NorthWest Healthcare Properties Real Estate Investment Trust

Condensed Consolidated Interim Financial Statements (in Canadian dollars)

For the three and six months ended June 30, 2022 (unaudited)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Balance Sheet
(in thousands of Canadian dollars)
Unaudited

As at	Note		June 30, 2022		December 31, 2021
Assets					
Investment properties	4	$	5,527,017	$	6,294,305
Equity accounted investments	5		394,222		381,211
Intangible assets			42,015		47,276
Goodwill			36,999		41,671
Deferred tax asset			10,720		11,370
Financial instruments	6		27,035		15,362
Other assets	7		272,585		159,328
Accounts receivable			34,880		51,137
Assets held for sale	4		1,703,765		—
Cash and cash equivalents	14		74,660		62,741
Total assets		$	8,123,898	$	7,064,401
Liabilities					
Mortgages and loans payable	8	$	3,192,427	$	2,806,979
Convertible debentures	9		127,500		137,225
Deferred unit plan liability	10		26,533		26,223
Class B exchangeable units	15		20,623		23,581
Deferred tax liabilities			433,585		386,215
Financial instruments	6		537		44,319
Income tax payable			10,095		11,379
Accounts payable and accrued liabilities	15		82,584		89,963
Distributions payable			15,937		14,943
Liabilities related to assets held for sale	4		433,781		—
Total liabilities		$	4,343,602	$	3,540,827
Unitholders' Equity					
Unitholders' equity	11		2,526,107		2,392,131
Non-controlling interests	12		1,254,189		1,131,443
Total liabilities and unitholders' equity		$	8,123,898	$	7,064,401

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

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

		For the three months ended June 30,		For the six months ended June 30,	
	Note	**2022**	2021	**2022**	2021
Net Property Operating Income					
Revenue from investment properties	**13**	**$ 111,826**	$ 90,092	**$ 214,503**	$ 182,691
Property operating costs		**22,943**	20,266	**48,553**	42,301
		88,883	69,826	**165,950**	140,390
Other Income					
Interest and other	**7**	**2,472**	1,402	**4,038**	1,756
Development revenue		**1,182**	1,312	**3,746**	3,165
Management fees		**10,404**	5,496	**16,451**	9,052
Share of profit of equity accounted investments	**5**	**16,570**	41,342	**23,730**	47,487
		30,628	49,552	**47,965**	61,460
Expenses and other					
Mortgage and loan interest expense		**34,524**	22,647	**57,911**	45,758
General and administrative expenses		**12,830**	11,239	**23,139**	21,396
Transaction costs		**6,519**	11,640	**12,118**	13,433
Development costs		**1,082**	924	**3,430**	2,229
Foreign exchange (gain)		**(4,005)**	(1,187)	**(4,599)**	(13,647)
		50,950	45,263	**91,999**	69,169
Income before finance costs, net gain (loss) on financial instruments, and fair value adjustments		**68,561**	74,115	**121,916**	132,681
Finance costs (incomes)					
Amortization of financing costs	**8**	**(2,746)**	(4,683)	**(4,967)**	(8,740)
Amortization of mark-to-market adjustment	**8**	**329**	112	**419**	209
Class B exchangeable unit distributions	**15**	**(342)**	(342)	**(684)**	(684)
Fair value adjustment of Class B exchangeable units	**15**	**2,924**	342	**2,958**	(222)
Accretion of financial liabilities	**8**	**(1,473)**	(904)	**(10,046)**	(4,986)
Fair value adjustment of convertible debentures	**9**	**6,875**	(1,185)	**9,725**	1,465
Net gain (loss) on financial instruments	**6**	**20,463**	(939)	**49,433**	14,550
Fair value adjustment of investment properties	**4**	**50,826**	148,329	**133,167**	170,649
Fair value adjustment of deferred unit plan liability	**10**	**3,405**	49	**3,616**	(550)
Income before taxes		**148,822**	214,894	**305,537**	304,372
Current tax expense		**7,234**	3,391	**14,427**	6,192
Deferred tax expense		**24,859**	28,250	**51,046**	41,338
Income tax expense		**32,093**	31,641	**65,473**	47,530
Total net income		**$ 116,729**	$ 183,253	**$ 240,064**	$ 256,842
Net income attributable to:					
Unitholders		**$ 69,625**	$ 81,090	**$ 157,879**	$ 134,047
Non-controlling interests		**47,104**	102,163	**82,185**	122,795
		$ 116,729	$ 183,253	**$ 240,064**	$ 256,842

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

		For the three months ended June 30,		For the six months ended June 30,	
	Note	**2022**	2021	**2022**	2021
Net income		**$ 116,729**	$ 183,253	**$ 240,064**	$ 256,842
Other comprehensive income (loss) ("OCI"):					
Items that have been or may be reclassified subsequently to income (loss):					
Foreign currency translation adjustments		**$ (214,735)**	$ (1,250)	**$ (191,128)**	$ (109,372)
Realized foreign exchange gains/(losses) on hedges		**—**	—	**—**	42,418
Fair value gain (loss) on net investment hedges		**—**	—	**—**	(42,318)
Deferred taxation (expense)/recovery		**—**	—	**—**	6,475
Current taxation (expense)/recovery		**—**	—	**289**	(6,298)
Other comprehensive income (loss), net of tax		**(214,735)**	(1,250)	**(190,839)**	(109,095)
Total comprehensive income (loss) for the period		**$ (98,006)**	$ 182,003	**$ 49,225**	$ 147,747
Total comprehensive income (loss) attributable to:					
Unitholders		**$ (70,096)**	$ 102,080	**$ 30,635**	$ 73,418
Non-controlling interests		**(27,910)**	79,923	**18,590**	74,329
		$ (98,006)	$ 182,003	**$ 49,225**	$ 147,747

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

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 12)	Total Equity
Balance, December 31, 2021		$ 2,290,032	$ 39,724	$ (669,223)	$ (291,778)	$ 1,023,376	$ 2,392,131	$ 1,131,443	$ 3,523,574
Public offering of units, net of issuance costs	**11**	164,605	—	—	—	—	164,605	122,200	286,805
Private placement of units	**11, 15**	15,000	—	—	—	—	15,000	—	15,000
Units issued through distribution reinvestment plan	**11**	16,369	—	—	—	—	16,369	126	16,495
Units issued on exercise of deferred units	**10**	811	—	—	—	—	811	—	811
Distributions		—	—	(93,443)	—	—	(93,443)	(18,171)	(111,614)
Foreign currency translation adjustments		—	—	—	(127,324)	—	(127,324)	(63,804)	(191,128)
Other comprehensive income (loss), excluding translation adjustments		—	—	—	79	—	79	210	289
Net income		—	—	—	—	157,879	157,879	82,185	240,064
Balance, June 30, 2022		$ 2,486,817	$ 39,724	$ (762,666)	$ (419,023)	$ 1,181,255	$ 2,526,107	$ 1,254,189	$ 3,780,296

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 12)	Total Equity
Balance, December 31, 2020		$ 1,694,810	$ 39,724	$ (503,156)	$ (181,456)	$ 588,497	$ 1,638,419	$ 897,249	$ 2,535,668
Public offering of units		397,938	—	—	—	—	397,938	1,883	399,821
Private placement of units		5,000	—	—	—	—	5,000	—	5,000
Units issued through distribution reinvestment plan	**11**	11,813	—	—	—	—	11,813	3,959	15,772
Units issued on exercise of deferred units		457	—	—	—	—	457	—	457
Conversion of convertible debenture into units		63,322	—	—	—	—	63,322	—	63,322
Distributions		—	—	(78,097)	—	—	(78,097)	(15,444)	(93,541)
Foreign currency translation adjustments		—	—	—	(60,701)	—	(60,701)	(48,671)	(109,372)
Other comprehensive income (loss), excluding translation adjustments		—	—	—	72	—	72	206	278
Net income		—	—	—	—	134,047	134,047	122,795	256,842
Balance, June 30, 2021		$ 2,173,340	$ 39,724	$ (581,253)	$ (242,085)	$ 722,544	$ 2,112,270	$ 961,977	$ 3,074,247

