property fronting First Avenue. In 2014, NVD made the property available for builders seeking to respond to an RFP from the Yukon Territorial Government to build a 48-unit seniors housing complex. The Nugget Beach site was ideal for this purpose and a number of builders elected to use the site in their bids. Narrow Gauge Contractors were the successful bidder and purchased approximately 27,000 square feet of Nugget Beach (43%) fronting First Avenue. The project is now under construction in a manner that is limiting impact on NVD's other Nugget Beach tenants, and the sale of the property provided NVD with a gain of approximately $385,000 in 2014.

Storage Park: NVD acquired a 40% Joint Venture stake in the Titanium Way Storage Park in order to facilitate the startup and assist the key principal owners to purchase all of Lot 15-4 in Titanium Way from NVD. It was always NVD's intent to exit the Joint Venture once the business found its footing, which it did in 2014. Consequently, NVD sold its interest in the property in late 2014 for a gain of just over $90,000. A significant portion of the Vendor Take Back loan NVD had extended to the Titanium Way Storage Park Joint Venture was also retired as part of this transaction. At December 31, 2014 less than $60,000 was outstanding to NVD on this loan, and arrangements call for it to be paid out as excess cash flow from Storage Park operations is available.

DEVELOPMENT ACTIVITIES

In June 2014 the Partnership completed the construction of its NVD Place project and a grand opening event was held. The project has been well received, but as noted earlier, a weak leasing environment has led to a higher level of vacancy in the project than anticipated.

The chart on the following page tracks income before interest costs and depreciation expense from the three main income sources for NVD. Unitholders can see that in 2014 the two main divisions were back to contributing roughly equally as was the case in the 2009/2010 period. Both divisions are anticipated to continue an upward trend in 2015 with the gap estimated to expand a little in favour of the Hotels Division.

The Partnership has engaged Calgary-based Abugov Kaspar to design usage for the balance of the Waterfront Place lands and Management will hold information sessions early in 2015 to seek input from stakeholders in the area. These lands hold the promise of significant residential and commercial space development once the Yukon economy is driving strong demand.

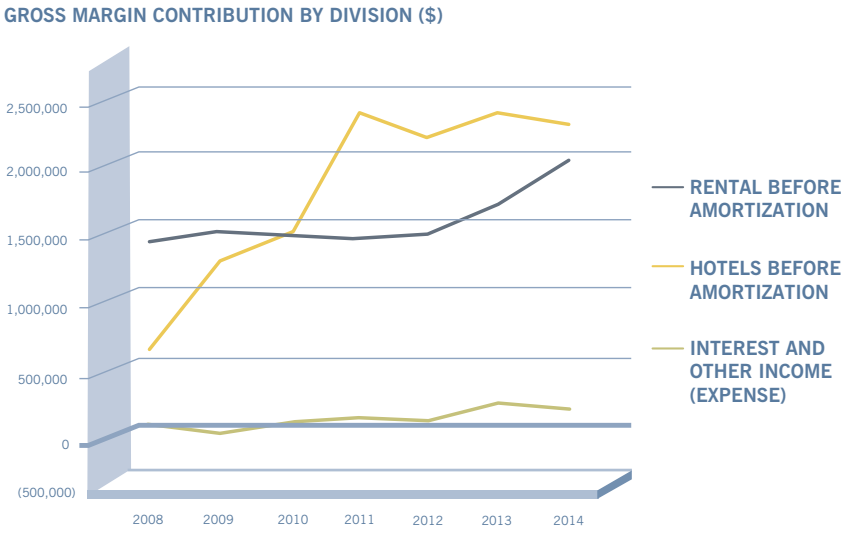
OTHER SOURCES ON INCOME

Income from interest charged on the Partnership's loan portfolio remained at the higher levels first seen in 2013. NVD makes loans to assist in tenant fit up projects, or as Vendor take-back portions of sales of lot inventory. The loans are therefore secured by property or assets within the premises. While the loans can sometimes be paid off quickly as the buyers move to more conventional lending sources, there is always a lot of activity in this portfolio and it has remained relatively static in terms of overall size over the past few years despite the payouts. As sales activity and leasing activity decline, we expect less activity in the loan portfolio and therefore anticipate that the balances will now begin to shrink over time.

ECONOMIC COMMENTARY

After a strong 2010 to 2012 period, the Yukon economy has lagged the Canadian GDP growth since the end of 2012. The chart at the end of this section compares Yukon GDP growth performance as compared to the average for all of Canada.

In 2013, at a decline of 1.0%, the Yukon posted the worst GDP growth in the Country. 2014 saw a move back to positive growth – with preliminary results suggesting a 1.2% GDP growth still lagged the more than 2.0% growth Canada-wide. Current estimates are for the Yukon economy to mostly catch up with the Canada average growth rate in 2015. NVD was launched in 2004 following



With the full integration of the new hotels and with the completion of NVD Place, margin growth is expected to continue in 2015. In 2014, with the inclusion of half a year of revenue from NVD Place, the Rental Division closed the contribution gap with Hotels considerably.

a very bad period for the Yukon and has benefited during its first eight years from an economy that mostly outpaced Canadian Growth averages. But the difficult economic circumstances in the 2013-2015 period are clearly illustrated in the graph. Population growth has also ceased to be a driver of solid positive outcomes for NVD during this period. The 2011 census indicated that from 2006 to 2011 the Yukon led all of Canada in percentage growth in population. But since 2012 population growth in the Yukon has slowed.

