northwest

Consolidated Financial Statements

For the years ended
December 31, 2023 and 2022

NorthWest Healthcare Properties
Real Estate Investment Trust

Q4

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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, 2023 and December 31, 2022
- 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 material accounting policy information

(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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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, 2023. 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 3 of the financial statements. Investment properties are measured by the Entity at their estimated fair value at each reporting date, determined either on internal valuation models incorporating available market evidence or on valuations performed by independent third-party appraisers. The Entity has recorded investment properties at fair value for an amount of $6,875 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 independent third-party appraisers which refers to their independence.

Evaluation of going concern assumption

Description of the matter

We draw attention to Note 1(b) of the financial statements. The financial statements are prepared on a going concern basis, which assumes that the Entity will be able to realize its assets and discharge its liabilities, including the scheduled repayments of mortgages and loans as disclosed in Note 8 of the financial statements, and commitments in the normal course of business.

The Entity believes that it has sufficient available liquidity to meet its minimum obligations as they come due and to comply with financial covenants in the Entity's various debt agreements, as amended, for a period of at least 12 months from December 31, 2023. In making this significant judgment, the Entity has prepared future cash flow projections. The most significant assumptions in the preparation of the projections is the Entity's projected operating performance including its ability to comply with covenant requirements under the terms of the debt agreements, proceeds and timing of investment property sales, and forecasted debt service costs.

Why the matter is a key audit matter

We identified the evaluation of going concern as a key audit matter. This evaluation required significant auditor judgment in assessing the Entity's future cash flow projections due to the degree of uncertainty in the most significant assumptions.

How the matter was addressed in the audit

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

- We evaluated the future cash flow projections by comparing the amounts to actual historical results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the future cash flow projections. We also analyzed the Entity's forecasted compliance with financial covenants contained in various debt agreements using information contained in the future cash flow projections and the terms of the debt agreements

- We evaluated the forecasted investment property sales included in the future cash flow projections and assessed the appropriateness of the underlying assumptions used to determine the impacts of such dispositions and related timing on the future cash flow projections
- We assessed the sensitivity of possible changes to interest rates and investment property sales on the Entity's future cash flow projections to meet its liquidity needs.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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

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 key audit matters. 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 14, 2024

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets
(in thousands of Canadian dollars)

As at	**Note**	**December 31, 2023**	**December 31, 2022**
Assets			
Investment properties	**3**	**$ 6,874,660**	$ 6,612,535
Equity accounted investments	**5**	**362,340**	395,397
Intangible asset		**43,780**	44,966
Goodwill		**38,566**	39,612
Deferred tax assets	**11**	**9,177**	14,152
Financial instruments	**6**	**26,057**	38,124
Other assets	**7**	**124,173**	280,369
Accounts receivable		**21,800**	17,381
Assets held for sale	**4**	**55,972**	983,430
Cash, cash equivalents, and restricted cash	**15**	**72,090**	88,034
Total assets		**$ 7,628,615**	$ 8,514,000
Liabilities			
Mortgages and loans payable	**8**	**$ 3,597,618**	$ 3,405,861
Convertible debentures	**9**	**320,854**	275,270
Unit-based compensation liabilities	**10**	**15,161**	23,837
Class B exchangeable units	**12**	**8,721**	16,245
Deferred tax liabilities	**11**	**418,446**	458,087
Financial instruments	**6**	**6,574**	—
Income taxes payable	**11**	**21,440**	15,811
Accounts payable and accrued liabilities		**128,749**	133,308
Distributions payable		**7,299**	16,044
Liabilities related to assets held for sale	**4**	**18,485**	427,562
Total liabilities		**$ 4,543,347**	$ 4,772,025
Unitholders' Equity			
Unitholders' equity	**12**	**1,994,312**	2,456,847
Non-controlling interests	**13**	**1,090,956**	1,285,128
Total liabilities and unitholders' equity		**$ 7,628,615**	$ 8,514,000

Commitments and Contingencies (note 19) and Subsequent Events (notes 4, 12, 22, and 23)

The consolidated financial statements were approved by the Board on March 14, 2024 and signed on its behalf by:

[signed]
Dale Klein
Chairman of the Board of Trustees

[signed]
Maureen O'Connell
Trustee, Chair of the Audit Committee

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

For the years ended December 31,			2023		2022
Net Property Operating Income					
Revenue from investment properties	14	$	507,996	$	452,198
Property operating costs	17		121,374		103,846
		$	386,622	$	348,352
Other Income (loss)					
Interest and other	7		18,559		13,414
Development revenue			—		3,746
Management fees			15,355		15,876
Share of profit (loss) of equity accounted investments	5		(19,232)		11,971
		$	14,682	$	45,007
Expenses and other					
Mortgage and loan interest expense			224,692		148,634
General and administrative expenses	17		57,567		47,870
Transaction costs	3, 17		50,982		28,359
Development costs			—		3,430
Foreign exchange (gain) loss			2,506		(9,262)
		$	335,747	$	219,031
Income before finance costs, net gain (loss) on financial instruments, and fair value adjustments			65,557		174,328
Finance income (expense)					
Amortization of financing costs	8		(11,787)		(10,702)
Amortization of mark-to-market adjustments	8		—		719
Class B exchangeable unit distributions	12		(1,180)		(1,368)
Fair value adjustment of Class B exchangeable units	11		7,524		7,336
Accretion of financial liabilities	8		(9,158)		(15,249)
Fair value adjustment of convertible debentures	9		40,666		17,205
Convertible debenture issuance costs			(7,283)		(7,062)
Net gain (loss) on financial instruments	6		(22,418)		58,281
Fair value adjustment of investment properties	3, 4		(571,760)		(28,800)
Fair value adjustment of unit based compensation liabilities	10		10,814		10,236
Income (loss) before taxes		$	(499,025)	$	204,924
Current tax expense	11		26,972		21,847
Deferred tax expense (recovery)	14		(45,261)		57,450
Income tax expense (recovery)	11	$	(18,289)	$	79,297
Net income (loss)		$	(480,736)	$	125,627
Net income (loss) attributable to:					
Unitholders		$	(347,690)	$	64,295
Non-controlling interests			(133,046)		61,332
		$	(480,736)	$	125,627

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 years ended December 31,		2023		2022
Net income (loss)	**$**	**(480,736)**	$	125,627
Other comprehensive income (loss) ("OCI"):				
Items that have been or may be reclassified subsequently to income (loss):				
Foreign currency translation adjustments		**(10,875)**		(22,489)
Other comprehensive loss, net of tax	**$**	**(10,875)**	$	(22,489)
Comprehensive income (loss)	**$**	**(491,611)**	$	103,138
Comprehensive income (loss) attributable to:				
Unitholders	**$**	**(325,328)**	$	40,296
Non-controlling interests		**(166,283)**		62,842
	$	**(491,611)**	$	103,138

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 OCI	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 13)	Total Equity
Balance, December 31, 2022		$ 2,503,875	$ 39,724	$ (858,645)	$ (315,777)	$ 1,087,671	**$ 2,456,848**	$ 1,285,128	**$ 3,741,976**
Units issued through distribution reinvestment plan	**12**	18,222	—	—	—	—	**18,222**	11,363	**29,585**
Units issued on exercise of unit-based compensation	**10**	2,943	—	—	—	—	**2,943**	—	**2,943**
Distributions		—	—	(158,373)	—	—	**(158,373)**	(39,252)	**(197,625)**
Foreign currency translation adjustments		—	—	—	22,362	—	**22,362**	(33,237)	**(10,875)**
Net loss		—	—	—	—	(347,690)	**(347,690)**	(133,046)	**(480,736)**
Balance, December 31, 2023		$ 2,525,040	$ 39,724	$ (1,017,018)	$ (293,415)	$ 739,981	**$ 1,994,312**	$ 1,090,956	**$ 3,085,268**

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated OCI	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 13)	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	**12**	164,114	—	—	—	—	164,114	122,200	286,314
Private placement of units		15,000	—	—	—	—	15,000	—	15,000
Units issued through distribution reinvestment plan	**12**	33,578	—	—	—	—	33,578	5,544	39,122
Units issued on exercise of unit-based compensation	**10**	1,151	—	—	—	—	1,151	—	1,151
Distributions		—	—	(189,422)	—	—	(189,422)	(36,902)	(226,324)
Foreign currency translation adjustments		—	—	—	(23,789)	—	(23,789)	1,301	(22,488)
Other comprehensive income, 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)	$ (315,777)	$ 1,087,671	$ 2,456,848	$ 1,285,128	$ 3,741,976

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 years ended December 31,	**Note**		**2023**		2022
Operating activities					
Net income (loss)		**$**	**(480,736)**	$	125,627
Adjustments for:					
Income tax expense (recovery)			**(18,289)**		79,297
Income taxes paid			**(22,356)**		(17,829)
Amortization of other assets			**1,266**		1,396
Mortgage and loan interest expense			**224,692**		148,634
Mortgage and loans interest paid			**(226,659)**		(135,063)
Finance expense (income), net	**15**		**(18,782)**		9,121
Interest income			**(14,171)**		(13,414)
Share of (profit) loss of equity accounted investments			**19,232**		(11,971)
Unrealized foreign exchange loss (gain)			**3,512**		(6,095)
Fair value adjustment of investment properties	**3, 4**		**571,760**		28,800
Fair value loss (gain) on financial instruments	**6**		**22,418**		(58,281)
Transaction costs	**3, 17**		**50,805**		28,359
Fair value adjustment of unit-based compensation liabilities			**(10,814)**		(10,236)
Unit-based compensation expense	**10**		**6,684**		11,874
Redemption of units issued under deferred unit plan			**(1,573)**		(6,219)
Changes in non-cash working capital balances	**15**		**(2,224)**		54,577
Cash provided by operating activities		**$**	**104,765**	$	228,577
Investing activities					
Acquisitions of investment properties			**(14,636)**		(1,051,258)
Additions to investment properties	**3**		**(259,011)**		(173,170)
Proceeds on disposal of investment properties	**4**		**356,938**		7,070
Contributions in equity accounted investments			**(2,277)**		(19,081)
Net investment in financial instruments	**6, 7**		**138,130**		(130,689)
Transaction costs and deposits attributable to investment activities			**(45,445)**		(23,549)
Distribution income	**5, 7**		**17,077**		24,181
Cash interest received			**3,148**		6,271
Additions to furniture and fixtures			**(98)**		(615)
Receipts (payments) from foreign exchange contracts, net			**440**		(278)
Cash provided by (used in) investing activities		**$**	**194,266**	$	(1,361,118)
Financing activities					
Mortgage and loan proceeds	**8**		**828,245**		2,315,462
Repayment of mortgages and loans	**8**		**(1,033,819)**		(1,383,089)
Issuance of convertible debentures, net of issuance cost	**9**		**78,967**		148,188
Proceeds from issuance of units, net of issuance costs			**(209)**		301,314
Financing fees paid			**(15,121)**		(17,443)
Distributions paid on REIT units			**(148,749)**		(154,743)
Distributions paid on Class B exchangeable units			**(1,180)**		(1,368)
Distributions paid to non-controlling interests			**(26,637)**		(31,358)

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 years ended December 31,	Note		2023		2022
Cash provided by (used in) financing activities		$	(318,503)	$	1,176,963
Net change in cash and cash equivalents		$	(19,472)	$	44,422
Effect of foreign currency translation			3,515		(19,135)
Net change in cash and cash equivalents		$	(15,957)	$	25,287
Cash and cash equivalents, beginning of year			87,987		62,700
Cash and cash equivalents, end of year	15	$	72,030	$	87,987

Northwest Healthcare Properties Real Estate Investment Trust ("Northwest", the "REIT", or the "Trust"), is a Canadian open-end trust established on January 1, 2010 and governed pursuant to a third amended and restated Declaration of Trust dated September 15, 2020, as amended by amendments dated as of March 30, 2023, and of September 13, 2023., under the laws of the Province of Ontario ("Declaration of Trust"). 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 IFRS Accounting 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 14, 2024.

