northwest

Consolidated Financial Statements

For the years ended
December 31, 2022 and 2021 (audited)

NorthWest Healthcare Properties
Real Estate Investment Trust

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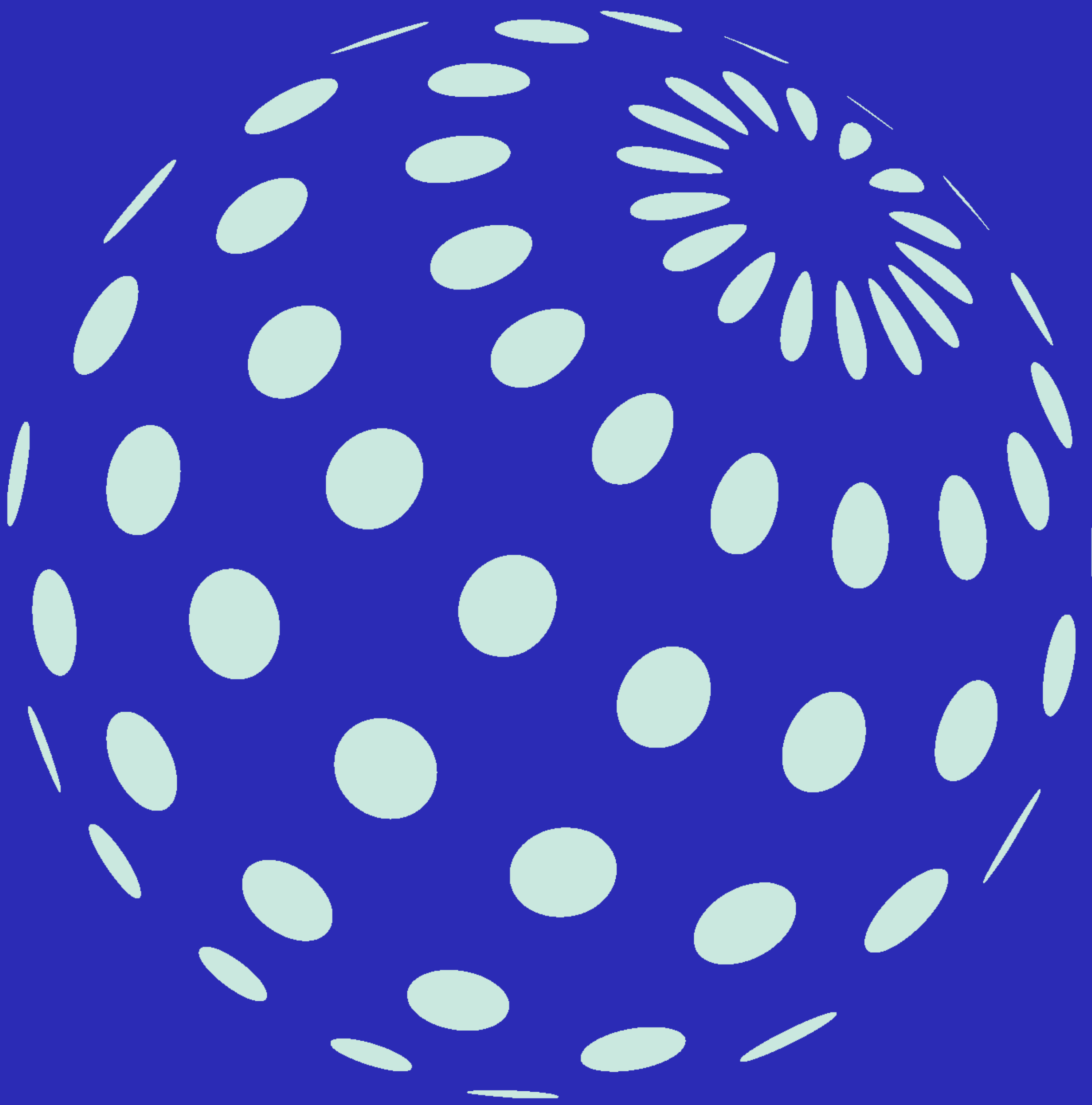

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of NorthWest Healthcare Properties Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of NorthWest Healthcare Properties Real Estate Investment Trust (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2022 and December 31, 2021
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended
- the consolidated statements of unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters ("KAMs") are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the KAMs to be communicated in our auditor's report:

Evaluation of the fair value of investment properties

Description of the matter

We draw attention to Note 1(c)(ii) and Note 6 of the financial statements. Investment properties are measured by the Entity at their estimated fair value at each reporting date, determined either using internal valuation models incorporating available market evidence or using valuations performed by independent third-party appraisers. The Entity has recorded investment properties at fair value for an amount of $6,612 million.

Significant assumptions in determining the estimated fair value of investment properties include:

- future cash flows, capitalization rates, terminal capitalization rates and discount rates applied to these cash flows.

Why the matter is a key audit matter

We identified the evaluation of the fair value of investment properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of investment properties and the high degree of estimation uncertainty in determining the fair value of investment properties. In addition, significant auditor judgment and involvement of those with specialized skills and knowledge were required in performing and evaluating the results of our audit procedures due to the sensitivity of the fair value of investment properties to changes in certain significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For a selection of investment properties, we compared the future cash flows used in the prior year's estimate of the fair value of investment properties to actual results to assess management's ability to forecast future cash flows.

For a selection of investment properties, we compared the future cash flows generated by the investment properties to the actual historical cash flows. We took into account the changes in conditions and events affecting the investment properties to assess the adjustments, or lack of adjustments, made by the Entity in arriving at those future cash flows.

For a selection of investment properties, we involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the capitalization rates, terminal capitalization rates and discount rates. These rates were evaluated by comparing them to published reports of real estate industry commentators and the estimated implied rates from comparable recent sales of similar properties while considering the features of the specific investment property.

We evaluated the competence, capabilities and objectivity of the independent third-party appraisers by:

- Inspecting evidence that the appraisers are in good standing with the Appraisal Institute.
- Considering whether the appraisers have appropriate knowledge in relation to the specific type of investment properties.
- Reading the reports of the appraisers, which refers to their independence.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the KAMs. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Michael Kavanagh.

Toronto, Canada

March 31, 2023

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets
(in thousands of Canadian dollars)

As at	Note	December 31, 2022	December 31, 2021
Assets			
Investment properties	6	$ 6,612,535	$ 6,294,305
Equity accounted investments	7	395,397	381,211
Intangible asset		44,966	47,276
Goodwill		39,612	41,671
Deferred tax assets	13	14,152	11,370
Financial instruments	8	38,124	15,362
Other assets	9	280,369	159,328
Accounts receivable		17,381	51,137
Assets held for sale	6	983,430	—
Cash and cash equivalents	17	88,034	62,741
Total assets		$ 8,514,000	$ 7,064,401
Liabilities			
Mortgages and loans payable	10	$ 3,405,861	$ 2,806,979
Convertible debentures	11	275,270	137,225
Unit-based compensation liabilities	12	23,837	26,223
Class B exchangeable units	18	16,245	23,581
Deferred tax liabilities	13	458,087	386,215
Financial instruments	8	—	44,319
Income tax payable	13	15,811	11,379
Accounts payable and accrued liabilities	18	133,308	89,963
Distributions payable		16,044	14,943
Liabilities related to assets held for sale	10	427,562	—
Total liabilities		$ 4,772,025	$ 3,540,827
Unitholders' Equity			
Unitholders' equity	14	2,456,847	2,392,131
Non-controlling interests	15	1,285,128	1,131,443
Total liabilities and unitholders' equity		$ 8,514,000	$ 7,064,401

The consolidated financial statements were approved by the Board on March 31, 2023 and signed on its behalf by:

“Paul Dalla Lana” Chairman of the Board of Trustees
“Dale Klein” Trustee

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(in thousands of Canadian dollars)

For the year ended December 31,	Note		2022		2021
Net Property Operating Income					
Revenue from investment properties	16	$	448,829	$	374,613
Property operating costs	19		100,477		85,093
			348,352		289,520
Other Income					
Interest and other	9		9,180		4,597
Development revenue			3,746		10,350
Management fees			11,477		16,545
Share of profit of equity accounted investments	7		20,604		107,483
			45,007		138,975
Expenses and other					
Mortgage and loan interest expense			148,634		90,461
General and administrative expenses	19		47,870		40,203
Transaction costs	19		28,359		37,984
Development costs			3,430		9,441
Foreign exchange loss (gain)			(9,262)		(14,735)
			219,031		163,354
Income before finance costs, net gain (loss) on financial instruments, and fair value adjustments			174,328		265,141
Finance income (cost)					
Amortization of financing costs	10		(10,702)		(12,189)
Amortization of mark-to-market adjustment	10		719		416
Class B exchangeable unit distributions	18		(1,368)		(1,368)
Fair value adjustment of Class B exchangeable units	18		7,336		(2,035)
Accretion of financial liabilities	10		(15,249)		(11,707)
Fair value adjustment of convertible debentures	11		17,205		(3,989)
Convertible debenture issuance costs			(7,062)		—
Net gain (loss) on financial instruments	8		58,281		(9,515)
Fair value adjustment of investment properties	6		(28,800)		513,986
Fair value adjustment of unit based compensation liabilities	12		10,236		(2,672)
Income before taxes			204,924		736,068
Current tax expense	13		21,847		13,196
Deferred tax expense			57,450		111,033
Income tax expense	13		79,297		124,229
Net income from continuing operations		$	125,627	$	611,839
Discontinued operations					
Net income from discontinued operations, net of tax	3		—		51,346
Total net income		$	125,627	$	663,185
Net income attributable to:					
Unitholders		$	64,295	$	434,879
Non-controlling interests			61,332		228,306
		$	125,627	$	663,185

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (cont.)
(in thousands of Canadian dollars)

For the year ended December 31,	Note		2022		2021
Net income		**$**	**125,627**	$	663,185
Other comprehensive income (loss) ("OCI"):					
Items that have been or may be reclassified subsequently to income (loss):					
Foreign currency translation adjustments		**$**	**(22,489)**	$	(164,626)
Realized foreign exchange gains/(losses) on hedges			—		42,418
Fair value gain (loss) on net investment hedges			—		(42,318)
Deferred tax (expense)/recovery			—		6,477
Current tax (expense)/recovery			—		(6,298)
Other comprehensive income (loss), net of tax			**(22,489)**		(164,347)
Total comprehensive income (loss) for the year		**$**	**103,138**	$	498,838
Total comprehensive income (loss) attributable to:					
Unitholders		**$**	**40,296**	$	324,557
Non-controlling interests			**62,842**		174,281
		$	**103,138**	$	498,838

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Unitholders' Equity
(in thousands of Canadian dollars)

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 15)	Total Equity
Balance, December 31, 2021		$ 2,290,032	$ 39,724	$ (669,223)	$ (291,778)	$ 1,023,376	$ 2,392,131	$ 1,131,443	$ 3,523,574
Public offering of units, net of issuance costs	**14**	164,114	—	—	—	—	164,114	122,200	286,314
Private placement of units	**14, 18**	15,000	—	—	—	—	15,000	—	15,000
Units issued through distribution reinvestment plan	**14**	33,578	—	—	—	—	33,578	5,544	39,122
Units issued on exercise of unit-based compensation	**12**	1,151	—	—	—	—	1,151	—	1,151
Distributions		—	—	(189,422)	—	—	(189,422)	(36,902)	(226,324)
Foreign currency translation adjustments		—	—	—	(23,790)	—	(23,790)	1,301	(22,489)
Other comprehensive income (loss), excluding foreign currency translation adjustments		—	—	—	(210)	—	(210)	210	—
Net income		—	—	—	—	64,295	64,295	61,332	125,627
Balance, December 31, 2022		$ 2,503,875	$ 39,724	$ (858,645)	$ (315,778)	$ 1,087,671	$ 2,456,847	$ 1,285,128	$ 3,741,975

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 15)	Total Equity
Balance, December 31, 2020		$ 1,694,810	$ 39,724	$ (503,156)	$ (181,456)	$ 588,497	$ 1,638,419	$ 897,249	$ 2,535,668
Public offering of units	14	397,799	—	—	—	—	397,799	84,912	482,711
Private placement of units	**14, 18**	30,011	—	—	—	—	30,011	—	30,011
Units issued through distribution reinvestment plan	**14**	26,504	—	—	—	—	26,504	7,028	33,532
Units issued on exercise of unit-based compensation		1,777	—	—	—	—	1,777	—	1,777
Conversion of convertible debenture into units	**11**	139,131	—	—	—	—	139,131	—	139,131
Acquisition of control of subsidiary		—	—	—	—	—	—	(209)	(209)
Distributions		—	—	(166,067)	—	—	(166,067)	(31,817)	(197,884)
Foreign currency translation adjustments		—	—	—	(110,395)	—	(110,395)	(54,231)	(164,626)
Other comprehensive income (loss), excluding foreign currency translation adjustments		—	—	—	73	—	73	205	278
Net income		—	—	—	—	434,879	434,879	228,306	663,185
Balance, December 31, 2021		$ 2,290,032	$ 39,724	$ (669,223)	$ (291,778)	$ 1,023,376	$ 2,392,131	$ 1,131,443	$ 3,523,574

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)

For the year ended December 31,	Note(s)	2022	2021
Cash provided by (used in):			
Operating activities			
Net income		**$ 125,627**	$ 611,839
Adjustments for:			
Income tax expense		**79,297**	124,229
Income taxes paid		**(17,829)**	(26,290)
Amortization of other assets		**1,396**	1,382
Mortgage and loan interest accrued		**148,634**	90,461
Mortgage and loans interest paid		**(135,063)**	(95,727)
Finance costs	**17**	**9,121**	30,872
Interest income		**(9,180)**	(4,597)
Share of profit of equity accounted investments	**7**	**(20,604)**	(107,483)
Unrealized foreign exchange loss (gain)		**(6,095)**	(17,339)
Fair value adjustment of investment properties	**6**	**28,800**	(513,986)
Fair value loss (gain) on financial instruments	**8**	**(58,281)**	9,515
Transaction costs		**28,359**	37,984
Fair value adjustment of deferred unit plan liability		**(10,236)**	2,672
Unit-based compensation expense	**12**	**11,874**	8,980
Redemption of units issued under deferred unit plan		**(6,219)**	(7,873)
Changes in non-cash working capital balances	**17**	**54,577**	(19,672)
Cash provided by (used in) operating activities		**224,178**	124,967
Investing activities			
Acquisitions of investment properties	**4**	**(1,051,258)**	(628,523)
Additions to investment properties	**6**	**(173,170)**	(146,047)
Net proceeds on disposal of investment properties	**5**	**7,070**	56,577
Contributions in equity accounted investments	**7**	**(19,081)**	(24,161)
Investment in financial asset	**8, 9**	**(130,689)**	(139,315)
Transaction costs and deposits attributable to investment activities	**4**	**(23,549)**	(56,834)
(Acquisitions) and dispositions of subsidiaries, net of cash received or transferred on sale	**3**	**—**	(2,019)
Distribution income	**7**	**32,814**	24,428
Cash interest received		**2,037**	1,123
Additions to furniture and fixtures		**(615)**	(483)
Receipts (payments) from foreign exchange contracts		**(278)**	420
Cash provided by (used in) investing activities		**(1,356,719)**	(914,834)
Financing activities			
Mortgage and loan proceeds	**10**	**2,315,462**	1,567,420
Repayment of mortgages	**10**	**(1,383,089)**	(1,166,330)
Issuance (redemption) of convertible debentures, net of issuance cost	**11**	**148,188**	(20,454)
Proceeds from issuance of units, net of issuance costs	**14, 15**	**301,314**	512,722
Financing fees paid		**(17,443)**	(19,758)
Distributions paid		**(154,743)**	(136,352)
Class B exchangeable units distributions paid		**(1,368)**	(1,368)
Distributions paid to non-controlling interests		**(31,358)**	(24,694)
Cash provided by (used in) financing activities		**1,176,963**	711,186
Net change in cash and cash equivalents		**44,422**	(78,681)
Effect of foreign currency translation		**(19,135)**	(2,725)
Net change in cash and cash equivalents		**25,287**	(81,406)
Cash and cash equivalents, beginning of year		**62,700**	144,106
Cash and cash equivalents, end of year	**17**	**$ 87,987**	$ 62,700

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

NorthWest Healthcare Properties Real Estate Investment Trust (the "REIT"), is a Canadian open-end trust created pursuant to an amended and restated Declaration of Trust dated May 15, 2015. The registered office of the REIT is 180 Dundas Street West, Suite 1100, Toronto, Ontario, M5G 1Z8. The principal business of the REIT is to invest in healthcare real estate globally.