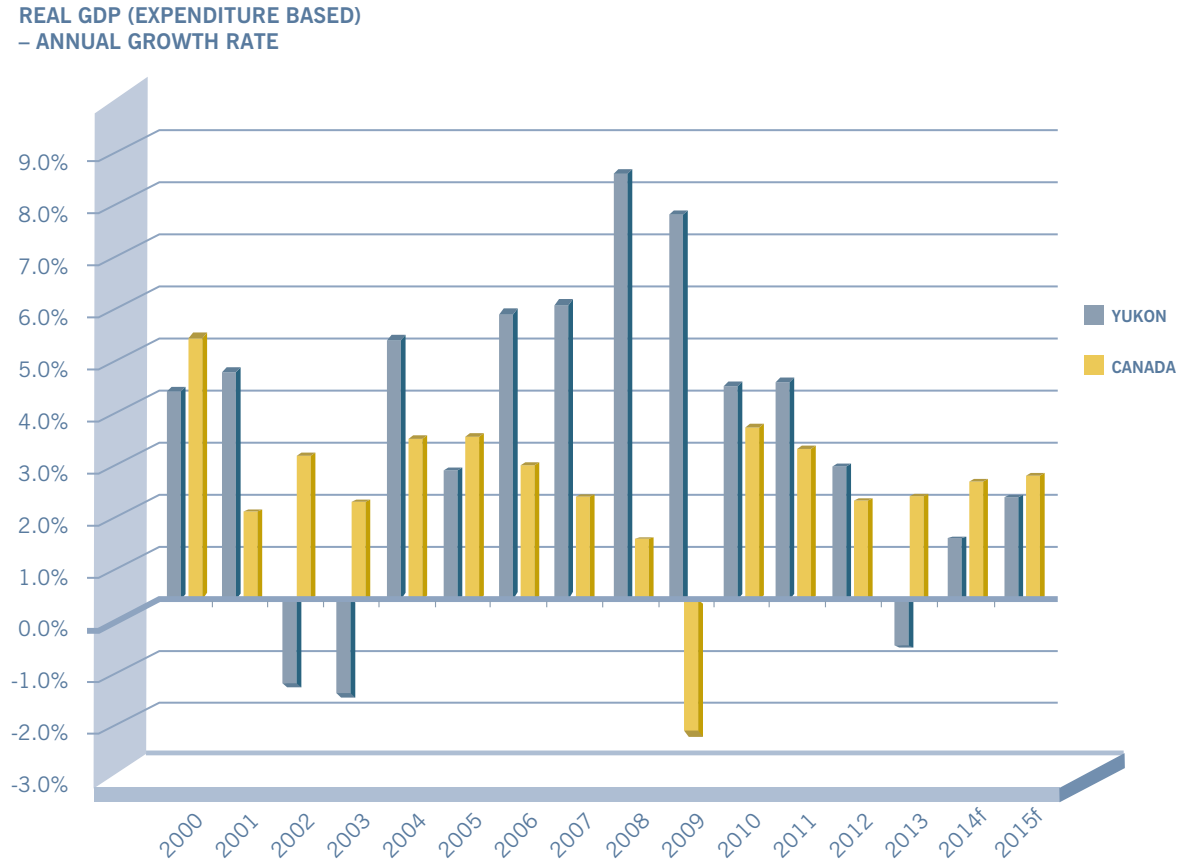
Mining Sector: Looking beyond 2016 the Yukon Territorial Government is forecasting a return to strong growth on the back of a number of mines that are planned for the territory. Several mines are still planned to come on stream between 2016 and 2018. However, there have been some recent announcements that indicate opening may be delayed in some cases and capital spending has slowed. In addition, Yukon Zinc placed its Wolverine mine under creditor protection in March 2015. NVD's exposure to debts from Yukon Zinc is low, being below $12,000, however the closing of one of the two operating mines in the territory is certainly a negative signal. Ultimately with a firming up of commodity prices and a return to more normal levels in global demand, the Yukon will be well positioned for growth, but for the short to medium term NVD anticipates that growth will continue to be tepid, and we do not anticipate any strong economic drivers to have positive impact in 2015.

Tourism and Food and Beverage Industries: The tourism sector in the Yukon generally benefits from a low Canadian dollar relative to the US dollar. This benefit is not so much driven by increased visitation from US tourists, but rather from Canadian tourists recognizing relative value in domestic destinations. NVD's CEO, Rich Thompson, is Chairman of the Yukon Chamber of Commerce. In that role he played an important role in encouraging the Territorial Government, in partnership with CanNor, to bolster tourism marketing spend during the period when mining activity is under pressure. In 2014, the Territorial Government announced an increase of $1.8 million per year in destination marketing budgets for the next two years. While this number may sound low to unitholders, it represents a substantial increase in out of territory advertising spending and should have a positive impact when such assistance is very much needed. Similarly the Yukon Chamber was able to work with the Government to create a wholesale discount for liquor sales to restaurants. The government has moved to align its approach with that in other Canadian jurisdictions and the change will have a positive impact on Food and Beverage margins in NVD's Hotel Division and improve the viability of restaurants that lease premises in various NVD properties. Given the economic climate and challenges facing Yukon businesses, the changes and additional marketing spend are welcome moves.

OUTLOOK

While the Yukon Government is forecasting substantial GDP growth in 2016, NVD is less optimistic. We believe that there will be continued delays in bringing mining production on stream and do not anticipate seeing meaningful impact from this sector until at least the end of 2016. Both the Federal and Territorial governments have struggled to find strong partnership footing with Yukon-based First Nations, which has led to missed opportunities for business investment involving First Nations entities. However, there is a recognition by all parties that better relationships are required, and NVD is hopeful that in 2015 and beyond that First Nations will be in a position to play a full and critical role in investment growth in the Yukon.

NVD success will rest with maximizing market share for its hotel properties and filling vacancies in its lease portfolio. The Partnership has made moves to reduce overhead costs significantly in 2015, and with limited development activities its remaining management team will be able to give complete focus to these two objectives.



Source: Yukon Territorial Government

IN 2013, AT A DECLINE OF 1.0%, THE YUKON POSTED THE WORST GDP GROWTH IN THE COUNTRY. 2014 SAW A MOVE BACK TO POSITIVE GROWTH, BUT PERFORMANCE STILL LAGGED CANADIAN AVERAGES.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS

The audited financial statements for NVD as at and for the period ended December 31, 2014 are included with this annual report. This summary should be read in conjunction with the financial statements and related notes thereto. The financial statements were prepared by management and audited by Deloitte LLP.

STATEMENTS PREPARED UNDER ASPE

The Partnership's financial statements for the year ended December 31, 2014 utilize *Accounting Standards for Private Enterprise* ("ASPE") which were adopted by the Partnership in 2011. The Partnership continues to evaluate a move to International Financial Reporting Standards ("IFRS") but at this time believes ASPE is the appropriate standard for reporting on NVD's business.

FINANCING ACTIVITIES

As at December 31, 2014 there were 21,029,970 Limited Partnership Units outstanding (21,029,970 at December 31, 2013) and $4 million in 6.75% Secured Convertible Debentures were outstanding with interest paid quarterly in arrears (2013 - $4 million). The debentures mature on August 31, 2016 and carry the following provisions: NVD may redeem outstanding debentures, in whole or in part, any time after February 28, 2015 in increments of $100,000 with the minimum redemption being $500,000; the debenture holders may convert the debentures, in whole at any time prior to maturity at a price that is the lesser of $1.95 per unit or at a 5% discount to the most recently calculated NAV per unit amount. So long as there are convertible debentures outstanding NVD agrees to pay out no more than 90% of AFFO without prior agreement for the debenture holders (waiver was granted in 2013), and if a higher percentage of AFFO is paid out in any year, the amount over 90% will be offset in the year following by a reduction in the AFFO payment and any prepayment of AFFO will be adjusted for impact on conversion price at time of conversion. As at December 31, 2014 a formal NAV estimate was not made, but a fully diluted number of units outstanding of 23,115,544 is estimated by management. This number will be updated as soon as the formal third party NAV value is obtained. NVD paid out a distribution that was $72,000 more than 90% of AFFO in 2013 and AFFO in 2014 was negative, at ($102,774). Therefore NVD must earn $164,470 in AFFO to make up for the 2013 overpayment and the 2014 shortfall before it pays any further distributions to unitholders. The convertible debt holders have provided NVD with a waiver in regards to this combined overpayment and shortfall (waiver also granted in 2013).

Long Term Debt: At December 31, 2014 total long term debt (excluding current portion) had decreased to $23,014,766 from $24,006,917 in 2013. Long term debt would actually have increased if the construction loan related to NVD Place totaling $5,760,000 had been termed out prior to December 31, 2014. However the lease position in NVD Place was short of requirements to meet Debt Service Coverage and Loan to Value covenants for that loan and an extension was provided until March 31, 2015 to allow NVD to complete further leasing activity

before this loan is converted to a long term mortgage. NVD has completed additional leases and expects the short term loan to be termed out into a mortgage in April 2015. During the year NVD paid out debt owed to BDC and related to the Storage Park at the same time as it sold its Joint Venture position in the Storage Park. NVD took on a new mortgage facility with RBC related to a River's Reach unit it acquired during the year. At year end there was a balance of $382,628 outstanding on this facility (2013 - $Nil). During the year NVD made a special onetime payment of $250,000 on a loan from RBC related to Waterfront Station. This payment was made to bring that loan onside with covenants given the sale of one underlying condo unit and the lack of new leasing activity during 2014 for that property.