(b) Going Concern and basis of presentation and measurement

(i) Going concern basis

The consolidated financial statements have been prepared on a going concern basis, which assumes that the REIT will be able to meet its obligations and satisfy its liabilities, including scheduled repayments of mortgages and loans as disclosed in note 8, and commitments in the normal course of business.

On August 8, 2023, the REIT announced the formation of a Strategic Review Committee (the "Committee") of the Board of Trustees (the "Board") to undertake a strategic review, for which it has also retained financial advisors.

In 2023, central banks globally have increased interest rates seeking to reduce inflationary pressures. This has increased financing costs, as a significant portion of the REIT's credit facilities, term debt and other borrowings are contractually exposed to variable interest rates. The REIT's debt arrangements also require continuous compliance with certain financial covenants, which, if breached, may result in significant changes to the underlying terms and conditions, including the requirement for immediate repayment. The REIT has completed future cash flow projections, which involve a significant degree of judgment taking into consideration current and projected macro-economic conditions, the REIT's projected operating performance, proceeds and timing of investment property sales, forecasted debt service costs, and forecasted compliance with covenant requirements of debt agreements. Due to the significant degree of judgment applied and changing macro-economic conditions, there is a risk that the cash flow projections may not be achieved as forecasted resulting in the present terms and conditions no longer being available to the REIT on part or all of the debt that matures in 2024 and into the first quarter of 2025. During 2024 and into the first quarter of 2025, the REIT has approximately $1.1 billion of debt maturing.

During the year ended December 31, 2023, and during the subsequent event period, the REIT has taken steps to address the aforementioned liquidity risks, including repayment of debt and extending the maturity on debt coming due in 2024, with the exception of certain mortgages that management expects to refinance on reasonable terms in the normal course of business. In addition, the REIT has amended its debt agreements with certain of its lenders to modify specific financial covenants including the debt service ratio, minimum equity tests and distribution of net proceeds on asset sales. These amendments are to position the REIT for ongoing compliance and provide liquidity for operations. The REIT is also pursuing various actions to reduce debt, including strategic sales of certain investment properties and investments in unlisted securities. The REIT may also generate liquidity from a mix of (i) existing cash balances, (ii) new mortgages secured by investment properties, (iii) issuance of equity and convertible/unsecured debentures, and (iv) reductions to capital and leasing expenditures, general and administrative expenses, and/or cash distributions to unitholders.

Based on the assessment of cash flow projections, related risks, and strategic options available to address those risks, management believes that the REIT has sufficient liquidity to meet its financial obligations as they come due and there are no material uncertainties related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern.

Refer to note 8 Mortgages and Loans Payable, as well as Notes 20, 21 and 22 for disclosure related to fair value changes, management of capital and the risks relevant to the REIT's operations and the potential impact of market conditions could have on future results. Other areas where the REIT applies critical judgements are discussed in Note 1(d).

(ii) Basis of preparation and measurement

The consolidated financial statements are 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 accounting policies.

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

- Investment properties and assets held for sale, which are measured at fair value; and
- Financial assets and financial liabilities classified as fair value through profit and loss ("FVTPL"), derivative financial instruments, and the REIT's unit-based compensation liabilities, 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.

Goodwill impairment is reviewed annually, or more frequently if indicators of potential impairment exist. 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 expenses, as well as other factors including discount rates, capitalization rates, inflation rates, interest rates, taxation rates, foreign currency rates and earnings multiples.

Indefinite life intangible asset is also tested annually for impairment and the fair value is determined using valuation earnings multiples in assessing impairment of intangible assets 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 as described in note 3 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. These assumptions may not ultimately be achieved.

(iii) Financial instruments

The measurement of fair value of the REIT's derivative financial instruments 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 6 and 20.

(d) Critical judgments in applying accounting policies

In the preparation of these consolidated financial statements the REIT has made judgments in the current and prior years, 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 7.

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.

(iii) Consolidation of Vital Trust Healthcare Property Trust ("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, 2023, is 28.6%. 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 (note 2(b)). 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 REIT's global asset manager (the “Global Manager”) is the group of wholly owned, direct or indirect subsidiaries formed in Europe, Australia and New Zealand which earn fees under contractual arrangements with Vital Trust, the European JV and the Australian JV for investment, property and development management services. 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 71.4% non-controlling interest of Vital Trust is widely held with no single party having an aggregate interest that is equivalent or greater than that held by 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) *Classification of assets and liabilities related to assets held for sale*

The REIT makes certain judgments with respect to classifying investment properties and associated liabilities as assets and liabilities held for sale as described in note 4.

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, 2023 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 largely independent of those 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, 2023, the REIT performed its annual goodwill and intangible asset impairment evaluation. Based on the 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 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.

If and 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.

If and 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. In such instances, the gain or losses are included in other comprehensive income (loss) and presented as part of accumulated other comprehensive income (loss) in unitholders' 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 3.

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 3. 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 related to 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) 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 based on 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, except the finance lease receivable discussed in note 7. 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 containing 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.

(g) 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.

(h) 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. The REIT earns revenue from its tenants from various sources, including base rent for the use of space leased, operating costs and realty or property tax recoveries, parking income, and incidental or other related income. 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. 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 14.

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.

(i) Other assets

Other assets include commodity taxes recoverable, deferred acquisition costs and deposits, right-of-use assets, described under note 2(g) above, prepaid expenses and investment in unlisted securities (note 1(c)(iii) and note 7). Deferred acquisition related costs and deposits related to future property acquisitions are capitalized when it is probable that the acquisition will be completed.

(j) Unit-based compensation liabilities

In 2022, the Equity Incentive Plan ("EIP") was approved. The EIP replaces the Deferred Unit Plan ("DUP") introduced in 2018. No further awards have been or 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 EIP's awards are accounted for as 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 EIP and DUP 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.

(k) 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.

The REIT has entered into interest rate swap and cap 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.

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.

(l) 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.

(m) 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.

(n) Joint arrangements

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.

(o) 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. In the event the REIT's subsidiaries do not meet the applicable conditions for REIT treatment in the applicable country, an increase to tax expense could result. 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 accounting 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.

(p) Levies

Under IFRS Interpretations Committee ("IFRIC") Interpretation 21, Levies ("IFRIC 21") in certain circumstances, 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 consistent with the application of local legislation.

(q) Future accounting standards

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

Amendments to IAS 1 clarify the classification of liabilities that include counterparty conversion options with uncertain settlement date as current or non-current. The amendment requires that, for an entity to classify a liability as non-current, the entity must have a right to defer settlement for at least 12 months after the reporting date.

(in thousands of Canadian dollars, unless otherwise stated)

The amendments to IAS 1 are effective on or after January 1, 2024 and will be applied retrospectively. Management is currently assessing the impact of these amendments on the REIT's consolidated financial statements.

(r) Changes in application of accounting standards implemented in 2023

(i) Joint arrangements

The intercompany elimination of interest and other income or expense arising on balances with equity accounted investees is not specifically addressed in IFRS. The REIT had previously elected to eliminate its share of interest income and management fee income against its share of profit (loss) from equity accounted investments. During the first quarter of fiscal 2023, the REIT elected to change its policy to present downstream transactions with its joint ventures on a gross basis (note 5) with no corresponding change on a net basis. The REIT's changed its accounting policy to improve reporting disclosures and comparability with the standalone accounts of its equity accounted investments. Relevant comparative periods in these consolidated financial statements have been amended to reflect the change in accounting policy.

(ii) IAS 1, Disclosure of accounting policies

Amendments to IAS 1 and IFRS Practice Statement 2 *Making Material Judgements*, issued in February 2021, improve accounting policy disclosure by requiring disclosure of "material accounting policy information" rather than "significant accounting policies". The amendments to IAS 1 were effective on or after January 1, 2023 with early application permitted. The REIT adopted the amendments for the fiscal year ended December 31, 2023. Management reviewed the accounting policies and the change did not result in a material impact to the REIT's consolidated financial statements.

(iii) IAS 8, Disclosure of accounting estimates

Amendments to IAS 8, issued in February 2021, clarify the distinction between accounting policies and accounting estimates by amending the definition of "accounting estimates". The amendments to IAS 8 were effective on or after January 1, 2023 with early application permitted. the REIT adopted the amendments for the fiscal year ended December 31, 2023. Management reviewed the accounting policies and the change did not result in a material impact to the REIT's consolidated financial statements.

3. Investment Properties

As at	December 31, 2023	December 31, 2022
Balance, beginning of year	**$ 6,612,535**	$ 6,294,305
Acquisition of investment properties[1]	**14,636**	1,051,258
Dispositions of investment properties[2] (note 4)	**(23,241)**	(7,070)
Additions to investment properties[3]	**258,625**	166,911
Increase in straight line rents	**7,144**	2,305
Reclassified (to)/from assets held for sale (note 4)	**445,325**	(943,461)
Fair value adjustments, net	**(412,700)**	23,480
Foreign currency translation	**(27,664)**	24,807
Balance, end of year	**$ 6,874,660**	$ 6,612,535

(1) Acquisitions include purchases of land and buildings, and transaction costs directly attributable to transaction activity that were capitalized totaling $0.7 million (2022 - $22.65 million).

(2) Dispositions in 2023 are related to sales of investment properties from Vital Trust .

(3) Additions include leasing costs, capital and development expenditures, and new right-of-use assets.

Investment properties are measured at their estimated fair values. The investment properties are re-measured to fair value at each reporting date. Capitalized transaction costs include an internal allocation of payroll and costs attributable to investment resources deemed to be directly attributable to acquiring investment property assets.