1. Statement of Compliance and Basis of Preparation

(a) Statement of compliance

The REIT's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using accounting policies described herein.

The audited consolidated financial statements were approved by the Board of Trustees of the REIT on March 31, 2023.

(b) Basis of presentation and measurement

The consolidated financial statements are prepared on a going concern basis and have been presented in thousands of Canadian dollars, except in respect of units and per unit amounts. The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the REIT's management to exercise judgment in applying the REIT's accounting policies.

These consolidated financial statements have been prepared on a historical cost basis except for:

(i) Investment properties, which are measured at fair value; and

(ii) Financial assets and financial liabilities classified as fair value through profit and loss ("FVTPL"), derivative financial instruments and the REIT's unit-based compensation liability, which are collectively measured at fair value.

The consolidated financial statements are presented in Canadian dollars, which is the REIT's functional currency.

(c) Critical accounting estimates and assumptions

The preparation of these consolidated financial statements requires management to apply judgment when making estimates and assumptions that affect the application of accounting policies, the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Uncertainty about these estimates and assumptions could result in outcomes that may require a material adjustment to the carrying amount of the asset or liability affected in the future.

(i) Impairment of goodwill and intangible asset

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of each of the REIT's cash generating units (“CGU”), including the allocated goodwill, and the CGU's net asset carrying values.

In relation to the annual impairment test for the intangible asset, the fair value less cost to sell and value-in-use include relevant estimates such as forecasted cash flows attributable to management fees and operating expense, as well as other factors including discount rates, capitalization rates, inflation rates, interest rates, taxation rates, foreign currency rates and earnings multiples. Valuation earnings multiples applied by the REIT for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to recent regional transaction activity.

(ii) Investment properties

Investment properties are re-measured to fair value at each reporting date, determined using either internal valuation models incorporating available market evidence, or valuations performed by independent third-party appraisers. When estimating the fair value of investment properties, the REIT makes estimates and assumptions that have a significant effect on the reported value of investment properties. Significant assumptions and a number of methods are used in determining the fair value of investment properties, including capitalization rates, terminal capitalization rates, discount rates and future cash flows that incorporate inflation rates, vacancy rates, market rents, property level capital expenditures, and net operating income.

(iii) Financial instruments

The measurement of the fair value of the REIT's derivative financial instruments option contracts and investment in unlisted securities is based on estimates and assumptions that affect the reported amount of the assets and liabilities and the corresponding gain or loss from changes in fair value. Estimates and assumptions used in the valuation for the REIT's derivatives and investment in unlisted securities are described in notes 8 and 22.

(iv) Assets Held For Sale

The REIT makes certain assumptions with respect to classifying investment properties as assets held for sale as described in note 6.

(d) Critical judgments in applying accounting policies

In the preparation of these consolidated financial statements the REIT has made judgments, aside from those that involve estimates, in the process of applying the REIT's accounting policies. These judgments can have an effect on the amounts recognized in these consolidated financial statements.

(i) Leases

The REIT makes judgments in determining whether leases in which the REIT is the lessor are operating or finance leases, and has determined that all of its leases are operating leases with the exception of the finance lease receivable disclosed in note 9 (iv).

The accounting treatment associated with a sale and leaseback transactions, when applicable, are assessed based upon the substance of the transaction and whether the transfer of an asset is considered as a sale and when the control of the asset has been transferred to the purchaser.

If the transfer of the asset to the REIT as buyer-lessor is considered a sale, the REIT assesses the classification of the lease as a finance or operating lease; and follows IFRS 16 - Leases accordingly. If the transfer is not considered a sale, the REIT does not recognize the underlying asset and records a financial asset under IFRS 9 - Financial Instruments for amounts paid to the seller-lessee.

(ii) Investment property acquisitions

When investments are acquired, the REIT is required to apply judgment as to whether or not the transaction should be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired investment meets the definition of a business in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return. The REIT elected to consistently use a concentration test that results in an asset acquisition conclusion when substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are measured at fair value on the date of acquisition, being the date at which the acquirer obtains control over the acquiree. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date and acquisition-related costs are recognized in profit or loss as incurred.

When acquisition of an investment does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the acquisition date, and no goodwill is recognized. Acquisition related costs are capitalized to the investment at the time the acquisition is completed. All of the REIT's investment property acquisitions have been accounted for as asset acquisitions.

(iii) Consolidation of Vital Trust

The REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of operations Vital Trust. The REIT’s interest in Vital Trust, as at December 31, 2022, is 28.2%. The REIT determined it has sufficient power and thus, exercises control over Vital Trust based on the definition of control and sufficient rights and exposure to variable returns when considering relevant criteria included as part of IFRS 10-Consolidated Financial Statements. The REIT has assessed it has control over Vital Trust based on the following key criteria and observations, among others: i) the REIT controls the external manager of Vital Trust through its 100% indirect ownership of the Global Manager. The ownership of the Global Manager results in the REIT directing all activities of Vital Trust; ii) the REIT has the right to appoint a majority of directors of the board of the Global Manager, which acts as the board of directors of Vital Trust; and iii) the 71.8% non-controlling interest of Vital Trust is widely held with no single party having an aggregate interest that is equivalent of that to the REIT.

(iv) Income taxes

With the exception of REIT subsidiaries that are subject to income taxes, deferred income taxes are not recognized in the consolidated financial statements on the basis that the REIT can deduct distributions paid to unitholders such that its liability for income taxes is substantially reduced or eliminated for a given year. In consistently applying this accounting policy, the REIT has made the judgment that the REIT intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future; however, should it no longer qualify it would not be able to flow through its taxable income to unitholders and the REIT would be subject to Canadian taxation on its non-portfolio earnings, as defined by the Income Tax Act (Canada).

The REIT makes significant judgments in interpreting the application of tax rules and regulations when the REIT calculates income tax expense in respect of subsidiaries subject to income taxes. The calculation of current and deferred income taxes requires management to make certain judgments regarding the tax rules and laws in jurisdictions where the REIT has and performs business activities. The REIT is subject to tax audits from various tax authorities on an ongoing basis and from time to time, tax authorities may disagree with the positions and conclusions taken by the REIT in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. There are a number of uncertainties involved in such matters and as a result, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect, individually or in aggregate, on the REIT’s operations or financial condition or performance in future periods. Management regularly assesses its position on the adequacy of such accruals or provisions and will make any necessary adjustments, which will be accounted for in the period such assessment or re-assessment is made.

(v) Assets Held For Sale

The REIT makes certain judgments with respect to classifying investment properties as assets held for sale as described in note 6.

2. Summary of Significant Accounting Policies

(a) Goodwill and intangible assets

The carrying values of an identifiable indefinite-life intangible assets and goodwill are tested for impairment annually as at December 31, 2022 and whenever there is an indication that the intangible asset or goodwill may be impaired. A cash generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and indefinite-life intangible assets are allocated to CGUs for the purpose of impairment testing based on the level at which management monitors them, which is not higher than an operating segment. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

The REIT's goodwill balance relates to its investment in Vital Trust. The intangible asset relates to the REIT's contractual rights and obligations that Global Manager has under its contract with Vital Trust. The intangible asset has been recorded at fair value as at the date the management contract was acquired. The contract has an indefinite life and does not expire, therefore, the intangible asset is not amortized. The intangible asset is assessed for impairment annually and whenever there is an indication that the intangible asset may be impaired.

As at December 31, 2022, the REIT performed its annual goodwill and intangible asset impairment tests. Based on the impairment tests performed, no impairment loss was recognized.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries. Subsidiaries are consolidated from the date of acquisition, which is the date on which the REIT obtains control, and continue to be consolidated until the date that such control ceases, which generally occurs on disposition of a majority or an entire controlling interest to a third party. Control exists when the REIT has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial information of the REIT's subsidiaries was prepared for the same reporting periods as the REIT using consistent significant accounting policies as monitored by the REIT.

All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full. Unrealized gains arising from transactions with equity-accounted investees, if any, are eliminated against the investment to the extent of the REIT's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

When the REIT loses control of a subsidiary, the REIT derecognizes the assets and liabilities of the former subsidiary from the consolidated balance sheet, recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRS standards. The difference between the carrying value and the proceeds from disposition is recognized within profit or loss in the period.

(c) Functional and presentation currency

(i) Foreign operations

The functional and presentation currency of the REIT is the Canadian dollar. Assets and liabilities of subsidiaries, associates and joint ventures having a functional currency other than the Canadian dollar are translated at the rate of exchange at the date of the consolidated balance sheet. Revaluation gains and losses are recognized as part of foreign currency translation adjustments included in other comprehensive income (loss). Revenue and expenses are translated at average rates for the year.

When a foreign operation is disposed of, the relevant cumulative amount of foreign currency translation differences included in accumulated other comprehensive income or loss is reclassified to profit or loss as part of the gain or loss on disposal. The REIT does not consider the repayment of intercompany loans, when applicable, as a partial disposal of its net investment in a foreign operation as it does not change the percentage share interest held by the REIT in the circumstances.

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the REIT or the applicable REIT subsidiary using exchange rates prevailing at the dates of the transactions. At the end of each reporting year, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the date of the consolidated balance sheet. Gains and losses on translation of monetary items are recognized in the profit or loss, except for those related to monetary liabilities qualifying as hedges of the REIT's investment in foreign operations or certain intercompany loans to or from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, which are included in other comprehensive income (loss) and such gains or losses are presented as part of accumulated other comprehensive income (loss) in equity.

(d) Investment properties

Investment properties include income producing properties that are held principally by the REIT to earn rental income, for capital appreciation, or both. Income producing properties acquired are recognized initially at cost, which includes all costs directly related to the acquisition of the properties such as legal fees, appraisal fees and land transfer taxes. Subsequent to initial recognition, income producing properties are measured at their estimated fair value, with changes in fair value recognized in profit or loss in the years in which they arise. Subsequent capital expenditures are charged to income producing property only when it is probable that the future economic benefits of the expenditure will flow to the REIT and the cost can be measured reliably. Income producing property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Prior to its disposal, the carrying value of the income producing property is adjusted to reflect its fair value. This adjustment is recorded as a fair value gain (loss) in the period. Any remaining gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized. The critical estimates and assumptions underlying the valuation of income producing properties are outlined in note 6.

Properties under development for future use as income producing property are accounted for as investment property under IAS 40 and are measured at their estimated fair value, with changes in fair value recognized in profit or loss in the years in which they arise. Costs eligible for capitalization to properties under development are initially recorded at cost until either the fair value becomes reliably measurable or the development reaches practical completion. The critical estimates and assumptions underlying the valuation of properties under development are the same as those of other investment properties as outlined in note 6. Upon practical completion of a development, the property is transferred to income producing properties at the fair value on the date of practical completion. The REIT considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits.

(e) Assets and liabilities associated with assets held for sale

Investment properties are transferred to assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. Similarly, this also applies to discontinued operations, which may include both assets and liabilities. For this to be the case, the investment property or discontinued operation, as the case may be, must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property, and its sale must be highly probable. Management must be committed to a plan to sell the asset or discontinued operation and an active effort to locate a buyer and complete the plan must have been initiated. Furthermore, the asset or discontinued operation must be actively marketed for sale at a price that is reasonable in relation to its current fair value, with the sale expected to be consummated within one year from the date of classification as held for sale. Assets and liabilities held for sale are measured at fair value.

(f) Discontinued operations

A discontinued operation is a component of the REIT's business, whereby the operations and cash flows of of the operation can be clearly distinguished from the rest of the REIT and which:

- represents a major line of business or geographic area of operations;
- is a part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

The REIT elected to include the disclosures required as per IFRS 5, Non-current Asset Held for Sale and Discontinued Operations, consistent with the assessment that the Aspen Group (note 3) was a newly acquired group of subsidiaries that met the criteria to be classified as held for sale immediately on its acquisition in the prior year.

(g) Leases where the REIT is a lessor

At inception or modification of a contract that contains a lease component, the REIT allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. A lease is classified as a finance lease if it results in a transfer of substantially all the risks and rewards incidental to ownership from the REIT to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases to which the REIT is the lessor have been determined to be operating leases with the exception of the finance lease receivable discussed in note 9 (iv).The REIT recognizes lease payments received under operating leases as revenue on straight-line basis over the lease term. At the inception or on modification of a contract that contains a lease component, the REIT allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. The REIT recognizes lease payments received under operating leases as revenue on a straight-line basis over the lease term.

(h) Leases where the REIT is a lessee

At the inception of a lease contract where the REIT is a lessee, the REIT recognizes a right-of-use ("ROU") asset and a lease liability based on the present value of the lease payments under the lease discounted using the rate implicit in the lease, or where the rate is not determinable, based on an estimated incremental borrowing rate for borrowings secured by a similar asset for a similar term. Subsequently, ROU assets for investment properties are accounted for under the fair value model while ROU assets for property and equipment are depreciated on a straight-line basis over the lesser of the useful life of the asset and the term of the lease. Lease liabilities are amortized using the effective interest rate method over the term of the lease. Leases for a term of less than 12 months are expensed evenly over the term of the lease.