Credit Line: The Partnership established a revolving credit facility with Scotiabank during the year of $500,000, which also includes an ability to establish notes of credit, and $50,000 in credit card limits. The line was used during August for a two week period but otherwise has not been accessed by NVD and at year end there was no drawdown on this credit facility.

Short Term Debt: The partnership had $6,103,258 in short term loans outstanding at December 31, 2014 (2013 - $3,829,540). As was the case at the end of 2013 the bulk of this was comprised of the construction loan related to NVD Place which stood at $5,732,650 at year end (2013 - $3,358,849). At the end of 2013 the Partnership owed $500,000 in short term notes due by March 31, 2014 and this balance was paid out in full in the first quarter. An additional $375,000 in short term debt was arranged in 2014 with Tr'ondëk Hwëch'in Trust representing NVD's 50% share of a $750,000 loan put in place to support the Downtown Hotel in Dawson and carrying an interest rate of 5.0% per annum. The Partnership plans to replace this financing in 2015 with conventional financing for this project.

Weighted Average Cost of Debt: At December 31, 2014 weighted average cost of total debt decreased to 4.32% (4.72% at December 31, 2013). This resulted from the new commercial debt added during the year being arranged at rates below NVD's average interest cost and by retiring short term notes with principal of $500,000 and interest at 8% per annum with short term notes totaling $375,000 at a rate of 5% per annum. Within the longer term debt portfolio, fixed rate debt represented 35% and variable rate debt represented 65% (fixed rates represented 50% of the entire debt portfolio in 2013). Fixed debt had a weighted average cost of 3.88% as at December 31, 2014, variable rate debt carried a weighted average cost of 4.50% and short term debt had a weighted average cost of 4.47%.

Total debt to equity ratio at December 31, 2014 was 1.11:1 (2013 - 1.07:1) if convertible debt is treated as equity. If convertible debt is treated as long term debt, this ratio is 1.49:1 (2013 -1.44:1). As the Partnership pays out the bulk of Available Funds from Operations ("AFFO") each year, equity remains relatively constant unless new equity is issued, which did not occur in 2014. However total debt increased during the year as the balance of the NVD Place project was completed, and accordingly the debt to equity ratio went up slightly.

Currently, the Partnership is exposed to interest rate risk with each 1% rise in its variable interest rates responsible for an annual increase of $208,512 ($159,725 in 2013) in interest expense. When the construction loan with FNBC related to NVD Place is termed out into a fixed rate facility,

this exposure will drop to $150,912 for each 1% change in interest rates, and fixed debt will represent 48.5% of the entire debt portfolio which will bring it back in line with management and board targets for a balance between fixed and variable rates.

BALANCE SHEET ACCOUNTS

Accounts Receivable: Accounts receivable were $1,328,212 at December 31, 2014 which was more than double the $670,252 a year earlier. This was the result of a delay in receipt of the final payment for the purchase of the portion of the Nugget Beach property. The sale had closed and land had been transferred in 2014 however payment from the government was delayed until certain conditions were met. All conditions were satisfied and payment on this balance was received in full in the middle of January 2015, returning accounts receivable balances to historical levels. Prepaid expenses were also up sharply at the end of 2014 to $373,584 from $232,816 a year earlier. A new phone system was being installed in the Whitehorse hotels and NVD booked $60,000 of prepaid advertising related to the sale of a Titanium Way lot. These two items combined to push prepaid expense balances up.

Property and equipment and other asset categories: With the completion of NVD Place in June 2014, that asset was moved from Properties under development to Property and equipment. At December 31, 2014 the Properties under development of $2,042,024 (2013 - $8,372,771) was comprised of the Partnership's remaining undeveloped lands on the Whitehorse waterfront. Properties held for sale at $642,290 is comprised of the remaining six Titanium Way lots, as River's Reach units previously classified in this category were either sold or moved to Property and equipment when they became subject to long term leases (2013 - 2,046,319).

OPERATING ACTIVITIES

Revenues: Revenues decreased 5.6% to $17.3 million versus $18.3 million in 2013. Gross revenues increased in the Hotel Division by 10.5% due to the full year inclusion of 2 (net 1.5) hotel properties in 2014 versus partial year inclusion in 2013, as well as from organic growth in revenue. The Rental Division saw revenues increase by 43.9% due to the partial year inclusion of NVD Place revenues after that property was substantially completed in June 2014 and 100% inclusion of Waterfront Station revenues (which were included at only 50% for nine months in 2013 prior to NVD buying out its joint venture partner). After a record year of Titanium Way lot sales in 2013, Revenues from Properties held for sale declined to $129,830, being the cash portion received from one Titanium Way lot sale (2013 - $2,166,409). In 2014 the bulk of the sale of Development Properties came from the Nugget Beach property, with contributions also from a Waterfront Station Condo, the Titanium Way Storage Park and other smaller assets. In 2013, the revenues in this category were comprised mainly of Waterfront Station Condominium sales.

Gross Profit and Direct Expenses: Direct Expenses were down for the year by 9.6% to $12.6 million (2013 - $13.1 million). Hotel direct costs were up by 13.9% driven mostly by the full year inclusion of the new hotel properties as noted above, but also due to higher costs in

the Food and Beverage activities at the Coast High Country Inn and the Edgewater Hotel, which meant direct costs in that division rose faster than revenues. Direct costs in the rental area were up to $400,239 (2013 - $136,984) due to the vacancy costs associated with both NVD Place and Waterfront Station. Gross margin was up in this division as revenues rose at a faster pace than costs. The sale of Nugget Beach undeveloped lands and the Titanium Way Storage Park led to higher margins than those realized on the Waterfront Station condo sales in 2013, causing margin in this category to be 26.7% in 2014 as compared to 13.8% in 2013. As noted earlier, with only one Titanium Way sale in the current year, the cost of Properties held for sale was down from those costs related to 16 lot sales in 2013, dropping from $1.8 million to just over $130,000. There was no margin realized on the sale in 2014, as part of the consideration was future advertising services, so the gain will be recognized in 2015 and beyond as the advertising is placed.

Overall Gross profit was down 9.0% to $4.7 million from $5.2 million the previous year. This was a consequence of lower margin contribution from the Hotels Division and a much lower level of sales from Assets held for sale, offset by improved margins from the Rental Division and better margin performance from sales of Development properties.

Expenses: In 2014, amortization increased to $1.8 million from $1.4 million in 2013 driven primarily by the inclusion of full year amortization of acquisitions made in 2013 (and therefore receiving half year rule treatment in 2013) and the beginning of recognition of amortization associated with NVD Place. Interest expenses increased significantly in 2014 to $1.5 million (2013 - $1.0 million) with approximately $200,000 of the increase associated with full year inclusion of convertible debenture interest expense (one third of a year in 2013) and a good portion of the balance being related to the NVD Place interest costs. Weighted average cost of debt decreased throughout the year, which had some impact on reducing the pace of interest cost increases.

Wages were flat on the year, increasing 2.6% to $752,348 (2013 -$733,593). With a significant reduction in development projects and disappointing results, these costs will be trimmed in 2015 as will board costs and other charges associated with operations.