(in thousands of Canadian dollars, unless otherwise stated)

The estimated fair values of the REIT's investment properties are based on the following valuation methodologies:

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 term of 10 years; and

ii. Direct capitalization method which calculates an 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, 2023 and December 31, 2022 were determined using internal valuation models or the results of valuations performed by independent third party appraisers. Significant inputs, and assumptions are used by the REIT in determining the estimated fair values of its 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. Additionally, by selling certain of its properties under strategic plan, the REIT may be required to dispose of properties at amounts different than the estimated fair value at December 31, 2023. This difference could be material in the current macro-economic environment.

The key valuation metrics for investment properties, excluding those held for sale and accounted for as party of the REITs equity accounted investments, by segment are set out in the following table:

December 31, 2023	**Americas**	**Europe**	**Australasia**
Discount rate - range	6.50% - 9.67%	6.00% - 8.80%	5.25% - 9.00%
Discount rate - weighted average	7.81%	7.07%	6.59%
Terminal capitalization rate - range	6.00% - 8.65%	5.25% - 9.75%	4.50% - 8.25%
Terminal capitalization rate - weighted average	6.96%	5.81%	5.35%
Overall capitalization rate - range	4.44% - 9.95%	4.47% - 7.62%	4.43% - 10.88%
Overall capitalization rate - weighted average	6.87%	6.04%	5.20%

December 31, 2022	**Americas**	**Europe**	**Australasia**
Discount rate - range	5.50% - 9.00%	5.00% - 9.40%	5.00% - 8.00%
Discount rate - weighted average	7.23%	6.17%	6.32%
Terminal capitalization rate - range	5.00% - 8.25%	4.65% - 15.08%	4.25% - 7.50%
Terminal capitalization rate - weighted average	6.48%	5.74%	5.04%
Overall capitalization rate - range	2.74% - 13.52%	1.76% - 8.45%	4.00% - 9.52%
Overall capitalization rate - weighted average	6.21%	5.00%	4.73%

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

Capitalization rate sensitivity increase/ (decrease)	**Weighted average overall capitalization rate**	**Estimated fair value of investment properties (in millions)**	**Fair value variance (in millions)**	**% Change**
(0.75)%	5.13%	$7,903	$1,028	15.00%
(0.50)%	5.38%	$7,527	$652	9.00%
(0.25)%	5.63%	$7,186	$311	5.00%
—%	5.88%	$6,875	$—	—%
0.25%	6.13%	$6,590	$(285)	(4.00)%
0.50%	6.38%	$6,328	$(547)	(8.00)%
0.75%	6.63%	$6,086	$(788)	(11.00)%

The REIT engages independent third-party appraisers to appraise its income producing properties such that approximately one-third of the consolidated 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 consider and incorporate the results of valuations performed by independent third-party appraisers. During the year ended December 31, 2023, income producing properties with an aggregate estimated fair value of $5.6 billion representing approximately 82% of its consolidated investment property portfolio, were valued by independent third party appraisers. As at December 31, 2022 income producing properties with an aggregate estimated fair value of $4.0 billion representing approximately 61.0% of its portfolio, were valued by independent third party appraisers.

Future minimum contractual rent, including assets held for sale properties (note 4) and those that were disposed subsequent to December 31, 2023 (note 23), excluding service charges, and any assumptions related to leasing after expiries, under operating leases is as follows:

		December 31, 2023		December 31, 2022
Less than 1 year	**$**	**417,645**	$	414,414
1 - 5 years		**1,544,325**		1,532,666
Longer than 5 years		**3,683,293**		3,767,333

4. Assets Held for Sale and Disposition of Investment Properties

As at		**December 31, 2023**		December 31, 2022
Balance, beginning of year	**$**	**983,430**	$	—
Reclassified (to)/from Investment Properties (note 3)		**(445,325)**		943,461
Dispositions of assets held for sale		**(337,483)**		—
Increase (decrease) in straight-line rents		**(7)**		2,969
Fair value adjustments		**(159,060)**		(43,299)
Foreign currency translation		**13,284**		80,299
Additions to assets held for sale		**1,133**		—
Balance, end of year	**$**	**55,972**	**$**	**983,430**

(1) Additions include leasing costs, capital and development expenditures, and new right-of-use assets.

(in thousands of Canadian dollars, unless otherwise stated)

As at December 31, 2023, the REIT had eight income producing properties totaling $56.0 million (2022 - $983.4 million) classified as assets held for sale and $18.5 million (2022 - $427.6 million) of directly associated property level debt expected to be part of the sale transaction in conjunction with the related investment properties as liabilities related to assets held for sale. The associated debt is secured by the underlying investment properties.

Subsequent to the year ended December 31, 2023, the REIT sold five properties in the Americas and one property in Australasia classified as assets held for sale at their fair value of $41.8 million (note 23) as at December 31, 2023. The proceeds from the sale were used to repay directly associated property level debt totaling $18.5 million. Remaining proceeds after repayment of directly associated property level debt will be used to partially repay other corporate credit facilities.

During the year ended December 31, 2022, the REIT had classified its portfolio of UK investment properties within the Europe segment as assets held for sale. During the second quarter of fiscal 2023, the REIT exited its exclusive negotiations with a third party regarding a new joint venture in the UK. Accordingly, the REIT determined the UK portfolio no longer met the criteria for classification as assets held for sale and reclassified income producing properties of $833.5 million and related debt of $446.1 million to investment properties and mortgages and loans, respectively. The REIT incurred transaction costs of $14.2 million consisting of internal cost allocations and third party costs related to the marketing of the UK portfolio, which has been expensed and classified as part of transaction costs on the statement of income (loss) and comprehensive income (loss).
During the year ended December 31, 2023, the REIT disposed of investment properties, inclusive of assets that were not previously classified as held for sale, in the following segments totaling:

Region		Gross Proceeds		Property specific debt settled or sold
Americas	**$**	**148,594**	$	73,223
Australasia[1]		**212,130**		25,149
	$	**360,724**	**$**	**98,372**

(1) Dispositions of investment properties in Australasia includes $180.0 million of sales in Vital Trust.

During the year ended December 31, 2023, the REIT disposed of income producing properties in Australasia and the Americas for gross proceeds of $360.7 million to third parties. As part of sale agreement involving a Vital Trust investment property, $3.9 million of cash consideration was not settled on closing and has been included as part of other assets as it is scheduled to be received in December 2025 (note 7). Proceeds were used to repay $98.4 million of directly associated property level debt classified as liabilities associated with assets held for sale and to partially repay variable rate term debt.

5. Equity Accounted Investments

The REIT enters into joint venture arrangements with third parties for the purpose of jointly owning, developing 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.

Equity Accounted Investment	Ownership Interest	Location	Term
NWI Galaxy JV GmbH & Co. KG ("European JV")	30 %	Europe	11 years
NorthWest Australia HSO Trust	30 %	Australia	Perpetuity
NorthWest Australia Hospital Investment Trust	30 %	Australia	Perpetuity
Northwest Healthcare Properties Australia REIT ("AREIT")	30 %	Australia	Perpetuity
NorthWest Australia Hospital Investment Galaxy 2 Trust	30 %	Australia	Perpetuity

(in thousands of Canadian dollars, unless otherwise stated)

As at December 31, 2023, the total equity commitment to Australian and European joint ventures is approximately $3.3 billion and $2.9 billion, respectively, less funding to date of $2.3 billion and $0.6 billion, respectively, which includes an aggregate 30% participation interest by the REIT.

The REIT's investments in its Australian JV arrangements, where capital funding has been deployed to fund the acquisition of investment properties, were all governed under the same investment framework as at December 31, 2023. The investment framework included sharing a common third-party joint venture partner, owning assets that are in similar asset classes and geographical regions, and have similarly structured investment management terms. NorthWest Australia Hospital Investment Galaxy 2 Trust is a separate investment arrangement with no capital funding deployed as at December 31, 2023.

The carrying value of the REIT's equity accounted investments by location is as follows:

December 31, 2023		**Australia**		**Europe**		**Total**
Balance, beginning of year	$	299,873	$	95,524	**$**	**395,397**
Contributions		—		2,277		**2,277**
Share of net income (loss) for the year		(9,514)		(9,718)		**(19,232)**
Distributions[1]		(8,692)		—		**(8,692)**
Foreign currency translation		(8,065)		655		**(7,410)**
Balance, end of year	$	273,602	$	88,738	**$**	**362,340**

December 31, 2022		**Australia**		**Europe**		**Total**
Balance, beginning of year	$	299,997	$	81,214	$	381,211
Contributions		—		19,081		19,081
Share of net income (loss) for the year[2]		13,303		(1,332)		11,971
Distributions[1]		(13,446)		(4,884)		(18,330)
Foreign currency translation		19		1,445		1,464
Balance, end of year	$	299,873	$	95,524	$	395,397

(1) Accrued distributions of $1.0 million due from joint ventures (2022 - $5.4 million) are included in accounts receivable.
(2) Changed presentation and classification to be consistent with the REIT's election to present downstream transactions between the REIT and its joint venture investees (see note 2(r)(i)).

The summarized financial information of the REIT's equity accounted investments is as follows:

As at December 31,	**2023**			2022		
	Australia	**Europe**	**Total**	Australia	Europe	Total
Total assets[1]	**$ 2,114,677**	**$ 590,914**	**$2,705,591**	$2,232,090	$ 621,308	$2,853,398
Total liabilities	**1,147,791**	**311,620**	**1,459,411**	1,169,977	319,970	1,489,947
Net assets	**966,886**	**279,294**	**1,246,180**	1,062,113	301,338	1,363,451
Less: Non-controlling interests	**55,813**	**—**	**55,813**	63,489	—	63,489
Net assets less non-controlling interests	**911,073**	**279,294**	**1,190,367**	998,624	301,338	1,299,962
Weighted average ownership interest[2]	**30.0%**	**30% to 33.57%**	**30% to 33.57%**	30.0%	30% to 33.57%	30% to 33.57%
Equity Accounted Investments	**$ 273,602**	**$ 88,738**	**$ 362,340**	$ 299,873	$ 95,524	$ 395,397

(1) Included in total assets is cash of $16.8 million and $6.9 million in Australia and Europe, respectively (2022 - $20.4 million and $1.9 million, respectively) to which the REIT has rights up to its ownership interest.

(in thousands of Canadian dollars, unless otherwise stated)

(2) For certain investment properties located in Germany, held by the REIT's European joint venture, the REIT holds a direct 5% share. As a result, the effective interest in the entities that hold the subject investment properties is 33.57%.