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

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

	Note	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Cash provided by (used in):					
Operating activities					
Net income		$ **116,729**	$ 183,253	$ **240,064**	$ 256,842
Adjustments for:					
Income tax expense		**32,093**	31,641	**65,473**	47,530
Income taxes paid		**(7,490)**	(2,612)	**(14,399)**	(9,240)
Amortization of other assets		**369**	364	**749**	728
Mortgage and loan interest accrued		**34,524**	22,647	**57,911**	45,758
Mortgage and loans interest paid		**(31,114)**	(25,761)	**(52,683)**	(48,203)
Finance costs (incomes)	14	**(5,567)**	6,660	**2,595**	12,958
Interest income		**(2,472)**	(1,402)	**(4,038)**	(1,756)
Share of profit of equity accounted investments	5	**(16,570)**	(41,342)	**(23,730)**	(47,487)
Unrealized foreign exchange loss (gain)		**(4,202)**	(1,167)	**(2,385)**	(16,443)
Fair value adjustment of investment properties	4	**(50,826)**	(148,329)	**(133,167)**	(170,649)
Fair value loss on financial instruments	6	**(20,463)**	939	**(49,433)**	(14,550)
Transaction costs		**6,519**	11,640	**12,118**	13,433
Fair value adjustment of deferred unit plan liability		**(3,405)**	(49)	**(3,616)**	550
Unit-based compensation expense	10	**3,557**	3,383	**5,205**	5,041
Redemption of units issued under deferred unit plan		**(2,755)**	176	**(3,793)**	(1,196)
Changes in non-cash working capital balances	14	**2,013**	(291)	**6,190**	(1,487)
Cash provided by (used in) operating activities		**50,940**	39,750	**103,061**	71,829
Investing activities					
Acquisitions of investment properties	3	**(852,708)**	(287,202)	**(934,186)**	(344,416)
Additions to investment properties	4	**(34,937)**	(42,272)	**(61,186)**	(78,659)
Net proceeds on disposal of investment properties		**1**	9,406	**918**	44,908
Contributions in equity accounted investments	5	**(8,469)**	—	**(17,555)**	(7,143)
Investment in financial asset	6, 7	**(2,154)**	(110,272)	**(128,562)**	(110,272)
Net investment in financial instruments	6	**—**	(12,618)	**—**	(18,495)
Transaction costs and deposits attributable to investment activities		**(2,851)**	(24,310)	**(12,560)**	(30,013)
(Acquisitions) and dispositions of subsidiaries, net of cash received or transferred on sale		**—**	(1,717)	**—**	(1,717)
Distribution income	5	**6,264**	6,794	**12,420**	13,508
Cash interest received		**350**	284	**676**	583
Additions to furniture and fixtures		**(202)**	(58)	**(418)**	(118)
Receipts (payments) from foreign exchange contracts		**(296)**	13	**(271)**	2
Net decrease (increase) to restricted cash		**2**	(5)	**(5)**	(1)
Cash provided by (used in) investing activities		**(895,000)**	(461,957)	**(1,140,729)**	(531,833)
Financing activities					
Mortgage and loan proceeds	8	**921,295**	673,330	**1,492,023**	812,271
Repayment of mortgages	8	**(296,943)**	(377,176)	**(633,185)**	(738,562)
Redemption of convertible debentures	9	**—**	(13,835)	**—**	(13,835)
Proceeds from issuance of units, net of issuance costs	11, 12	**136,911**	197,470	**301,805**	404,821
Financing fees paid		**(4,382)**	(13,459)	**(6,766)**	(16,605)
Distributions paid		**(39,166)**	(32,830)	**(76,080)**	(63,665)
Class B exchangeable units distributions paid		**(342)**	(342)	**(684)**	(684)
Distributions paid to non-controlling interests		**(10,714)**	(5,560)	**(18,045)**	(11,685)
Cash provided by (used in) financing activities		**706,659**	427,598	**1,059,068**	372,056
Net change in cash and cash equivalents		**(137,401)**	5,391	**21,400**	(87,948)
Effect of foreign currency translation		**(5,582)**	(1,599)	**(9,486)**	113
Net change in cash and cash equivalents		**(142,983)**	3,792	**11,914**	(87,835)
Cash and cash equivalents, beginning of period		**217,597**	52,479	**62,700**	144,106
Cash and cash equivalents, end of period	14	$ **74,614**	$ 56,271	$ **74,614**	$ 56,271

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

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

1. Basis of Preparation and Statement of Compliance

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting as issued by the International Accounting Standards Board. Certain information and note disclosure included in the annual consolidated financial statements based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS") have been omitted in these condensed consolidated interim financial statements. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT's audited consolidated financial statements for the year ended December 31, 2021. These condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT on August 11, 2022.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties and financial assets and liabilities including financial instruments, convertible debentures, derivative financial instruments, Class B exchangeable units and deferred units under the deferred unit plan ("DUP"), which are measured and reported at their fair value.

The condensed consolidated interim financial statements are presented in thousands of Canadian dollars, except per unit amounts which are presented in Canadian dollars. The Canadian dollar is the REIT's functional currency.

2. Significant Accounting Policies

All significant accounting policies have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements of the REIT for the year ended December 31, 2021.

3. Investment Property Acquisitions

During the six months ended June 30, 2022, the following investment property acquisitions were completed:

Region	Acquisition Cost (i)	Property specific debt
Europe	$ 12,069	$ 5,618
Australasia	136,421	—
Americas	785,696	716,212
Total	**$ 934,186**	**$ 721,830**

i. Acquisition costs include external and internally allocated transaction costs totaling $21.5 million incurred attributable to acquiring the investment property assets.

On April 14, 2022, the REIT acquired 27 healthcare properties in the United States of America (the "US Portfolio") for total acquisition cost of $775.9 million. Located across 10 states, the US portfolio consists of 15 medical office buldings and 12 hospitals. As at June 30, 2022, these investment properties were classified as assets held for sale (note 4).

(in thousands of Canadian dollars, unless otherwise stated)

4. Investment Properties

As at		June 30, 2022		December 31, 2021
Balance, beginning of year	$	**6,294,305**	$	5,262,063
Acquisition of investment properties (note 3)		**934,186**		674,587
Disposition of investment properties		**(919)**		(56,577)
Additions to investment properties		**61,186**		146,047
Increase in straight line rents		**1,553**		1,934
Reclassified as assets held for sale		**(1,703,765)**		—
Right of use asset addition		**161**		108
Fair value adjustment		**133,167**		513,986
Foreign currency translation		**(192,857)**		(247,843)
Balance, end of period	$	**5,527,017**	$	6,294,305

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

The estimated fair values of the investment properties as at June 30, 2022 and December 31, 2021 were determined using internal valuation models incorporating available market evidence and the results of valuations performed by independent third party appraisers. Significant assumptions and a number of methods are used by the REIT in determining the estimated fair value of the investment properties, including capitalization rates, terminal capitalization rates, discount rates and future cash flows that incorporate inflation rates, vacancy rates, market rents, property level capital expenditures, and net operating income.