Governance costs record director fees and costs associated with board meetings. This cost increased by 16.2% in 2014 to $229,432 (2013 - $197,314) resulting from the full year inclusion of one additional board member (partial year only in 2013) and additional travel and board meeting expenses.

Marketing expenses were up only $9,900 to $135,565 (2013 - $125,665) despite the costs of the ten year anniversary celebration for the Partnership being included in this category in 2014. As operations have struggled, measures have been taken to reduced marketing and sponsorship expenditures and unitholders can expect a decline in this area in 2015.

Professional fees were cut in half to $63,690 in 2014 (2013 - $116,658) reflecting a switch in Audit firms and a longer term engagement of auditors.

INTEREST INCOME

Interest Income was down in 2014 to $133,049 (2013 - $166,297), a 19.9% decline. The main driver was a relatively higher interest loan to Ketza Group being retired in September 2013 which accounts for the bulk of the change in interest earned.

REVIEW OF MANAGEMENT OBJECTIVES

Here is a review of the objectives set for 2014 in the 2013 annual report with commentary on the results achieved:

Objective: Continue focus on leasing and selling the remaining vacant premises in the portfolio and return to an overall occupancy rate of in excess of 90% for the entire lease portfolio. **Result:** this objective was not achieved. A tough economic backdrop meant that demand for new premises in Whitehorse was slow throughout the year.

Objective: Complete the renovation program at the Downtown Hotel and improve performance such that the Net Operating Income for this property exceeds $150,000 in 2014. **Result:** The renovation project was completed and room revenues and margins have improved. However the Net Operating Income target was not met as the property failed to reach breakeven levels.

Objective: Be a successful proponent for an affordable housing project in either Whitehorse or Dawson and earn a grant contribution associated with this proposal of at least $5 million. **Result:** NVD's projects both qualified during the bid process and one reached the final grant stage as a winning bid. However, the grant program was cancelled and none of the Whitehorse based proposals advanced as a result.

Objective: Continue to produce the financial results sufficient to pay a distribution to unitholders that is in keeping with historical distribution levels. **Result:** Income was over $200,000, meaning AFFO was negative and the result was no funds available for distribution. This objective was not achieved.

Objective: Commence at least one new development project in Whitehorse that meets NVD development return standards and that can be largely completed in 2014. **Result:** Given the obvious lack of demand for new product, this objective was deferred.

Objective: Improve revenues, food and beverage margins, and room margins such that Net Operating Income for the Hotel Division exceeds $2.5 million. **Result:** Due to the performance of the Downtown and Edgewater Hotels, and the problems with Food and Beverage margins at the Coast High Country Inn, this objective was not met and Net Operating Income fell short of $2.2 million.

Objective: Retain sufficient cash flow throughout 2014 that will allow NVD to begin to either materially retire the outstanding secured convertible debentures outstanding as at February 28, 2015 or to allow NVD to use such cash flow to provide equity funding for development and/or housing projects. **Result:** NVD remains focused on partial retirement of convertible debt in 2015.

Objective: Sell a minimum of four Titanium Way lots.
Result: Not achieved. Only one lot was sold.

Objectives for 2015 include:

Objective: Improve divisional margin contribution for both Hotels and Rentals and trim overhead costs in order to deliver Net Income in excess of $1.2 million for 2015.

Objective: Sell half of the remaining Titanium Way lot inventory (3 lots).

Objective: Successfully lease up vacancies so the overall portfolio is over 92.5% leased by the end of 2015.

Objective: Pay down, or cause to have converted, at least half of the outstanding convertible debt so that no more than $2 million is outstanding and non-converted at the end of 2015.

Objective: Replace the short term notes in place in support of the Downtown Hotel with conventional debt financing.

The objectives are focused on returning NVD to a more appropriate level of income production and to continue to position it for growth when stronger economic times resume in Yukon.

FINANCIAL AND LIQUIDITY PLANS

A number of unitholders are seeking exit from the Partnership. Since our last liquidity event in September 2012, the economic times have not been ideal for another formal liquidity event. However it does not appear that will change in the near term. Consequently, the board and management are assessing the potential for either an informal or formal liquidity event in the next few months.

It is the intention of the board and management to work to ensure that if an offer is possible, that it is made prior to the Annual General Meeting of the Partnership in May 2015 so that it can be reviewed with unitholders at that time. Further communication will take place with unitholders as this liquidity plan is fully explored.

FINANCIAL STATEMENTS AND NOTES

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Northern Vision Development Limited Partnership and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

These financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The partnership maintains systems of internal accounting and administrative controls of quality that are consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the partnership's assets are appropriately accounted for and adequately safeguarded.

The partnership's management is responsible for ensuring that the partnership fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board of Directors review the partnership's financial statements and recommend their approval. The Board of Directors meet periodically with management, as well as the external accountants, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external accountants' report. The Board of Directors takes this information into consideration when approving the financial statements for issuance to the partners. The Board of Directors also consider the engagement of the external accountants.

The financial statements have been audited by Deloitte LLP in accordance with Canadian generally accepted auditing standards on behalf of the partnership. Deloitte LLP has full access to the Board of Directors.

March 24, 2015

On behalf of the Board:

Stanley Noel,
Director and Audit Committee Chair

Ian McAuley,
Director and Member of the Audit Committee

INDEPENDENT AUDITOR'S REPORT

To the Partners of
Northern Vision Development Limited Partnership

We have audited the accompanying consolidated financial statements of Northern Vision Development Limited Partnership, which comprise the consolidated balance sheet as at December 31, 2014, and the consolidated statements of income, partners' equity and cash flows for the year then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northern Vision Development Limited Partnership as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Chartered Accountants

Deloitte LLP

March 24, 2015
Vancouver, British Columbia

Northern Vision Development Limited Partnership

CONSOLIDATED BALANCE SHEET

As at		December 31, 2014		December 31, 2013
ASSETS				
Cash	$	1,255,656	$	1,528,219
Accounts receivable (Note 11)		1,328,212		670,252
Inventories		153,301		127,543
Prepaid expenses and deposits		373,584		232,816
Loans receivable (Note 10)		2,832,495		3,003,920
Property and equipment (Note 3)		48,502,926		39,941,776
Properties under development (Note 4)		2,042,024		8,372,771
Properties held for sale (Note 5)		642,290		2,046,319
Other		19,206		4,833
	$	57,149,694	$	55,958,449
LIABILITIES & PARTNERS' EQUITY				
Accounts payable and accrued liabilities (Note 11)	$	1,689,831	$	1,867,293
Deferred revenue		-		109,291
Customer deposits		127,072		140,684
Short term loans (Note 8)		6,103,258		3,829,540
Convertible debentures (Note 7)		3,985,967		3,977,548
Long term debt (Note 6)		23,014,766		24,006,917
		34,920,894		33,931,273
Partners' equity (Note 13)		22,228,800		22,027,176
	$	57,149,694	$	55,958,449

Approved on behalf of the Board:

Stanley Noel, Director, Chair of Audit Committee

Ian McAuley, Director, Member of the Audit Committee

The accompanying notes are an integral part of these financial statements.