For the year ended December 31,	**2023**			2022		
	Australia	**Europe**	**Total**	**Australia**	**Europe**	Total
Revenue	**$ 107,764**	**$ 42,046**	**$ 149,810**	101,999	34,206	$ 136,205
Interest income	**6,878**	**92**	**6,970**	5,440	—	5,440
Total revenue	**$ 114,642**	**$ 42,138**	**$ 156,780**	$ 107,439	$ 34,206	$ 141,645
Expenses, fair value adjustments, and income tax						
Operating costs	**$ 13,114**	**$ 7,828**	**$ 20,942**	$ 11,166	$ 5,393	$ 16,559
Mortgage and loan interest expense	**56,833**	**24,416**	**81,249**	28,061	21,039	49,100
General and administrative expenses	**10,049**	**4,916**	**14,965**	10,581	3,396	13,977
Other	**1,152**	**497**	**1,649**	633	—	633
Fair value (gain) loss attributable to investment properties	**64,019**	**39,308**	**103,327**	7,917	10,494	18,411
Income tax (recovery) expense	**—**	**(6,905)**	**(6,905)**	—	(1,070)	(1,070)
Net income (loss)	**$ (30,525)**	**$ (27,922)**	**$ (58,447)**	$ 49,081	$ (5,046)	$ 44,035
Non-controlling interests	**(1,189)**	**—**	**(1,189)**	(4,738)	(233)	(4,971)
Net income (loss) attributable to owners	**$ (29,336)**	**$ (27,922)**	**$ (57,258)**	$ 53,819	$ (4,813)	$ 49,006
Weighted average share[1]	**30.0%**	**30% to 33.57%**	**30% to 33.57%**	30.0%	30% to 33.57%	30% to 33.57%
Share of net income (loss)	**$ (9,514)**	**$ (9,718)**	**$ (19,232)**	$ 13,303	$ (1,332)	$ 11,971

(1) For certain investment properties located in Germany, held by the REIT's European joint venture, the REIT holds a direct 5% share. As a result, the effective interest in the entities that hold the subject investment properties is 33.57%.

The fair value movements of investment properties in the JVs have been determined using the same valuation methodologies as the REIT (see note 3).

For the year ended December 31, 2023, included in the REIT's share of income (loss) on a gross basis is $5.0 million of interest expense related to loan balances outstanding between the REIT and the European JVs, (year ended December 31, 2022 - $4.2 million) and $5.9 million of management fee expenses relating to management services provided by the REIT to the joint ventures (year ended December 31, 2022 - $4.4 million).

(in thousands of Canadian dollars, unless otherwise stated)

6. Financial Instruments

Financial instruments consist of interest rate derivative contracts and foreign exchange contracts recorded at fair value through profit and loss. The following table illustrates the classification of the REIT's financial instruments that have been recorded at fair value:

Recurring measurements:	**Level 1** Quoted prices in active markets for identical assets	**Level 2** Significant other observable inputs	**Level 3** Significant unobservable inputs	**Dec 31, 2023**	Dec 31, 2022
Financial assets:					
Interest rate derivatives	—	$ 25,865	—	**$ 25,865**	37,568
Foreign exchange contracts	—	192	—	**192**	556
Total financial assets	**$ —**	$ 26,057	**$ —**	**$ 26,057**	$ 38,124
Financial liabilities:					
Interest rate derivatives	—	$ (6,564)	—	**$ (6,564)**	—
Foreign exchange contracts		(10)		**(10)**	—
Total financial liabilities	**$ —**	$ (6,574)	**$ —**	**$ (6,574)**	$ —

The REIT is party to interest rate derivative contracts with respect to certain variable rate mortgages and term debts related to its investment properties in Europe and the Americas, as well as portions of its credit facilities in Australasia. The total notional amount of the interest rate derivatives' related debt as at December 31, 2023 is $1.9 billion (December 31, 2022 - $0.8 billion).

The components of the gain (loss) attributable to financial instruments are as follows:

For the year ended December 31,	**2023**	2022
Fair value adjustment - interest rate derivatives	**$ (18,505)**	$ 58,534
Receipts/(payments) under financial instruments	**440**	(278)
Fair value adjustment - other financial instruments (note 7)	**(4,353)**	25
	$ (22,418)	$ 58,281

(in thousands of Canadian dollars, unless otherwise stated)

7. Other Assets

As at		**December 31, 2023**		December 31, 2022
Investment in unlisted securities (i)	**$**	**76,774**	$	224,183
Loan and mortgage receivable (ii)		**12,118**		10,268
Prepaid expenses		**7,667**		3,658
Finance lease receivable (iii)		**7,001**		6,987
Acquisition and financing costs (iv)		**6,759**		21,867
Commodity taxes recoverable		**5,034**		4,152
Furniture and office equipment		**4,843**		4,701
Right-of-use lease assets		**3,157**		4,413
Other		**820**		140
	$	**124,173**	$	280,369

i. The REIT has a non-controlling investment interest in unlisted securities of an Australian healthcare fund that invests in and holds investment properties. The REIT accounts for its interest as a financial asset measured at FVTPL under IFRS 9. The REIT received distribution income of $11.1 million during the year ended December 31, 2023 (2022 - $7.8 million) which is recognized as part of interest and other income in the statement of net income (loss) and comprehensive income (loss).

   During the year ended December 31, 2023, the REIT sold and redeemed units in these unlisted securities having a value of approximately $134.5 million at their carrying value. The proceeds were used towards a partial repayment of the Australasian term debt, which is secured by the underlying unlisted securities. The estimated fair value of the REIT's investment after the partial sale of its interest in the unlisted securities is $76.8 million as at December 31, 2023. During the year ended December 31, 2023, the REIT recognized a fair value loss of $4.3 million fair value loss related to the unlisted securities.

ii. As at December 31, 2023, the loan and mortgage receivable includes $8.2 million an amortizing loan over 10 years for tenant fit out work related to Vital Trust. Additionally, related to the sale of a Vital Trust investment property, a $3.9 million deferred settlement arrangement accruing interest will be received in December 2025.

   During the year, a loan and mortgage receivable secured by and associated with an Australasian investment property that was sold during the year was settled as a result of the transaction.

iii. Finance lease receivable relates to a long-term land lease with a third party, which has a discount rate of 7.0% and a remaining lease term of 64 years

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

(in thousands of Canadian dollars, unless otherwise stated)

8. Mortgages and Loans Payable

As at		December 31, 2023		December 31, 2022
Mortgages payable, net of financing costs	$	**733,934**	$	851,097
Term debt, net of financing costs		**2,417,423**		2,462,577
Credit facilities, net of financing costs		**450,376**		506,804
Lease liabilities		**14,370**		12,926
Total Mortgages and loans payable	$	**3,616,103**	$	3,833,404
Less: Liabilities related to assets held for sale, net of financing costs (note 4)		**18,485**		427,543
Mortgages and loans payable	$	**3,597,618**	$	3,405,861
Current portion of mortgages and loans payable		**337,062**		1,497,245
Non-current portion of mortgages and loans payable	$	**3,260,556**	$	1,908,616
Total mortgages and loans payable	$	**3,597,618**	$	3,405,861

Mortgages

All mortgages are secured by first or second charges on specific investment properties in the Americas and Europe, with an estimated fair value of $1.3 billion as at December 31, 2023 (December 31, 2022 - $1.6 billion).

Term debt

As at December 31, 2023, the term debt balance, excluding financing costs, includes secured financing of:

- Americas term debt of $697.3 million (December 31, 2022 - $631.8 million), secured by first charge on US investment properties and a pledge of equity over entities that indirectly own certain Brazilian investment properties with an estimated fair value of $1.0 billion (December 31, 2022 - $1.2 billion);
- Australasian term debt of $1.1 billion (December 31, 2022 - $1.2 billion), secured by related investment properties, and general security arrangements with an estimated fair value of $2.8 billion (December 31, 2022 - $3.3 billion);
- Australasian secured term financing of $172.0 million (December 31, 2022 - $193.4 million) secured by 191,708,036 units (December 31, 2022 - 183,534,120 units) of Vital Trust held by the REIT, listed on the New Zealand Exchange; and
- European term debt of $448.5 million (December 31, 2022 - $435.4 million), secured by UK Portfolio investment properties with a total estimated fair value of $935.8 million (December 31, 2022 - $956.6 million)

On January 31, 2023, the REIT extended its $394.2 million ($290.3 million USD) term loan facility that was scheduled to mature in April 2023 included as part of the Americas segment, and secured by its US investment properties by two years, such that the revised maturity date of the facility is now January 2025, The facility bears variable interest at 8.50% as at December 31, 2023 (December 31, 2022 - 7.00%).

On July 21, 2023, the REIT refinanced Australasian term debts maturing in September 2023 to extend the weighted average term to maturity by 4 years. As at December 31, 2023, the outstanding balance is $55.7 million with variable interest at 8.48% (December 31, 2022 - 5.28%).

On October 25, 2023, REIT entered a new term loan for total proceeds of $140.0 million included as part of the Americas segment, maturing on April 2025. As at December 31, 2023, the loan is bearing variable interest of 11.58%. The loan is secured by a pledge of equity of subsidiaries that indirectly own certain Brazilian investment properties. The proceeds were used to repay a tranche totaling $50.0 million included under the REIT's revolving credit facility that matured October 2023. The remaining proceeds were used to partially repay other corporate credit facilities.

(in thousands of Canadian dollars, unless otherwise stated)

During the year ended December 31, 2023, the REIT fully repaid $138.1 million of term debt using proceeds from the sale of the units (see note 7). The REIT also partially repaid $16.3 million towards Australasian secured term financing bearing variable interest of 9.43% as at December 31, 2023, maturing on April 2025.

Credit facilities

Certain revolving credit facilities with an outstanding balance of $231.4 million (December 31, 2022 - $195.6 million) are secured by a first or second charge on investment properties in the Americas with an estimated fair value of $385.0 million (December 31, 2022 - $324.0 million).

During the year ended December 31, 2023, the REIT amended and refinanced several terms of its revolving credit facilities to increase available capacity and extend the maturity date.

- The REIT amended and refinanced the terms of its revolving credit facility to increase its available capacity by $69.4 million from a total of $208.5 million as of December 31, 2022 to $277.9 million, subject to incremental security in certain investment properties in the Americas segment and extended the maturity date to March 2026. The facility bears variable interest of 7.73% as at December 31, 2023 (December 31, 2022 - 6.01%).
- The REIT extended the maturity of its non-revolving credit facility in the amount of $97.0 million to January 2025. The facility bears variable interest rate of 10.59% as at December 31, 2023 (December 31, 2022 - 8.71%).
- During the year, the REIT extended the maturity date of its revolving credit facility with a general security arrangement and an outstanding balance of $125.0 million by one year to November 2024, The facility bears a variable interest rate of 8.69% as at December 31, 2023 (December 31, 2022 - 7.58%).

The REIT has amended its debt agreements with certain of its lenders to modify specific financial covenants including debt service ratio, minimum equity tests and distribution of net proceeds on asset sales (note 21).

