NorthWest Healthcare Properties Real Estate Investment Trust

Consolidated Financial Statements (in Canadian dollars)

For the years ended December 31, 2021 and 2020 (audited)

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' 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, 2021 and December 31, 2020
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended
- the consolidated statements of unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' 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, 2021 and December 31, 2020. 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 auditors' report:

Evaluation of the fair value of investment properties

Description of the matter

We draw attention to Note 1(d)(iii) and Note 6 of the financial statements. Investment properties are measured by the Entity at their estimated fair value at each reporting date, determined either 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 $6,294 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

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 auditors' 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 auditors' report.

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' report is Michael Kavanagh.

Toronto, Canada

March 14, 2022

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

As at	**Note**		**December 31, 2021**		December 31, 2020
Assets					
Investment properties	**6**	**$**	**6,294,305**	$	5,262,063
Equity accounted investments	**7**		**381,211**		297,993
Intangible assets			**47,276**		47,309
Goodwill			**41,671**		41,671
Deferred tax asset	**14**		**11,370**		—
Financial instruments	**8**		**15,362**		541
Other assets	**9**		**159,328**		41,862
Accounts receivable			**51,137**		9,652
Cash and cash equivalents	**18**		**62,741**		144,147
Total assets		**$**	**7,064,401**	$	5,845,238
Liabilities					
Mortgages and loans payable	**10**	**$**	**2,806,979**	$	2,495,413
Convertible debentures	**11**		**137,225**		292,821
Deferred unit plan liability	**12**		**26,223**		24,277
Class B exchangeable units	**13**		**23,581**		21,546
Deferred tax liability	**14**		**386,215**		287,820
Financial instruments	**8**		**44,319**		62,405
Income tax payable	**14**		**11,379**		21,216
Accounts payable and accrued liabilities	**19**		**89,963**		92,340
Distributions payable			**14,943**		11,732
Total liabilities		**$**	**3,540,827**	$	3,309,570
Unitholders' Equity					
Unitholders' equity	**15**		**2,392,131**		1,638,419
Non-controlling interests	**16**		**1,131,443**		897,249
Total liabilities and unitholders' equity		**$**	**7,064,401**	$	5,845,238

The consolidated financial statements were approved by the Board on March 14, 2022 and signed on its behalf by:

"Paul Dalla Lana" Chairman of the Board of Trustees
"Dale Klein" Trustee

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

For the year ended December 31,	Note	2021	2020
Net Property Operating Income			
Revenue from investment properties	17	$ 374,613	$ 373,818
Property operating costs	20	85,093	88,024
		289,520	285,794
Other Income			
Interest and other	9	4,597	1,947
Development revenue	5	10,350	—
Management fees		16,545	11,666
Share of profit (loss) of equity accounted investments	7	107,483	52,091
		138,975	65,704
Expenses and other			
Mortgage and loan interest expense		90,461	97,748
General and administrative expenses	20	40,203	29,439
Transaction costs		37,984	34,933
Development costs	5	9,441	—
Foreign exchange (gain) loss		(14,735)	20,508
		163,354	182,628
Income before finance costs, net gain (loss) on financial instruments, and fair value adjustments		265,141	168,870
Finance costs			
Amortization of financing costs	10	(12,189)	(11,051)
Amortization of mark-to-market adjustment	10	416	866
Class B exchangeable unit distributions	13	(1,368)	(3,501)
Fair value adjustment of Class B exchangeable units	13	(2,035)	83,324
Accretion of financial liabilities	10	(11,707)	(5,585)
Fair value adjustment of convertible debentures	11	(3,989)	2,330
Net gain (loss) on financial instruments	8	(9,515)	(11,759)
Fair value adjustment of investment properties	6	513,986	174,415
Fair value adjustment of deferred unit plan liability	12	(2,672)	(1,673)
Income before taxes from continuing operations		736,068	396,236
Income tax expense	14	124,229	14,822
Net income from continuing operations		$ 611,839	$ 381,414
Net income from discontinued operations	3	51,346	—
Total net income		$ 663,185	$ 381,414
Net income attributable to:			
Unitholders		$ 434,879	$ 314,355
Non-controlling interests		228,306	67,059
		$ 663,185	$ 381,414

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (cont.)

(in thousands of Canadian dollars)

For the year ended December 31,	Note		2021		2020
Net income		**$**	**663,185**	$	381,414
Other comprehensive income (loss) ("OCI"):					
Items that have been or may be reclassified subsequently to income (loss):					
Foreign currency translation adjustments		**$**	**(164,626)**	$	15,344
Change in relative interest of non-controlling interests			**—**		224
Realized foreign exchange gains/(losses) on hedges	**10**		**42,418**		—
Fair value gain (loss) on net investment hedges	**10**		**(42,318)**		(2,783)
Deferred taxation (expense)/recovery			**6,477**		779
Current taxation (expense)/recovery			**(6,298)**		—
Other comprehensive income (loss), net of tax			**(164,347)**		13,564
Total comprehensive income (loss) for the year		**$**	**498,838**	$	394,978
Total comprehensive income (loss) attributable to:					
Unitholders		**$**	**324,557**	$	273,556
Non-controlling interests			**174,281**		121,422
		$	**498,838**	$	394,978