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

	As at June 30, 2022		
	Americas	Europe	Australasia
Discount rate - range	5.3% - 8.5%	4.7% - 9.4%	5.0% - 8.3%
Discount rate - weighted average	7.2%	5.5%	6.1%
Terminal capitalization rate - range	4.8% - 8.0%	4.1% - 7.9%	4.3% - 7.5%
Terminal capitalization rate - weighted average	6.5%	5.0%	4.9%
Overall capitalization rate - range	3.4% - 10.0%	3.7% - 6.9%	4.0% - 8.4%
Overall capitalization rate - weighted average	6.1%	4.6%	4.6%
	As at December 31, 2021		
	Americas	Europe	Australasia
Discount rate - range	5.3% - 8.5%	4.8% - 6.3%	5.0% - 8.0%
Discount rate - weighted average	7.1%	5.4%	6.0%
Terminal capitalization rate - range	4.8% - 8.0%	4.3% - 7.5%	4.3% - 7.3%
Terminal capitalization rate - weighted average	6.6%	5.0%	5.0%
Overall capitalization rate - range	3.4% - 10.0%	3.7% - 6.4%	4.0% - 8.1%
Overall capitalization rate - weighted average	6.4%	4.6%	4.7%

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

Capitalization rate sensitivity increase/ (decrease)	Weighted average overall capitalization rate	Estimated fair value of investment properties (in millions of Canadian dollars)	Fair value variance (in millions of Canadian dollars)	% Change
(0.75)%	4.47 %	$ 8,479	$ 1,247	17.0 %
(0.50)%	4.72 %	$ 8,017	$ 785	11.0 %
(0.25)%	4.97 %	$ 7,604	$ 372	5.0 %
— %	5.22 %	$ 7,232	$ —	— %
0.25 %	5.47 %	$ 6,895	$ (337)	(5.0)%
0.50 %	5.72 %	$ 6,589	$ (643)	(9.0)%
0.75 %	5.97 %	$ 6,309	$ (923)	(13.0)%

The REIT engages independent third-party appraisers to appraise its investment properties such that approximately one-third of the portfolio is independently appraised annually and each investment property is appraised at least once over a five-year period. The internal valuation models incorporate the results of valuations performed by independent third-party appraisers. During three and six months ended June 30, 2022, investment properties with an aggregate estimated fair value of $3.7 billion and $4.3 billion, respectively representing approximately 78.3% of its portfolio, (for the three and six months ended months ended June 30, 2021 -$2.4 and $2.5 billion, respectively, 44.4% of the portfolio) were valued by independent third party appraisers. As at December 31, 2021 investment properties with an aggregate estimated fair value of $6.1 billion representing approximately 96.2% of its portfolio, were valued by independent third party appraiser.

During the three months ended June 30, 2022, the REIT is actively marketing the US Portfolio and UK Portfolio to parties interested in forming a joint arrangement. The portfolios are expected to be sold to a joint arrangement within the next year where the REIT is expected to retain a non-controlling interest in the properties and related mortgages. Accordingly, the REIT classified the US Portfolio and UK Portfolio with a fair value of $775.9 million and $927.8 million, respectively, as assets held for sale. Liabilities associated with the US Portfolio investment properties as at June 30, 2022 of $433.8 million were concurrently classified as liabilities held for sale. The REIT will use proceeds generated from sale of US Portfolio and UK portfolio to partially repay corporate credit facilities totaling $753.2 million with outstanding term of less than 12 months.

5. Equity Accounted Investments

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

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

As at June 30, 2022, the total equity commitment to separate initial Australian and European joint ventures is approximately $3.3 billion and $2.7 billion, respectively, less funding to date of $2.3 billion and $0.6 billion, respectively, which includes a 30% participation by the REIT in the aggregate.

(in thousands of Canadian dollars, unless otherwise stated)

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

The REIT's investments in its initial Australian JV arrangements, where capital has been deployed, were all governed under the same investment framework as at June 30, 2022, including sharing a common third-party joint venture partner, owning assets that are in a similar asset class and geographical region, and have similarly structured investment management terms. Accordingly, the REIT has combined NorthWest Australia HSO Trust, NorthWest Australia Hospital Investment Trust, and Northwest Healthcare Properties Australia REIT ("AREIT") joint venture arrangements for disclosure purposes in the following table which shows the changes in the REIT's carrying value of its equity accounted investments by region:

June 30, 2022		Australia		Europe		Total
Balance, beginning of period	$	299,997	$	81,214	$	**381,211**
Contributions		—		17,555		**17,555**
Share of profit for the period		22,049		1,681		**23,730**
Distributions (i)		(8,635)		(2,606)		**(11,241)**
Foreign exchange		(11,309)		(5,724)		**(17,033)**
Balance, end of period	**$**	**302,102**	**$**	**92,120**	**$**	**394,222**

(i) Included in accounts receivable are accrued distributions of $2.6 million for the six months ended June 30, 2022 (December 31, 2021 - $3.8 million).

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

		June 30, 2022				
		Australia		Europe		Total
Total assets	$	2,174,338	$	586,012	$	**2,760,350**
Total liabilities		1,105,285		294,371		**1,399,656**
Net assets		1,069,053		291,641		**1,360,694**
Less: Non-controlling interests		62,966		—		**62,966**
Net assets less non-controlling interests		1,006,087		291,641		**1,297,728**
REIT's ownership Interest		30.0%		30% to 33.57%		**30% to 33.57%**
Equity Accounted Investments	**$**	**302,102**	**$**	**92,120**	**$**	**394,222**

Included in total assets is cash of $21.7 million and $2.7 million in Australia and Europe, respectively (December 31, 2021 - $15.6 million and $7.9 million).

The REIT has a fixed price development arrangement with the European JV, a related party, for two Netherlands properties that were under development at the time of sale to the European JV in three months ended June 30, 2021. Revenue from the development has been recognized by the REIT on a percentage of completion basis relative to the costs incurred, which were also fixed, over the term of the expected development period and payable at the completion of the development. In Q1 2022, one of the development projects was completed and the accrued amounts receivable was settled. In Q2 2022, the remaining development project was completed and the net amount to be received totaling $7.3 million has been billed.

(in thousands of Canadian dollars, unless otherwise stated)

For the three months ended June 30,		**2022**			2021	
	Australia	**Europe**	**Total**	Australia	Europe	Total
Revenue	$ 25,769	$ 8,242	**$ 34,011**	$ 24,013	$ 7,814	$ 31,827
Interest income	1,241	—	**1,241**	1,284	—	1,284
Total revenue	$ 27,010	$ 8,242	**$ 35,252**	$ 25,297	$ 7,814	$ 33,111
Expenses and fair value adjustments						
Operating costs	2,696	1,385	**4,081**	$ 2,131	$ 1,171	$ 3,302
Mortgage and loan interest expense	4,371	1,491	**5,862**	3,390	1,174	4,564
General and administrative expenses	205	90	**295**	107	862	969
Other	163	—	**163**	169	—	169
Fair value (gain) loss	(33,541)	(4,354)	**(37,895)**	(105,763)	(11,618)	(117,381)
Income tax expense	—	(483)	**(483)**	—	3,232	3,232
Net income (loss)	$ 53,116	$ 10,113	**$ 63,229**	$ 125,263	$ 12,993	$ 138,256
Non-controlling interests	2,388	—	**2,388**	1,115	—	1,115
Net profit attributable to owners	50,728	10,113	**60,841**	124,148	12,993	137,141
Weighted average share of profit (loss)	30.0%	30% to 33.57%	**30% to 33.57%**	30.0%	30.0% to 33.6%	30.0% to 33.6%
REIT's share of income (loss)	$ 15,218	$ 1,352	**$ 16,570**	$ 37,244	$ 4,098	$ 41,342