Lease liabilities

The land lease, in which the REIT is a lessee, 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, 2023 is 64 years. In addition, the REIT has recognized other lease liabilities for leases where the REIT is a lessee. Minimum payments under the lease and their present values are as follows:

As at		**December 31, 2023**		December 31, 2022
Minimum lease payments payable:				
Not later than one year	**$**	**2,224**	$	2,024
Later than one year and not later than five years		**6,346**		5,362
Later than five years		**30,070**		29,637
	$	**38,640**	$	37,023
Future finance charges		**(24,270)**		(24,097)
Present value of minimum lease payments	**$**	**14,370**	$	12,926
Present value of minimum lease payments:				
Not later than one year	**$**	**2,170**	$	1,920
Later than one year and not later than five years		**5,411**		4,851
Later than five years		**6,789**		6,155
	$	**14,370**	$	12,926

(in thousands of Canadian dollars, unless otherwise stated)

As at December 31, 2023, the scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term Debts	Credit Facilities	Finance Lease	**Total**
2024	$ 187,399	$ 24,663	$ 125,000	$ 1,801	**$ 338,863**
2025	154,760	1,346,932	97,027	1,611	**1,600,330**
2026	185,166	267,042	231,416	1,189	**684,813**
2027	67,607	309,643	—	1,128	**378,378**
2028	49,405	439,750	—	763	**489,918**
2029 & thereafter	92,188	49,095	—	7,878	**149,161**
	$ 736,525	$ 2,437,125	$ 453,443	$ 14,370	**$ 3,641,463**
Financing costs	(2,591)	(19,702)	(3,067)	—	**(25,360)**
Liabilities related to asset held for sale	(18,485)	—	—	—	**(18,485)**
Total	$ 715,449	$ 2,417,423	$ 450,376	$ 14,370	**$ 3,597,618**

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, 2023 are as follows:

	Maturity	**Weighted Average Interest Rate**	**Carrying Value**	**Available to be Drawn**
Fixed rate				
Mortgages	January 2024 - August 2031	3.25 %	$ 497,259	$ —
Term debts	November 2027 - June 2031	4.43 %	172,676	—
Total fixed rate debt			$ 669,935	$ —
Variable Rate				
Mortgages	February 2024 - June 2030	5.93 %	239,266	—
Term debts	January 2025 - March 2029	7.32 %	2,264,449	166,117
Credit facilities	November 2024 - March 2026	8.61 %	453,443	46,435
Total variable rate debt			$ 2,957,158	$ 212,552
Total mortgages and loans payable, excluding the following:			$ 3,627,093	$ 212,552
Financing costs			(25,360)	—
Liabilities related to assets held for sale			(18,485)	—
Total mortgages and loans payable, excluding lease liabilities:			**$ 3,583,248**	**$ 212,552**
Lease liabilities		5.34 %	14,370	—
Total mortgages and loans payable			**$ 3,597,618**	**$ 212,552**

As at December 31, 2023, $1.9 billion of total variable rate debt is economically fixed using interest rate swaps and caps. $0.2 billion in mortgages are economically fixed at weighted average interest rate of 2.22% and $1.7 billion of term debts with variable interest rates have been economically fixed at 6.12% (note 6 and note 22).

(in thousands of Canadian dollars, unless otherwise stated)

In certain instances, the amounts available to be drawn on mortgages and loan facilities noted above fluctuate depending on variables under those arrangements, such as interest yields and net operating income of the secured properties as stipulated by applicable calculations.

The maximum amount available to be drawn is $166.1 million as at December 31, 2023 in respect of Vital Trust's term debts which is subject to restrictions over the timing and extent to which the REIT can access that availability.

The table below summarizes the movements in the REIT's mortgages and loans before any reclassification from (to) liabilities related to assets held for sale, excluding finance leases, during the year ended December 31, 2023:

	Mortgages	Term Debts	Credit Facilities	Total
Balance, beginning of year	$ 851,097	$ 2,462,577	$ 506,804	**$ 3,820,478**
Repayments	(127,012)	(570,131)	(336,677)	**(1,033,820)**
Advances and refinancing proceeds	5,721	539,944	282,580	**828,245**
Additional financing fees incurred	(307)	(10,984)	(3,830)	**(15,121)**
Amortization of finance fees	1,118	8,316	2,353	**11,787**
Accretion of financial liabilities	—	9,158	—	**9,158**
Foreign currency adjustment	3,317	(21,457)	(854)	**(18,994)**
Ending balance, December 31, 2023	$ 733,934	$ 2,417,423	$ 450,376	**$ 3,601,733**

9. Convertible Debentures

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

As at	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**$ 275,270**	$ 137,225
Issuance of convertible debentures	**86,250**	155,250
Change in fair value of convertible debentures	**(40,666)**	(17,205)
Balance, end of year	**$ 320,854**	$ 275,270

On April 27, 2023, the REIT issued $75,000 principal amount of unsecured subordinated convertible debentures (the "Series NWH.DB.I"). On May 3, 2023, the over-allotment option was exercised for an additional $11,250 principal amount. The debentures bear interest at 7.75% per annum, payable semi-annually on April 30 and October 31 each year, with a maturity date of April 30, 2028. Each Series NWH.DB.I is convertible at the holder's option to 94.8 REIT units per one thousand dollars principal amount of the debenture, representing a conversion price of $10.55 per REIT unit. On April 30, 2026 and prior to the maturity date, Series NWH.DB.I may be redeemed by the REIT at a price equal to the principal amount plus accrued and unpaid interest and with settlement in cash or units.

On November 27, 2023, the REIT refinanced its Series G Convertible Debenture with the following terms: 1) Increasing the underlying interest rate from 5.50% to 10.00%; 2) decreasing the conversion price from $13.35 to $7.25 per trust unit of the REIT; and 3) extending the maturity date from December 31, 2023 to March 31, 2025. The REIT incurred costs totaling $$7.3 million related to the issuance and extension of the convertible debenture that were expensed as incurred. At maturity, Series NWH.DB.G may be redeemed by the REIT at a price equal to the principal amount plus accrued and unpaid interest and with settlement in cash or units.

(in thousands of Canadian dollars, unless otherwise stated)

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, 2023**		December 31, 2022
NWH.DB.G	**$**	**124,688**	$	123,125
NWH.DB.H		**125,442**		152,145
NWH.DB.I		**70,724**		—
Fair Value	**$**	**320,854**	$	275,270
Current		**—**		123,125
Non-Current		**320,854**		152,145
	$	**320,854**	$	275,270

Debentures Series	**Conversion price per Unit ($)**	**Maturity**	**Interest rate**	**Interest payment**	**Interest payment dates**
NWH.DB.G	$7.25	March 31, 2025	10.00%	Semi-annual	June 30 and December 31
NWH.DB.H	$16.00	August 31, 2027	6.25%	Semi-annual	February 28 and August 31
NWH.DB.I	$10.55	April 30, 2028	7.75%	Semi-annual	April 30 and October 31

10. Unit-Based Compensation

Under the EIP that was approved in 2022, together with the previous DUP, a maximum of 9,000,000 the REIT's trust units are authorized to be issued.

The related activity and fair value estimates of the unit-based compensation liabilities are as follows:

As at		**December 31, 2023**		December 31, 2022
Balance, beginning of year	**$**	**23,837**	$	26,223
Unit based compensation expense		**6,684**		15,222
Exercised and paid in cash		**(1,573)**		(6,219)
Exercised and settled in Trust Units		**(2,943)**		(1,151)
Fair value adjustment		**(10,814)**		(10,236)
Foreign exchange		**(30)**		(2)
Balance, end of year	**$**	**15,161**	$	23,837

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

<u>Deferred Units</u>

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

Deferred units compensation expense is determined upon grant based on the service commencement date and the fair market value of a REIT unit or Vital Trust unit, as applicable, and amortized over the vesting period of five years. As at December 31, 2023, 1,976,190 unvested deferred units with a fair value of $10.2 million are expected to vest between 2024 and 2026. Unit-based compensation 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.

(in thousands of Canadian dollars, unless otherwise stated)

Units outstanding under the DUP as at December 31, 2023 are as follows.

As at December 31, 2023	REIT	Vital Trust
Balance, beginning of year	2,802,380	225,387
Exercised and paid in cash	(202,273)	(35,388)
Exercised and paid in REIT units	(428,415)	—
Forfeited	(157,817)	—
Distribution entitlement	267,660	3,616
Balance, as at December 31, 2023	2,281,535	193,615
Units vested	316,907	182,053

As at December 31, 2022	REIT	Vital Trust
Balance, beginning January 1, 2022	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	2,802,380	225,387
Units vested	1,402,653	204,718

Restricted Units

The REIT grants restricted units ("RUs") under the EIP. 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.

RU's 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 distributions during the vesting period and accrued distributions will be paid by the REIT when the applicable units vest.

As at	December 31, 2023		December 31, 2022	
	Number of RUs	Weighted Average Grant Date Fair Value per unit	Number of RUs	Weighted Average Grant Date Fair Value per unit
RUs outstanding, beginning of year	196,758	$ 12.08	—	$ —
New grants and distributions	821,077	6.60	196,758	12.08
Forfeited	(49,654)	7.66	—	—
Exercised and paid in cash	(28,052)	6.32	—	—
RUs outstanding	940,129	$ 7.70	196,758	$ 12.08

(in thousands of Canadian dollars, unless otherwise stated)

The fair value of the outstanding RUs was $0.6 million as at December 31, 2023 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 corresponding impact on compensation expense included as part of general and administrative expenses in the period in which the change occurs.

Performance Units

The REIT grants performance units ("PUs") under the EIP with a three-year vesting 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.

As at	**December 31, 2023**		**December 31, 2022**	
	Number of PUs	**Weighted Average Grant Date Fair Value per unit**	**Number of PUs**	**Weighted Average Grant Date Fair Value per unit**
PUs outstanding, beginning of year	**706,758**	**$ 12.12**	—	—
New grants and distributions	**1,200,803**	**8.11**	706,758	12.12
Forfeited	**(1,168,371)**	**9.59**	—	—
PUs outstanding	**739,190**	**$ 9.60**	706,758	$ 12.12

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

The estimated fair value of the outstanding PU liability was $0.4 million as at December 31, 2023 and is subject to both market and non-market performance measures.

Grant date	**July 4, 2022**	**April 14, 2023**
Weighted average remaining term to vesting	1.3	2.3
Average volatility rate	26.8 %	26.8 %
Weighted average risk free interest rate	4.6 %	5.7 %

The REIT's unit-based compensation expense (recovery) recognized as part of general and administrative expense and fair value adjustment was:

	2023	2022
Deferred Units	**$ 3,456**	$ 13,429
Restricted Units	**1,123**	384
Performance Units	**2,105**	1,411
Unit-based compensation expense	**$ 6,684**	$ 15,224
Fair value remeasurement:		
Deferred Units	**$ (7,442)**	$ (9,943)
Restricted Units	**(454)**	(82)
Performance Units	**(2,918)**	(210)
Total fair value remeasurement	**$ (10,814)**	$ (10,235)
Total expense (recovery)	**$ (4,130)**	$ 4,989

(in thousands of Canadian dollars, unless otherwise stated)

11. 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,		**2023**		2022
Current income tax expense	**$**	**26,972**	$	21,847
Deferred income tax expense (recovery), relating to origination and reversal of temporary differences		**(45,261)**		57,451
	$	**(18,289)**	$	79,298

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, or offset, basis where those assets and liabilities relate to the same taxable entity or jurisdiction and there is a legally enforceable right to offset current tax assets and liabilities in that entity or jurisdiction.