(i) Revenue recognition

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases. Rental revenue from operating leases is recognized over the contractual lease term on a straight-line basis. Revenue recognition commences when a tenant has the right to use the property and is recognized pursuant to the terms of the lease agreement. Payments are generally due at the beginning of each month and any payments made in advance of scheduled due dates are recognized as deferred revenue in consideration of the prepaid rents related to future periods. The difference between rental revenue recognized and cash flows over the term of the lease is recorded as straight-line rent receivable or payable, depending on the terms of the lease, on the consolidated balance sheet. The REIT earns revenue from its tenants from various sources consisting of base rent for the use of space leased, operating costs and realty tax recoveries, parking income, and incidental or other related income. Operating cost and realty tax recoveries are recognized in the year that recoverable costs are chargeable to tenants. All rental related services are provided consistently throughout the contractual lease term. Therefore, these individual services are combined and considered a single performance obligation by the REIT as the lessor.

The separate presentation of revenue from lease components and revenue related to service components is presented in note 16.

Other income includes management fees earned under the management contracts. The REIT recognizes management and related fees on a consolidated basis, to the extent those fees relate to services rendered in the period, with consideration of achieving specified outcomes, charged in accordance with contractual arrangements, and where the REIT has an enforceable right to payment for the services that it has performed and are earned from third-parties.

(j) Other assets

Other assets include commodity taxes recoverable, deferred acquisition costs and deposits, right-of-use assets, described under note 2(h) above, prepaid expenses and investment in unlisted securities (note 1(c)(iv) and note 9). Deferred acquisition related costs and deposits related to future property acquisitions are capitalized when it is probable that the acquisition will be completed.

(k) Unit-based compensation liabilities

In 2022, the Equity Incentive Plan (the “Plan”) was approved. The new plan replaces Deferred Unit Plan (the "DUP") introduced in 2018. No further awards will be granted under the 2018 DUP prospectively. However, any awards previously granted pursuant to the DUP shall remain outstanding and continue to be governed by the terms of the 2018 DUP. The Plan’s awards are considered to be cash settled liabilities under IFRS 2, Share based payment and, as a result, measured at each reporting period and at settlement date at their fair values as defined by IFRS. The fair value of the amount payable in respect to the Plan is recognized as an expense with corresponding increase in liabilities, over the period that the employees unconditionally become entitled to exercise. The related liabilities attributable to these awards are re-measured to fair value each reporting date and that change is recognized in profit and loss.

(l) Segmented reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

(m) Derivative financial instruments

The REIT uses derivative financial instruments such as interest rate swaps and forward exchange contracts to manage risks from fluctuations in interest rates and foreign exchange rates.

Derivative financial instruments are initially recorded at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value at the end of the reporting period. Gains and losses arising from changes in fair value of a derivative are recognized as they arise in the statement of profit and loss unless the derivative is a hedging instrument in a qualifying hedge relationship, in which case the gains and losses are recognized in other comprehensive income (loss).

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on variable rate loans. These derivative financial instruments are not designated as hedging instruments for accounting purposes. Gains or losses arising from the change in fair values of the interest rate swap contracts are recognized in profit or loss.

The REIT entered into various call and put option contracts that, if exercised, would provide the REIT an economic and investment interest in unlisted securities in a healthcare fund. The REIT determined that the call and put option contracts with various parties are derivative financial instruments for accounting purpose. Gains or losses arising from the change in fair values of the call and put option contracts were recognized in profit or loss.

(n) Hedge accounting

The REIT, through its investment in Vital Trust, has previously entered into certain hedging relationships for hedges of net investments in foreign operations. Hedge relationships are formally documented at the inception of the hedge and this documentation identifies the hedged item, hedging instrument, risks that are being hedged, strategies for undertaking the hedge, and the manner in which effectiveness will be assessed.

In the hedge of a net investment in a foreign operation, the portion of foreign exchange differences arising on the hedging instrument determined to be an effective hedge is recognized directly in other comprehensive income. Any ineffective portion is recognized directly in the profit or loss. The REIT, through its investment in Vital Trust, uses derivative financial instruments and non-derivative financial instruments as hedging instruments of a net investment in a foreign operation. On disposal of the foreign operation, the cumulative value of such gains or losses recognized in other comprehensive income is reclassified to profit and loss. During the year ended December 31, 2021, Vital Trust ceased the hedging relationship as a result of financing and recognized realized foreign exchange gain in other comprehensive income (loss), representing the effective hedging relationship that had been previously recorded as fair value gain (loss) on the debt balances that were designated as a net investment hedge in prior periods and recognized in accumulated other comprehensive income (loss). Refer to note 10.

(o) Class B exchangeable units

The Class B exchangeable units of a subsidiary of the REIT are exchangeable into trust units at the option of the holder. The trust units of the REIT are puttable financial instruments (note 2(m)). The Class B exchangeable units therefore are classified as financial liabilities, consistent with the trust units, and are measured at fair value through profit and loss each reporting period with any changes in fair value recognized in profit or loss as finance costs. The distributions paid on the Class B exchangeable units are accounted for as finance costs. The Class B exchangeable units receive distributions equal to the distributions paid on the REIT's trust units and are, in all material aspects, economically equivalent to the REIT's trust units on a per unit basis.

(p) Trust units

The trust units meet the definition of a financial liability in accordance with IAS 32, as they are redeemable at the option of the holder. The trust units are considered to be puttable instruments because of the redemption feature included as part of the trust units. There is a limited exemption to allow puttable instruments of this nature to be presented as equity provided certain criteria are met.

The trust units meet the criteria for this exemption, and accordingly are presented as equity in the consolidated financial statements. However, the trust units may not be considered as equity for the purposes of calculating net income on a per unit basis in accordance with IAS 33, Earnings Per Share. The REIT has therefore elected to not report an earnings per unit calculation, as is permitted under IFRS. Trust units are recognized at the proceeds received, net of direct issue costs. The distributions on trust units are recorded as a reduction of unitholders' equity in the consolidated financial statements.

(q) Joint arrangement

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures depending on the REIT's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

The REIT's investment in a joint venture is recorded using the equity method and is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the REIT's share of the profit or loss and other comprehensive income of the joint venture. The REIT's share of the joint venture's profit or loss is recognized in the REIT's consolidated statements of income (loss) and comprehensive income (loss). The REIT recognizes its proportionate share of assets, liabilities, revenues and expenses of joint operations.

(r) Income taxes

The REIT is a mutual fund trust and a real estate investment trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a real estate investment trust is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders of the REIT ("Unitholders") each year. The REIT is a real estate investment trust if it meets the prescribed conditions under the Income Tax Act (Canada) relating to the nature of its assets and revenues (the "REIT Conditions"). The REIT has reviewed the REIT Conditions and has assessed their interpretation and application to the REIT's assets and revenue. The REIT intends to ensure that it will meet the REIT conditions and will make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

The REIT's subsidiaries are subject to income taxes as imposed by the jurisdictions in which they operate, in accordance with the relevant tax laws of such jurisdictions. The REIT also has certain subsidiaries that are real estate investment trusts in the applicable country of domicile for which the REIT must also assess compliance with certain conditions. The provision for income taxes for the year comprises current and deferred income tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Consistent with IFRS interpretations Committee 23 ("IFRIC 23"), addressing the application of the recognition and measurement requirements in IAS 12, Income Taxes (IAS 12), the REIT has applied such guidance in instances where there is uncertainty over income tax treatments.In accordance with IFRIC

23, the REIT has specifically addressed whether it or its subsidiaries considers income tax treatments separately; assumptions that the REIT makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. The REIT has taken into consideration the recognition and measurement for uncertain tax treatments as part of its accounting for current and deferred taxes in these consolidated financial statements.

(s) Levies

Under IFRS Interpretations Committee ("IFRIC") Interpretation 21, Levies ("IFRIC 21") property taxes payable by the REIT are considered levies. Based on the guidance of IFRIC 21, the REIT recognizes the full amount of annual property tax liabilities related to certain US based investment properties at a point in time when the property tax obligation is imposed. For properties located in other jurisdictions, property tax liabilities are generally recognized on a monthly basis.

(t) Convertible debentures

The convertible debentures are convertible into trust units of the REIT. As the REIT's trust units are redeemable at the option of the holder and are therefore considered puttable instruments in accordance with IAS 32, the convertible debentures are considered a liability containing liability-classified embedded derivatives. The REIT has elected to classify and measure its convertible debentures as financial liabilities measured at FVTPL with the changes in fair value being recognized in profit or loss. In addition, the REIT may at its option settle the convertible debentures on maturity with a variable number of units of the REIT, subject to certain conditions.

(u) Future accounting standards

(i) Amendment to IAS 1, Classification of liabilities as current or non-current

Amendments to IAS 1 clarifies the classification of liabilities that include counterparty conversion option with uncertain settlement date as current or non-current. The amendments to IAS 1 are effective on or after January 1, 2024 and are not expected to have material impact on the REIT's consolidated financial statements.

(in thousands of Canadian dollars, unless otherwise stated)

3. Aspen Group - Business Combination and Discontinued Operations

In August 6, 2021, the REIT completed the acquisition of 100% of NWI Apex UK Limited (formerly NMC Healthcare UK Limited) ("Aspen Group") for approximately $38.8 million. As part of the acquisition, the REIT obtained control over the operations of eight hospitals located throughout the UK and two investment properties valued at $41.3 million.

The REIT determined that it had obtained control of the Aspen Group as defined under IFRS 10 - Consolidated Financial Statements. The REIT also determined that the Aspen Group meets the definition of a business in accordance with IFRS 3 - Business Combinations and accordingly accounted for the acquisition as a business combination. Upon applying acquisition accounting, the REIT recognized a bargain purchase gain of $21.3 million. The REIT re-assessed whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviewed the procedures used to measure the amounts to be recognized at the acquisition date. The reassessment resulted in an excess of the fair value of net assets acquired over the aggregate consideration transferred. The REIT purchased the Aspen Group through a receivership process at a discounted price as compared to its estimated fair market value, resulting in a bargain purchase gain.

Investment properties	$	41,299
Property, plant and equipment		17,928
Cash		16,238
Working capital		6,745
Right of use assets		5,353
Deferred tax assets		586
Loan payable		(13,038)
Current tax payable		(833)
Right of use liabilities		(5,353)
Finance lease		(374)
Net hospital operations assets and investment properties acquired	$	68,551
Fair value of non-controlling interests		(8,446)
Net assets acquired	**$**	**60,105**
Purchase Consideration		
Cash paid	**$**	**38,781**
Bargain purchase gain	**$**	**21,324**

Discontinued operations

The Aspen Group's hospital operations were acquired by the REIT exclusively with a view of subsequent disposal. The eight hospital operators acquired met the definition of a disposal group and the related requirements for presentation as discontinued operations. The REIT did not have a hospital operations segment prior to the transaction. The bargain purchase gain on acquisition and the post-acquisition hospital operating results have been presented as income from discontinued operations up to the date of disposition.

The REIT expensed $13.6 million of transaction costs relating to this acquisition in profit and loss during the year ended December 31, 2021.

(in thousands of Canadian dollars, unless otherwise stated)

During the year ended December 31, 2021, all eight hospital operations were sold for proceeds of $73.5 million. Consideration received consisted of cash of $56.4 million and investment property with an estimated fair value of $17.1 million which resulted in a gain on disposition of $39.6 million, reduced by transaction costs of $10.2 million. The net impact of this activity has been presented as part of net income from discontinued operations in the statements of income (loss) and comprehensive income (loss). Six of the eight hospital operations that were sold by the REIT will remain as operators of the hospitals and tenants in respect of the investment property owned by the REIT.

4. Investment Property Acquisitions

During the year ended December 31, 2022, the following investment property acquisitions were completed:

ACQUISITIONS				
Segment		**Acquisition Cost (i)**		**Property specific debt**
Europe (ii)	$	12,102	$	5,618
Australasia (iii)		253,460		—
Americas (iv)		785,696		443,284
Total	**$**	**1,051,258**	**$**	**448,902**

During the year ended December 31, 2021, the following investment property acquisitions were completed:

Region		**Acquisition Cost (i)**		**Property specific debt**
Europe	$	428,747	$	100,685
America		15,588		10,000
Australasia		230,252		—
Total	**$**	**674,587**	**$**	**110,685**

i. Acquisition costs include transaction costs directly attributable to transaction activity that were capitalized totaling $22.6 million (December 31, 2021 - $28.0 million), including internal allocation of investment resources, attributable to acquiring the investment property assets.

ii. Europe includes acquisition of medical office building for $12.1 million during the year ended December 31, 2022.

iii. During the year ended December 31, 2022, $253.5 million of acquisitions in Australasia are comprised of $80.2 million related to development lands and four income producing properties for total acquisition costs of $173.3 million.

iv. Americas includes 27 healthcare properties acquired on April 10, 2022 in the United States of America (the "US Portfolio") for total acquisition cost of $775.2 million, which is included as part of the Americas segment. Located across 10 states, the US portfolio consists of 15 medical office buildings and 12 hospitals.

(in thousands of Canadian dollars, unless otherwise stated)

5. Investment Property Dispositions

During the year ended December 31, 2022, the REIT disposed of the following investment properties:

Region		Gross Proceeds		Property specific debt settled or sold
Australasia	$	1,568	$	—
Canada		5,500		—
	$	**7,068**	**$**	**—**

During the year ended December 31, 2021, the REIT disposed of the following investment properties:

Region		Gross Proceeds		Property specific debt settled or sold
Australasia	$	11,669	$	—
Europe (i)		25,789		—
Canada		19,119		2,071
	$	**56,577**	**$**	**2,071**

i. During the year ended December 31, 2021, the REIT disposed of four investment properties in the Netherlands in the amount of $23.5 million to NWI Galaxy JV GmbH & Co. KG (the "European JV"), a related party, including two properties under development. The sale and purchase agreement for the two development properties consisted of two parts; the sale of the properties amounting to $9.1 million and a fixed price development arrangement whereby the REIT's service obligation results in revenue that is recognized by the REIT on percentage of completion basis relative to the costs incurred as compared to the total costs of the development, which are also fixed. The REIT recognized the disposition of both development properties and separately recognized net development profit of $0.9 million for the year ended December 31, 2021. As at December 31, 2021, the REIT has recorded in accounts receivable $9.2 million relating to the development revenue owing from the European JV. The development project was completed during the year ended December 31, 2022 (note 7).