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

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

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 16)	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, net of issuance costs	**15**	397,799	—	—	—	—	397,799	84,912	482,711
Private placement of units	**15, 19**	30,011	—	—	—	—	30,011	—	30,011
Units issued through distribution reinvestment plan		26,504	—	—	—	—	26,504	7,028	33,532
Units issued on exercise of deferred units	**15**	1,777	—	—	—	—	1,777	—	1,777
Conversion of convertible debentures into units	**15**	139,131	—	—	—	—	139,131	—	139,131
Acquisition of control of subsidiary	**3, 4**	—	—	—	—	—	—	(209)	(209)
Distributions		—	—	(166,067)	—	—	(166,067)	(31,817)	(197,884)
Foreign currency translation adjustments		—	—	—	(110,395)	—	(110,395)	(54,231)	(164,626)
Other comprehensive income (loss), excluding translation adjustments		—	—	—	73	—	73	205	278
Net income		—	—	—	—	434,879	434,879	228,306	663,185
Balance, December 31, 2021		$ 2,290,032	$ 39,724	$ (669,223)	$ (291,778)	$ 1,023,376	$ 2,392,131	$ 1,131,443	$ 3,523,574

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 16)	Total Equity
Balance, December 31, 2019		$ 1,510,245	$ 39,724	$ (364,595)	$ (140,209)	$ 274,142	$ 1,319,307	$ 756,812	$ 2,076,119
Public offering of units		—	—	—	—	—	—	99,489	99,489
Private placement of units	15	24,494	—	—	—	—	24,494	—	24,494
Units issued through distribution reinvestment plan		7,122	—	—	—	—	7,122	3,490	10,612
Units issued on exercise of deferred units	15	2,275	—	—	—	—	2,275	—	2,275
Cancellation of REIT units under normal course issuer bid		(7,196)	—	—	—	—	(7,196)	—	(7,196)
Disposition of investment in subsidiary		—	—	—	—	—	—	(54,705)	(54,705)
Conversion of Class B LP exchangeable units	13	106,387	—	—	—	—	106,387	—	106,387
Conversion of convertible debenture into units	15	51,483	—	—	—	—	51,483	—	51,483
Change in relative interest of non-controlling interests		—	—	—	(224)	—	(224)	(1,461)	(1,685)
Distributions		—	—	(138,561)	—	—	(138,561)	(27,798)	(166,359)
Foreign currency translation adjustments		—	—	—	(40,517)	—	(40,517)	55,861	15,344
Other comprehensive income (loss), excluding translation adjustments		—	—	—	(506)	—	(506)	(1,498)	(2,004)
Net income		—	—	—	—	314,355	314,355	67,059	381,414
Balance, December 31, 2020		$ 1,694,810	$ 39,724	$ (503,156)	$ (181,456)	$ 588,497	$ 1,638,419	$ 897,249	$ 2,535,668

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

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

For the year ended December 31,	Note	2021	2020
Cash provided by (used in):			
Operating activities			
Net income from continuing operations		$ 611,839	$ 381,414
Adjustments for:			
Income tax expense		124,229	14,822
Income taxes paid		(26,290)	(13,635)
Amortization of other assets		1,382	1,579
Mortgage and loan interest accrued		90,461	97,748
Mortgage and loans interest paid		(95,727)	(102,191)
Finance costs	18	30,872	(66,383)
Interest income		(4,597)	(1,947)
Share of (profit) loss of equity accounted investments	7	(107,483)	(52,091)
Unrealized foreign exchange loss (gain)		(17,339)	21,311
Amortization of finance leases receivable/payable, net		—	(91)
Fair value adjustment of investment properties	6	(513,986)	(174,415)
Fair value loss on financial instruments	8	9,515	11,759
Transaction costs		37,984	34,933
Fair value adjustment of deferred unit plan liability		2,672	1,673
Unit-based compensation expense	12	8,980	7,374
Redemption of units issued under deferred unit plan		(7,873)	(2,215)
Changes in non-cash working capital balances	18	(19,672)	29,122
Cash provided by (used in) operating activities		124,967	188,767
Investing activities			
Acquisitions of investment properties	4	(628,523)	(807,648)
Additions to investment properties	6	(146,047)	(167,257)
Net proceeds on disposal of investment properties	5	56,577	194,448
Investment in equity accounted investments	7	(24,161)	(10,340)
Investment in financial asset	8, 9	(139,315)	—
Transaction costs and deposits attributable to investment activities		(56,834)	(48,071)
(Acquisitions) and dispositions of subsidiaries, net of cash received or transferred on sale	3	(2,019)	198,240
Distributions from equity accounted investments	7	24,428	11,212
Cash interest received		1,123	1,670
Additions to furniture and fixtures		(483)	(234)
Receipts (payments) from foreign exchange contracts		420	(541)
Net decrease (increase) to restricted cash		—	(12)
Cash provided by (used in) investing activities		(914,834)	(628,533)
Financing activities			
Mortgage and loan proceeds	10	1,567,420	1,533,618
Repayment of mortgages	10	(1,166,330)	(1,037,603)
Repurchase of units under normal course issuer bid	15	—	(7,196)
Redemption of convertible debentures	11	(20,454)	(44,567)
Proceeds from issuance of units, net of issuance costs	15, 16	512,722	121,783
Financing fees paid		(19,758)	(12,928)
Distributions paid		(136,352)	(129,948)
Class B exchangeable units distributions paid	13	(1,368)	(3,501)
Distributions paid to non-controlling interests		(24,694)	(22,051)
Cash provided by (used in) financing activities		711,186	397,607
Net change in cash and cash equivalents		(78,681)	(42,159)
Effect of foreign currency translation		(2,725)	(5,885)
Net change in cash and cash equivalents		(81,406)	(48,044)
Cash and cash equivalents, beginning of year		144,106	192,150
Cash and cash equivalents, end of year	18	$ 62,700	$ 144,106

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

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

1. Statement of Compliance and Basis of Preparation

(a) Statement of compliance

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

The audited consolidated financial statements were approved by the Board of Trustees of the REIT on March 14, 2022.