Deferred income tax assets and liabilities consist of the following:

Year ended December 31,		**2023**		2022
Deferred tax liabilities related to difference in tax and book basis of:				
Investment properties	**$**	**430,481**	$	456,134
Mortgage and loans payables		**166**		129
Other		**2,392**		4,795
Total deferred income tax liabilities before offset	**$**	**433,039**		461,058
Tax offset		**(14,593)**		(2,971)
Total deferred income tax liabilities	**$**	**418,446**		458,087
Deferred tax assets related to difference in tax and book basis of:				
Investment properties	**$**	**6,080**		3,812
Derivative financial instruments		**1,269**		—
Tax loss carryforwards		**11,839**		10,860
Other		**4,582**		2,451
Total deferred income tax assets before offset	**$**	**23,770**		17,123
Tax offset		**(14,593)**		(2,971)
Total deferred income tax assets	**$**	**9,177**		14,152

(in thousands of Canadian dollars, unless otherwise stated)

Reconciliation of effective tax rate:

Year ended December 31,		**2023**	2022
Income (loss) before income taxes	**$**	**(499,025)** $	204,924
Income tax expense (recovery) calculated at the domestic rates applicable to income (loss) in the country concerned		**(57,533)**	46,264
Increase (decrease) resulting from:			
Item not deductible in determining taxable income		**(136)**	1,645
Deductible temporary differences for which no deferred tax asset is recognized		**34,031**	22,119
Change in tax rates		**—**	9,858
Derecognition of previously recognized deferred tax assets		**9,377**	—
Tax adjustments related to prior years		**(4,985)**	(1,059)
Other		**956**	470
Income tax expense (recovery)	**$**	**(18,289)** $	79,297

12. 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.

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, Northwest Value Partners Inc. ("NWVP") completed private placement on May 31, 2022.

(in thousands of Canadian dollars, unless otherwise stated)

The following table shows the changes in REIT units during the year ended December 31, 2023 and 2022.

	REIT units	Amount
Balance, December 31, 2021	**224,127,135**	**$ 2,290,032**
Units issued through distribution reinvestment plan(1)	2,839,242	33,578
Units issued under deferred unit plan (note 10)	93,757	1,151
Units issued pursuant to equity offering	12,500,500	172,507
Private Placement of units	1,086,955	15,000
Units issuance cost	—	(8,393)
Balance, December 31, 2022	**240,647,589**	**$ 2,503,875**
Units issued through distribution reinvestment plan(1)	2,175,190	18,222
Units issued under deferred unit plan (note 10)	469,347	2,943
Balance, December 31, 2023	**243,292,126**	**$ 2,525,040**

(1) The REIT previously established a distribution reinvestment plan ("DRIP") for its unitholders, which allows participants to reinvest their monthly cash distributions in additional REIT units at an effective discount that is determined by applying 3% to the REIT's weighted average unit trading value for the five trading days immediately preceding the relevant distribution date. During the year, the Board approved the suspension of the 3% bonus distribution under the DRIP commencing with the REIT's June 2023 distribution, whereby all unitholders who enrolled in the DRIP subsequently received their distributions in cash. The DRIP was reinstated commencing in January 2024 upon approval by the Board on the same terms as those noted prior to the suspension.

13. 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 non-controlling or partial interests are owned by a third party.

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

As at December 31,	**2023**			2022		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
REIT's ownership interest	**28.6%**	**94.9%**		28.2%	94.9%	
Total assets	**$2,736,453**	**$ 25,199**	**$2,761,652**	$3,002,285	$ 25,002	$3,027,287
Total liabilities	**1,216,453**	**7,868**	**1,224,321**	1,214,200	8,434	1,222,634
Net assets	**$1,520,000**	**$ 17,331**	**$1,537,331**	$1,788,085	$ 16,568	$1,804,653
Attributable to:						
Unitholders of the REIT	**$ 430,307**	**$ 16,068**	**$ 446,375**	$ 504,184	$ 15,341	$ 519,525
Non-controlling interests	**1,089,693**	**1,263**	**1,090,956**	1,283,901	1,227	1,285,128
	$1,520,000	**$ 17,331**	**$1,537,331**	$1,788,085	$ 16,568	$1,804,653

(in thousands of Canadian dollars, unless otherwise stated)

For the year ended December 31,	2023			2022		
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Fritz-Lang-Platz 6	Total
Revenue from investment properties	$ 142,145	$ 1,987	$ 144,132	$ 132,644	$ 1,766	$ 134,410
Net income (loss) attributable to:						
Unitholders of the REIT	(52,918)	622	(52,296)	30,453	(1,518)	28,935
Non-controlling interests	(133,083)	37	(133,046)	60,669	663	61,332
Net income (loss)	$ (186,001)	$ 659	$(185,342)	$ 91,122	$ (855)	$ 90,267
Total comprehensive income (loss) attributable to:						
Unitholders of the REIT	(66,070)	842	(65,228)	30,709	(857)	29,852
Non-controlling interests	(166,331)	48	(166,283)	62,145	698	62,843
Total comprehensive income (loss)	$(232,401)	$ 890	$ (231,511)	$ 92,854	$ (159)	$ 92,695
Distributions attributable to non-controlling interests	$ 39,252	$ —	$ 39,252	$ 36,902	$ —	$ 36,902

The difference between the net income (loss) and total comprehensive income (loss) reflects the movements during the year ended December 31, 2023, attributable to the foreign currency translation of accounts related to the REIT's net investments in Vital Trust and Fritz-Lang-Platz 6, being foreign operations of the REIT.

For the year ended December 31,	2023			2022		
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Fritz-Lang-Platz 6	Total
Cash flows from (used in):						
Operating	$ 22,612	$ (1,898)	$ 20,714	$ 87,146	$ 141	$ 87,287
Investing	(41,801)	(250)	(42,051)	(366,284)	$ 1,466	(364,818)
Financing	17,602	(1,645)	15,957	292,011	$ 340	292,351
Effect of foreign currency translation	2,155	(5)	2,150	(8,964)	$ 111	(8,853)
Net change in cash	$ 568	$ (3,798)	$ (3,230)	$ 3,909	$ 2,058	$ 5,967
Cash balance at period end	$ 11,254	$ 146	$ 11,400	$ 10,686	$ 360	$ 11,046

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 to the REIT's ownership interests of 28.6% and 94.9%, respectively. Similarly, the REIT is not subject to recourse over Vital Trust's borrowings and as a result, Vital Trust is restricted over the extent to which it can access the REIT's assets, debt and credit facilities.

(in thousands of Canadian dollars, unless otherwise stated)

14. Rental Revenue

The components of rental revenue are as follows:

For the year ended December 31,		2023		2022
Rental income	$	397,478	$	356,794
Operating cost recoveries		62,628		57,495
Property tax and insurance recoveries[1]		39,727		30,587
Other revenue		8,163		7,322
Rental revenue	$	507,996	$	452,198

(1) 2022 activity includes a reclassification consistent with the REIT's election to present downstream transactions with its joint ventures on a gross basis (see note 2(p)).

15. Cash, cash equivalents, and restricted cash

As at		December 31, 2023		December 31, 2022
Cash and cash equivalents	$	72,030	$	87,987
Restricted cash		60		47
Total cash, cash equivalents and restricted cash	$	72,090	$	88,034

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil term debt (note 8).

(i) Changes in Non-Cash Working Capital Balances

For the year ended December 31,		2023		2022
Accounts receivable	$	(13,575)	$	26,828
Other assets		5,701		8,850
Accounts payable and accrued liabilities		5,650		18,899
Changes in non-cash working capital balances	$	(2,224)	$	54,577

(ii) Non-Cash Financing and Investing Activities

For the year ended December 31,		2023		2022
Non-cash distributions to unitholders under the DRIP (note 12)	$	18,222	$	33,578
Units issued under unit-based compensation plan (note 10)		2,943		1,151
Non-cash distributions from unlisted securities under dividend reinvestment program (note 7)		—		2,435

(in thousands of Canadian dollars, unless otherwise stated)

(iii) Finance expense (income)

For the year ended December 31,		**2023**		2022
Amortization of deferred financing costs	**$**	**11,787**	$	10,702
Amortization of marked to market adjustment		**—**		(719)
Distributions on Exchangeable Units		**1,180**		1,368
Fair value adjustment of Class B exchangeable units		**(7,524)**		(7,336)
Accretion of financial liabilities		**9,158**		15,249
Fair value adjustment of Convertible Debentures		**(40,666)**		(17,205)
Convertible Debenture issuance costs		**7,283**		7,062
Total finance expense (income), net	**$**	**(18,782)**	$	9,121

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

Year ended December 31, 2023		**Mortgages and loans payable**		**Convertible debentures**		**Class B exchangeable units**		**Total**
Balance, beginning of year	**$**	**3,405,861**	**$**	**275,270**	**$**	**16,245**	**$**	**3,697,376**
Cash financing activities:								
Mortgage and loan proceeds		828,245		—		—		828,245
Repayment of mortgages		(1,033,819)		—		—		(1,033,819)
Issuance on convertible debentures		—		86,250		—		86,250
Financing fees paid		(15,121)		—		—		(15,121)
Total cash financing activities	**$**	**(220,695)**	**$**	**86,250**	**$**	**—**	**$**	**(134,445)**
Non-cash financing activities:								
Amortization of financing costs		11,787		—		—		11,787
Accretion of financial liabilities		9,158		—		—		9,158
Transfers from Assets Held for Sale		427,544		—		—		427,544
Fair value adjustment of Class B exchangeable units		—		—		(7,524)		(7,524)
Fair value adjustment of convertible debentures		—		(40,666)		—		(40,666)
Other adjustments		1,444		—		—		1,444
Foreign exchange translation		(37,481)		—		—		(37,481)
Total non-cash financing activities	**$**	**412,452**	**$**	**(40,666)**	**$**	**(7,524)**	**$**	**364,262**
Balance, end of year	**$**	**3,597,618**	**$**	**320,854**	**$**	**8,721**	**$**	**3,927,193**

(in thousands of Canadian dollars, unless otherwise stated)

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

16. Related Party Transactions

Management Fees

For the year ended December 31, 2023, The REIT generated management fees of $32.5 million relating to management services provided (year ended December 31, 2022 - $43.2 million). Management fees from Vital Trust are eliminated on consolidation as inter-company transactions but the REIT receives the benefit of approximately 71% of the fees; representing the non-controlling interest - ownership in Vital Trust.