(in thousands of Canadian dollars, unless otherwise stated)

6. Investment Properties

As at	December 31, 2022	December 31, 2021
Balance, beginning of year	**$ 6,294,305**	$ 5,262,063
Acquisition of investment properties (note 4)	**1,051,258**	674,587
Disposition of investment properties	**(7,070)**	(56,577)
Additions to investment properties	**166,705**	146,047
Increase in straight line rents	**2,305**	1,934
Reclassified as assets held for sale	**(943,461)**	—
Right of use asset addition	**206**	108
Fair value adjustments	**23,480**	513,986
Foreign currency translation	**24,807**	(247,843)
Balance, end of year	**$ 6,612,535**	$ 6,294,305

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

The estimated fair values of the REIT's real estate investment properties are based on the following methods:

i. Discounted cash flow analysis based on future cash inflows and outflows related to projected annual operating cash flows reflecting market conditions at the end of reporting period, utilizing appropriate discount rates and terminal capitalization rates which are generally over a minimum of 10 year term; and
ii. Direct capitalization method which calculates and estimate of fair value by applying a capitalization rate to future cash flows based on a forecast or expectation of stabilized net operating income.

The estimated fair values of the investment properties as at December 31, 2022 and December 31, 2021 were determined using internal valuation models and the results of valuations performed by independent third party appraisers. Significant inputs, assumptions and a number of methods are used by the REIT in determining the estimated fair value of the investment properties, including capitalization rates, terminal capitalization rates, discount rates and future cash flows that incorporate inflation rates, vacancy rates, market rents, property level capital expenditures, and net operating income.

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

As at December 31, 2022			
	Americas	Europe	Australasia
Discount rate - range	5.5% - 9.0%	4.7% - 9.4%	5.0% - 8.3%
Discount rate - weighted average	7.2%	5.5%	6.1%
Terminal capitalization rate - range	5.0% - 8.3%	4.1% - 7.9%	4.3% - 7.5%
Terminal capitalization rate - weighted average	6.5%	5.0%	4.9%
Overall capitalization rate - range	2.7% - 13.5%	3.7% - 6.9%	4.0% - 8.4%
Overall capitalization rate - weighted average	6.2%	4.6%	4.6%

As at December 31, 2021			
	Americas	Europe	Australasia
Discount rate - range	5.3% - 8.5%	4.8% - 6.3%	5.0% - 8.0%
Discount rate - weighted average	7.1%	5.4%	6.0%
Terminal capitalization rate - range	4.8% - 8.0%	4.3% - 7.5%	4.3% - 7.3%
Terminal capitalization rate - weighted average	6.6%	5.0%	5.0%
Overall capitalization rate - range	3.4% - 10.0%	3.7% - 6.4%	4.0% - 8.1%
Overall capitalization rate - weighted average	6.4%	4.6%	4.7%

The following table summarizes the fair value sensitivity for the portion of the REIT's investment properties that are most sensitive to changes in capitalization rates:

Capitalization rate sensitivity increase/ (decrease)	Weighted average overall capitalization rate	Estimated fair value of investment properties (in millions of Canadian dollars)	Fair value variance (in millions of Canadian dollars)	% Change
(0.75)%	4.68 %	$ 7,877	$ 1,261	19.0 %
(0.50)%	4.93 %	$ 7,412	$ 796	12.0 %
(0.25)%	5.18 %	$ 6,994	$ 378	6.0 %
— %	5.43 %	$ 6,613	$ —	— %
0.25 %	5.68 %	$ 6,273	$ (343)	(5.0)%
0.50 %	5.93 %	$ 5,960	$ (656)	(10.0)%
0.75 %	6.18 %	$ 5,673	$ (943)	(14.0)%

The REIT engages independent third-party appraisers to appraise its income producing properties such that approximately one-third of the portfolio is independently appraised annually and each income producing property is appraised at least once over a five-year period. The REIT's internal valuation models incorporate the results of valuations performed by independent third-party appraisers. During the year ended December 31, 2022, income producing properties with an aggregate estimated fair value of $4.0 billion representing approximately 61.0% of its consolidated investment property portfolio, were valued by independent third party appraisers. As at December 31, 2021 income producing properties with an aggregate estimated fair value of $6.1 billion representing approximately 96.2% of its portfolio, were valued by independent third party appraisers.

The REIT is actively marketing the UK healthcare properties ("UK Portfolio") to parties interested in forming a joint arrangement. The UK portfolio is expected to be sold to a joint arrangement within the first half of 2023 where the REIT is expected to retain a non-controlling interest in the properties and related property-level financing. Accordingly, the REIT classified the UK Portfolio with an estimated fair value of $956.6 million as assets held for sale. Liabilities associated with the UK Portfolio an estimated investment properties as at December 31, 2022 of $435.4 million were concurrently classified as liabilities held for sale.

(in thousands of Canadian dollars, unless otherwise stated)

During the year ended December 31, 2022, The REIT recorded a fair value gain of $23.1 million (December 31, 2021 - $161.2 million gain) on this portfolio.The REIT continues to meet the highly probable criteria for such classification as at December 31, 2022.

The REIT continues to market the US Portfolio. As at December 31, 2022 management reassessed the expectation of timing of the sale of the US Portfolio and determined that the sale would be completed during second half of 2023. As a result, the REIT determined that the US Portfolio no longer met the criteria for classification as assets held for sale. Therefore, income producing properties of $784.7 million and related debt of $456.3 million, previously classified as assets and liabilities held for sale, respectively, have been reclassified to investment properties and mortgages and loans, respectively.

As at December 31, 2022, an income producing property in Vital Trust for $24.4 million has been classified as held for sale as its carrying amount is expected to be recovered through a sale transaction.

Future minimum contractual rent excluding service charges, and any assumptions related to leasing after expiries, under operating leases is as follows:

	December 31, 2022	December 31, 2021
Less than 1 year	**$ 414,414**	$ 323,940
1 - 5 years	**1,532,666**	1,160,805
Longer than 5 years	**$ 3,767,333**	$ 3,139,952

7. Equity Accounted Investments

The REIT has entered into joint venture arrangements with third parties for the purpose of jointly developing, owning and operating investment properties. In each arrangement, the co-owners are equally entitled to their proportionate share of income (loss) attributable to each co-owners' equity ownership percentage.

On May 10, 2022, the REIT entered into a joint venture agreement with its existing joint venture ("JV") partner to form a new and separate Australian JV, NorthWest Australia Hospital Investment Galaxy 2 Trust, with a total initial commitment of $2.1 billion (A$2.4 billion) of debt and equity. The JV is 70% owned by the JV partner, with the REIT owning the remaining 30% interest. Capital commitments are consistent with the relative ownership levels of the investors. As at December 31, 2022, there has been no funding by the investors to date.

As at December 31, 2022, the total equity commitment to separate Australian and European joint ventures previously established is approximately $3.4 billion and $2.9 billion, respectively, less funding to date of $2.4 billion and $0.7 billion, respectively, which includes a 30% participation interest by the REIT in the aggregate.

Equity Accounted Investments	**REIT's Ownership Interest**	**Location**
NWI Galaxy JV GmbH & Co. KG ("European JV")	30%	Europe
NorthWest Australia HSO Trust	30%	Australia
NorthWest Australia Hospital Investment Trust	30%	Australia
Northwest Healthcare Properties Australia REIT ("AREIT")	30%	Australia
NorthWest Australia Hospital Investment Galaxy 2 Trust	30%	Australia

(in thousands of Canadian dollars, unless otherwise stated)

The REIT's investments in its initial Australian JV arrangements, where capital funding has been deployed, in connection with acquisition of investment properties, were all governed under the same investment framework as at December 31, 2022, including sharing a common third-party joint venture partner, owning assets that are in a similar asset class and geographical region, and have similarly structured investment management terms. Accordingly, the REIT has combined NorthWest Australia HSO Trust, NorthWest Australia Hospital Investment Trust, and Northwest Healthcare Properties Australia REIT ("AREIT") joint venture arrangements for disclosure purposes in the following table which shows the changes in the REIT's carrying value of its equity accounted investments by segment:

December 31, 2022		**Australasia**		**Europe**		**Total**
Balance, beginning of year	$	299,997	$	81,214	$	**381,211**
Contributions		—		19,081		**19,081**
Share of profit for the year		16,575		4,029		**20,604**
Distributions (i)		(16,718)		(10,245)		**(26,963)**
Foreign exchange		19		1,445		**1,464**
Balance, end of year	**$**	**299,873**	**$**	**95,524**	**$**	**395,397**

December 31, 2021		**Australasia**		**Europe**		**Total**
Balance, beginning of year	$	224,347	$	73,646	**$**	**297,993**
Contributions		14,235		9,926		**24,161**
Share of profit for the year		96,417		11,066		**107,483**
Distributions (i)		(20,727)		(7,526)		**(28,253)**
Foreign exchange		(14,273)		(5,900)		**(20,173)**
Balance, end of year	**$**	**299,999**	**$**	**81,212**	**$**	**381,211**

(i) Included in accounts receivable are accrued distributions of $5.4 million payable by joint ventures to the REIT as at December 31, 2022 (December 31, 2021 - $3.8 million).

The following tables summarized financial information of the REIT's interests in equity accounted investments:

As at December 31,	**2022**			2021		
	Australia	**Europe**	**Total**	Australia	Europe	Total
Total assets	$ 2,232,090	$ 621,308	**$ 2,853,398**	$ 2,162,182	$ 533,218	$ 2,695,400
Total liabilities	1,169,977	319,970	**1,489,947**	1,101,113	278,801	1,379,914
Net assets	1,062,113	301,338	**1,363,451**	1,061,069	254,417	1,315,486
Less: Non-controlling interests	63,489	—	**63,489**	62,035	—	62,035
Net assets less non-controlling interests	998,624	301,338	**1,299,962**	999,034	254,417	1,253,451
REIT's ownership Interest	30.0%	30% to 33.57%	**30% to 33.57%**	30.0%	30.0% to 33.6%	30.0% to 33.6%
REIT's share of net assets	**299,873**	**95,524**	**395,111**	300	81	380,923
Equity Accounted Investments	**$ 299,873**	**$ 95,524**	**$ 395,397**	$ 299,709	$ 81,214	$ 381,211

Included in total assets is cash of $20.4 million and $1.9 million in Australia and Europe, respectively (December 31, 2021 - $15.6 million and $7.9 million).

(in thousands of Canadian dollars, unless otherwise stated)

The REIT completed a fixed price development arrangement with the European JV, a related party, for two Netherlands properties that were under development at the time of sale to the European JV in 2021. Revenue from the development has been recognized by the REIT on a percentage of completion basis relative to the costs incurred, which were also fixed, over the term of the expected development period and payable at the completion of the development. The development projects were completed during the year ended December 31, 2022. The revenue related to the amounts billed by the REIT have been collected in full in respect of the two development projects.

For the year ended December 31,	**2022**			2021		
	Australasia	**Europe**	**Total**	Australasia	Europe	Total
Revenue	$ 101,999	$ 34,206	**$ 136,205**	$ 97,574	$ 30,993	$ 128,567
Interest income	5,440	—	**5,440**	5,135	95	5,230
Total revenue	$ 107,439	$ 34,206	**$ 141,645**	$ 102,709	$ 31,088	$ 133,797
Expenses and fair value adjustments						
Operating costs	10,046	4,941	**14,987**	$ 9,357	$ 5,161	$ 14,518
Mortgage and loan interest expense	28,061	6,925	**34,986**	13,649	5,137	18,786
General and administrative expenses	1,375	902	**2,277**	453	3,958	4,411
Other	633	—	**633**	380	—	380
Fair value (gain) loss of investment properties	7,338	10,044	**17,382**	(250,635)	(22,891)	(273,526)
Income tax expense	—	(1,070)	**(1,070)**	—	6,254	6,254
Net income (loss)	$ 59,986	$ 12,464	**$ 72,450**	$ 329,505	$ 33,469	$ 362,974
Non-controlling interests	4,738	233	**4,971**	8,116	—	8,116
Net profit attributable to owners	55,248	12,231	**67,479**	321,389	33,469	354,858
Weighted average share of profit (loss)	30.0%	30% to 33.57%	**30% to 33.57%**	30.0%	30.0% to 33.6%	30.0% to 33.6%
REIT's share of income (loss)	$ 16,575	$ 4,029	**$ 20,604**	$ 96,417	$ 11,066	$ 107,483

The fair value movements relates to fair value movements in respect of the measurement of investment properties has been determined using the same valuation methodologies as the REIT.

(in thousands of Canadian dollars, unless otherwise stated)

8. Financial Instruments

As at		December 31, 2022		December 31, 2021
Financial assets:				
Derivative asset		**—**		13,266
Interest rate swaps		**37,568**		510
Foreign exchange contracts		**556**		1,586
Total financial assets		**38,124**		15,362
Financial liabilities:				
Derivative liability		**—**		19,621
Interest rate swaps		**—**		24,608
Foreign exchange contracts		**—**		90
Total financial liabilities	**$**	**—**	$	44,319

The REIT entered into interest rate swaps contracts with respect to certain variable rate Canadian and European mortgages, as well as portions of the Vital Trust credit facility for a total notional amount of $784.2 million (note 10). These interest rate derivatives mature within the next 1 to 8 years and have fixed interest rates ranging from 1.45% to 4.45%.

During the year ended December 31, 2021, the REIT entered into call and put derivative option agreements on behalf of itself and its Australian JV partner. During the year ended December 31, 2022 the REIT exercised its share of the derivative option and acquired the remaining unlisted securities under arrangement for total consideration of $92.4 million, $13.3 million of which was previously funded and recognized as a derivative asset (note 8). The $19.6 million derivative liability as at December 31, 2021 was derecognized as the Australian JV partner concurrently exercised their share of the option. The transaction resulted in no fair value adjustment for the year ended December 31, 2022 as the derivative asset of $13.3 million and the derivative liability of $19.6 million were applied against the respective consideration of the exercised options.

During the year ended December 31, 2021, the REIT entered into separate additional call and put option agreements with various third parties. All of the remaining option arrangements were exercised into units of the related investment in unlisted securities during the year ended December 31, 2022 for a total cost of $14.2 million.

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

Year ended December 31,		2022		2021
Fair value adjustment - interest rate swaps	**$**	**58,534**	$	35,952
Receipts/(payments) under financial instrument		**(278)**		420
Fair value adjustment - financial instruments		**25**		(45,887)
	$	**58,281**	$	(9,515)

During the year ended December 31, 2021, the REIT paid premiums of $47.5 million in respect of call and put agreements to acquire units in unlisted securities with its Australian JV partner. The payments made were initially recognized as a derivative financial instrument. In December 2021, the call and put arrangement was amended to specify a completion date of March 31, 2022. The REIT provided a financial guarantee to purchase the remaining units under the amended arrangement for an exercise price of $225.5 million by the completion date and paid a non-refundable deposit, that will be applied against the purchase price on exercise of the option, of $13.3 million in December 2021.