Northern Vision Development Limited Partnership

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31,		2014		2013
Revenues				
Hotels	$	12,731,544	$	11,518,087
Rentals		2,334,947		1,622,945
Properties held for sale		129,830		2,878,444
Development properties		2,101,123		2,166,409
Rental income from properties held for sale		-		1,750
Other		4,539		131,666
		17,301,983		18,319,301
Direct expenses				
Hotels		10,515,569		9,228,842
Properties held for sale		132,536		1,844,268
Development Properties		1,540,358		1,868,279
Rentals		400,239		136,984
Rental properties held for sale		-		-
		12,588,702		13,078,373
Gross profit		4,713,281		5,240,928
Expenses				
Amortization		1,757,355		1,430,456
Interest		1,478,241		1,002,509
Wages		752,348		733,593
Governance		229,432		197,314
Office		196,100		191,025
Marketing		135,565		125,665
Professional fees		63,690		116,658
Travel		26,114		23,173
Shareholder communications		13,177		18,900
		4,652,022		3,839,294
Income from operations		61,259		1,401,634
Other income				
Interest income		133,049		166,298
Gain/(loss) on sale of property and equipment		7,316		(2,666)
Net income	$	201,624	$	1,565,266

The accompanying notes are an integral part of these financial statements.

Northern Vision Development Limited Partnership

CONSOLIDATED STATEMENT OF PARTNERS' EQUITY

For the year ended December 31,		2014		2013
Partners' equity, beginning of year	$	22,027,176	$	21,961,910
Net income for the year		201,624		1,565,266
Partners' equity		22,228,800		23,527,176
Capital distribution		-		(1,500,000)
Partners' equity, end of year	$	22,228,800	$	22,027,176

The accompanying notes are an integral part of these financial statements.

Northern Vision Development Limited Partnership

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31,		2014		20132
Cash flows from operating activities				
Net income for the year	$	201,624	$	1,565,265
Add back non cash items				
Amortization of financing fees		47,310		59,807
Amortization of other assets		8,996		6,463
Amortization of property and equipment		1,748,359		1,423,993
(Gain) loss of disposal of property and equipment		(7,316)		2,666
Cost of properties sold		1,672,894		3,712,547
		3,671,867		6,770,741
Changes in non cash working capital balances				
Accounts payable and accrued liabilities		(177,463)		(879,205)
Accounts receivable		(657,960)		1,302,004
Prepaid expenses and deposits		(140,768)		141,416
Inventories		4,241		(28,167)
Properties held for sale		-		273,575
Deferred revenues		109,291		(95,810)
Customer deposits		13,612		139,184
		2,822,820		7,623,739
Cash flows from investing activities				
Issuance of loans receivable		(1,122,746)		(2,107,434)
Repayment of loans receivable		1,294,171		1,843,132
Proceeds on sale of property and equipment		-		8,807
Purchase of property and equipment		(4,033,483)		(11,656,642)
Acquisition of businesses		-		(4,007,500)
Other assets		(15,627)		7,445
		(3,877,685)		(15,912,192)
Cash flows from financing activates				
Financing Fess paid, net		-		(184,904)
Advances of short-term debt		2,776,151		9,630,388
Advances of long-term debt		-		8,366,004
Repayment of short-term debt		(500,000)		(6,975,079)
Repayment of long-term debt		(1,493,848)		(4,006,555)
Proceeds from Debentures issued		-		4,000,000
Capital distribution		-		(1,500,000)
		782,302		9,329,854
Net increase (decrease) in cash during year		(272,563)		1,041,401
Cash, beginning of year		1,528,219		486,818
Cash, end of year	$	1,255,656	$	1,528,219
Supplemental disclosure of non-cash transactions				
Vendor take-back loans receivable	$	615,058	$	1,407,170
Assumption of debt		392,335		-

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Northern Vision Development Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of Alberta on January 15, 2004 and was extra-provincially registered under the Partnership and Business Names Act of the Yukon Territory on March 22, 2004. The Partnership's principal business is the acquisition, development and sale of commercial, industrial and residential properties, and the operations of hotels located in the Yukon.

The Partnership consists of a general partner, Northern Vision Development Corp. (the "General Partner"), and a number of limited partners holding partnership units (collectively the "Partners").

Pursuant to the terms of the Limited Partnership Agreement, the General Partner has unlimited liability for the debts and obligations of the Partnership. The liability of each Limited Partner is limited to the amount of capital contributed or agreed to be contributed, the Limited Partner's assumed share of the mortgage financing, and their share of undistributed income.

Basis of Accounting

These consolidated financial statements reflect only the assets, liabilities, revenue and expenses of the Partnership and, therefore, do not include any other assets, liabilities, revenues or expenses of the Partners or the liability of the Partners for income taxes on earnings of the Partnership. These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE").

Basis of Consolidation

The consolidated financial statements include the financial statements of the Partnership, its controlled subsidiaries and its proportionate share of the assets, liabilities and operations of its joint venture interests. Control is achieved when the Partnership has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances are eliminated on consolidation. The financial statements of the Partnership's subsidiaries are prepared using consistent accounting policies and the same reporting date as the Partnership. These consolidated financial statements include the accounts of the Partnership and 45978 Yukon Inc., a wholly owned subsidiary, the Partnership's 50% interest in the Dawson Downtown Partnership and its joint venture interests.

Inventories

Inventories consist of hotel supplies, which are valued at the lower of cost and net realizable value. Cost is determined on a first in, first out basis. A provision is raised when it is believed that the costs incurred will not be recovered on the ultimate sale of the inventory.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Capitalized costs include all direct costs related to development, construction and upgrades, other than ordinary repairs and maintenance, carrying costs including interest on debt and property taxes during construction, and land acquisition costs. Amortization is provided using the following annual rates:

	Method	Rate
Automotive	Declining balance basis	30%
Buildings	Declining balance basis	4%
Computer equipment	Declining balance basis	30%
Computer software	Declining balance basis	45%
Furniture and fixtures	Declining balance basis	20%
Paving and landscaping	Declining balance basis	8%

Impairment of Long-Lived Assets

Long-lived assets consist of property and equipment and properties under development. Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that an asset's carrying value might be impaired. An impairment loss is recognized when the asset's carrying value exceeds the estimated future undiscounted cash flows from the asset's use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over the fair value. Any impairment is included in income (loss) for the year.

Income Taxes

The Partnership is a limited partnership. As a result, the Partnership's earnings or losses for income tax purposes are included in the tax returns of the Partners. Accordingly, no recognition has been given to current or future income taxes in the accompanying consolidated financial statements of the Partnership. Net earnings for financial statement purposes may differ significantly from taxable income reportable to the Partners as a result of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation requirements under the Partnership agreement.

Revenue Recognition

Properties are rented to tenants pursuant to rental agreements, which provide for various rental terms with non-refundable rental payments. Revenue from rental agreements is recognized over the rental term as amounts become due and when collection is reasonably assured.

Revenue from the sale of real estate is recognized when persuasive evidence of an arrangement exists, amounts are fixed and determinable, all material conditions of the sale have been fulfilled, collection is reasonably assured and title to the property has transferred.

Hotel revenue is recognized as services are provided and when collection is reasonably assured.

Refundable tenant security deposits are recorded as a liability until repaid to the tenant.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in accordance with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Areas requiring significant management estimates relate to the determination of the impairment of accounts and loans receivable, property and equipment and property under development and held for sale, and the useful lives of property and equipment. Actual results could differ from those estimates and may have an impact on future periods.