Separation Agreement

As announced on August 8, 2023, the REIT's former Chairman and Chief Executive Officer, Paul Dalla Lana resigned from the Board of Trustees and his role as Chief Executive Officer ("CEO") of the REIT. In connection with the resignation, Mr. Dalla Lana and NWVP, an entity controlled by Mr. Dalla Lana, entered into a mutual separation agreement with the REIT (the "Separation Agreement").

Pursuant to the Separation Agreement dated August 8, 2023, a release of any known liability was provided to the REIT and its affiliates and the parties agreed to enter into an agreement of purchase and sale pursuant to which NWVP (or an affiliate thereof) would acquire the REIT's interest in an investment property located in Toronto, Ontario for total consideration of $34.0 million. The sale closed during the three months ended December 31, 2023 and the purchase price has been reflected in the fair value adjustment included in the investment property movement in the year.

As at August 8, 2023, the former CEO held and will retain the rights to a total of 1,056 vested REIT deferred units valued at $0.1 million (December 31, 2022 - 992 deferred units valued at $0.1 million) and he forfeited

(in thousands of Canadian dollars, unless otherwise stated)

1,068,045 performance units valued at $2.4 million (December 31, 2022 - 423,869 performance units valued at $5.0 million) issued under the REIT's equity incentive plan that are were scheduled to vest in three years from the grant date subject to the achievement of certain vesting conditions.

These transactions were recognized at the amount agreed to by the parties and are subject to the terms and conditions of the Separation Agreement

Ownership Interest held by NWVP

The Class B exchangeable units of NWI Healthcare Properties LP ("NWI LP") are entirely held by NWVP and its affiliates. NWVP also holds an interest in REIT units. Pursuant to the amended and restated Declaration of Trust dated September 13, 2023. For so long as NWVP maintains a 10% interest in the REIT, NWVP has the right to appoint trustees to the board of the REIT (with such appointment rights varying based on the level of NWVP's ownership interest). For so long as NWVP maintains a 5% interest in the REIT, NWVP has pre-emptive rights to participate in future financings and other issuances of securities of the REIT in order to maintain its pro rata ownership interest in the REIT and other contractual entitlements. As at December 31, 2023, NWVP does not have a representative on the Board of Trustees, and accordingly neither Paul Dalla Lana nor NWVP are deemed to be related parties prospectively from the date of the Separation Agreement.

As of December 31, 2023, there were 1,710,000 Exchangeable Units outstanding (December 31, 2022 - 1,710,000) (see note 23).

Other transactions while a member of Key Management Personnel

The REIT incurred charges from NWVP of $2.6 million during the year ended December 31, 2023 , including applicable sales taxes, during the period from January 1 to August 8, 2023, which included (i) annual base and performance-based compensation for CEO management services of $1.3 million excluding deferred units held by the former CEO, (ii) expense reimbursements of $0.2 million, and; (iii) the cost of NWVP personnel seconded to the REIT totaling $0.1 million. The aforementioned charges were recorded as part of general and administrative expenses and transaction costs in the consolidated statements of income (loss) and comprehensive income (loss).

During the period from January 1 to August 8, 2023 the REIT made payments to NWVP of $2.6 million to settle the charges noted above. The REIT also made advances during this period of $0.8 million that were fully repaid by NWVP. As at December 31, 2023, the REIT has no amounts owing or receivable from NWVP.

The REIT incurred charges to NWVP during the year ended December 31, 2022, of $4.0 million, including applicable sales taxes, which includes annual compensation for CEO services for $2.5 million, expense reimbursement of $0.9 million, and the cost 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 in the consolidated statement of income (loss) and comprehensive income (loss).

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 the amounts paid on redemption of deferred units.

(a) Key Management Personnel Compensation

For the year ended December 31,		**2023**		2022
Cash compensation	**$**	**5,966**	$	6,653
Unit-based compensation (1)		**1,593**		8,435
	$	**7,559**	$	15,088

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

Key management personnel of the REIT throughout the year included current and former Chief Executive Officers, former Chief Financial Officer, interim Chief Financial Officer, President, Chief Operating Officer, former Head of Global Funds and Trustees. Unit-based compensation for the year ended December 31, 2023 is presented net of $3.9 million of previously expensed unit-based compensation that was forfeited during the year as result of departure of certain individuals who held roles included as part of the the key management personnel.

(in thousands of Canadian dollars, unless otherwise stated)

Key management personnel of the REIT in 2022 included the Chief Executive Officer, Chief Financial Officer, President and Chief Executive Officer - Australia and New Zealand, Chief Administration Officer, Executive Vice President and General Counsel, Managing Director - Germany, and Trustees.

(b) Transactions with related parties disclosed above are recorded at the transaction or exchange amount, being the amount agreed to between the parties.

(c) The consolidated financial statements include the accounts of the REIT and all its subsidiaries.

The REIT's decision making rights over the subsidiary entities below, deemed to be significant for this purpose, are sufficient to give the REIT power and the REIT has exposure to variable returns from its power:

		Percentage Ownership	
Name of Subsidiary	**Place of Operation**	**December 31, 2023**	**December 31, 2022**
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 %	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	28.6 %	28.2 %
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 %	100.0 %
NWI US MOB REIT LLC	USA	100.0 %	100.0 %
NWI US Hospital REIT LLC	USA	100.0 %	100.0 %

(in thousands of Canadian dollars, unless otherwise stated)

17. General and Administrative Expenses

Employee benefits expense

Year ended December 31,		**2023**		2022
Short-term employee benefits	**$**	**33,201**	$	23,104
Unit-based compensation expense		**6,684**		15,224
	$	**39,885**	$	38,328

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, 2023, total short-term employee benefits of $16.9 million (December 31, 2022 – $13.6 million) are included in 'Property operating costs' and $16.3 million (December 31, 2022 – $9.5 million) are included in 'General and administrative expenses, net of amounts directly related to leasing, capital expenditures or development of investment properties that are capitalized or allocated to transaction costs of $7.5 million and $14.0 million, respectively (December 31, 2022 - $9.2 million and $10.8 million).

Transaction costs

Included in transaction costs as classified on the statement of income (loss) and comprehensive income (loss) are third party costs as well as internal cost allocations relating primarily to compensation expenses, including associated unit-based compensation expenses, costs related to acquisition and disposition activities, investment opportunities, capital raising initiatives, and potential JV formations, being explored by the REIT.

18. 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 REIT's 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 significant accounting policies for each of the segments are the same as those for the REIT.

During the year ended December 31, 2023, one tenant in Brazil accounted for 10% (for the year ended December 31, 2022 - 11%) of the total revenue from investment properties on a consolidated basis.

As at December 31, 2023		**Americas**		**Europe**		**Australasia**		**Total**
Investment properties	**$**	**2,464,928**	**$**	**1,587,530**	**$**	**2,822,202**	**$**	**6,874,660**
Mortgages and loans payable		**1,692,421**		**782,853**		**1,122,344**		**3,597,618**

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

(in thousands of Canadian dollars, unless otherwise stated)

For the year ended December 31, 2023	Americas	Europe	Australasia	Total
Operating Income				
Revenue from investment properties	$ 250,748	$ 102,812	$ 154,436	$ 507,996
Property operating costs	80,814	19,551	21,009	121,374
Net property operating income	$ 169,934	$ 83,261	$ 133,427	386,622
Other Income				
Interest and other	5,325	259	12,975	18,559
Management fees	—	—	15,355	15,355
Share of income (loss) from equity accounted investment	—	(9,718)	(9,514)	(19,232)
	$ 5,325	$ (9,459)	$ 18,816	$ 14,682
Mortgage and loan interest expense	143,854	36,535	44,303	224,692
General and administrative expenses	26,401	11,532	19,634	57,567
Transaction costs	26,036	13,525	11,421	50,982
Foreign exchange (gain) loss	367	1,977	162	2,506
	$ 196,658	$ 63,569	$ 75,520	$ 335,747
Operating income (loss)	$ (21,399)	$ 10,233	$ 76,723	$ 65,557

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 (loss) 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

19. 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 to satisfy mortgage financing requirements. As at December 31, 2023, the REIT has a total of $1.1 million (December 31, 2022 - $2.8 million) in outstanding letters of credit under the REIT's secured revolving floating rate credit facility, which forms part of the total Credit Facilities disclosed in note 8. These letters of credit relate to construction work that is being performed on the REIT's investment properties. The REIT does not expect any of these standby letters of credit 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 certain development properties and is committed to associated costs of $224.3 million as at December 31, 2023 primarily in Vital Trust, where timing is discretionary (December 31, 2022 - $248 million).

(e) In 2021, a subsidiary of the REIT entered into a commitment with a charitable Hospital Foundation to make a total contribution of $9.0 million over 10 years ($0.9 million per annum) to support eligible investment initiatives in capital infrastructure or equipment. The donation is expensed annually over the term of the commitment.

(f) In 2022, The REIT pledged a contribution of $5.0 million to the University of Toronto in support of research on impacts of the pandemic on health systems across the world. As at December 31, 2023, $2.2 million has been paid by the REIT. Contributions are expensed in the period the pledge is fulfilled and incurred.

(g) Pursuant to the disposition of an Australasia investment property during the year ended December 31, 2023, the REIT has entered into agreements to provide monthly rental amounts for the period between July 2024 to June 2025, totaling up to $1.3 million per annum, and rental guarantee expiring December 2024 totaling up to $0.3 million per annum which may be reduced under certain conditions. Additionally, the REIT has a rental guarantee over a sub-leased premise for the amount of up to $1.1 million per annum until June 2028 which is activated if the sub-lease is terminated by reason of default of the sub-landlord.

(h) The REIT indemnifies individuals who have acted at the REIT's request to be a trustee, 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. As such, the REIT has not recognized a provision related to the indemnification.

(i) 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.

(in thousands of Canadian dollars, unless otherwise stated)

20. 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 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, 2023 are as follows:

		Fair Value		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Investment properties	**$ 6,874,660**	$ —	$ —	$6,874,660
Financial instruments	**26,057**	—	26,057	—
Investment in unlisted securities	**76,774**	—	—	76,774
Assets held for sale	**55,972**	—	—	55,972
Assets recorded at amortized cost:				
Loans receivable	**12,118**	—	—	12,118
Liabilities measured at fair value:				
Financial instruments	**6,574**	—	6,574	—
Convertible debentures	**320,854**	320,854	—	—
Class B LP exchangeable units	**8,721**	—	8,721	—
Unit-based compensation liabilities	**15,161**	—	15,053	108
Financial liabilities recorded at amortized cost:				
Mortgages and loans payable	**3,597,618**	—	3,585,719	—
Liabilities related to assets held for sale	**18,485**	—	18,485	—

The REIT determined the estimated fair value of each investment property, with the exception of certain properties under development, using the discounted cash flow method and direct capitalization method. Note 3 outlines the key assumptions used by the REIT in determining the estimated fair values of its investment properties.