As at December 31, 2021, the REIT held derivative options that were exercised subsequent to year end into unlisted security units for a total price of $26.5 million.

(in thousands of Canadian dollars, unless otherwise stated)

9. Other Assets

As at		**December 31, 2022**		December 31, 2021
Investment in unlisted securities (i)	**$**	**224,183**	$	100,141
Acquisition and financing costs (ii)		**21,867**		22,669
Loan and mortgage receivable carried at amortized cost (iii)		**10,268**		10,257
Finance lease receivable (iv)		**6,987**		6,802
Furniture and office equipment		**4,701**		2,536
Right-of-use lease assets (v)		**4,413**		4,312
Commodity taxes recoverable		**4,152**		5,260
Prepaid expenses		**3,658**		7,200
Other		**140**		151
	$	**280,369**	$	159,328

i. As noted above, during the year ended December 31, 2021, the REIT entered into call and put derivative option agreements on behalf of itself and its Australian JV partner with an entity who held underlying units, or unlisted securities, of a separate entity in Australia . The REIT also entered into additional call and put option arrangements with various third parties who held the same unlisted securities. During the year ended December 31, 2021, the REIT acquired a non-controlling interests of the unlisted securities in the applicable fund for a total consideration of $100.1 million through direct purchases and through partial exercises of the related options noted.

   During the year ended December 31, 2022, the REIT exercised its remaining share of the derivative option and, as a result, acquired unlisted securities of the same fund for total consideration of approximately $224.2 million, including those units purchased through the exercise of call and put derivative options.

   The REIT has accounted for the unlisted securities as a financial asset measured at fair value through profit and loss ("FVTPL") under IFRS 9 and accordingly recorded the investments at its estimated fair value in Canadian dollar of $224.2 million as at December 31, 2022.

   For the year ended December 31, 2022, the REIT received $7.1 million of distribution income, settled in units at the REIT's option, related to the REIT's investment in the unlisted securities and were recognized as part of interest and other income in the statement of net income (loss) and comprehensive income (loss).

ii. Acquisition and financing costs relate to potential acquisitions and debt refinancing which are currently undergoing due diligence and/or negotiation.

iii. Loan and mortgage receivable carried at amortized cost relates to an interest-bearing loan secured by an Australian investment property maturing in April 2023.

iv. Finance lease receivable relates to a long-term lease of land that is a finance lease, bearing a discount rate of 6.5% and remaining term of 65 years.

v. Right-of-use lease assets are net of accumulated amortization of $3.7 million (December 31, 2021 - $2.4 million).

(in thousands of Canadian dollars, unless otherwise stated)

10. Mortgages and Loans Payable

As at		**December 31, 2022**		December 31, 2021
Mortgage payable, net of financing costs	**$**	**851,097**	$	822,012
Term debt, net of financing costs		**2,462,577**		1,336,218
Credit facilities, net of financing costs		**506,804**		636,030
Lease liabilities		**12,926**		12,719
Total Mortgages and loans payable	**$**	**3,833,404**	$	2,806,979
Less: Liabilities related to assets held for sale, net of financing costs (note 6)		**427,543**		—
Mortgages and loans payable	**$**	**3,405,861**	$	2,806,979
Current portion mortgages and loans payable		**1,497,245**		1,073,426
Non-current portion of mortgages and loans payable	**$**	**1,908,616**	$	1,733,553
Mortgages and loans payable	**$**	**3,405,861**	$	2,806,979

Mortgages

All mortgages are secured by first or second charges on specific investment properties in Canada and Europe, with an estimated fair value of $1.6 billion as at December 31, 2022 (December 31, 2021 - $1.5 billion).

Term debt

As at December 31, 2022, the term debt balance without consideration of financing costs includes:

- Brazilian debt of $175.2 million (December 31, 2021 - $159.4 million), secured by related investment properties with an estimated fair value of $343.8 million (December 31, 2021 - $394.93 million);
- Australian term debt of $205.3 million (December 31, 2021 - $148.0 million) comprised of $25.7 million (December 31, 2020 - $21.8 million) term debt secured by related investment properties with an estimated fair value of $41.3 million (December 31, 2021 - $39.6 million) and $106.1 million (December 31, 2021 - $52.8 million) secured by the unlisted securities held by the REIT (note 9);
- New Zealand term debts of $1.0 billion (December 31, 2021 - $864.0 million) secured by Vital Trust's security trust deed and by a first mortgage ranking over the respective investment properties held by Vital Trust; with a total estimated value of $2.9 billion (December 31, 2021 - $2.6 billion),
- Australasian secured term financing of $193.4 million (December 31, 2021 - $173.6 million) secured by 183,534,120 units (December 31, 2021 - 152,433,813 units) of Vital Trust held by the REIT; and
- US term debt of $456.7 million (December 31, 2021- $ nil) secured by the US Portfolio income producing properties with total estimated value of $784.7 million (note 4).
- UK term debt, net of financing costs of $427.5 million (December 31, 2021- $ nil) secured by UK Portfolio investment properties with a total estimated fair value of $956.6 million, classified as liabilities related to held for sale (note 4).

Credit facilities

Total revolving and non-revolving credit facilities had an outstanding balance of $414.3 million (December 31, 2021 - $609.0 million) secured by certain investment properties with an estimated fair value of $1.2 billion (December 31, 2021 - $1.3 billion).

(in thousands of Canadian dollars, unless otherwise stated)

On April 14, 2022, the REIT's credit facility was increased by a new non-revolving tranche for $297.9 million with a term to maturity initially six months and was subsequently extended to June 2023. Proceeds were used to fund a portion of the acquisition cost related to the US Portfolio.

On November 1, 2022, the REIT repaid and subsequently cancelled one of the REIT's credit facility tranches of $424.1 million through a new asset level UK term debt arrangement disclosed above. Concurrently, the REIT refinanced a $79.0 million revolving unsecured credit facility with a new $125.0 million revolving unsecured credit facility annually and term to maturity of November 2023.

Lease liabilities

The lease of land on which one of the REIT's investment properties is built is accounted for as a finance lease. The remaining term of the lease as at December 31, 2022 was 65 years. In addition, the REIT has recognized lease liabilities for leases where the REIT acts as a lessee. Minimum payments under the lease and their present values are as follows:

As at		**December 31, 2022**		December 31, 2021
Minimum lease payments payable:				
Not later than one year	**$**	**2,024**	$	1,767
Later than one year and not later than five years		**5,362**		5,406
Later than five years		**29,637**		30,108
		37,023		37,281
Future finance charges		**(24,097)**		(24,562)
Present value of minimum lease payments	**$**	**12,926**	$	12,719
Present value of minimum lease payments:				
Not later than one year		**1,920**		1,720
Later than one year and not later than five years		**4,851**		4,793
Later than five years		**6,155**		6,206
	$	**12,926**	$	12,719

As at December 31, 2022, the scheduled principal repayments and debt maturities are as follows:

		Mortgages		Term Debts		Credit Facilities		Finance Lease		**Total**
2023	$	116,663	$	870,631	$	508,296	$	1,801	**$**	**1,497,391**
2024		170,779		246,560		—		1,611		**418,950**
2025		147,846		592,665		—		1,189		**741,700**
2026		136,277		166,875		—		1,128		**304,280**
2027		146,717		311,724		—		763		**459,204**
2028 & thereafter		136,321		290,954		—		6,434		**433,709**
	$	854,603	$	2,479,409	$	508,296	$	12,926	**$**	**3,855,234**
Financing costs		(3,506)		(16,832)		(1,492)		—		**(21,830)**
Liabilities related to asset held for sale		—		(427,543)		—		—		**(427,543)**
Total	$	851,097	$	2,035,034	$	506,804	$	12,926	**$**	**3,405,861**

(in thousands of Canadian dollars, unless otherwise stated)

A summary of the maturity and the weighted average interest rates relating to the mortgages and loans payable, including term debts and credit facilities, outstanding at December 31, 2022 are as follows:

	Maturity	Weighted Average Interest Rate	Carrying Value	Available to be Drawn
Fixed rate				
Mortgages	October 2022 - August 2031	3.19 %	$ 790,165	$ —
Term debts	November 2027 - June 2031	4.45 %	773,076	70,093
Total fixed rate debt			$ 1,563,241	$ 70,093
Variable Rate				
Mortgages	April 2023 - June 2030	4.04 %	64,438	—
Term debts	September 2023 - March 2029	6.25 %	1,706,334	50,154
Credit facilities	June 2023 - November 2023	7.57 %	508,296	34,373
Total variable rate debt			$ 2,279,068	$ 84,527
Total mortgages and loans payable, excluding the following:			$ 3,842,309	$ 154,620
Financing costs			(21,830)	—
Liabilities related to asset held for sale			(427,543)	—
Total mortgages and loans payable, excluding lease liabilities:			**3,392,936**	154,620
Lease liabilities		5.34 %	12,926	—
Total mortgages and loans payable			**$ 3,405,862**	**$ 154,620**

In certain instances, the amounts available to be drawn in respect of the mortgages and loan facilities noted above fluctuate depending on applicable variables under those arrangements. The maximum amount available to be drawn is $154.6 million as at December 31, 2022.

The table below summarizes the movements in the REIT's mortgages and loans, excluding finance leases, during the year ended December 31, 2022:

	Mortgages	Term Debts	Credit Facilities	Total
Balance, beginning of year	$ 822,012	$ 1,336,218	$ 636,030	**$ 2,794,260**
Repayments	(92,343)	(359,541)	(931,304)	**(1,383,188)**
Advances and refinancing proceeds	118,688	1,411,689	785,085	**2,315,462**
Reclassified as held for sale		(427,543)		**(427,543)**
Additional financing fees incurred	(9,116)	(4,195)	(4,175)	**(17,486)**
Amortization of finance fees	1,511	4,230	4,689	**10,430**
Amortization of mark-to-market	(719)	—	—	**(719)**
Accretion of financial liabilities	—	15,249	—	**15,249**
Foreign exchange adjustment	11,045	58,927	16,479	**86,451**
Ending balance, December 31, 2022	$ 851,078	$ 2,035,034	$ 506,804	**$ 3,392,916**

(in thousands of Canadian dollars, unless otherwise stated)

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on $784.2 million of variable rate debt as at December 31, 2022 (December 31, 2021 - $630.2 million). The interest rate swaps terminate between 2023 and 2030 and are measured at fair value through profit and loss (note 8).

11. Convertible Debentures

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

As at		**December 31, 2022**		December 31, 2021
Balance, beginning of year	**$**	**137,225**	$	292,821
Issuance of convertible debenture		**155,250**		—
Conversion to REIT units (note 14)		**—**		(139,131)
Convertible debentures cash redemptions		**—**		(20,454)
Change in fair value of convertible debentures		**(17,205)**		3,989
Balance, end of year	**$**	**275,270**	$	137,225

On August 25, 2022, the REIT issued $135.0 million principal amount of unsecured subordinated convertible debenture (the "Series NWH.DB.H"). On August 31 2022, the over-allotment option was exercised for an additional $20.3 million principal amount. The Series NWH.DB.H debenture bear interest at 6.25% per annum, payable semi-annually on February 28 and August 31 each year, with a maturity date of August 31, 2027. Each Series NWH.DB.H is convertible at the holder's option to 62.5 REIT unit per one thousand dollars principal amount of the debenture, representing a conversion price of $16.00 per REIT unit. On and after September 1, 2025 and prior to the maturity date, Series NWH.DB.H may be redeemed by the REIT at a price equal to the principal amount plus accrued and unpaid interest and can be settled by cash or units.

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

As at		**December 31, 2022**		December 31, 2021
NWH.DB.G		**123,125**		137,225
NWH.DB.H		**152,145**		—
Fair Value	**$**	**275,270**	$	137,225
Current		**123,125**		—
Non-Current		**152,145**		137,225
	$	**275,270**	$	137,225

Debentures Series	**Conversion price per Unit ($)**	**Maturity**	**Interest rate**	**Interest payment**	**Interest payment dates**
NWH.DB.G	$13.35	December 31, 2023	5.50%	Semi-annual	June 30 and December 31
NWH.DB.H	$16.00	August 31, 2027	6.25%	Semi-annual	February 28 and August 31

(in thousands of Canadian dollars, unless otherwise stated)

12. Unit-Based Compensation

Under the Plan, together with the existing Deferred Unit Plan, a maximum of 9,000,000 the REIT’s trust units are authorized to be issued.

As at		December 31, 2022		December 31, 2021
Balance, beginning of year	**$**	**26,223**	$	24,277
Unit based compensation expense		**15,222**		12,582
Exercised and paid in cash		**(6,219)**		(11,475)
Exercised and settled in Trust Units		**(1,151)**		(1,777)
Fair value adjustment		**(10,236)**		2,672
Foreign exchange		**(2)**		(56)
Balance, end of year	**$**	**23,837**	$	26,223

The REIT has three separate unit-based incentive plan award types currently in place:

Deferred Units

The deferred units granted in 2022 under the Plan and the previous DUP plan are administered by the Compensation, Governance and Nominating Committee. The deferred units can be settled at the holders' option in units or cash subject to the REIT's approval and are classified as a financial liability until redeemed.

Deferred unit's compensation expense is measured on grant at the service commencement date, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and amortized over the applicable vesting period that ranges from 3 to 5 years. At December 31, 2022, 2,322,053 unvested deferred units with a fair value of $21.9 million are expected to vest between 2022 and 2026. Unit-based compensation does not qualify as an equity award and, therefore, is classified as a liability. The awards are re-measured at fair value each reporting period, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and the change in fair value is recognized as part of compensation expense for the period.

Units outstanding under the deferred unit plans:

As at December 31, 2022	REIT	Vital Trust
Balance, beginning January 1, 2021	**2,373,367**	**217,204**
Granted	**841,364**	**—**
Exercised and paid in cash	**(499,084)**	**—**
Exercised and paid in REIT units	**(93,757)**	**—**
Distribution entitlement	**180,490**	**8,183**
Balance, as at December 31, 2022	**2,799,285**	**225,387**
Units vested but not exercised	**1,402,653**	**204,718**

(in thousands of Canadian dollars, unless otherwise stated)

As at December 31, 2021	REIT	Vital Trust
Balance, beginning January 1, 2021	**2,259,611**	**585,878**
Granted	**896,033**	**—**
Exercised and paid in cash	**(786,163)**	**(377,392)**
Exercised and paid in REIT units	**(136,736)**	**—**
Forfeited	**(22,092)**	**—**
Distribution entitlement	**162,714**	**8,719**
Balance, as at December 31, 2021	**2,373,367**	**217,205**
Units vested but not exercised	**1,166,489**	**63,289**

For the year ended December 31, 2022, the REIT granted 841,364 DUP units with a grant-date fair value of $11.5 million (for the year ended December 31, 2021 - 896,033 DUP units with a fair value of $11.7 million).