(b) Basis of presentation and measurement

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

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

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

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

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

(c) COVID-19 Pandemic

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19" in early 2020 was declared a pandemic by the World Health Organization. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. It is not possible to forecast with certainty the duration and full scope of the economic impact of the pandemic and other consequential changes to the REIT's business and operations, both in the short term and in the long term.

In the preparation of these consolidated financial statements, the REIT has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities, and the reported amount of its results using the best available information as of December 31, 2021. Actual results could differ from those estimates. The estimates and assumptions that the REIT considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties. See note 6 for further discussion on the COVID-19 impact on the valuation of investment property.

(d) 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) Intangible asset

The intangible asset represents the REIT's rights and obligations under the contracts between NorthWest Healthcare Properties Management Limited ("Global Manager"), a wholly-owned subsidiary of the REIT, and Vital Healthcare Property Trust ("Vital Trust"). The Vital Trust intangible asset has been measured at its estimated fair value as at the date it was acquired, January 1, 2015. When estimating the fair value of the intangible asset, the REIT made estimates and assumptions that have a significant effect on the reported value of the intangible asset. Estimates used in determining the fair value of the intangible asset included 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 exchange rates and earnings multiples.

The contract that governs the management fee streams paid by Vital Trust does not expire and, therefore, the contract is deemed to be an indefinite-life intangible asset (note 2(a)).

(ii) 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. Valuation multiples applied by the REIT for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to recent regional transaction activity.

In relation to the annual impairment test for the intangible asset, the fair value and value-in-use are determined utilizing the same approach, assumptions and methods as on acquisition (note 1(d)(i)).

(iii) Investment properties

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

(iv) Financial instruments

The measurement of the fair value of the REIT's derivative financial instruments option contracts and investment in unlisted securities is based on estimates and assumptions that affect the reported amount of the assets and liabilities and the corresponding gain or loss from changes in fair value. Estimates and assumptions used in the valuation for the REIT's derivatives and investment are described in notes 8 and 23.

(e) Critical judgments in applying accounting policies

In the preparation of these consolidated financial statements the REIT has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the 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 discussed in note 9 (iv).

The accounting treatment associated with a sale and leaseback transaction is 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 acquisitions

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

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

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

(iii) Consolidation of Vital Trust

The REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust. The REIT’s interest in Vital Trust, as at December 31, 2021, is 27.4%. The REIT determined it has power and thus, exercises control over Vital Trust based on the definition of control and sufficient rights and exposure to variable returns when considering relevant criteria included as part of IFRS 10-Consolidated Financial Statements. The REIT has assessed it has control over Vital Trust based on the following key observations, among others: i) the REIT controls the external manager of Vital Trust through the 100% indirect ownership of the Global Manager. The ownership of the Global Manager results in the REIT directing all activities of Vital Trust; ii) the REIT has the right to appoint a majority of directors of the board of the Global Manager, which acts as the board of directors of Vital Trust; and iii) the 72.6% non-controlling interest of Vital Trust is widely held.

(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 the 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 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.

2. Summary of Significant Accounting Policies

(a) Goodwill and intangible assets

The carrying values of identifiable indefinite-life intangible assets and goodwill are tested for impairment annually as at December 31, 2021 and whenever there is an indication that the intangible asset may be impaired. A cash generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and indefinite-life intangible assets are allocated to CGUs for the purpose of impairment testing based on the level at which management monitors them, which is not higher than an operating segment. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

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

As at December 31, 2021, the REIT performed its annual goodwill and intangible asset impairment tests. Based on the impairment tests performed, no impairment loss was recognized.

(b) Principles of consolidation

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

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

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

(c) Functional and presentation currency

(i) Foreign operations

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

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

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency 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 statement of financial position. Gains and losses on translation of monetary items are recognized in the profit or loss, except for those related to monetary liabilities qualifying as hedges of the REIT's investment in foreign operations or certain intercompany loans to or from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, which are included in other comprehensive income (loss) and presented as part of accumulated other comprehensive income (loss) in equity.

(d) Investment properties

Investment properties include properties that are held principally by the REIT to earn rental income, for capital appreciation, or both. Investment 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, investment 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 investment 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. Investment 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 investment property is adjusted to reflect its fair value. This adjustment is recorded as a fair value gain (loss). 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 investment properties are outlined in note 6.

Properties under development for future use as investment property are accounted for as investment property under IAS 40 and are measured at their estimated fair value, with changes in fair value recognized in profit or loss in the years in which they arise. Costs eligible for capitalization to properties under development are initially recorded at cost until either the fair value becomes reliably measurable or the development reaches practical completion. The critical estimates and assumptions underlying the valuation of properties under development are the same as those of other investment properties as outlined in note 6. Upon practical completion of a development, the property is transferred to investment 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 held for sale

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

(f) Discontinued operations

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

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

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

The REIT elected to include the disclosures as per IFRS 5, consistent with the assessment that the Aspen Group (note 3) was a newly acquired group of subsidiaries that met the criteria to be classified as held for sale on its acquisition in the year.

(g) Leases where the REIT is a lessor

A lease is classified as a finance lease if it results in a transfer of substantially all the risks and rewards incidental to ownership from the REIT to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases to which the REIT is the lessor have been determined to be operating leases with the exception of the finance lease receivable discussed in note 9 (iv).