For the six months ended June 30,		**2022**			2021	
	Australia	**Europe**	**Total**	Australia	Europe	Total
Revenue	$ 51,525	$ 16,523	**$ 68,048**	$ 50,476	$ 15,587	$ 66,063
Interest income	2,511	59	**2,570**	2,602	—	2,602
Total revenue	$ 54,036	$ 16,582	**$ 70,618**	$ 53,078	$ 15,587	$ 68,665
Expenses and fair value adjustments						
Operating costs	5,454	2,857	**8,311**	$ 5,976	$ 2,516	$ 8,492
Mortgage and loan interest expense	8,055	2,866	**10,921**	6,861	2,394	9,255
General and administrative expenses	464	455	**919**	210	2,266	2,476
Other	310	—	**310**	339	—	339
Fair value (gain) loss	(37,024)	(2)	**(37,026)**	(105,061)	(9,828)	(114,889)
Income tax expense	—	(703)	**(703)**	—	3,873	3,873
Net income (loss)	$ 76,777	$ 11,109	**$ 87,886**	$ 144,753	$ 14,366	$ 159,119
Non-controlling interests	3,280	—	**3,280**	2,012	—	2,012
Net profit attributable to owners	73,497	11,109	**84,606**	142,741	14,366	157,107
Weighted average share of profit (loss)	30.0%	30% to 33.57%	**30% to 33.57%**	30.0%	30.0% to 33.6%	30.0% to 33.6%
REIT's share of income (loss)	$ 22,049	$ 1,681	**$ 23,730**	$ 42,822	$ 4,665	$ 47,487

The fair value (gain) loss relates to fair value movements in respect of the measurement of investment properties which are determined using the same valuation methodology as the REIT.

(in thousands of Canadian dollars, unless otherwise stated)

6. Financial Instruments

As at		June 30, 2022		December 31, 2021
Financial assets:				
Foreign exchange contracts		**20**		1,586
Interest rate swaps		**27,015**		510
Derivative Asset		**—**		13,266
Total financial assets		**27,035**		15,362
Financial liabilities:				
Foreign exchange contracts		**356**		90
Interest rate swaps		**181**		24,608
Derivative liability		**—**		19,621
Total financial liabilities	**$**	**537**	$	44,319

The REIT has entered into interest rate swap contracts during the three and six months ended June 30, 2022 with respect to certain variable rate Canadian and European mortgages, and portions of the Vital Trust credit facility for a total notional amount of $572.8 million (note 8). The interest rate derivatives mature over the next 1 to 10 years and have fixed interest rates ranging from 1.04% to 5.51%.

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

		For the three months ended June 30,				For the six months ended June 30,		
		2022		2021		**2022**		2021
Fair value adjustment - interest rate swaps	**$**	**20,833**	$	2,623	**$**	**49,724**	$	19,479
Receipts/(payments) under financial instrument		**(296)**		13		**(271)**		2
Fair value adjustment - financial instruments		**(74)**		(2,910)		**(20)**		(4,266)
Fair value adjustment - financial asset		**—**		(665)		**—**		(665)
	$	**20,463**	$	(939)	**$**	**49,433**	$	14,550

7. Other Assets

As at		June 30, 2022		December 31, 2021
Investment in unlisted securities (i)	**$**	**213,766**	$	100,141
Acquisition and financing costs (ii)		**23,519**		22,669
Loans and mortgages receivable carried at amortized cost (iii)		**9,883**		10,257
Prepaid expenses		**8,133**		7,200
Finance lease receivable (iv)		**6,639**		6,802
Right-of-use lease assets (v)		**3,648**		4,312
Commodity taxes recoverable		**3,547**		5,260
Furniture and office equipment		**3,299**		2,536
Other		**151**		151
	$	**272,585**	$	159,328

i. During the year ended December 31, 2021, the REIT entered into call and put derivative option agreements on behalf of itself and its Australian JV partner. The REIT also entered into additional call and put option arrangements with various third parties. During the year ended December 31, 2021, the REIT acquired unlisted securities, through direct purchase and through partial exercise of the options, that were recognized at their fair value of $100.1 million. During the six months ended June 30, 2022, the REIT exercised its remaining share of the derivative option and, as a result, acquired unlisted securities for total consideration of approximately $128.6 million, including those purchased through the exercise of call and put derivative options.

(in thousands of Canadian dollars, unless otherwise stated)

The REIT has accounted for the unlisted securities as a financial asset measured at fair value through profit and loss ("FVTPL") under IFRS 9 and accordingly recorded the investments at its estimated fair value of $213.8 million.

For the three and six months ended June 30, 2022, the REIT recognized $2.0 and $3.2 million of distribution income respectively, related to the units as part of interest and other income in the statement of net income (loss) and comprehensive income (loss).

ii. Acquisition and financing costs relate to potential acquisitions and debt refinancing which are currently undergoing due diligence and/or negotiation. Included in acquisition and financing costs are $8.6 million of deposits on Vital Trust investment property acquisitions that are expected to close in the period subsequent to June 30, 2022.

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

iv. Finance lease receivable relates to a long-term lease of land that is a finance lease, bearing a discount rate of 6.5% and remaining term of 66 years.

v. Right-of-use lease assets are net of accumulated amortization of $2.9 million (December 31, 2021 - $2.4 million).

8. Mortgages and Loans Payable

As at		June 30, 2022		December 31, 2021
Mortgage payable, net of financing costs	$	**828,477**	$	822,012
Term debt, net of financing costs		**1,800,115**		1,336,218
Credit facilities, net of financing costs		**985,523**		636,030
Lease liabilities		**12,093**		12,719
Total Mortgages and loans payable	$	**3,626,208**	$	2,806,979
Less: Liabilities related to assets held for sale (note 4)		**433,781**		—
Mortgages and loans payable	$	**3,192,427**	$	2,806,979
Current portion mortgages and loans payable		**1,763,751**		1,073,426
Non-current portion of mortgages and loans payable	$	**1,428,676**	$	1,733,553
Mortgages and loans payable	$	**3,192,427**	$	2,806,979

Mortgages

All mortgages are secured by first or second charges on specific investment properties in Canada and Europe, with an estimated fair value of $1.6 billion as at June 30, 2022 (December 31, 2021 - $1.5 billion).

Term debt

As at June 30, 2022, the term debt balance without consideration of financing costs includes:

- Brazilian debt of $174.0 million (December 31, 2021 - $159.4 million), secured by related investment properties with an estimated fair value of $759.6 million (December 31, 2021 - $662.8 million);

(in thousands of Canadian dollars, unless otherwise stated)

- Australian term debt of $202.8 million (December 31, 2021 - $148.0 million) comprised of $21.1 million (December 31, 2020 - $21.8 million) term debt secured by related investment properties with an estimated fair value of $39.8 million (December 31, 2021 - $39.6 million) and $111.1 million (December 31, 2021 - $52.8 million) secured by the unlisted securities held by the REIT (note 7);
- New Zealand term debts of $818.0 million (December 31, 2021 - $864.0 million) secured by Vital Trust's security trust deed and by a first mortgage ranking over the respective investment properties held by Vital Trust; with a total estimated value of $2.7 billion (December 31, 2021 - $2.6 billion), and
- Australasian secured term financing of $180.7 million (December 31, 2021 - $173.6 million) secured by 173,085,625 units (December 31, 2021 - 152,433,813 units) of Vital Trust held by the REIT; and
- US Portfolio related debt of $433.8 million was classified as held for sale along with the related secured investments (note 4).