Properties Held for Sale

The Partnership classifies properties as held for sale when management approves and commits to a formal plan of sale and it does not believe it can utilize the lands for active development. Properties held for sale are carried at the lower of cost and net realizable value, with net realizable value being determined as the estimated selling price less estimated costs to sell.

Property Under Development

The Partnership classifies properties under development as those that are or will be actively developed for the purposes of generating rental income or subsequent revenue from sales for the Partnership.

Non-Monetary Transactions

All non-monetary transactions are measured at fair value unless:

- the transaction lacks commercial substance;
- the transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange;
- neither the fair value of the assets received nor the fair value of the assets given up is reliably measurable; or
- the transaction is a non-monetary, non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation.

A non-monetary transaction has commercial substance when the Partnership's future cash flows are expected to change significantly as a result of the transaction.

Jointly Controlled Assets

Jointly controlled assets are investments which the Partnership has joint control with one or more unaffiliated entities. Jointly controlled assets are accounted for using the proportionate consolidation method as follows:

- the consolidated balance sheet includes the Partnership's proportionate share of the assets and the liabilities of the jointly controlled assets;
- the consolidated statement of operations includes the Partnership's proportionate share of the income and expenses of the jointly controlled asset; and
- gains on transactions between the Partnership and its jointly controlled assets are eliminated to the extent of the Partnership's interest in the jointly controlled assets and losses are eliminated unless the transaction provides evidence of an impairment of the asset.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Accounts receivable, loans receivable, accounts payable and accrued liabilities, short term loans, customer deposits, convertible debentures and long term debt are initially recorded at fair value and subsequently measured at amortized cost. Financing and transaction costs associated with long term debt are netted against the carrying value of the long term debt and are amortized over the term of the financing using the straight-line method. Financial assets are recognized on the date the Partnership commits to purchase or sell the asset and derecognized when the Partnership no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold or all the risks and rewards of ownership have transferred to an independent third party.

The entire proceeds of convertible debentures issued by the Partnership have been allocated to the liability component, and the equity component has been deemed to be $Nil.

2. BUSINESS ACQUISITIONS

Effective May 30, 2013, the Partnership acquired the assets of the hotel business known as the Edgewater Hotel from an unrelated party. In addition, effective July 3, 2013, the Partnership acquired 50% of the assets of the hotel business known as the Downtown Hotel from an unrelated party. The results of operations of these divisions are included in the consolidated financial statements from the effective date of each acquisition. The aggregate purchase price for these acquisitions was $4,007,500 in cash and was allocated to the fair value of the assets acquired as indicated below:

Assets acquired		
Building and improvements	$	3,084,156
Land		680,844
Equipment		242,500
	$	4,007,500

3. PROPERTY AND EQUIPMENT

	2014			2013		
	Cost	Amortization	NBV	Cost	Amortization	NBV
Automotive	$ 179,423	$ 136,194	$ 43,229	$ 204,480	$ 131,547	$ 72,933
Buildings	42,661,157	6,165,306	36,495,851	34,409,571	4,985,549	29,424,022
Computer equipment and software	546,950	302,317	244,633	474,904	206,799	268,105
Furniture and fixtures	3,661,732	2,168,109	1,493,623	3,383,406	1,835,173	1,548,233
Land	9,145,908	-	9,145,908	7,647,985	-	7,647,985
Paving and landscaping	1,798,129	718,447	1,079,682	1,615,341	634,843	980,498
	$ 57,993,299	$ 9,490,373	$ 48,502,926	$ 47,735,687	$ 7,793,911	$ 39,941,776

During the year, a property previously under development with a carrying value of $9,666,917 and two properties classified as held for sale with a carrying value of $1,074,894 were transferred into property and equipment.

4. PROPERTIES UNDER DEVELOPMENT

		2014		2013
Land	$	2,042,024	$	3,959,999
Buildings		-		4,412,772
	$	2,042,024	$	8,372,771

Properties under development consists of assets under active development or lands identified for development by the Partnership for sale to third parties. During the year, one property was completed and the carrying value transferred to property and equipment, with another one under development at year end. During the year, the Partnership capitalized development and other costs in the amount of $2,783,720 (2013 - $4,378,355) and interest of $161,967 (2013 - $314,400).

5. PROPERTIES HELD FOR SALE

Properties held for sale consist of land and completed property developments and are accounted for at the lower of cost and estimated net realizable value. During the year, the Partnership capitalized development and other costs in the amount of $12,133 (2013-$28,852) and interest of $Nil (2013 - $48,267). During the year, the Partnership repurposed two properties to rental properties and reclassified the carrying value of $1,074,894 (2013 - $Nil) to property and equipment.

6. LONG TERM DEBT

As at December 31, 2014 there was $180,673 (2013 - $227,983) in deferred financing fees netted against long term debt. During the year, amortization of deferred financing fees amounted to $47,310 (2013 - $59,807) and a further $Nil (2013 - $81,757) in fees were incurred.

		2014		2013
Loan payable to BDC – interest BDC's floating base rate less 0.5 % per annum due January 5, 2018, with monthly principal repayments of $8,350 plus interest, secured by the following: secured by the following: first mortgage on 2180/2190 2nd Avenue Whitehorse; general assignment over property and equipment on that property.	$	380,500	$	454,622
Loan payable to RBC - interest at 4% annum, due January 4th, 2019, payable with monthly principal payments of $12,400 plus interest, secured by a first mortgage and assignment of rents from properties at 2237 2nd Avenue Whitehorse.		2,995,804		3,381,388
Loan payable to RBC - interest at 3.01% per annum, due May 1, 2018, payable in equal installments of $7,481 principal and interest, secured by a first mortgage on the property of 9016 Quartz Road, Whitehorse.		1,258,437		1,305,766
Loan payable to BDC - interest at BDC's floating base rate less 0.5% per annum, due March 23, 2033, with monthly principal repayments or $15,625 plus interest, secured a first mortgage on 2180/2190 2nd Avenue Whitehorse and a general assignment over property and equipment on that property.		3,415,919		3,553,226

6. LONG TERM DEBT (CONTINUED)

Loan payable to BDC - interest BDC's floating base rate less 0.5 % per annum, due March 23, 2033, with fixed monthly repayments of $37,500 principal plus interest, secured by the following: first mortgage on 411 Main Street, Whitehorse; general assignment over property and equipment on that property; first priority on inventory and receivables.		**8,286,674**		8,622,102
Loan payable to BDC - interest at BDC's floating base rate less 0.5% variance per annum, due September 23, 2028, with monthly principal repayments of $13,000 plus interest, secured by the first mortgage on 4051 4th Avenue, Whitehorse; general assignment over property and equipment of the property; first priority on inventory.		**2,765,752**		2,882,500
Loan payable to BDC - interest at BDC's floating base rate, due March 23, 2029, with monthly principal and interest repayments of $2,564 and secured by land and building on Lot 2A, Block B 335, Plan 2007-0028.		**443,589**		466,666
Loan payable to BDC - interest at BDC's floating base rate, due February 23 2029, with monthly principal repayments of $2,436 plus interest, secured by the following: first mortgage and assignment of rents on the Partnership's interest in the land and buildings at 166 & 170 Titanium Way, Whitehorse		**406,146**		426,162
Loan payable to RBC - interest at 2.25%, due July 25, 2018, with biweekly principal and interest repayments of $935, secured by a first mortgage on Unit 101, Whitehorse Condominium Corporation 192		**382,628**		-
Loan payable to BDC - interest at BDC's floating base rate less 0.5% , due June 23, 2032, with monthly principal repayments of $1,837 plus interest, secured by a first mortgage and assignment of rents on the Partnership's interest in the land and buildings at 166 & 170 Titanium Way, Whitehorse		**372,691**		396,900
Loan payable to BDC - interest at BDC's floating base rate less 0.5%, due May 15, 2033, with monthly principal repayments of $7,500 plus interest, secured by a first mortgage on 101 Main St Whitehorse; general assignment over property and equipment on that property		**1,646,337**		1,712,017
Loan payable to First Nations Bank-interest at 3.95% due October 1, 2017 with monthly payments of principal and interest of $4,534; secured by a first mortgage on 2193 and 2195 2nd Avenue, Whitehorse and a general assignment of rental income from the properties		**680,289**		684,975
Loan payable to BDC - interest at BDC's floating rate plus 0.5%, due March 23, 2038, with monthly principle repayments of $1,600 plus interest	$		$	182,121
	$	**23,014,766**	$	24,006,917