(h) Leases where the REIT is a lessee

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

(i) Revenue recognition

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases. Rental revenue from operating leases is recognized over the 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 deferred as prepaid rents. The difference between rental revenue recognized and cash flows over the term of the lease is recorded as straight-line rent receivable or payable on the consolidated statements of financial position. The REIT earns revenue from its tenants from various sources consisting of base rent for the use of space leased, operating costs and realty tax recoveries, parking income, and incidental income. Operating cost and realty tax recoveries are recognized in the year that recoverable costs are chargeable to tenants. All rental related services are provided consistently throughout the contractual lease term. Therefore, these individual services are combined and considered a single performance obligation.

Deferred revenue comprises amounts received in advance from tenants related to income from rents relating to future periods.

The presentation of revenue from lease components and revenue related to service components is presented in note 17.

Other income includes management fees earned under the management contract involving Vital Trust and various joint ventures managed by the REIT. The REIT recognizes management fees on a consolidated basis, to the extent those fees relate to services rendered in the period, charged in accordance with contractual arrangements, and are earned from third-parties.

(j) Other assets

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

(k) DUP liability

The DUP units are exchangeable for Trust units, which in turn are puttable financial instruments and classified as a liability under International Accounting Standard 32, Financial Instruments - Presentation ("IAS 32"). As such, the DUP units are classified as a liability. Management designated the DUP liability as FVTPL; the DUP liability is re-measured to fair value each reporting date with changes recorded in profit or loss.

(l) Segmented reporting

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

(m) Derivative financial instruments

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

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

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

The REIT entered into various call and put option contracts that, if exercised, would provide the REIT an economic interest in unlisted securities. The REIT determined that the call and put option contracts are derivative financial instruments. Gains or losses arising from the change in fair values of the call and put option contracts were recognized in the consolidated statements of income (loss) and comprehensive income (loss).

(n) Hedge accounting

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

In the hedge of a net investment in a foreign operation, the portion of foreign exchange differences arising on the hedging instrument determined to be an effective hedge is recognized directly in other comprehensive income. Any ineffective portion is recognised directly in the profit or loss in the statements of income (loss) and comprehensive income (loss). The REIT, through its investment in Vital Trust, uses derivative financial instruments and non-derivative financial instruments as hedging instruments of a net investment in a foreign operation. On disposal of the foreign operation, the cumulative value of such gains or losses recognized in other comprehensive income is reclassified to profit and loss in the statement of comprehensive income. During the year ended December 31, 2021, Vital Trust ceased the hedging relationship (note 10).

(o) Class B exchangeable units

The Class B exchangeable units of a subsidiary of the REIT are exchangeable into trust units at the option of the holder. The trust units of the REIT are puttable financial instruments (note 2(n)). 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 trust units on a per unit basis.

(p) Trust units

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

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

(q) Joint arrangement

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures depending on the REIT's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement. The REIT's investment in a joint venture is recorded using the equity method and is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the REIT's share of the profit or loss and other comprehensive income of the joint venture. The REIT's share of the joint venture's profit or loss is recognized in the REIT's consolidated statements of income (loss) and comprehensive income (loss). The REIT recognizes its proportionate share of assets, liabilities, revenues and expenses of joint operations.

(r) Income taxes

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

The REIT's subsidiaries are subject to income taxes as imposed by the jurisdictions in which they operate, in accordance with the relevant tax laws of such jurisdictions. The 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.
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 for situations where there is uncertainty over income tax treatments.In accordance with IFRIC 23, the REIT has specifically addressed whether it or its subsidiaries considers income tax treatments separately; assumptions that the REIT makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. The REIT has taken into consideration the recognition and measurement for uncertain tax treatments as part of its accounting for current and deferred taxes in these financial statements.

(s) Convertible debentures

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

3. Aspen Group - Business Combination and Discontinued Operations

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

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

(in thousands of Canadian dollars, unless otherwise stated)

The acquisition accounting is summarized as follows:

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

Discontinued operations

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

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

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

(in thousands of Canadian dollars, unless otherwise stated)

4. Investment Property Acquisitions

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

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

During the year ended December 31, 2020, the following investment property acquisitions were completed:

Region		Acquisition Cost (i)		Property specific debt
Europe	$	719,284	$	249,548
Australasia		85,036		—
Other		3,328		—
Total	**$**	**807,648**	**$**	**249,548**

i. Acquisition costs include transaction costs totaling $28.0 million (December 31, 2020 - $37.1 million) incurred with respect to acquiring the investment property assets.

ii. Included in Europe acquisitions are individual transactions totaling $44.0 million and $17.9 million (note 3).

5. Investment Property Dispositions

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

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

(in thousands of Canadian dollars, unless otherwise stated)

During the year ended December 31, 2020, the REIT disposed the following investment properties:

Region		Gross Proceeds		Property specific debt settled or sold
Australasia	$	470,472	$	148,277
Europe (ii)		474,081	$	255,396
	$	**944,553**	**$**	**403,673**

i. During the year ended December 31, 2021, the REIT disposed of four investment properties in the Netherlands in the amount of $23.5 million to NWI Galaxy JV GmbH & Co. KG (the "European JV"), a related party, including two properties under development. The sale and purchase agreement for the two development properties consisted of two parts; the sale of the properties amounting to $9.1 million and a fixed price development arrangement whereby the REIT's service obligation results in revenue that is recognized by the REIT on percentage of completion basis relative to the costs incurred as compared to the total costs of the development, which are also fixed. The amount is payable by the European JV to the REIT at the completion of the development, which is expected to be by Q2 2022. The REIT recognized the disposition of both development properties and separately recognized net development profit of $0.9 million for the year ended December 31, 2021. As at December 31, 2021, the REIT has recorded in accounts receivable $9.2 million relating to the development revenue owing from the European JV.

ii. During the year ended December 31, 2020, the REIT disposed of investment properties in Australasia in the amount of $103.6 million that were previously classified as assets held for sale as at December 31, 2019.