Restricted Units

The REIT grants restricted units ("RUs") under the Plan. The RUs granted vest 100% on the fifth anniversary of their respective grant dates and are subject to forfeiture until the recipients of the awards have held office in their current position with or provided services to the REIT for a specified period of time.

RUs are recognized based on the grant date fair value and re-measured at each reporting date. The grant agreements provide that the awards will be satisfied upon vesting for: (i) trust units issued from REIT treasury, or (ii) a cash payment as determined by the REIT, with the result that the awards are classified as cash-settled unit-based payments and presented and classified as liabilities.

The restricted units may, if specified at the time of grant, accrue cash distributions during the vesting period and accrued distributions will be paid by the REIT when the applicable units vest.

	2022	
	Number	**Weighted Average Grant Date Fair Value per unit**
New grants and distributions	196,758	$ 12.08
RUs outstanding, December 31	**196,758**	**$ 12.08**

The fair value of the outstanding RUs was $0.3 million as at December 31, 2022 and is based on the market price of the REIT's unit. The fair value is adjusted for changes in the market price of the REIT's units and recorded as a liability with a corresponded compensation expense in general and administrative expenses in the period in which the change occurs.

Performance Units

The REIT grants performance units ("PUs") under the Plan with a three-year performance period. The performance units are and will be subject to both non-market and market conditions consisting of both absolute and relative performance over a three-year period and settled for trust units upon vesting.

(in thousands of Canadian dollars, unless otherwise stated)

	2022	
	Number	Weighted Average Grant Date Fair Value per unit
New grants and distributions	706,758	$ 12.12
PUs outstanding, December 31	**706,758**	**$ 12.12**

The estimated fair value of the outstanding PUs was $1.2 million as at December 31, 2022 and is subject to both internal and external measures.

Grant date	July 4, 2022
PUs granted	706,758
Weighted average remaining term to vesting	2.5
Average volatility rate	32.0 %
Weighted average risk free interest rate	4.5 %

The REIT's compensation expense recognized in general and administrative expense was:

For the year ended December 31,	**2022**	2021
Deferred Units	**$ 13,429**	$ 12,375
Restricted Units	**384**	—
Performance Units	**1,411**	—
Unit-based compensation expense	**$ 15,224**	$ 12,375
Fair value remeasurement:		
Deferred Units	**$ (9,943)**	$ 2,856
Restricted Units	**(82)**	—
Performance Units	**(210)**	—
Total fair value remeasurement	**$ (10,235)**	$ 2,856

13. Income Taxes

The REIT qualifies as a mutual fund trust and a real estate investment trust for Canadian income tax purposes. The REIT expects to distribute all of its taxable income to unitholders and is entitled to deduct such distributions for income tax purposes.

Accordingly, no provision for current and deferred income tax payable is required, except for amounts in respect of its subsidiaries in foreign jurisdictions, as follows:

Year ended December 31,	**2022**	2021
Current income tax expense	**$ 21,847**	$ 13,196
Deferred income tax expense, relating to origination and reversal of temporary differences	**57,450**	111,033
	$ 79,297	$ 124,229

Income tax expense is net of the benefits recognized from previously unrecorded temporary difference of nil for the year ended December 31, 2022 (December 31, 2021 - $7.0 million) attributable to previously unused tax losses.

(in thousands of Canadian dollars, unless otherwise stated)

Deferred taxes

Deferred income taxes reflect the net effect of temporary differences by tax jurisdiction, where appropriate, between the carrying amount of assets and liabilities for financial reporting purposes and the tax basis of amounts used for income tax purposes.

Deferred tax assets and deferred tax liabilities are presented on a net basis where those assets and liabilities relate to the same taxable entity and there is a legally enforceable right to offset current tax assets and liabilities in that entity.

Deferred income tax assets and liabilities consist of the following:

Year ended December 31,	2022	2021
Deferred tax liabilities related to difference in tax and book basis of:		
Investment properties	$ 456,134	$ 396,784
Mortgage and loans payables	129	88
Other	4,795	—
Total deferred income tax liabilities before offset	461,058	396,872
Tax offset	(2,971)	(10,657)
Total deferred income tax liabilities	458,087	386,215
Deferred tax assets related to difference in tax and book basis of:		
Investment properties	3,812	3,396
Derivative financial instruments	—	5,920
Tax loss carryforwards	10,860	8,824
Other	2,451	3,887
Total deferred income tax assets before offset	17,123	22,027
Tax offset	(2,971)	(10,657)
Total deferred income tax assets	14,152	11,370
Net deferred income tax liabilities	$ 443,935	$ 374,845

Reconciliation of effective tax rate:

Year ended December 31,	2022	2021
Income before income taxes from continuing operations	$ 204,924	$ 736,068
Income tax expense calculated at the domestic rates applicable to profits in the country concerned	37,219	135,148
Increase (decrease) resulting from		
Foreign tax exempt (loss) income	9,045	(22,396)
Item not deductible in determining taxable profit	1,645	5,253
Deductible temporary differences for which no deferred tax asset is recognized	22,119	17,077
Change in tax rates	9,858	—
Previously unrecorded tax benefit of losses	—	(6,964)
Tax adjustments related to prior years	(1,059)	(4,993)
Other	470	1,104
Income tax expense	$ 79,297	$ 124,229

(in thousands of Canadian dollars, unless otherwise stated)

14. Unitholders' Equity

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

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

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

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

The following table shows the changes in REIT units:

	REIT units		Amount
Balance, December 31, 2020	**175,977,780**	**$**	**1,694,810**
Units issued through distribution reinvestment plan (i)	2,079,189		26,504
Units issued on conversion of convertible debentures (note 11)	10,548,173		139,131
Units issued under deferred unit plan (note 12)	136,736		1,777
Units issued pursuant to equity offering	35,385,257		446,725
Units issuance cost	—		(18,915)
Balance, December 31, 2021	**224,127,135**	**$**	**2,290,032**
Units issued through distribution reinvestment plan (i)	2,839,242		33,578
Units issued under deferred unit plan (note 12)	93,757		1,151
Units issued pursuant to equity offering (ii)	12,500,500		172,507
Private Placement of units (ii)	1,086,955		15,000
Units issuance costs	—		(8,393)
Balance, December 31, 2022	**240,647,589**	**$**	**2,503,875**

(i) The REIT has established a distribution reinvestment plan (“DRIP”) for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at an effective discount that is determined by applying 3% to the REIT;s unit trading value. For the year ended December 31, 2022, the REIT's DRIP participation rate was 18.1% (December 31, 2021 - 16.8%).

(ii) On March 31, 2022, the REIT completed a public offering of 12,500,500 units at a price of $13.80 per unit for gross proceeds of $172.5 million, which included full exercise of the over-allotment option granted to the underwriters, whereby an additional 1,630,500 units were issued at a price of $13.80 per unit. Subsequent to the public offering, NWVP completed private placement on May 31, 2022 (note 18).

(in thousands of Canadian dollars, unless otherwise stated)

15. Non-Controlling Interests

The following tables present summarized accounts for Vital Trust and the investment property Fritz-Lang-Platz 6, held by a subsidiary of the REIT, NWI Gesundheitsimmobilien GmbH & Co. KG, where a non-controlling or partial interest is owned by a third party.

In May 2022, Vital Trust completed an equity placement of 67.8 million units for $173.7 million (NZ$200.0 million) in which the REIT participated by acquiring 18.6 million units for a total of $47.8 million (NZ$55.0 million) in order to maintain its relative interest in Vital Trust .

On August 31, 2022, Vital Trust issued 5,878,511 ordinary units to the REIT for $12.8 million to settle the incentive fee owed to the REIT which resulted in a relative change in non-controlling interest.

The net assets and income (loss) attributable to the non-controlling interests and the REIT are as follows:

As at December 31,	**2022**			2021		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
REIT's ownership interest	**28.2 %**	**94.9 %**		27.4 %	94.9 %	
Total assets	**$ 3,002,285**	**$ 25,002**	**$ 3,027,287**	$ 2,598,545	$ 26,179	$ 2,624,724
Total liabilities	**1,214,200**	**8,434**	**1,222,634**	1,031,765	8,746	1,040,511
Net assets	**$ 1,788,085**	**$ 16,568**	**$ 1,804,653**	$ 1,566,780	$ 17,433	$ 1,584,213
Attributable to:						
Unitholders of the REIT	**504,184**	**15,341**	**519,525**	435,865	16,905	452,770
Non-controlling interests	**1,283,901**	**1,227**	**1,285,128**	1,130,915	528	1,131,443
	$ 1,788,085	**$ 16,568**	**$ 1,804,653**	$ 1,566,780	$ 17,433	$ 1,584,213

	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
Revenue from investment properties	**$ 132,644**	**$ 1,766**	**$ 134,410**	$ 115,070	$ 1,650	$ 116,720
Net income (loss) attributable to:						
Unitholders of the REIT	**30,453**	**(1,518)**	**28,935**	90,238	(664)	89,574
Non-controlling interests	**60,669**	**663**	**61,332**	227,962	37	227,999
Net income (loss)	**$ 91,122**	**$ (855)**	**$ 90,267**	$ 318,200	$ (627)	$ 317,573
Total comprehensive income (loss) attributable to:						
Unitholders of the REIT	**30,709**	**(857)**	**29,852**	71,261	(839)	70,422
Non-controlling interests	**62,145**	**698**	**62,843**	174,079	(7)	174,072
Total comprehensive income (loss)	**$ 92,854**	**$ (159)**	**$ 92,695**	$ 245,340	$ (846)	$ 244,494
Distributions attributable to non-controlling interests	**$ 36,902**	**$ —**	**$ 36,902**	$ 31,817	$ —	$ 31,817

The difference between the net income (loss) and total comprehensive income (loss) reflects the movements during the year ended December 31, 2022, attributable to the translation of accounts related to the REIT's net investments in Vital and Fritz-Lang-Platz 6, being foreign operation of the REIT.

(in thousands of Canadian dollars, unless otherwise stated)

	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
Cash flows from (used in):						
Operating	**$ 87,146**	**$ 141**	**$ 87,287**	$ 87,242	$ (87)	$ 87,155
Investing	**(366,284)**	**1,466**	**(364,818)**	(342,516)	$ (429)	(342,945)
Financing	**292,011**	**340**	**292,351**	344,126	$ 694	344,820
Effect of foreign currency translation	**(8,964)**	**111**	**(8,853)**	2,951	$ (5)	2,946
Net change in cash	**$ 3,909**	**$ 2,058**	**$ 5,967**	$ 91,803	$ 173	$ 91,976
Cash ending balance	**$ 10,686**	**$ 360**	**$ 11,046**	$ 6,778	$ 196	$ 6,974

The REIT is subject to restrictions over the extent to which it can access cash of Vital Trust and Fritz-Lang-Platz 6 in the form of cash distributions, or use of assets and access to debt and credit facilities as a result of borrowing arrangements, regulatory restrictions and the REIT's economic interests in Vital Trust and Fritz-Lang-Platz 6, being limited the REIT's ownership interests of 28.2% and 94.9%, respectively.

16. Rental Revenue

The components of rental revenue are as follows:

For the year ended December 31,	2022	2021
Rental income	**$ 355,578**	$ 290,291
Operating cost recoveries	**57,610**	55,925
Property tax and insurance recoveries	**25,900**	21,704
Other revenue	**9,741**	6,693
Rental revenue	**$ 448,829**	$ 374,613

17. Supplemental Cash Flow Information

(i) Cash, cash equivalents and restricted cash

As at	December 31, 2022	December 31, 2021
Cash and cash equivalents	**$ 87,987**	$ 62,700
Restricted cash	**47**	41
Total cash, cash equivalents and restricted cash	**$ 88,034**	$ 62,741

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil term debt (note 10).

(in thousands of Canadian dollars, unless otherwise stated)

(ii) Changes in Non-Cash Working Capital Balances

For the year ended December 31,		**2022**		2021
Accounts receivable	**$**	**26,828**	$	(36,825)
Other assets		**8,850**		(3,847)
Accounts payable and accrued liabilities		**18,899**		21,000
Changes in non-cash working capital balances	**$**	**54,577**	$	(19,672)

(iii) Non-Cash Financing and Investing Activities

For the year ended December 31,		**2022**	2021
Non-cash distributions to Unitholders under the DRIP (note 14)	**$**	**33,578**	$26,504
Investment property received as compensation for sale of discontinued operation (notes 3)		**—**	17,105
Units issued under unit-based compensation plan (note 12)		**1,151**	1,777
Non-cash distributions from unlisted securities under dividend reinvestment program (note 9)		**2,435**	2,435
Non-cash conversion of convertible debentures		**—**	139,131
Non-cash distribution from European JV (note 7)		**—**	—

(iv) Finance costs (income)

For the year ended December 31,		**2022**		2021
Distributions on Exchangeable Units	**$**	**1,368**	$	1,368
Accretion of financial liabilities		**15,249**		11,707
Amortization of deferred financing costs		**10,702**		12,189
Amortization of marked to market adjustment		**(719)**		(416)
Fair value adjustment of Convertible Debentures		**(17,205)**		3,989
Convertible Debenture issuance costs		**7,062**		—
Fair value adjustment of Class B exchangeable units		**(7,336)**		2,035
Total finance costs, net	**$**	**9,121**	$	30,872

(in thousands of Canadian dollars, unless otherwise stated)

(v) Reconciliation of Cash and Non-Cash Financing Activities:

Year ended December 31, 2022	**Mortgages and loans payable**	**Convertible debentures**	**Class B exchangeable units**	**Total**
Balance, beginning of year	$ 2,806,978	$ 137,225	$ 23,581	$ 2,967,784
Cash financing activities:				
Mortgage and loan proceeds	2,315,462	—	—	2,315,462
Repayment of mortgages	(1,383,089)	—	—	(1,383,089)
Issuance on convertible debentures	—	148,189	—	148,189
Financing fees paid	(17,443)	—	—	(17,443)
Total cash financing activities	**914,930**	**148,189**	**—**	**1,063,119**
Non-cash financing activities:				
Amortization of financing costs	10,702	—	—	10,702
Amortization of mark-to-market adjustment	(719)	—	—	(719)
Accretion of financial liabilities	15,249	—	—	15,249
Liabilities related to assets held for sale	(427,543)	—	—	(427,543)
Fair value adjustment of Class B exchangeable units		—	(7,336)	(7,336)
Convertible debenture issuance costs	—	7,061	—	7,061
Fair value adjustment of convertible debentures	—	(17,205)	—	(17,205)
Other adjustments	207	—	—	207
Foreign exchange translation	86,057	—	—	86,057
Total non-cash financing activities	**(316,047)**	**(10,144)**	**(7,336)**	**(333,527)**
Balance, end of year	**$ 3,405,861**	**$ 275,270**	**$ 16,245**	**$ 3,697,376**

(in thousands of Canadian dollars, unless otherwise stated)

Year ended December 31, 2021	**Mortgages and loans payable**	**Convertible debentures**	**Class B exchangeable units**	**Total**
Balance, beginning of year	$ 2,495,413	$ 292,821	$ 21,546	$ 2,809,780
Cash financing activities:				
Mortgage and loan proceeds	1,567,420	—	—	1,567,420
Repayment of mortgages	(1,166,330)	—	—	(1,166,330)
Redemption of convertible debentures	—	(20,454)	—	(20,454)
Financing fees paid	(19,758)	—	—	(19,758)
Total cash financing activities	**381,332**	**(20,454)**	**—**	**360,878**
Non-cash financing activities:				
Amortization of financing costs	12,189	—	—	12,189
Amortization of mark-to-market adjustment	(416)	—	—	(416)
Accretion of financial liabilities	11,707	—	—	11,707
Conversion to Unitholders' Equity	—	(139,131)	—	(139,131)
Fair value adjustment of Class B exchangeable units	—	—	2,035	2,035
Fair value adjustment of convertible debentures	—	3,989	—	3,989
Other adjustments	332	—	—	332
Foreign exchange translation	(93,578)	—	—	(93,578)
Total non-cash financing activities	**(69,766)**	**(135,142)**	**2,035**	**(202,873)**
Balance, end of year	**$ 2,806,979**	**$ 137,225**	**$ 23,581**	**$ 2,967,785**

18. Related Party Transactions

(a) The Class B exchangeable units of NorthWest International Healthcare Properties LP ("NWI LP") are entirely held by Northwest Value Partners Inc. and affiliates ("NWVP"). Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer ("CEO") of the REIT, is the sole shareholder, sole director and President of NWVP.