Credit facilities

On April 14, 2022, the REIT's credit facility was upsized by a new non-revolving tranche for $282.4 with term to maturity of six months. Proceeds were used to fund a portion of the acquisition cost related to the US Portfolio.

Total revolving and non-revolving credit facilities had an outstanding balance of $958.9 million secured by certain investment properties with an estimated fair value of $2.0 billion (December 31, 2021 - $1.3 billion).

Lease liabilities

The lease of land on which one of the REIT's investment properties is built is accounted for as a finance lease. The remaining term of the lease at June 30, 2022 was 66 years. In addition, as part of the transition to IFRS 16 in the prior year, the REIT recognized lease liabilities for leases where the REIT acts as a lessee. Minimum payments under the lease and their present values are as follows:

As at		June 30, 2022		December 31, 2021
Minimum lease payments payable:				
Not later than one year	$	**1,742**	$	1,767
Later than one year and not later than five years		**4,739**		5,406
Later than five years		**28,934**		30,108
		35,415		37,281
Future finance charges		**(23,322)**		(24,562)
Present value of minimum lease payments	$	**12,093**	$	12,719
Present value of minimum lease payments:				
Not later than one year		**1,616**		1,720
Later than one year and not later than five years		**4,284**		4,793
Later than five years		**6,193**		6,206
	$	**12,093**	$	12,719

(in thousands of Canadian dollars, unless otherwise stated)

As at June 30, 2022, the scheduled principal repayments and debt maturities are as follows:

	Mortgage Debt	Term Debt	Credit Facilities	Finance Lease	**Total**
2022 (remainder)	$ 105,816	$ 142,830	$ 675,312	$ 856	**$ 924,814**
2023	125,444	817,090	312,602	1,625	**1,256,761**
2024	143,865	109,675	—	1,283	**254,823**
2025	150,439	115,732	—	896	**267,067**
2026	175,999	114,007	—	839	**290,845**
2027 & thereafter	130,214	510,841	—	6,594	**647,649**
	$ 831,777	$ 1,810,175	$ 987,914	$ 12,093	**$ 3,641,959**
Financing costs	(3,600)	(10,060)	(2,391)	—	**(16,051)**
Mark-to-market adjustment	300	—	—	—	**300**
Liabilities related to asset held for sale	—	(433,781)	—	—	**(433,781)**
Total	$ 828,477	$ 1,366,334	$ 985,523	$ 12,093	**$ 3,192,427**

A summary of the maturity and the weighted average interest rates relating to the mortgages and loans payable, including term debt and credit facilities, outstanding at June 30, 2022 are as follows:

	Maturity	**Weighted Average Interest Rate**	**Carrying Value**	**Available to be Drawn**
Fixed rate				
Mortgage debt	July 2022 - August 2031	2.84 %	$ 770,395	$ 118,245
Term debt	November 2027 - June 2031	4.50 %	538,292	—
Total fixed rate debt			$ 1,308,687	$ 118,245
Variable Rate				
Mortgage debt	July 2022 - June 2026	3.19 %	61,382	172
Term debt	November 2022 - March 2029	3.63 %	1,271,883	5,110
Credit facilities	November 2022 - January 2023	4.83 %	987,914	55,688
Total variable rate debt			$ 2,321,179	$ 60,970
Total mortgages and loans payable, excluding the following:			$ 3,629,866	$ 179,215
Financing costs			(16,051)	—
Liabilities related to asset held for sale			(433,781)	—
Mark-to-market adjustment			300	—
Total mortgages and loans payable, excluding lease liabilities:			**3,180,334**	179,215
Lease liabilities		5.33 %	12,093	—
Total mortgages and loans payable			**$ 3,192,427**	**$ 179,215**

(in thousands of Canadian dollars, unless otherwise stated)

The table below summarizes the movements in the REIT's mortgages and loans, excluding finance leases, during the six months ended June 30, 2022:

	Mortgage Debt	Term Debt	Credit Facilities	Total
Balance, beginning of period	$ 822,012	$ 1,336,218	$ 636,030	**$ 2,794,260**
Repayments	(36,782)	(340,843)	(255,078)	**(632,703)**
Advances	65,575	826,763	599,685	**1,492,023**
Reclassified as held for sale	—	(433,781)		**(433,781)**
Additional financing fees incurred	(756)	(3,348)	(2,662)	**(6,766)**
Amortization of finance fees	522	2,160	2,285	**4,967**
Amortization of mark-to-market	(419)	—	—	**(419)**
Accretion of financial liabilities	—	10,046	—	**10,046**
Foreign exchange adjustment	(21,675)	(30,881)	5,263	**(47,293)**
Ending balance, June 30, 2022	$ 828,477	$ 1,366,334	$ 985,523	**$ 3,180,334**

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on its $572.8 million variable rate mortgage debt as at June 30, 2022 (December 31, 2021 - $630.2 million). The interest rate swaps terminate between 2022 and 2030, refer to note 6.

9. Convertible Debentures

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

As at	June 30, 2022	December 31, 2021
Balance, beginning of period	**$ 137,225**	$ 292,821
Conversion to REIT units (note 11)	**—**	(139,131)
Convertible debentures cash redemptions	**—**	(20,454)
Change in fair value of convertible debentures	**(9,725)**	3,989
Balance, end of period	**$ 127,500**	$ 137,225

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	June 30, 2022	December 31, 2021
NWH.DB.G	**127,500**	137,225

Debentures Series	Conversion price per Unit ($)	Maturity	Interest rate	Interest payment	Interest payment dates
NWH.DB.G	$13.35	December 31, 2023	5.50%	Semi-annual	June 30 and December 31

(in thousands of Canadian dollars, unless otherwise stated)

10. Deferred Unit Plan ("DUP") Liability

The REIT's DUP became effective in March 2010 and was re-approved at the annual general meeting of Unitholders in 2019. The DUP is administered by the Compensation, Governance and Nominating Committee. The purpose of the DUP is to promote a greater alignment of interests between the Trustees, officers and certain other participants of the REIT and the Unitholders. Under the plan, the maximum number of units authorized for issuance shall not exceed 5% of the units issued and outstanding at any given time. The deferred units can be settled at the holders' option in units or cash subject to the REIT's approval and are treated as a financial liability until redeemed.

Deferred unit plan liabilities also exist with respect to a plan administered by the Global Manager and are related to deferred units of Vital Trust, a consolidated subsidiary. No further grants have been issued in relation to the plan administrated by the Global Manager after 2019 and all plan participants have been transferred to the REIT's DUP plan.

(a) Liability:

As at		**June 30, 2022**		December 31, 2021
Balance, beginning of period	**$**	**26,223**	$	24,277
Unit based compensation expense		**8,554**		12,582
Exercised and paid in cash		**(3,793)**		(11,475)
Exercised and settled in Trust Units		**(811)**		(1,777)
Fair value adjustment		**(3,616)**		2,672
Foreign exchange		**(24)**		(56)
Balance, end of period	**$**	**26,533**	$	26,223

The balance of the DUP liability at June 30, 2022 consists of $26.0 million related to the REIT's DUP and $0.5 million related to Vital Trust's DUP (December 31, 2021 - $25.8 million related to the REIT's DUP and $0.4 million related to Vital Trust's DUP).