6. Investment Properties

As at		December 31, 2021		December 31, 2020
Balance, beginning of year	$	**5,262,063**	$	4,928,111
Acquisition of investment properties (notes 3 and 4)		**674,587**		807,648
Disposition of investment properties (note 5)		**(56,577)**		(841,016)
Additions to investment properties		**146,047**		167,257
Increase in straight line rents		**1,934**		3,101
Right of use asset addition		**108**		1,714
Fair value adjustment		**513,986**		174,415
Foreign currency translation		**(247,843)**		20,833
Balance, end of year	**$**	**6,294,305**	$	5,262,063

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 fair values of the investment properties as at December 31, 2021 and December 31, 2020 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 REIT reviewed its future cash flow projections and the valuation of its investment properties in light of the COVID-19 pandemic during the year ended December 31, 2021. The carrying value for the REIT’s investment properties reflects its best estimate for the highest and best use as at December 31, 2021.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the REIT's business and operations, both in the short term and in the long term. In a long term scenario, certain aspects of the REIT's business and operations that could potentially be impacted include rental income, occupancy, tenant inducements, future demand for space, and market rents, which all impact the underlying valuation of investment properties. Consequently, the REIT has provided a wider range of measurement uncertainty scenarios with respect to the impact on the valuation of investment properties using a range of discount and capitalization rates below.

Future minimum contractual rent (excluding service-related charges) under operating leases is as follows:

		December 31, 2021		December 31, 2020
Less than 1 year	$	**323,940**	$	273,892
1 - 5 years		**1,160,805**		1,027,965
Longer than 5 years	$	**3,139,952**	$	2,413,870

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

	As at December 31, 2021			
	Canada	Brazil	Europe	Australasia
Discount rate - range	5.3% - 8.5%	6.5% - 7.8%	4.8% - 6.3%	5.0% - 8.0%
Discount rate - weighted average	7.2%	7.1%	5.4%	6.0%
Terminal capitalization rate - range	4.8% - 8.0%	6.3% - 7.3%	4.3% - 7.5%	4.3% - 7.3%
Terminal capitalization rate - weighted average	6.5%	6.6%	5.0%	5.0%
Overall capitalization rate - range	3.4% - 10.0%	6.3% - 7.4%	3.7% - 6.4%	4.0% - 8.1%
Overall capitalization rate - weighted average	6.2%	6.8%	4.6%	4.7%
	As at December 31, 2020			
	Canada	Brazil	Europe	Australasia
Discount rate - range	5.3% - 8.5%	6.5% - 7.8%	4.8% - 6.3%	5.8% - 9.3%
Discount rate - weighted average	7.3%	7.1%	5.6%	6.6%
Terminal capitalization rate - range	4.8% - 7.8%	6.3% - 7.3%	4.3% - 7.8%	5.1% - 8.0%
Terminal capitalization rate - weighted average	6.6%	6.6%	5.0%	5.7%
Overall capitalization rate - range	3.1% - 10.0%	6.3% - 7.4%	3.5% - 8.7%	4.8% - 10.7%
Overall capitalization rate - weighted average	6.6%	6.8%	5.1%	5.3%

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)%	4.58 %	$	7,675	$	1,382	22.0 %
(0.50)%	4.83 %	$	7,163	$	870	14.0 %
(0.25)%	5.08 %	$	6,705	$	412	7.0 %
— %	5.33 %	$	6,294	$	—	— %
0.25 %	5.58 %	$	5,920	$	(373)	(6.0)%
0.50 %	5.83 %	$	5,580	$	(712)	(11.0)%
0.75 %	6.08 %	$	5,270	$	(1,022)	(16.0)%

(in thousands of Canadian dollars, unless otherwise stated)

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 every 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 the year ended December 31, 2021, investment properties with an aggregate estimated fair value of $6.1 billion, representing approximately 96.2% of its portfolio, (for the year ended December 31, 2020 - $4.2 billion, 79.0%) were valued by independent third party appraisers.

7. Equity Accounted Investments

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

As at December 31, 2021, the total equity commitment to the Australian and European joint ventures is approximately $3.4 billion and $2.9 billion, respectively, less funding to date of $3.2 billion and $0.5 billion, respectively, including 30% participation by the REIT.

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

The Australian arrangements are all governed under the same investment framework, 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 all Australian 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:

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

(in thousands of Canadian dollars, unless otherwise stated)

December 31, 2020	Australia	Europe	Total
Balance, beginning of year	$ 134,070	$ —	$ **134,070**
Contributions	10,340	—	**10,340**
Retained interest in investments	27,370	72,104	**99,474**
Share of profit for the year	49,637	2,454	**52,091**
Distributions (i)	(11,022)	(996)	**(12,018)**
Foreign exchange	13,952	84	**14,036**
Balance, end of year	**$ 224,347**	**$ 73,646**	**$ 297,993**

(i) Included in distributions for the year ended December 31, 2021 are accrued amounts of $3.8 million (December 31, 2020 - $1.0 million).

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

As at December 31,	2021			2020		
	Australia	Europe	Total	Australia	Europe	Total
Total assets	$ 2,162,179	$ 533,218	**$ 2,695,397**	$ 1,887,976	$ 497,585	$ 2,385,561
Total liabilities	1,101,113	278,801	**1,379,914**	1,079,466	267,387	1,346,853
Net assets	1,061,066	254,417	**1,315,483**	808,510	230,198	1,038,708
Less: Non-controlling interests	62,035	—	**62,035**	61,696	—	61,696
Net assets less non-controlling interests	999,031	254,417	**1,253,448**	746,814	230,198	977,012
REIT's ownership Interest	30.0%	30.0% to 33.6%	**30.0% to 33.6%**	30.0%	30.0% to 33.6%	30.0% to 33.6%
Equity Accounted Investments	**$ 299,999**	**$ 81,212**	**$ 381,211**	$ 224,347	$ 73,646	$ 297,993

Included in total assets is cash of $15.6 million and $7.9 million in Australia and Europe respectively (December 31, 2020 - $19.1 million and $6.7 million).