Distributions declared on the Class B exchangeable units of NWI LP totaled $1.0 million for the year ended December 31, 2022 (for the year ended December 31, 2021 - $1.0 million) and have been accounted for as finance costs in profit or loss.

On May 31, 2022, the REIT completed a private placement of 1,086,955 REIT Units to NWVP for gross proceeds of $15.0 million in connection to the public offering that closed on March 31, 2022 (note 14).

(in thousands of Canadian dollars, unless otherwise stated)

As at December 31, 2022, NWVP indirectly owned approximately 8.8% of the REIT through a combination of Trust Units of the REIT and Class B exchangeable units, approximately 8.1% on a fully diluted basis assuming conversion of the REIT's convertible debentures and redemption of all of its vested units under the unit-based compensation plan (as at December 31, 2021 - 11.7%).

During the year ended December 31, 2022, 210,152 deferred units valued at $2.3 million were exercised and paid in cash by the REIT (December 31, 2021 - 94,680 deferred units valued at $1.3 million). As at December 31, 2022, Paul Dalla Lana held a total of 992 vested REIT deferred units valued at $0.1 million (December 31, 2021 - 93,669 deferred units valued at $1.3 million). During the year ended December 31, 2022, the REIT granted 423,869 performance units with initial value of $5.0 million under the new equity incentive plan that are scheduled to vest in 3 years.

(b) As at December 31, 2022, the REIT had $0.1 million owing to NWVP (December 31, 2021 - $0.1 million that was included in accounts payable and accrued liabilities).

The REIT incurred charges from NWVP during the year ended December 31, 2022, of $4.0 million, gross of HST totaling $0.3 million, which includes (i) annual base and performance-based compensation for CEO management services for $2.5 million excluding deferred units disclosed above, (ii) expense reimbursement of $0.9 million, and; (iii) the cost of NWVP personnel seconded to the REIT totaling $0.3 million. The aforementioned charges were recorded as part of general and administrative expenses and transaction costs.

During the year ended December 31, 2022 the REIT made total payments to NWVP of $4.0 million, to settle the obligations noted above excluding redemption of deferred units.

The REIT incurred charges from NWVP during the year ended December 31, 2021, of $2.0 million, gross of HST totaling $0.2 million, which includes: (i) compensation for CEO management services totaling $1.3 million for the year ended December 31, 2021, excluding deferred units disclosed above, (ii) the cost of NWVP personnel seconded to the REIT totaling $0.3 million and expense reimbursements of $0.4 million. The aforementioned charges were recorded as part of general and administrative expenses and transaction costs during the year ended December 31, 2021.

During the year ended December 31, 2021, the REIT made total payments to NWVP of 2.7 million to settle the obligations noted above including $0.7 million outstanding payable balance owed from the prior year.

(c) At December 31, 2022, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable to NWVP and affiliates in the amount of $0.1 million (December 31, 2021 - $0.1 million), which were settled subsequent to period end.

(d) Key Management Personnel Compensation

For the year ended December 31,		**2022**		2021
Cash compensation	**$**	**6,653**	$	4,739
Unit-based long-term incentives (1)		**8,435**		7,489
	$	**15,088**	$	12,228

(1) Unit based long-term incentive compensation consists of the related award valued and vesting of DUPs, RUs, and PUs. The compensation included above reflects the grant fair value of the unit-based incentive award,multiplied by the number of incentive units granted in the year to the key management personnel.

Key management personnel of the REIT throughout the year include the Chief Executive Officer, Chief Financial Officer, President and Chief Executive Officer - Australia and New Zealand, Chief

(in thousands of Canadian dollars, unless otherwise stated)

Administration Officer, Executive Vice President and General Counsel, Managing Director - Germany, and Trustees.

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

(f) The consolidated financial statements include the accounts of the REIT and all its subsidiaries. Amounts payable, as applicable, are generally due on the demand with no fixed terms of repayment.

Significant operating subsidiaries of the REIT are listed below:

		Holding	
Name of Subsidiary	**Place of Operation**	**December 31, 2022**	**December 31, 2021**
NHP Holdings Limited Partnership	Canada	100.0 %	100.0 %
Healthcare Properties LP	Canada	100.0 %	100.0 %
NorthWest Healthcare Properties Corporation	Canada	100.0 %	100.0 %
NWI Healthcare Properties LP	Canada	100.0 %	100.0 %
NWI Gesundheitsimmobilien GmbH & Co KG	Germany	100.0 %	100.0 %
NWI Management GmbH	Germany	100.0 %	100.0 %
NWI Galaxy Investment Advisory S.a.r.l.	Luxembourg	100.0 %	100.0 %
NWI Galaxy JV Lux 2 S.a.r.l	Luxembourg	100.0 %	100.0 %
NWI Gezondheid Vastgoed B.V.	The Netherlands	100.0 %	100.0 %
NWI Luxembourg S.a.r.l.	Luxembourg	100.0 %	100.0 %
NWI Jersey Ltd	United Kingdom	100.0 %	100.0 %
NWI Jersey HC Ltd	Jersey	100.0 %	100.0 %
NWI UK REIT Ltd	United Kingdom	100.0 %	100.0 %
NWI Management UK Ltd	United Kingdom	100.0 %	— %
NWI Healthcare Properties LLC	USA	100.0 %	100.0 %
Northwest International Investmentos Imobiliar SA	Brazil	100.0 %	100.0 %
Northwest International II Investimentos Imobiliar SA	Brazil	100.0 %	100.0 %
Fundo De Investimenttno Imobiliário NorthWest Investmentos Fund I Imobiliários Em Saúde	Brazil	100.0 %	100.0 %
NorthWest Investmentos Em Saúde Fund I Fundo de Investimento Multimercado	Brazil	100.0 %	100.0 %
Vital Healthcare Property Trust	New Zealand	28.2 %	25.9 %
NWI NZ Management Company Limited	New Zealand	100.0 %	100.0 %
NorthWest Healthcare Properties Management Limited	New Zealand	100.0 %	100.0 %
NorthWest Healthcare Properties Management Pty Ltd.	Australia	100.0 %	100.0 %
Northwest Healthcare Australia RE Ltd.	Australia	100.0 %	100.0 %
NWH Australia Hold Trust	Australia	100.0 %	100.0 %
NWH Australia Asset Trust	Australia	100.0 %	100.0 %
NWH Australia Hold Trust No. 3	Australia	100.0 %	100.0 %
NWI US Management LLC	USA	100.0 %	— %
NWI US MOB REIT LLC	USA	100.0 %	— %
NWI US Hospital REIT LLC	USA	100.0 %	— %

(in thousands of Canadian dollars, unless otherwise stated)

19. General and Administrative Expenses

(i) Employee Benefits Expense

Year ended December 31,		2022		2021
Short-term employee benefits	**$**	**23,104**	$	24,218
Unit-based compensation expense		**15,224**		12,582
	$	**38,328**	$	36,800

Short-term employee benefits include salaries, bonuses, commissions and other short-term benefits and are measured on an undiscounted basis and expensed as the related service is provided.

For the year ended December 31, 2022, total short-term employee benefits of $12.6 million (December 31, 2021 – $10.9 million) are included in 'Property operating costs' and $9.4 million (December 31, 2021 – $7.4 million) are included in 'General and administrative expenses' in the statements of income (loss) and comprehensive income (loss) . During the year ended December 31, 2022, the REIT capitalized $1.1 million of employee benefits directly related to leasing, capital expenditures or development of investment properties (December 31, 2021 - $6.0 million).

(ii) Transaction Costs

Included in transaction costs are third party costs and internal allocations, including associated unit-based compensation expenses, related to acquisition and disposition activities, investment opportunities, capital raising initiatives, and JV formation, being explored by the REIT.

20. Segmented Information

The REIT operates in one industry segment being the healthcare real estate industry; however the REIT monitors and operates its European, Americas and Australasian operations separately. The CEO assesses the performance of each of these operating segments based on a measure of operating income (loss). The location of the corporate head office is located in Canada, therefore, the REIT includes its corporate assets and liabilities and related operating results as part of the Americas segment. The accounting policies for each of the segments are the same as those for the REIT.

In the second quarter of 2022, the REIT acquired a portfolio of 27 healthcare real estate assets, the US Portfolio (note 4), in the United States of America. Concurrent with the acquisition, the REIT revised its internal reporting structure and performance reports to the CEO such that it combines its Canadian, Brazilian and US investment properties and related operations. Accordingly segment information for the year ended December 31, 2021 has been revised to reflect this change in the comparative period.

During the year ended December 31, 2022, one tenant in Brazil accounted for 11% (for the year ended December 31, 2021 - 11%) of the total revenue from investment properties.

As at December 31, 2022		**Americas**		**Europe**		**Australasia**		**Total**
Investment properties	**$**	**2,778,776**	**$**	**711,962**	**$**	**3,121,797**	**$**	**6,612,535**
Mortgages and loans payable	**$**	**1,842,853**	**$**	**343,004**	**$**	**1,220,004**	**$**	**3,405,861**
As at December 31, 2021		**Americas**		**Europe**		**Australasia**		**Total**
Investment properties	$	1,881,521	$	1,687,268	$	2,725,516	$	6,294,305
Mortgages and loans payable	$	1,474,737	$	319,377	$	1,012,865	$	2,806,979

(in thousands of Canadian dollars, unless otherwise stated)

For the year ended December 31, 2022	Americas	Europe	Australasia	Total
Operating Income				
Revenue from investment properties	**$ 215,578**	**$ 88,696**	**$ 144,555**	**$ 448,829**
Property operating costs	**67,909**	**13,490**	**19,078**	**100,477**
Net property operating income	**147,669**	**75,206**	**125,477**	**348,352**
Other income				
Interest and other	**768**	**273**	**8,139**	**9,180**
Development revenue	**—**	**3,746**	**—**	**3,746**
Management fees	**—**	**3,260**	**8,217**	**11,477**
Share of income from equity accounted investment	**—**	**4,029**	**16,575**	**20,604**
	768	**11,308**	**32,931**	**45,007**
Mortgage and loan interest expense	**102,662**	**9,821**	**36,151**	**148,634**
General and administrative expenses	**26,256**	**7,203**	**14,411**	**47,870**
Transaction costs	**13,890**	**10,949**	**3,520**	**28,359**
Development costs	**—**	**3,430**	**—**	**3,430**
Foreign exchange (gain) loss	**(22,214)**	**13,122**	**(170)**	**(9,262)**
	120,594	**44,525**	**53,912**	**219,031**
Operating income (loss)	**$ 27,843**	**$ 41,989**	**$ 104,496**	**$ 174,328**

For the year ended December 31, 2021	Americas	Europe	Australasia	Total
Operating Income				
Revenue from investment properties	$ 167,196	$ 80,393	$ 127,024	$ 374,613
Property operating costs	59,168	11,692	14,233	85,093
Net property operating income	108,028	68,701	112,791	289,520
Other income				
Interest and other	226	37	4,334	4,597
Development revenue	—	10,350	—	10,350
Management fees	—	2,712	13,833	16,545
investment	—	11,066	96,417	107,483
	226	24,165	114,584	138,975
Mortgage and loan interest expense	55,666	8,477	26,318	90,461
General and administrative expenses	19,526	7,388	13,289	40,203
Transaction costs	7,820	17,063	13,101	37,984
Development costs	—	9,441	—	9,441
Foreign exchange (gain) loss	(16,757)	41	1,981	(14,735)
	66,255	42,410	54,689	163,354
Operating income (loss)	$ 41,999	$ 50,456	$ 172,686	$ 265,141

21. Commitments and Contingent Liabilities

a. The REIT obtains letters of credit to support its obligations with respect to construction work and additions to its investment properties and satisfying mortgage financing requirements. As at December 31, 2022, the REIT has a total of $2.8 million in outstanding (December 31, 2021 - $4.4 million) letters of credit, under the REIT's secured revolving floating rate credit facility, which forms part of the Credit Facilities in the aggregate as outlined in note 10, related to construction work that is being performed on investment properties. The REIT does not expect that any of these standby letters of credit are likely to be drawn upon and, therefore, no corresponding liability has been recorded.

b. Pursuant to the disposition of the REIT's 70% interest in AREIT units as part of the formation of a joint venture arrangement during the year ended December 31, 2020, the REIT indemnified the joint venture partner for potential tax liabilities related to AREIT's investment properties contributed to the joint venture. The indemnity expires if the properties are not sold within 15 years of settlement. Given that the disposition of properties is dependent on uncertain future events not within the control of the REIT, and that the taxable outcome of the disposition is not estimable due to the variables involved, the REIT has not recognized a provision related to the indemnification.

c. Pursuant to the sale and contribution of European investment properties by the REIT to the European JV in 2020, the REIT has indemnified its joint venture partner for potential tax liabilities related to these investment properties. Given that the eventual disposition of properties is dependent on uncertain future events not within the control of the REIT, and that the taxable outcome of the disposition is not estimable due to the variables involved, the REIT has not recognized a provision related to the indemnification.

d. The REIT has entered into acquisition and construction agreements on development properties and is committed to associated costs of $248 million as at December 31, 2022 (December 31, 2021 - $293.7 million).

e. In 2021, a subsidiary of the REIT entered into a commitment with a charitable Hospital Foundation to make a total contribution of $8.6 million over 10 years ($0.7 million per annum) to support eligible investment initiatives in capital infrastructure or equipment. The commitment with the Foundation is contingent on unanimous agreement by the Foundation and the REIT's management of the annual plan with respect to eligible initiatives.

f. In 2022, The REIT pledge a contribution of $5.0 million in support of research about the impacts of the pandemic on health systems across the world. As at December 31, 2022, $1.2 million has been paid by the REIT.