Unit-based compensation expense is measured on grant at the service commencement date, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and amortized over the applicable vesting period that ranges from 3 to 5 years. At June 30, 2022, 1,943,335 unvested deferred units with a fair value of $21.9 million are expected to vest between 2022 and 2026. Unit-based compensation does not qualify as an equity award and 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.

(b) Units outstanding under the deferred unit plans:

As at June 30, 2022	**REIT**	**Vital Trust**
Balance, beginning January 1, 2021	**2,373,367**	**217,204**
Granted	**802,476**	**—**
Exercised and paid in cash	**(282,474)**	**—**
Exercised and paid in REIT units	**(60,881)**	**—**
Distribution entitlement	**78,806**	**3,706**
Balance, as at June 30, 2022	**2,911,294**	**220,910**
Units vested but not exercised	**1,332,219**	**63,289**

(in thousands of Canadian dollars, unless otherwise stated)

For the three and six months ended June 30, 2022, the REIT granted 768,449 and 802,476 DUP units with a grant-date fair value of $11.1 million, respectively (for the three and six months ended months ended June 30, 2021 - 812,593 and 827,937 DUP units with a fair value of $10.6 and $10.8 million).

11. Unitholders' Equity

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

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

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

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

The following table shows the changes in REIT units:

	REIT units	Amount
Balance, December 31, 2021	**224,127,135**	**$ 2,290,032**
Units issued through distribution reinvestment plan (i)	1,274,197	16,369
Units issued under deferred unit plan (note 10)	60,881	811
Units issued pursuant to equity offering (ii)	12,500,500	172,507
Private Placement of units (note 15)	1,086,955	15,000
Units issuance costs	—	(7,902)
Balance, June 30, 2022	**239,049,668**	**$ 2,486,817**

(i) The REIT has established a distribution reinvestment plan (“DRIP”) for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at an effective discount of 3%. For the three and six months ended June 30, 2022 the REIT's DRIP participation rate was 18.2% and 17.9%, respectively (three and six months ended months ended June 30, 2021 - 16.1% and 15.8%).

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

(in thousands of Canadian dollars, unless otherwise stated)

12. Non-Controlling Interests

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

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

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

As at June 30, 2022	Vital Trust	Fritz-Lang-Platz 6	Total
REIT's ownership interest	27.6 %	94.9 %	
Total assets	$ 2,712,041	$ 24,368	$ 2,736,409
Total liabilities	983,576	7,918	991,494
Net assets	$ 1,728,465	$ 16,450	$ 1,744,915
Attributable to:			
Unitholders of the REIT	474,788	15,938	490,726
Non-controlling interests	1,253,677	512	1,254,189
	$ 1,728,465	$ 16,450	$ 1,744,915

	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Fritz-Lang-Platz 6	Total
Revenue from investment properties	$ 31,464	$ 365	$ 31,829	$ 27,891	$ 419	$ 28,310
Net income (loss) attributable to:						
Unitholders of the REIT	20,415	(18)	20,397	39,264	17,219	56,483
Non-controlling interests	47,096	8	47,104	102,154	9	102,163
Net income (loss)	$ 67,511	$ (10)	$ 67,501	$ 141,418	$ 17,228	$ 158,646
Total comprehensive income (loss) attributable to:						
Unitholders of the REIT	(6,621)	(149)	(6,770)	31,281	(29)	31,252
Non-controlling interests	(27,901)	(8)	(27,909)	79,916	7	79,923
Total comprehensive income (loss)	$ (34,522)	$ (157)	$ (34,679)	$ 111,197	$ (22)	$ 111,175
Distributions attributable to non-controlling interests	$ 9,596	$ —	$ 9,596	$ 7,683	$ —	$ 7,683

(in thousands of Canadian dollars, unless otherwise stated)

	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
Revenue from investment properties	**$ 64,888**	**$ 808**	**$ 65,696**	$ 56,464	$ 855	$ 57,319
Net income (loss) attributable to:						
Unitholders of the REIT	**35,698**	**195**	**35,893**	46,261	17,404	63,665
Non-controlling interests	**82,166**	**19**	**82,185**	122,776	19	122,795
Net income (loss)	**$ 117,864**	**$ 214**	**$ 118,078**	$ 169,037	$ 17,423	$ 186,460
Total comprehensive income (loss) attributable to:						
Unitholders of the REIT	**12,964**	**(279)**	**12,685**	29,282	(322)	28,960
Non-controlling interests	**18,606**	**(15)**	**18,591**	74,342	(13)	74,329
Total comprehensive income (loss)	**$ 31,570**	**$ (294)**	**$ 31,276**	$ 103,624	$ (335)	$ 103,289
Distributions attributable to non-controlling interests	**$ 18,171**	**$ —**	**$ 18,171**	$ 15,444	$ —	$ 15,444

	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
Cash flows from (used in):						
Operating	**$ 18,373**	**$ 65**	**$ 18,438**	$ 6,611	$ 105	$ 6,716
Investing	**(107,188)**	**(53)**	**(107,241)**	(127,189)	(1)	(127,190)
Financing	**99,630**	**(156)**	**99,474**	118,970	(128)	118,842
Effect of foreign currency translation	**(1,131)**	**6**	**(1,125)**	513	1	514
Net change in cash	**$ 9,684**	**$ (138)**	**$ 9,546**	$ (1,095)	$ (23)	$ (1,118)

	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
Cash flows from (used in):						
Operating	**$ 46,263**	**$ 228**	**$ 46,491**	$ 15,542	$ 310	$ 15,852
Investing	**(175,887)**	**(58)**	**(175,945)**	(186,883)	(1)	(186,884)
Financing	**143,038**	**(279)**	**142,759**	167,964	(334)	167,630
Effect of foreign currency translation	**(2,483)**	**6**	**(2,477)**	3,562	1	3,563
Net change in cash	**$ 10,931**	**$ (103)**	**$ 10,828**	$ 185	$ (24)	$ 161
Cash ending balance	**$ 17,708**	**$ 36**	**$ 17,744**	$ 5,959	$ (5)	$ 5,954

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 approximately 27.6% and 94.9%, respectively.

(in thousands of Canadian dollars, unless otherwise stated)

13. Rental Revenue

The components of rental revenue are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	**2022**	2021
Rental income	**$ 91,408**	$ 70,292	**$ 169,609**	$ 141,316
Operating cost recoveries	**17,130**	$ 12,956	**31,705**	27,342
Tax and insurance recoveries	**1,400**	$ 5,221	**9,655**	10,859
Other revenue	**1,888**	$ 1,623	**3,534**	3,174
Rental revenue	**$ 111,826**	$ 90,092	**$ 214,503**	$ 182,691

14. Supplemental Cash Flow Information

(i) Cash, cash equivalents and restricted cash

As at	**June 30, 2022**	December 31, 2021
Cash and cash equivalents	**$ 74,614**	$ 62,700
Restricted cash	**46**	41
Total cash, cash equivalents and restricted cash	**$ 74,660**	$ 62,741

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

(ii) Changes in Non-Cash Working Capital Balances

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	**2022**	2021
Accounts receivable	**$ (232)**	$ (5,940)	**$ 15,807**	$ (12,405)
Other assets	**7,337**	(3,139)	**9,359**	(5,419)
Accounts payable and accrued liabilities	**(5,092)**	8,788	**(18,976)**	16,337
Changes in non-cash working capital balances	**$ 2,013**	$ (291)	**$ 6,190**	$ (1,487)