(in thousands of Canadian dollars, unless otherwise stated)

Year ended December 31,	2021			2020		
	Australia	**Europe**	**Total**	Australia	Europe	Total
Revenue	$ 97,574	$ 30,993	**$ 128,567**	$ 81,482	$ 6,573	$ 88,055
Interest income	5,135	95	**5,230**	4,134	—	4,134
Total revenue	$ 102,709	$ 31,088	**$ 133,797**	$ 85,616	$ 6,573	$ 92,189
Expenses and fair value adjustments						
Operating costs	9,357	5,161	**14,518**	$ 6,147	$ 823	$ 6,970
Mortgage and loan interest expense	13,649	5,137	**18,786**	15,571	1,068	16,639
General and administrative expenses	453	3,958	**4,411**	362	286	648
Other	380	—	**380**	525	—	525
Fair value (gain) loss	(250,635)	(22,891)	**(273,526)**	(107,222)	(3,540)	(110,762)
Income tax expense	—	6,254	**6,254**	—	1,663	1,663
Net income (loss)	$ 329,505	$ 33,469	**$ 362,974**	$ 170,233	$ 6,273	$ 176,506
Non-controlling interests	8,116	—	**8,116**	4,776	—	4,776
Net profit attributable to owners	321,389	33,469	**354,858**	165,457	6,273	171,730
Weighted average share of profit (loss)	30.0%	30.0% to 33.6%	**30.0% to 33.6%**	30.0%	30.0% to 33.6%	30.0% to 33.6%
REIT's share of income (loss)	$ 96,417	$ 11,066	**$ 107,483**	$ 49,637	$ 2,454	$ 52,091

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.

8. Financial Instruments

As at	December 31, 2021	December 31, 2020
Financial assets:		
Derivative asset	**13,266**	—
Interest rate swaps	**510**	—
Foreign exchange contracts	**1,586**	541
Total financial assets	**15,362**	541
Financial liabilities:		
Derivative liability	**19,621**	—
Interest rate swaps	**24,608**	62,405
Foreign exchange contracts	**90**	—
Total financial liabilities	**$ 44,319**	$ 62,405

The REIT has entered into interest rate swap contracts during the year ended December 31, 2021 with respect to certain variable rate Canadian and German mortgages, and portions of the Vital Trust credit facility for a total notional amount of $630.2 million (note 10). The interest rate derivatives mature over the next 1 to 10 years and have fixed interest rates ranging from 1.38% to 4.32%.

(in thousands of Canadian dollars, unless otherwise stated)

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

Year ended December 31,		2021	2020
Fair value adjustment - interest rate swaps	$	**35,952** $	(11,218)
Receipts/(payments) under transaction hedging foreign exchange contracts		**420**	(541)
Fair value adjustment - option contracts		**(45,887)**	—
	$	**(9,515)** $	(11,759)

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

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

For the year ended December 31, 2021, the REIT recognized income in the form of cost recoveries from its JV partner totaling $4.4 million, representing transaction costs incurred by the REIT in connection with the call and put arrangements. This amount has been included as part of management fee revenue in the statements of net income (loss) and comprehensive income (loss).

9. Other Assets

As at		December 31, 2021	December 31, 2020
Investment in unlisted securities (note 8) (i)	$	**100,141** $	—
Acquisition and financing costs (ii)		**22,669**	7,767
Loans and mortgages receivable carried at amortized cost (iii)		**10,257**	10,925
Prepaid expenses and deposits		**7,200**	5,892
Finance lease receivable (iv)		**6,802**	7,060
Commodity taxes recoverable		**5,260**	3,828
Right-of-use lease assets (iv)		**4,312**	3,723
Furniture and office equipment		**2,536**	2,661
Other		**151**	6
	$	**159,328** $	41,862

i. During the year ended December 31, 2021, the REIT acquired unlisted securities for total consideration of approximately $166.6 million. During the year ended December 31, 2021, the REIT sold a portion of its investment for total consideration of $66.5 million, reflecting its carrying value, to its Australian JV partner. As at December 31, 2021, the REIT has recognized a derivative liability of $19.6 million (note 8) for partial consideration paid to the REIT relating to the Australian JV partner's interest in the call and put arrangement that is expected to be settled subsequent to year end as part of the call and put agreements described in note 8.

   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 $100.1 million.

(in thousands of Canadian dollars, unless otherwise stated)

For the year ended December 31, 2021, the REIT recognized $3.3 million of distribution income 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 $10.4 million of deposits on Vital Trust investment property acquisitions that have been closed or are expected to close in the period subsequent to December 31, 2021.

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 $2.4 million (December 31, 2020 - $2.0 million).

10. Mortgages and Loans Payable

As at		December 31, 2021		December 31, 2020
Mortgage payable, net of financing costs	$	**822,012**	$	952,882
Term debt, net of financing costs		**1,336,218**		1,083,664
Credit facilities, net of financing costs		**636,030**		446,480
Lease liabilities		**12,719**		12,387
Total Mortgages and loans payable	$	**2,806,979**	$	2,495,413
Less: Current portion		**1,073,426**		744,434
Non-current mortgages and loans payable	$	**1,733,553**	$	1,750,979

Mortgages

All mortgages are secured by first or second charges on specific investment properties in Canada and Europe, with an estimated fair value of $1.5 billion as at December 31, 2021 (December 31, 2020 - $1.8 billion).