The BDC floating base rate at year end was 5.0% (2013 - 5.0%) and RBC's prime rate at year end was 3.0% (2013 - 3.0%).

6. LONG TERM DEBT (CONTINUED)

Principal repayments on long term debt over the next five years and thereafter are as follows:

2015	$	1,280,668
2016		1,280,668
2017		1,280,668
2018		2,179,661
2019		2,189,785
Thereafter		14,983,991
	$	23,195,441

The BDC floating base rate at year end was 5.0% (2013 - 5.0%) and RBC's prime rate at year end was 3.0% (2013 - 3.0%).

7. CONVERTIBLE DEBENTURES

At December 31, 2014, the Partnership had $4,000,000 in convertible debentures outstanding (2013 - $4,000,000). The debentures bear interest at 6.75% per annum paid quarterly and are secured with mortgages over four otherwise unencumbered properties and a security interest in the Partnership's other properties. The lenders have the option to convert the debenture at any time after February 28, 2014 into partnership units at the lesser of $1.95 per partnership unit or the calculated Net Asset Value per partnership unit as defined in the agreement, less 5% up to the maturity date of July 31, 2016. The Partnership can redeem the debentures at any time after February 15, 2015 at cost.

As at December 31, 2014 there was $14,033 (2013 - $22,452) in deferred financing fees netted against the debentures.

Under the terms of the credit agreement relating to the debentures, the Partnership must satisfy certain restrictive covenants. As at December 31, 2014, the Partnership was not in compliance with a financial covenant relating to the amount of the capital distributions paid to the Partners in 2013. The debenture holders have waived this covenant violation on the basis that the combined fiscal 2014 and fiscal 2015 capital distribution complies with the agreement.

8. SHORT TERM LOANS

The Partnership has borrowed $375,000 (2013 - $500,000) from a unitholder of the Partnership for the renovation of a hotel property. Interest is being charged at 5% per annum and is secured against the Partnership's interest in the hotel property. Subsequent to year-end this loan was converted to a mortgage with monthly principal and interest payments of $14,153 and is due December 15, 2019.

8. SHORT TERM LOANS (CONTINUED)

As at December 31, 2014 the Partnership has outstanding $5,732,650 (2013 - $3,358,849) due to the First Nations' Bank relating to a commercial construction project. The debt is secured by a general security agreement and a first mortgage on 4201 4th Avenue, Whitehorse. Monthly payments are interest only at 4.4% per annum. The loan had a term that expired on December 31, 2014, but was extended to March 31, 2015 in order for the Partnership to otherwise meet certain lease-up requirements to allow the loan to be converted to a mortgage. Should the Partnership be unable to meet these requirements, the loan will be due on March 31, 2015.

Deferred financing costs of $4,392 (2013 - $28,368) have been deducted from the principal balance of the above short-term debts.

The Partnership also has available an operating line of credit with a maximum authorized limit of $500,000, of which $Nil was drawn as at December 31, 2014 (2013 - $Nil). The line of credit bears interest at the bank prime rate plus 1.5% and is secured by a mortgage over certain of the Partnership's properties.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit Risk

The Partnership is exposed to credit risk resulting from the possibility that a customer, tenant or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or if financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Partnership's financial instruments that are exposed to concentrations of credit risk relate primarily to accounts and loans receivable. To mitigate the credit risk, the Partnership has accounts receivable widely distributed among its customer base, performs regular credit assessments of its customers, obtains advance deposits or with respect to loans receivable, takes a security interest in the property sold or the tenant's assets or personal guarantees. The Partnership therefore believes that there is acceptable credit risk associated with the collection of its accounts or loans receivable.

Interest Rate Risk

Interest rate risk is the risk that future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Partnership is exposed to interest rate risk with respect to its short term financial instruments all of which are expected to be realized within one to two years. As described in Note 6, a substantial portion of the Partnership's long term debt bears interest at floating rates. Fluctuations in these rates will impact the cost of financing incurred and cash flows available in the future.

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its obligations as they fall due. The Partnership monitors its liquidity on a regular basis and will draw on existing credit facilities or obtain new financing as necessary. In connection with the Partnership's short term loans (Note 8), management believes the leasing requirements associated with the First Nation's loan will be met by March 31, 2015. Should these conditions not be met, the Partnership may face liquidity risk.

10. LOANS RECEIVABLE

		2014		2013
Loans receivable	$	2,181,690	$	1,505,888
Mortgages receivable		679,969		908,105
Advances to joint ventures		142,262		325,625
		3,003,920		$2,739,618
Less: current portion		(1,215,983)		(566,236)
	$	1,787,937	$	2,173,382

(i) Loans Receivable

Loans receivable represent advances to or on behalf of commercial tenants for the purpose of completing leasehold improvements on property owned by the Partnership. The terms of the loans do not exceed 15 years, with interest rates ranging from 1% to 9%. The total interest earned on the loans in the year was $53,580 (2013 - $90,061). The maximum credit risk exposure associated with the loans receivable occurs if the borrower defaults on repayment of the loan. Therefore, the carrying value of the loans receivable balance represents the Partnership's exposure to the related credit risk without taking into account any rent that may be outstanding and the remaining term of the commercial lease or any collateral or any other credit security. There were no impairment provisions recorded on the loans receivable as at December 31, 2014.

(ii) Mortgages Receivable

Mortgages receivable represent vendor take back loans made to purchasers of properties sold by the Partnership. In all cases, security is provided by the underlying property. Interest is charged at rates ranging between 5% and 7% per annum. The total interest earned on the loans in the year was $65,400 (2013 - $50,086). The exposure to the credit risk associated with the mortgages receivable occurs if the borrowers defaults on repayment of the mortgage. Therefore, the carrying value of the mortgage receivable balance represents the Partnership's maximum exposure to the related credit risk without taking into account any collateral or any other credit enhancements. There were no impairment provisions recorded on the mortgages receivable as at December 31, 2014.

(iii) Advances to Joint Ventures

Advances to Joint Ventures are made to assist working capital requirements and represent advances made in excess of the Partnership's proportionate share in the jointly controlled assets. Interest is charged at 5% per annum when the other joint venturer does not contribute their proportionate share. The total interest collected in the year was $12,008 (2013 - $13,903).

11. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Partnership had the following transactions with parties that were either partners, employees or companies controlled by partners or employees of the Partnership:

		2014		2013
Paid:				
Financing charges and interest - paid to various investors in which the partnership has proportionate interests.	$	12,795	$	110,027
Asset purchased – the partnership purchased a 50% interest in a joint venture in which it had a existing proportionate interest.		-		2,240,413
Fees Paid to Directors of the Partnership		199,388		175,186
Rents paid to Joint Ventures in which the partnership had an existing proportionate interest		104,911		161,146
Other fees - consists of miscellaneous and contractor payments paid to employees, partners, or companies controlled by employees of the partnership		35,373		108,752
	$	352,467	$	2,795,523
Received or recovery from:				
Rent – received from a company controlled by an employee of the partnership and a joint venture in which the partnership has a proportionate interest	$	123,018	$	189,301
Assets sold – the Partnership sold a commercial property to an entity controlled by one of the unitholders in the Partnership		675,000		-
Assets sold – the partnership sold land to a joint venture in which it has proportionate interest and to a company controlled by an employee		-		352,938
Assets sold – the partnership sold condominiums from its joint ventures in which it has proportionate interests to one of its employees and to a company owned by the wife of a board member		-		1,799,159
Interest – received from a company controlled by an employee of the partnership on a short term loan and loans to employees and Joint ventures		26,681		19,195
Other fees – consists of miscellaneous payments received for services and reimbursements for recoveries from joint ventures in which the partnership has proportionate interests and related companies		16,127		93,012
	$	840,827	$	2,453,605
Loans				
Loans receivable from an entity controlled by one of the unitholders of the Partnership	$	540,000	$	-
Loans – advanced to employees of the Partnership and a company controlled by a Director		-		723,683
Loans – advanced to joint ventures in which the partnership has a proportionate interest		-		463,075
Loans – received from unitholders of the Partnership		375,000		2,500,000
	$	375,000	$	1,186,759

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11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The related party transactions occur in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

As at December 31, 2014, the Partnership had the following amounts recorded in accounts receivable and accounts payable and accrued liabilities:

- Accounts receivable from related parties of $36,889 (2013 - $10,648).
- Amounts due from its joint venture partners of $26,540 (2013 - $370,989).
- Accounts payable and accrued liabilities owing to related parties of $120,836 (2013 - $1,533).
- Amounts due to its joint venture partners of $Nil (2013 - $70,536).

12. SEGMENTS

As at December 31, 2014, the Partnership had four reportable segments: hotels, rentals, property held for sale and property under development. Hotel operations consist of room rental and food and beverage services. Rental properties consist of commercial and residential properties held under long term lease. Property held for sale consists of residential properties and commercial lots publicly available for sale. Property under development consists of lands and buildings under construction or held for future development.

2014

	Hotels	Rentals	Property Held for Sale	Property Under Development	Other	Total
Revenue	$ 12,731,544	$ 2,334,947	$ 129,830	$ 2,101,123	$ 4,539	$ 17,301,983
Amortization	889,404	764,672	-	-	103,279	1,757,355
Interest income	-	-	-	-	133,049	133,049
Interest expense	506,896	971,345	-	-	281,718	1,478,241
Net income (loss)	819,675	198,692	56,464	501,595	(1,374,802)	201,624
Property and Equipment	$ 16,244,752	$ 31,221,263	$ 642,590	$ 2,042,024	$ 1,036,611	$ 51,187,240

2013

	Hotels	Rentals	Property Held for Sale	Property Under Development	Other	Total
Revenue	$ 11,518,087	$ 1,622,945	$ 2,878,444	$ 2,168,159	$ 133,416	$ 18,319,301
Amortization	818,826	528,290	-	-	83,340	1,430,456
Interest income	-	-	-	-	166,298	166,297
Interest expense	523,799	375,555	-	-	103,155	1,002,509
Net earnings (loss)	946,620	630,975	1,034,176	299,880	(1,346,385)	1,565,266
Property and Equipment	$ 16,281,857	$ 22,198,183	$ 2,046,319	$ 8,372,771	$ 1,461,736	$ 50,360,866

13. PARTNERS' EQUITY

At December 31, 2014 there are 21,029,970 partnership units outstanding (2013 - 21,029,970).

14. CHANGES IN PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

Certain comparative figures have been reclassified to conform with the current year's presentation.

15. JOINTLY HELD ASSETS

The consolidated financial statements include the Partnership's proportionate interest in four (2013 - five) jointly held assets. Effective September 30, 2013, the Partnership acquired full control of the Waterfront Station Joint Venture, which was established in 2011 and in which the Partnership previously had a 50% interest.

Name	Interest	Activity	Year of inception
Rivers Reach Joint Venture (44588 Yukon Inc.)	90%	Construction and sale of residential properties	2011
Titanium Way Joint Venture	67%	Lease of commercial properties	2008
Northern Carcross Joint Venture	50%	Lease of commercial properties	2013
Dawson Downtown Hotel	50%	Hotel	2013

The Partnership's proportionate share of the assets and liabilities, revenues and expenses of the various joint ventures and included in these consolidated financial statements are as follows. The Partnership is liable for the liabilities of the joint ventures to the extent of its proportionate share in each joint venture.

15. JOINTLY HELD ASSETS (CONTINUED)

		2014		2013
Cash	$	187,264	$	52,761
Accounts Receivable		32,284		24,205
Prepaid Expenses		12,464		11,158
Properties held for sale		-		1,018,091
		232,012		1,106,215
Property and Equipment		2,894,830		2,799,786
	$	3,126,842	$	3,906,001
Accounts Payable and accrued liabilities	$	66,949	$	47,538
Short term loans		-		9,623
		66,949		57,161
Long term debt		1,589,181		1,219,210
		1,656,130		1,276,371
Equity		1,470,712		2,629,630
	$	3,126,842	$	3,906,001

		2014		2013
Revenues				
Rentals	$	195,617	$	332,026
Sale of properties		64,897		800,600
	$	260,514	$	1,132,626
Expenses				
Cost of sale of properties	$	-	$	659,874
Property		51,911		73,505
Amortization		97,182		151,769
Interest		45,380		96,604
Expenses		194,473		981,752
Net income	$	66,041	$	150,874

		2014		2013
Cash flows from operating activities	$	228,119	$	443,370
Cash flows from investing activities	$	(591,894)	$	(324,657)
Cash flows from financing activities	$	300,859	$	194,544

CORPORATE INFORMATION

GENERAL PARTNER — NORTHERN VISION DEVELOPMENT CORP.

BOARD OF DIRECTORS

Shirley Adamson

Trevor Harding ****

Hannes Kovac **

Ian McAuley *,***

Hon. Piers McDonald, Chairman **,****

Stanley Noel *

Myron Tetreault ****

Richard Thompson, CEO **,***,****

Brian Titus *

* Denotes member of the Audit Committee
** Denotes member of the Development Committee
*** Denotes member of the Hotel Committee
**** Denotes member of the Governance Committee

MANAGEMENT

Richard Thompson, CEO
Philip Fitzgerald, COO & CFO
Dylan Soo, General Manager Hotels
Adam Gerle, General Manager Downtown Hotel
Heiko Franke, Director of Maintenance
Kristine Hildebrand, Controller

HEAD OFFICE

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LEGAL COUNSEL

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Whitehorse, YT

Bennett Jones LLP
Calgary, Alberta

AUDITORS

Deloitte LLP

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