The fair value of the REIT's convertible debentures are derived using its quoted market prices (unadjusted) obtained from an active market (Level 1).

Certain derivative instruments are valued using valuation techniques with market-observable inputs (Level 2) and include the forward contracts and 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 investments in unlisted securities are valued using internal models using observable and unobservable inputs, reflecting assumptions that market participants would use when pricing the assets (Level 3).

The REIT uses significant unobservable inputs to estimate fair value of these assets at each reporting date. Significant unobservable inputs are classified as Level 3 inputs under IFRS, reflecting management's best estimate of what market participants would use in pricing the asset at the measurement date and is dependent on the availability of market-based information.

(in thousands of Canadian dollars, unless otherwise stated)

At the balance sheet date, there exists a limited number of observable comparable transactions available for consideration in certain of the REIT's markets in 2023. The REIT has reviewed the valuation of its investment properties in light of lower transaction volumes, cost of financing and overall difficulty in anticipating the impact of the current global macro-economic environment on property significant inputs noted above. Such effects could be material to investment properties valuations. As events associated with the current macroeconomic environment continue to unfold, further adjustments to the REIT's estimated fair value of investment properties may be required. As a result, estimation uncertainty is higher when determining the fair value of the REIT's investment properties (Level 3).

In accordance with IFRS 13, if an asset or liability measured at fair value has a bid and 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, and certain unit based liabilities.

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.

21. Capital Management

The REIT considers its capital to be its unitholders' equity, Class B exchangeable units, and mortgage and loans payable. The REIT is free to determine the appropriate level of capital based on with its cash flow requirements, overall business risks and potential business opportunities while 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 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.

As at December 31, 2023, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 47.7% (December 31, 2022 - 45.3%).

As at December 31,		**2023**		2022
Debt				
Gross value of debt excluding convertible debentures[1]	**$**	**3,641,465**	$	3,855,247
Gross value of total debt[2]		**3,962,319**		4,130,517
Gross Book Value of Assets				
Total assets	**$**	**7,628,615**	$	8,514,000
Debt-to-Gross Book Value (Declaration of Trust)		**47.7 %**		45.3 %
Debt-to-Gross Book Value including convertible debentures		**51.9 %**		48.5 %

(1) Gross value of debt excluding convertible debentures represents the principal balance of mortgages, credit facilities, term debt and finance leases.
(2) Gross value of total debt represents the principal balance of mortgages, credit facilities, term debt, finance leases and convertible debentures at fair value.

As at December 31, 2023, the REIT is in compliance with all such financial covenants in respect of the loans and mortgages disclosed in note 8. The REIT's capital management is also impacted by various financial covenants related to multiple credit facilities. During the year ended December 31, 2023, the REIT entered into agreement with its lenders to temporarily modify existing covenants to reduce the threshold requirements related to the REIT's debt service coverage ratio, and minimum adjusted unitholders' equity included as part of certain of its credit facilities and term debts. Subsequent to December 31, 2023, these modifications to existing covenants were extended.

(in thousands of Canadian dollars, unless otherwise stated)

The REIT's debt service coverage ratio covenant is sensitive to the REIT's net income and adjusted EBITDA, as defined, and interest rates which impact the debt service costs, and the minimum equity covenant is sensitive to the REIT's net operating income and overall capitalization rate. These sensitivities impact the REIT's estimate of fair value in connection with its investment properties at period end. The REIT is monitoring these considerations and taking steps to address the risks as it relates to its compliance assessment in future periods.

22. 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.

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 new financings, cash flows from operations, and distribution income earned from the REIT's investments in associates. 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 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	2024	2025	2026	2027	2028	Thereafter
Accounts payable and accrued liabilities	$ 128,749	$ 128,749	$ 128,749	$ —	$ —	$ —	$ —	$ —
Income tax payable	21,440	21,440	21,440	—	—	—	—	—
Distributions payable	7,299	7,299	7,299	—	—	—	—	—
Liabilities related to AHFS (note 4)	18,485	18,492	—	18,492	—	—	—	—
Mortgages and loans payable	3,597,618	3,622,979	338,863	1,581,844	684,813	378,378	489,918	149,163
Convertible debentures	320,854	366,500	—	125,000	—	155,250	86,250	—
	$4,094,445	$ 4,165,459	$ 496,351	$1,725,336	$684,813	$533,628	$ 576,168	$ 149,163

Incremental to contractual cash flows above, the REIT has additional development commitments of $224.3 million as described in note 19(d) Commitments and contingent liabilities.

The REIT expects to repay or refinance all debts maturing in 2024 and 2025 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), and strategic investment property sales.

More specifically, the REIT has (i) subsequent to the reporting period completed the sale of investment properties located in Canada and Vital Trust for $41.8 million (note 23); (ii) initiated a strategic review process which announced intentions to sell certain of the REIT's investment properties; (iii) entered into a trust deed and settlement with several parties, including a third party institutional investment partner, as well as, a manager and responsible entity of an Australian fund in which the REIT holds an investment in unlisted securities, which are valued at $76.8 million at December 31, 2023.

There are no assurances that the timing, amounts and terms of any refinancing, or other efforts as described above will be favorable or satisfactory to the REIT's liquidity and ability to settle loans payable as they become due.

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 rates related to the valuation of investment properties 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 18.5% of the REIT's debt is financed at fixed rates with maturities staggered over a number of years, thereby partially mitigating its exposure to changes in interest rates and financing risks.

(in thousands of Canadian dollars, unless otherwise stated)

Currently, the REIT has interest rate swaps and cap contracts to mitigate some of the risks associated with its variable rate long-term debt. Premium payments and obligations under such contracts are reflected in the effective interest rates stated below. The terms of the contracts as at December 31, 2023 are:

Segment	Type	Notional Amount	Effective Date	Remaining Term (months)	Effective Interest Rate	Fair Value
Interest rate derivative assets						
Americas	Swap	384,259	February 2024	25	6.61%	2,836
Europe (UK)	Cap	448,471	March 2023	2	6.47%	1,360
Europe	Cap	110,386	June 2021 - September 2022	34	2.31% - 3.82%	5,650
Europe	Swap	100,880	April 2016 - September 2022	41	1.45%-3.82%	5,285
Australasia	Swap	563,761	December 2015 - March 2024	26	5.82%-7.24%	10,734
						25,865
Interest rate derivatives liabilities						
Americas	Cap	384,259	February 2023	1	8.41%	(1,536)
Europe (UK)	Swap	448,471	March 2024	22	6.19%	(1,849)
Australasia	Swap	323,336	March 2023 - March 2027	44	6.15%-7.95%	(3,179)
						(6,564)

The Australasian interest rate swaps relate to several credit facilities in Vital Trust, which the REIT consolidates its 28.59% ownership. The European interest swaps and caps relate to several underlying mortgages.

Sensitivity to a 1.0% increase or decrease in the interest rate would impact net income (loss) and comprehensive income (loss) by $36.2 million annually with all mortgages and loans, being fixed and variable rate debts, held constant as at year end (December 31, 2022 - $38.3 million).

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 value derived from 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 financings. The market price for the REIT's trust units, the REIT's convertible debentures, units of Vital Trust, and units in unlisted securities 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 sustained 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 financings. To adapt to an increasingly volatile macro environment, the REIT amended certain covenants during the year to provide additional flexibility. Additionally, the REIT is subject to covenants in respect of its unitholders' equity balance. These covenants may be impacted by changes in investment property valuation or changes in the REIT's capital structure.

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.

(in thousands of Canadian dollars, unless otherwise stated)

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.

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

As at		**December 31, 2023**		December 31, 2022
Less than 30 days	**$**	**5,287**	$	4,969
31 to 60 Days		**1,061**		576
61-90 days		**338**		262
More than 90 Days		**1,298**		3,620
Total billed	**$**	**7,984**	$	9,427
Unbilled and other receivables		**15,533**		10,380
Expected credit losses	**$**	**(1,717)**	$	(2,426)
Total accounts receivable	**$**	**21,800**	$	17,381

As at December 31, 2023, unbilled and other receivable includes $3.8 million related to the delivery of a fit out project related to Vital Trust on a development on behalf of its tenant. All other receivables are expected to be settled within the year.

<u>Foreign currency exchange risk</u>

The REIT has exposure to currency risk as a result of Australasian secured financing under the term debt 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 economic hedging strategy on an ongoing basis.

(in thousands of Canadian dollars, unless otherwise stated)

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 years ended December 31,		2023		2022
Europe (EUR)	$	17,219	$	(747)
Europe (GBP)		2,591		(6,699)
Americas (BRL)		(3,419)		(3,167)
Americas (USD)		9,900		(5,528)
Australasia (NZD)		15,957		(9,586)
Australasia (AUD)		736		(1,636)
	$	42,984	$	(27,363)

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.

23. Subsequent Events

Subsequent events not otherwise disclosed in these financial statements include the following:

i. The Class B exchangeable units of a subsidiary of the REIT are exchangeable into trust units at the option of the holder. On January 16, 2024, NWVP redeemed all of its 1,710,000 Class B exchangeable units for 1.710,000 REIT units. Accordingly, there are no longer any Class B exchangeable units and special voting rights outstanding.

ii. Subsequent to December 31, 2023, the REIT sold five properties in the Americas and one property in Australasia currently classified as assets held for sale at their fair value of $41.8 million. The proceeds were used to pay directly attributable debt of $18.5 million. and the remaining proceeds were used to partially repay other corporate credit facilities.

iii. Subsequent to December 31, 2023, the REIT extended the maturity date of its revolving credit facility with a general security arrangement and outstanding balance of $125.0 million to March 31, 2025 from November 2024.

iv. Subsequent to December 31, 2023, the REIT refinanced the terms of its $172.0 million Australasian secured term loan that bears interest of 7.9% to extend the maturity by two years to March 2027.

v. Subsequent to December 31, 2023, the REIT redeemed $15.6 million of its investment in unlisted securities under the terms of an existing agreement. The proceeds were used towards repaying the remaining amount outstanding of the Australasian term debt, secured by the underlying unlisted securities.

vi. Subsequent to December 31, 2023, the REIT refinanced and amended Canadian mortgages totaling of $39.8 million maturing in 2024, bearing weighted average interest rate of 5.04% with new mortgages of $40.4 million, bearing weighted average interest rate of 7.30% with weighted average term to maturity extended by 2.6 years.

vii. On March 13, 2024, Vital Trust extended the weighted average term to maturity by approximately 4 years for term debts of $430 million, bearing interest at 6.13%, of which $177.0 million were maturing in 2025. .

viii. On January 15, 2024, the REIT announced a distribution of $0.03 per unit to unitholders of record on January 31, 2024, and was paid on February 15, 2024.

On February 15, 2024, the REIT announced a distribution of $0.03 per unit to unitholders of record on February 29, 2024, and will be paid on March 15, 2024.

northwest

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