(iii) Non-Cash Financing and Investing Activities

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	**2022**	2021
Non cash distributions to Unitholders under the DRIP (note 11)	**$ 8,408**	$ 6,285	**$ 16,369**	$ 11,813
Units issued under deferred unit plan (note 10)	**—**	416	**811**	457
Non cash distributions from unlisted securities under dividend reinvestment program (note 7)	**2,006**	—	**3,156**	—
Non-cash conversion of convertible debentures	**—**	63,322	**—**	63,322
Non-cash distribution from European JV (note 5)	**1,337**	—	**2,606**	—

(in thousands of Canadian dollars, unless otherwise stated)

(iv) Finance costs (incomes)

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	**2022**	2021
Distributions on Exchangeable Units	**$ 342**	$ 342	**$ 684**	$ 684
Accretion of financial liabilities	**1,473**	904	**10,046**	4,986
Amortization of deferred financing costs	**2,746**	4,683	**4,967**	8,740
Amortization of marked to market adjustment	**(329)**	(112)	**(419)**	(209)
Fair value adjustment of Convertible Debentures	**(6,875)**	1,185	**(9,725)**	(1,465)
Fair value adjustment of Class B exchangeable units	**(2,924)**	(342)	**(2,958)**	222
Total finance costs (income)	**$ (5,567)**	$ 6,660	**$ 2,595**	$ 12,958

15. Related Party Transactions

(a) As at June 30, 2022, Northwest Value Partners Inc. and affiliates ("NWVP") indirectly owned approximately 11.4% of the REIT through a combination of Trust Units of the REIT and Class B exchangeable units of NorthWest International Healthcare Properties LP ("NWI LP"), approximately 10.8% on a fully diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred units (as at December 31, 2021 - 13.3% and 11.7%. respectively). Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer ("CEO") of the REIT, is the sole shareholder, sole director and President of NWVP.

The Class B exchangeable units, which are entirely held by NWVP are economically equivalent to REIT units and are entitled to receive distributions equal to those provided to holders of REIT units. The fair value of the Class B exchangeable unit liability is determined with reference to the market trading price of the REIT's units at the reporting date.

Distributions declared on the Class B exchangeable units of NWI LP totaled $0.3 and $0.7 million for the three and six months ended June 30, 2022 (for the three and six months ended months ended June 30, 2021 - $0.3 and $0.7 million) and have been accounted for as finance costs in profit or loss.

On May 31, 2022, the REIT completed a private placement of 1,086,955 Trust Units to NWVP for gross proceeds of $15.0 million in connection to the public offering on March 31, 2022 (note 11).

As at June 30, 2022, Paul Dalla Lana held a total of of 169,996 REIT deferred units (December 31, 2021 - 93,669) of which 169,791 unvested deferred units are scheduled to vest between 2024 and 2026 (December 31, 2021 - 93,028 scheduled to vest between 2024 and 2026). During three and six months ended June 30, 2022, 37,170 deferred units valued at $0.5 million were redeemed and paid in cash by the REIT.

(b) As at June 30, 2022, the REIT had nil payable owing to NWVP (December 31, 2021 - $0.1 million that was included in accounts payable and accrued liabilities).

The REIT incurred charges to NWVP during the three months ended June 30, 2022, of $1.7 million, gross of HST, which includes annual compensation for CEO services for $0.9 million and expense reimbursement $0.5 million. The aforementioned charges were recorded as part of general and administrative expenses and transaction costs.

The REIT incurred charges to NWVP during the six months ended June 30, 2022, of $2.1 million, gross of HST, which includes annual compensation for CEO services for $1.3 million, expense reimbursement of

(in thousands of Canadian dollars, unless otherwise stated)

$0.5, and the cost NWVP personnel seconded to the REIT totaling $0.1million. The aforementioned charges were recorded as part of general and administrative expenses and transaction costs.

During the three and six months ended June 30, 2022, the REIT made total payments to NWVP of $1.7 million and $2.1 million respectively, to settle the obligations noted above.

(c) At June 30, 2022, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable to NWVP and affiliates in the amount of $0.1 million (December 31, 2021 - $0.1 million), which were settled subsequent to period end.

16. Segmented Information

The REIT operates in one industry segment being the real estate industry segment; however the REIT monitors and operates its European, Americas and Australasian operations separately. The CEO assesses the performance of each of the operating segments based on a measure of operating income (loss). The accounting policies for each of the segments are the same as those for the REIT.

During the three and six months ended June 30, 2022, one tenant in Brazil accounted for 11% (for the three and six months ended June 30, 2021 - 11%) of the total revenue from investment properties.

As at June 30, 2022	**Americas**	**Europe**	**Australasia**	**Total**
Investment properties	**$ 2,001,887**	**$ 671,255**	**$ 2,853,875**	**$ 5,527,017**
Mortgages and loans payable	**$ 1,855,146**	**$ 316,494**	**$ 1,020,787**	**$ 3,192,427**
As at December 31, 2021	**Americas**	**Europe**	**Australasia**	**Total**
Investment properties	$ 1,881,521	$ 1,687,268	$ 2,725,516	$ 6,294,305
Mortgages and loans payable	$ 1,474,737	$ 319,377	$ 1,012,865	$ 2,806,979

For the three months ended June 30, 2022	**Americas**	**Europe**	**Australasia**	**Total**
Operating Income				
Revenue from investment properties	**$ 55,235**	**$ 22,030**	**$ 34,561**	**$ 111,826**
Property operating costs	**16,142**	**3,302**	**3,499**	**22,943**
Net property operating income	**39,093**	**18,728**	**31,062**	**88,883**
Interest and other	**73**	**2,399**	**—**	**2,472**
Development revenue	**—**	**—**	**1,182**	**1,182**
Management fees	**—**	**9,239**	**1,165**	**10,404**
Share of income from equity accounted investment	**—**	**15,218**	**1,352**	**16,570**
	73	**26,856**	**3,699**	**30,628**
Mortgage and loan interest expense	**24,073**	**1,558**	**8,893**	**34,524**
General and administrative expenses	**7,584**	**809**	**4,437**	**12,830**
Transaction costs	**3,534**	**2,348**	**637**	**6,519**
Development costs	**—**	**1,082**	**—**	**1,082**
Foreign exchange (gain) loss	**(5,060)**	**6**	**1,049**	**(4,005)**
	30,131	**5,803**	**15,016**	**50,950**
Operating income (loss)	**$ 9,035**	**$ 39,781**	**$ 19,745**	**$ 68,561**

(in thousands of Canadian dollars, unless otherwise stated)

For the three months ended June 30, 2021	Americas	Europe	Australasia	Total
Operating Income				
Revenue from investment properties	$ 40,672	$ 18,535	$ 30,885	$ 90,092
Property operating costs	14,063	2,946	3,257	20,266
Net property operating income	26,609	15,589	27,628	69,826
Interest and other	84	2	1,316	1,402
Development revenue		1,312	—	1,312
Management fees	—	514	4,982	5,496
Share of income from equity accounted investment	—	4,098	37,244	41,342
	84	5,926	43,542	49,552
Mortgage and loan interest expense	12,567	2,980	7,100	22,647
General and administrative expenses	5,886	1,521	3,832	11,239
Transaction costs	1,638	4,640	5,362	11,640
Development costs	—	924	—	924
Foreign exchange (gain) loss	(1,432)	(25)	270	(1,187)
	18,659	10,040	16,564	45,263
Operating income (loss)	$ 8,034	$ 11,475	$ 54,606	$ 74,115