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

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

22. Fair Values

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

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

The REIT determined the estimated fair value of each investment property, with the exception of certain property under development, using the discounted cash flow method and direct capitalization method. Note 6 outlines the key assumptions used by the REIT in determining the estimated fair value of its investment properties.

Certain derivative instruments are valued using a valuation technique with market-observable inputs (Level 2) and include the forward contract and the interest rate swaps. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves. The put and call options and units in unlisted securities are valued using internal models using observable and unobservable inputs, reflecting assumptions that market participants would use when pricing the asset (Level 3).

As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The REIT has chosen to use closing market price (Level 2) as a practical expedient for fair value measurement for its Class B exchangeable units, certain unit based liabilities and convertible debentures.

The fair value of the REIT's mortgages and loans payable are determined using present value calculations based on market-observable interest rates for mortgages and loans with similar terms and conditions (Level 2). The carrying values of the REIT's financial assets, which include accounts receivable, other assets, and cash and restricted cash, as well as financial liabilities, which includes accounts payable and accrued liabilities, distributions payable approximate their recorded fair values due to their short-term nature.

The fair value hierarchy, by level of assets and liabilities measured at fair value in these consolidated financial statements or disclosed in the notes herein as at December 31, 2022 is as follows:

(in thousands of Canadian dollars, unless otherwise stated)

	Carrying value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
Assets measured at fair value:				
Investment properties	$ 6,612,535	$ —	$ —	$ 6,612,535
Financial instruments	38,124	—	38,124	—
Investment in unlisted securities	224,183	—	—	224,183
Assets held for sale	983,430	—	—	983,430
Assets recorded at amortized cost:				
Loans receivable	10,268	—	—	10,268
Liabilities measured at fair value:				
Convertible debentures	275,270	275,270	—	—
Class B LP exchangeable units	16,245	—	16,245	—
Unit-based compensation liabilities	23,837	—	22,637	1,200
Liabilities associated with assets held for sale	427,562	—	427,562	—
Financial liabilities recorded at amortized cost:				
Mortgages and loans payable	3,405,861	—	3,358,288	—

The fair value hierarchy, by level of assets and liabilities measured at fair value in these financial statements or disclosed in the notes herein as at December 31, 2021 is as follows:

	Carrying value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
Assets measured at fair value:				
Investment properties	$ 6,294,305	$ —	$ —	$ 6,294,305
Financial instruments	15,362	—	15,362	—
Investment in unlisted securities	100,141	—	—	100,141
Assets recorded at amortized cost:				
Loans receivable	10,257	—	—	10,257
Liabilities measured at fair value:				
Financial instruments	44,319	—	44,319	—
Convertible debentures	137,225	137,225	—	—
Class B LP exchangeable units	23,581	—	23,581	—
Unit-based compensation liabilities	26,223	—	26,223	—
Financial liabilities recorded at amortized cost:				
Mortgage and loans payable	2,806,979	—	2,795,265	—

23. Capital Management

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

The REIT's strategy is also driven by policies as set out in the Declaration of Trust. The requirements of the REIT's operating policies as outlined in the Declaration of Trust include the requirement that the REIT will not incur or assume indebtedness which would cause the total indebtedness of the REIT to exceed 65% of

(in thousands of Canadian dollars, unless otherwise stated)

Gross Book Value as defined. Indebtedness as defined in the Declaration of Trust excludes deferred revenue, Class B exchangeable units, and unsecured debt which includes convertible debentures.

At December 31, 2022, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 45.3% (December 31, 2021 - 39.9%).

As at		December 31, 2022		December 31, 2021
Debt				
Gross value of debt excluding convertible debentures (1)	**$**	**3,855,247**	$	2,820,602
Gross value of total debt (2)		**4,130,517**		2,957,827
Gross Book Value of Assets				
Total assets	**$**	**8,514,000**	$	7,064,401
Debt-to-Gross Book Value (Declaration of Trust)		**45.3 %**		39.9 %
Debt-to-Gross Book Value (including convertible debentures)		**48.5 %**		41.9 %

(1) represents the principal balance of mortgages, credit facilities, term debt and finance lease.

(2) represents the principal balance of mortgages, credit facilities, term debt, finance lease and convertible debentures (at fair value).

The REIT's capital management is also impacted by various financial covenants in certain loan agreements. As at December 31, 2022, the REIT is in compliance with all such financial covenants.

24. Risk Management

The REIT's activities expose it to a variety of financial risks, including interest rate risk, credit risk, currency risk, price risk and liquidity risk. The REIT's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the REIT's financial performance.

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments resulting in the REIT incurring a financial loss. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. The REIT's credit risk is primarily attributable to cash and accounts receivable. Cash consists of cash on hand with reputable financial institutions which are closely monitored by management. Financial instruments included in accounts receivable consist of rental income receivable from its commercial tenant base for monthly rental charges and interest receivable from the term deposit. Management believes that the potential loss from credit risk with respect to financial instruments included in cash and accounts receivable is minimal.

Credit risk also arises in the event that the joint venture partners default on amount owing in respect of the REIT's management fees charged, as well as the payment their proportionate share of liabilities associated with joint arrangements. The REIT is only liable for its proportionate share of the debt obligations of the joint arrangements in which it participates, except in limited circumstances. Management believes that the assets of its joint arrangements are sufficient for the purpose of satisfying any obligation of the REIT should the REIT's partner default.

(in thousands of Canadian dollars, unless otherwise stated)

The following is an aging analysis of accounts receivable past due, net of expected credit losses:

As at		December 31, 2022		December 31, 2021
Less than 30 days		**4,969**		2,922
31 to 60 Days		**576**		654
61-90 days		**262**		103
More than 90 Days		**3,620**		2,218
Total billed	**$**	**9,427**	$	5,897
Unbilled and other receivables		**10,380**		46,649
Expected credit losses	**$**	**(2,426)**	$	(1,410)
Total accounts receivable	**$**	**17,381**	**$**	**51,136**

During year ended December 31, 2021, other receivables include $24.7 million relating to the delivery of a fit out project on a Vital Trust expansion development on behalf of the tenant; $9.2 million relating to the development revenue owing from the European JV (note 5); and $1.5 million of proceeds receivable relating to the sale of discontinued operations (note 3). All other receivables are expected to be settled within one year.

Liquidity Risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the REIT to fund future growth, refinance debts as they mature or meet the REIT's debt service and payment obligations as they arise. Furthermore, liquidity risk also arises from the REIT not being able to obtain financing or refinancing on favorable terms and rising debt servicing costs.

The REIT's main liquidity requirements arise from and include forecasts of ongoing working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures on existing properties, property acquisitions and distributions to unitholders. All of the aforementioned liquidity requirements, except for debt repayment obligations at maturity and property acquisitions, are generally funded from cash flows from operations, distribution income earned from the REIT's investments in associates, and new financing. Debt repayment obligations are generally funded from refinancing the related debt and property acquisitions are generally funded from the issuance of equity as well as obtaining debt financing on the related property.

The REIT expects to repay or refinance all debts maturing in 2023 using existing liquidity, proceeds from vend-in of investment property assets to joint ventures, proceeds from issuance of REIT units or convertible debt and new asset level financing. There are no assurances that the timing, amounts and terms of any refinancing, or other efforts will be favorable or satisfactory to the REIT's liquidity.The REIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing/ refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

(in thousands of Canadian dollars, unless otherwise stated)

The following table sets out the REIT's contractual cash flows which includes fixed interest rate payments on its mortgages and loans payable and convertible debentures:

	Carrying Amount	Contractual Cash Flows	2023	2024	2025	2026	2027	Thereafter
Accounts payable and accrued liabilities (including obligations described in notes 8, 9)	$ 133,308	$ 133,308	$ 133,308	$ —	$ —	$ —	$ —	$ —
Income tax payable	15,811	15,811	15,811	—	—	—	—	—
Distributions payable	16,044	16,044	16,044	—	—	—	—	—
Liabilities related to AHFS	427,562	427,562	—	—	427,562	—	—	—
Mortgages and loans payable	3,405,861	3,427,673	1,497,391	418,950	314,138	304,280	459,204	433,710
Convertible debentures	275,270	280,250	125,000	—	—	—	155,250	—
	$ 4,273,856	$ 4,300,648	$ 1,787,554	$ 418,950	$ 741,700	$ 304,280	$ 614,454	$ 433,710

The REIT expects to repay or refinance all debts maturing over the next 12 months using existing liquidity, new or renewed financings with extended maturities, net proceeds from sales of investment properties classified as assets held for sale (note 4), strategic investment property sales and new financings or refinancing.

The REIT forecasts liquidity requirements to ensure it has the ability to meet operational needs by maintaining sufficient available of the combination of cash and debt capacity, and to ensure the REIT will meet its financial covenants related to debt agreements with consideration of the sensitivities that may be involved which includes capitalization and interest rate movements. . Such forecasting involves a significant degree of judgment which takes into considerations current and projected macroeconomic conditions, the REIT’s cash collection efforts, working capital management, debt financing plans, and covenant compliance required under the terms of debt agreements. The REIT's financial condition and results of operations would be adversely affected if such forecasts may not be achieved and if the REIT were unable to obtain financing/refinancing or cost-effective financing/refinancing or if it were unable to meet its other liquidity requirements from ongoing operating cash flows, inclusive of distributions.

Interest Rate Risk

The REIT is exposed to interest rate risk on its borrowings. It minimizes this risk by obtaining long-term fixed interest rate debt. Approximately 40.7% of the REIT's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. At December 31, 2022, $2.3 billion (December 31, 2021 - $1.4 billion) of the REIT's debt associated with investment properties is financed at variable rates exposing the REIT to interest rate risk on such debt. The REIT intends to reduce its exposure to variable rate debt through refinancing existing variable rate debt with new fixed rate debts on maturity, repayment of variable rate debt using proceeds from debt or equity issuances, or other liquidity options noted above, and/or entering interest rate derivatives such as interest rate swaps and caps. There are no assurances on the timing, and terms of any efforts will be favorable or satisfactory to the REIT. Sensitivity to a plus 1.0% change in the interest rate would impact net income (loss) and comprehensive income (loss) by $38.3 million annually with all mortgages and loans, being both fixed and variable rate debts, held constant (December 31, 2021 - $28.0 million).

(in thousands of Canadian dollars, unless otherwise stated)

Currency Risk

The REIT has exposure to currency risk as a result of Australasian Secured Financing under the term debt (see note 10) denominated in New Zealand dollars. The REIT's Australasian secured facility balance and related interest are subject to fluctuations depending on exchange rates. The effects of such fluctuations are recognized in profit or loss in the period.

The REIT has operating subsidiaries in Europe, Brazil, US, Australia and New Zealand, and as a result has exposure to currency risk as a result of the REIT's net investments. There is significant exposure to foreign exchange translation risk on the consolidation of the REIT's investment in foreign subsidiaries.

Assets and liabilities of the REIT's foreign subsidiaries are translated at the period end exchange rate, and therefore have different values depending on exchange rate fluctuations and the effects of such fluctuations are recognized in other comprehensive income (loss). The statements of income and comprehensive income of the foreign subsidiaries are translated into Canadian dollars using the period's average exchange rate and, accordingly, exchange rate fluctuations impact revenue, net income (loss) and comprehensive income (loss), denominated in Canadian dollars.

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis.

The following table summarizes the effect of a 10% strengthening of the Canadian dollar on the REIT's net income/loss as a result of translating the profit or loss of foreign subsidiaries, assuming all other variables remain unchanged:

For the year ended December 31,	**2022**	2021
Europe	**$ (7,446)**	$ (20,180)
Brazil	**(3,167)**	(6,153)
New Zealand	**(9,586)**	(32,354)
Australia	**(1,636)**	(4,298)
US	**(5,528)**	—
	$ (27,363)	$ (62,985)

A 10% weakening of the Canadian Dollar would have an equal but opposite effect on the above currencies to the amounts shown above, assuming all other variables remain unchanged.

Price Risk

Price risk is the risk that changes in market prices for the REIT's securities may impact the REIT's ability to access capital, and that changes in the market prices of the units underlying the REIT's investments in associates may impact the value of its investments and may also impact the amount available under related Australasian secured financing. The market price for the REIT's trust units, the REIT's convertible debentures, and the units of Vital Trust, may be volatile and subject to wide fluctuations in response to numerous factors, many of which may be beyond the REIT's control including general market sentiment. The market price of the REIT's securities and investments may decline even if the REIT's operating results, underlying asset values, or prospects have not changed. A decrease in the REIT's Trust Unit price impacts the cost of raising new capital. A sustain decline in the market price of the units of Vital Trust may impact the value of the REIT's investments which may result in impairment losses, and may require the REIT to repay amounts owing under its related Australasian secured financings in the event a cure payment is required under the respective credit agreements.

25. Subsequent Events

i. On December 15, 2022, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on December 31, 2022, and paid on January 13, 2023.

   On January 13, 2023, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on January 31, 2023, and paid on February 15, 2023 .

   On February 15, 2023, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on February 28, 2023, and paid on March 15, 2023 .

ii. On January 31, 2023, the REIT amended its $456.7 million Canadian dollars ($337.2 million US dollars) term loan facility secured by its US investment properties resulting in a 2 year extension of the term to maturity to January 31, 2025.

iii. On February 28 2023, Vital Trust has amended and refinanced its syndicated revolving multi-currency facility, to refinance near term facility expiries, resulting in a $92.3 million (A$100.0 million) increase in facility limits to $1.2 billion (A$1.3 billion) and weighted average facility term to maturity increasing from 3.3 to 4.2 years.

iv. On March 27, 2023, the REIT amended and refinanced the terms of its revolving credit facility to increase availability by $81.0 million from a total of $208.5 million to $289.5 million, subject to incremental security of certain Canadian investment properties and extended the maturity date to March 2026. Concurrently, the REIT extended the maturity date of its non-revolving credit facility in the amount of $218.7 million to January 2024.

v. Subsequently to the reporting period, the REIT entered into two separate hedge agreements to fix the interest rate on two floating rate foreign currency debt facilities with a combined outstanding balance of C$892 million. On execution, the fixed interest rate payable by the REIT was on average 470 bps lower than the floating interest rate the REIT had been paying.

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