For the six months ended June 30, 2022	Americas	Europe	Australasia	Total
Operating Income				
Revenue from investment properties	**$ 98,763**	**$ 44,783**	**$ 70,957**	**$ 214,503**
Property operating costs	**31,935**	**6,631**	**9,987**	**48,553**
Net property operating income	**66,828**	**38,152**	**60,970**	**165,950**
Other income				
Interest and other	**226**	**1**	**3,811**	**4,038**
Development revenue	**—**	**3,746**	**—**	**3,746**
Management fees	**—**	**1,907**	**14,544**	**16,451**
Share of income from equity accounted investment	**—**	**1,681**	**22,049**	**23,730**
	226	**7,335**	**40,404**	**47,965**
Mortgage and loan interest expense	**38,601**	**3,134**	**16,176**	**57,911**
General and administrative expenses	**12,318**	**3,193**	**7,628**	**23,139**
Transaction costs	**4,789**	**6,813**	**516**	**12,118**
Development costs	**—**	**3,430**	**—**	**3,430**
Foreign exchange (gain) loss	**(5,620)**	**13**	**1,008**	**(4,599)**
	50,088	**16,583**	**25,328**	**91,999**
Operating income (loss)	**$ 16,966**	**$ 28,904**	**$ 76,046**	**$ 121,916**

(in thousands of Canadian dollars, unless otherwise stated)

For the six months ended June 30, 2021	Americas	Europe	Australasia	Total
Operating Income				
Revenue from investment properties	$ 62,606	$ 36,964	$ 62,605	$ 162,175
Property operating costs	29,936	5,589	6,776	42,301
Net property operating income	32,670	31,375	55,829	119,874
Other income				
Interest and other	181	—	1,575	1,756
Development revenue	—	3,165	—	3,165
Management fees	—	1,397	7,655	9,052
Share of income from equity accounted investment	—	4,665	42,822	47,487
	181	9,227	52,052	61,460
Mortgage and loan interest expense	26,531	5,928	13,299	45,758
General and administrative expenses	9,953	3,399	7,421	20,773
Transaction costs	2,640	5,083	5,710	13,433
Development costs	—	2,229	—	2,229
Foreign exchange (gain) loss	(15,112)	29	1,436	(13,647)
	24,012	16,668	27,866	68,546
Operating income (loss)	$ 8,839	$ 23,934	$ 80,015	$ 112,788

17. Commitments and Contingent Liabilities

a. The REIT obtains letters of credit to support its obligations with respect to construction work and additions to its investment properties and satisfying mortgage financing requirements. As at June 30, 2022, the REIT has a total of $2.8 million in outstanding (December 31, 2021 - $4.4 million) letters of credit, under the REIT's secured revolving floating rate credit facility, related to construction work that is being performed on investment properties. The REIT does not expect that any of these standby letters of credit are likely to be drawn upon.

b. Pursuant to the disposition of the REIT's 70% interest in AREIT units as part 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. 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 of European investment properties 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 indemnifies individuals who have acted at the REIT's request to be a trustee and/or director and/or officer of the REIT (and/or one or more of its direct and indirect subsidiaries), to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevents the REIT from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements.

e. 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.

f. On December 2021, a subsidiary of the REIT has entered into a commitment with a charitable Hospital Foundation to make a total contribution of $8.9 over 10 years ($0.7 million per annum) to support eligible investment initiatives in capital infrastructure or equipment. The commitment with the Foundation is contingent on approval of annual plan with respect to eligible initiatives. As at June 30, 2022, the REIT had paid $0.2 of the total contribution commitment.

18. Fair Values

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

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

The REIT determined the estimated fair value of each investment property, with the exception of certain property under development, using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimate cash flows beyond the term of 10 years. Note 4 outlines the key assumptions used by the REIT in determining fair value of its investment properties.

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

As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The REIT has chosen to use closing market price (Level 1) as a practical expedient for fair value measurement for its Class B exchangeable units, DUP liability and convertible debentures.

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

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements as at June 30, 2022 is as follows:

(in thousands of Canadian dollars, unless otherwise stated)

		Fair Value		
	Carrying value	Level 1	Level 2	Level 3
Assets measured at fair value:				
Investment properties	$ 5,527,017	$ —	$ —	$ 5,527,017
Financial instruments	27,035	—	9,147	—
Investment in unlisted securities	213,766	—	—	213,766
Assets held for sale	1,703,765	—	—	1,703,765
Assets recorded at amortized cost:				
Loans receivable	9,883	—	—	9,883
Liabilities measured at fair value:				
Financial instruments	537	—	537	—
Convertible debentures	127,500	134,375	—	—
Class B LP exchangeable units	20,623	20,623	—	—
Deferred unit plan liabilities	26,533	26,533	—	—
Liabilities held for sale	433,781		—	433,781
Financial liabilities recorded at amortized cost:				
Mortgage and loans payable	3,192,427	—	3,161,854	—

19. Capital Management

The REIT considers its capital to be its unitholders' equity, Class B exchangeable units, and debt. The REIT is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. 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.

At June 30, 2022, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 44.8% (December 31, 2021 - 39.9%).

As at	June 30, 2022	December 31, 2021
Debt		
Gross value of debt excluding convertible debentures (1)	$ 3,641,959	$ 2,820,602
Gross value of total debt (2)	3,769,459	2,957,827
Gross Book Value of Assets		
Total assets	$ 8,123,898	$ 7,064,401
Debt-to-Gross Book Value (Declaration of Trust)	44.8 %	39.9 %
Debt-to-Gross Book Value (including convertible debentures)	46.4 %	41.9 %

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

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

The REIT's capital management is also impacted by various financial covenants in certain loan agreements. As at June 30, 2022, the REIT is in compliance with all such financial covenants.

(in thousands of Canadian dollars, unless otherwise stated)

20. Risk Management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2021. Certain of these risks, and the actions taken to manage them, are as follows:

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.

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 payment obligations as they arise.

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	2022	2023	2024	2025	2026	Thereafter
Accounts payable and accrued liabilities	$ 82,584	$ 82,584	$ 82,584	$ —	$ —	$ —	$ —	$ —
Income tax payable	10,095	10,095	10,095	—	—	—	—	—
Distributions payable	15,937	15,937	15,937	—	—	—	—	—
Liabilities related to AHFS	433,781	433,781	—	433,781	—	—	—	—
Mortgages and loans payable	3,192,427	3,641,960	1,056,916	1,327,433	254,823	267,067	290,845	444,876
Convertible debentures	127,500	125,000	—	125,000	—	—	—	—
	$3,862,324	$4,309,357	$1,165,532	$1,886,214	$ 254,823	$ 267,067	$ 290,845	$ 444,876

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

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. Such forecasting involves a significant degree of judgment which takes into considerations current and projected macroeconomic conditions, the REIT’s cash collection efforts, 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 where appropriate. A portion of the REIT's debts and credit facilities are subject to variable rates. From time to time, the REIT may enter into interest rate swap contracts or other financial instruments to limit its exposure to fluctuations in the interest rates on its variable rate debt.

At June 30, 2022, $2.3 billion of the REIT's debt associated with investment properties is financed at variable rates exposing the REIT to interest rate risk on such debt. Sensitivity to a plus 1% change in the interest rate would impact the net income (loss) and comprehensive income (loss) by $23.2 million annually with all other variables held constant.

21. Subsequent Events

i. On June 15, 2022, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on June 30, 2022, and paid on July 15, 2022

ii. On August 11, 2022, the REIT extended the term to maturity of two its credit facility tranches that were maturing on November 2022 to November 2023 and June 2023, respectively.

iii. On August 11 2022, the REIT obtained an underwritten commitment in respect of a $415.2 million, 3-year UK term loan. Proceeds will be used to replace one of the tranches of the REIT's revolving facility.

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