Term debt

As at December 31, 2021, the term debt balance without consideration of financing costs includes:

- Brazilian debt of $159.4 million (December 31, 2020 - $175.6 million), secured by related investment property with an estimated fair value of $662.8 million (December 31, 2020 - $648.2 million);
- Australian term debt of $148.0 million (December 31, 2020 - $101.4 million), $21.8 million (December 31, 2020 - $23.3 million) of which is secured by related investment property with an estimated fair value of $39.6 million (December 31, 2020 - $41.7 million) and $52.8 million (December 31, 2020 - nil) of which is secured by the unlisted securities held by the REIT (note 9);
- New Zealand term debts of $864.0 million (December 31, 2020 - $675.4 million) secured by Vital Trust's security trust deed and by a first mortgage ranking over the respective investment properties held by Vital Trust; and
- Australasian secured term financing of $173.6 million (December 31, 2020 - $137.9 million) secured by 152,433,813 units (December 31, 2020 - 111,923,175 units) of Vital Trust held by the REIT.

In March 2021, Vital Trust amended and refinanced tranches of the New Zealand term debts noted above. Facility limits of $362.8 million, which has been fully drawn as at December 31, 2021, have been secured from a different lending syndicate. Vital Trust had previously designated the term debts outstanding denominated in Australian dollars as a partial foreign exchange hedge of its net investment in an Australian subsidiary. As a result of the refinancing, Vital Trust ceased the hedging relationship and recognized a realized foreign exchange gain of $42.4 million in other comprehensive income (loss), representing the effective hedging relationship that had been previously recorded as fair value gain (loss) on the debt balances that were designated as a net investment hedge in prior periods and recognized in accumulated other comprehensive income (loss).

(in thousands of Canadian dollars, unless otherwise stated)

On September 30, 2021, Vital Trust entered into new term credit facility with a financial institution that is secured by certain investment properties. The credit facility has a borrowing limit of $68.8 million, which was fully drawn as at December 31, 2021, and matures in September 2028. Further, Vital Trust refinanced $167.5 million of outstanding term debt maturing in November 2021 and January 2022 with facilities maturing between March 2024 to October 2028 with its existing lenders.

On November 8, 2021, a subsidiary of the REIT entered into a term facility agreement with respect to its investment in the unlisted securities on the amount of $115.3 million (A$125.0 million). The term facility bears interest rate of BBSY plus a margin ranging from 4.5% to 6.25% with term to maturity of 12 months.

Credit facilities

Revolving credit facilities of $609.0 million are secured by certain Canadian and UK investment properties with an estimated fair value of $1.3 billion (December 31, 2020 - $0.5 billion), as well as the terms of a general security agreement.

During the year ended December 31, 2021, the REIT amended and refinanced the terms of one of its revolving credit facility tranches, secured against investment properties in the UK. The amendment increased the capacity of the credit available from a total of $82.0 million to $472.5 million. The REIT repaid the remaining balance of the mortgages related to four of those properties totaling $127.5 million with the additional financing available under this tranche.

Revolving credit facilities with a total capacity of $79.0 million (December 31, 2020 - $79.0 million), had a balance outstanding as at December 31, 2021 of $29.0 million (December 31, 2020 - $79.0 million). This amount matured in January 2022 and was refinanced at its pre-existing capacity subsequent to year end, extending the maturity by one year to January 2023.

Lease liabilities

The lease of land on which one of the REIT's investment properties is built is accounted for as a finance lease. The remaining term of the lease at December 31, 2021 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	**December 31, 2021**	December 31, 2020
Minimum lease payments payable:		
Not later than one year	**$ 1,767**	$ 1,626
Later than one year and not later than five years	**5,406**	5,395
Later than five years	**30,108**	31,842
	37,281	38,863
Future finance charges	**(24,562)**	(26,476)
Present value of minimum lease payments	**$ 12,719**	$ 12,387
Present value of minimum lease payments:		
Not later than one year	**1,720**	1,581
Later than one year and not later than five years	**4,793**	4,716
Later than five years	**6,206**	6,090
	$ 12,719	$ 12,387

(in thousands of Canadian dollars, unless otherwise stated)

As at December 31, 2021, the scheduled principal repayments and debt maturities are as follows:

	Mortgage Debt	Term Debt	Credit Facilities	Finance Lease	**Total**
2022	$ 158,088	$ 275,574	$ 638,044	$ 1,720	**$ 1,073,426**
2023	107,025	389,435	—	1,624	**498,084**
2024	144,077	110,222	—	1,283	**255,582**
2025	134,907	76,518	—	893	**212,318**
2026	160,074	262,869	—	841	**423,784**
2027 & thereafter	120,635	230,415	—	6,358	**357,408**
	$ 824,806	$ 1,345,033	$ 638,044	$ 12,719	**$ 2,820,602**
Financing costs	(3,513)	(8,815)	(2,014)	—	**(14,342)**
Mark-to-market adjustment	719	—	—	—	**719**
Total	$ 822,012	$ 1,336,218	$ 636,030	$ 12,719	**$ 2,806,979**

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 December 31, 2021 are as follows:

	Maturity	**Weighted Average Interest Rate**	**Carrying Value**	**Available to be Drawn**
Fixed rate				
Mortgage debt	April 2022 - August 2031	2.71 %	$ 819,420	$ 24,642
Term debt	July 2022 - June 2031	4.63 %	551,359	58,926
Total fixed rate debt			$ 1,370,779	$ 83,568
Variable Rate				
Mortgage debt	June 2022 - September 2025	1.75 %	5,386	—
Term debt	November 2022 - September 2023	1.76 %	793,674	138,683
Credit facilities	January 2022 - November 2022	3.25 %	638,044	121,956
Total variable rate debt			$ 1,437,104	$ 260,639
Total mortgages and loans payable, excluding the following:			$ 2,807,883	$ 344,207
Finance lease			12,719	—
Financing costs			(14,342)	—
Mark-to-market adjustment			719	—
Total mortgages and loans payable			**$ 2,806,979**	**$ 344,207**

(in thousands of Canadian dollars, unless otherwise stated)

The table below summarizes the movements in the REIT's mortgages and loans during the year ended December 31, 2021 and 2020:

	Mortgage Debt	Term Debt	Credit Facilities	Total
Opening balance, January 1, 2021	$ 952,882	$ 1,083,664	$ 446,480	**$ 2,483,026**
Repayments	(338,165)	(352,198)	(475,967)	**(1,166,330)**
Advances	226,851	667,223	673,346	**1,567,420**
Additional financing fees incurred	(11,250)	(5,409)	(3,099)	**(19,758)**
Amortization of finance fees	6,395	2,916	2,878	**12,189**
Amortization of mark-to-market	(416)	—	—	**(416)**
Accretion of financial liabilities	—	11,707	—	**11,707**
Foreign exchange adjustment	(14,285)	(71,685)	(7,608)	**(93,578)**
Ending balance, December 31, 2021	$ 822,012	$ 1,336,218	$ 636,030	**$ 2,794,260**

	Mortgage Debt	Term Debt	Credit Facilities	Total
Opening balance, January 1, 2020	$ 909,150	$ 1,282,094	$ 138,825	**$2,330,069**
Repayments	(118,332)	(346,764)	(572,507)	**(1,037,603)**
Mortgages and loans dispositions	(255,396)	(148,277)	—	**(403,673)**
Advances	377,103	275,602	880,913	**1,533,618**
Additional financing fees incurred	(9,474)	(456)	(2,998)	**(12,928)**
Amortization of finance fees	5,606	3,477	1,968	**11,051**
Amortization of mark-to-market	(866)	—	—	**(866)**
Accretion of financial liabilities	—	5,585	—	**5,585**
Foreign exchange adjustment	45,091	12,403	279	**57,773**
Ending balance, December 31, 2020	$ 952,882	$ 1,083,664	$ 446,480	**$ 2,483,026**

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on its $630.2 million variable rate mortgage debt as at December 31, 2021 (December 31, 2020 - $617.8 million). The interest rate swaps terminate between 2022 and 2030, refer to note 8.

11. Convertible Debentures

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

As at	December 31, 2021	December 31, 2020
Balance, beginning of year	**$ 292,821**	$ 391,201
Conversion to REIT units (note 15)	**(139,131)**	(51,483)
Convertible debentures cash redemptions	**(20,454)**	(44,567)
Change in fair value of convertible debentures	**3,989**	(2,330)
Balance, end of year	**$ 137,225**	$ 292,821

(in thousands of Canadian dollars, unless otherwise stated)

By May 10, 2021, $61.6 million of the $74.7 million principal amount 5.25% NWH.DB.E convertible debenture series were converted by the debenture holders into 4,776,308 Trust Units (note 15). The REIT repaid the remaining $13.8 million principal balance outstanding in cash.

By November 25, 2021, $77.5 million of the $80.5 million principal amount 5.25% NWH.DB.F convertible debenture series were converted into 5,771,865 Trust units (note 15) by the debenture holders. THE REIT repaid $6.6 million remaining principal balance in cash.

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, 2021		December 31, 2020
NWH.DB.E		—		76,601
NWH.DB.F		—		83,720
NWH.DB.G		**137,225**		132,500
Fair Value	**$**	**137,225**	$	292,821
Current		—		160,321
Non-Current		**137,225**		132,500
	$	**137,225**	$	292,821

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

12. 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		December 31, 2021		December 31, 2020
Balance, beginning of year	**$**	**24,277**	$	19,656
Unit based compensation expense		**12,582**		7,374
Exercised and paid in cash		**(11,475)**		(2,215)
Exercised and settled in Trust Units		**(1,777)**		(2,275)
Fair value adjustment		**2,672**		1,673
Foreign exchange		**(56)**		64
Balance, end of year	**$**	**26,223**	$	24,277

(in thousands of Canadian dollars, unless otherwise stated)

The balance of the DUP liability at December 31, 2021 consists of $25.8 million related to the REIT's DUP and $0.4 million related to Vital Trust's DUP (December 31, 2020 - $22.8 million related to the REIT's DUP and $1.5 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 December 31, 2021, 1,360,794 unvested deferred units with a fair value of $17.1 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 December 31, 2021	REIT	Vital Trust
Balance, beginning January 1, 2021	2,259,611	585,878
Granted	896,033	—
Exercised and paid in cash	(786,163)	(377,392)
Exercised and paid in REIT units	(136,736)	—
Forfeited	(22,092)	—
Distribution entitlement	162,714	8,719
Balance, as at December 31, 2021	2,373,367	217,205
Units vested but not exercised	1,166,489	63,289

As at December 31, 2020	REIT	Vital Trust
Balance, beginning January 1, 2020	1,737,584	1,172,781
Granted	724,944	—
Exercised and paid in cash	(102,989)	(457,886)
Exercised and paid in REIT units	(212,936)	—
Forfeited	(34,725)	(136,088)
Distribution entitlement	147,733	7,071
Balance, as at December 31, 2020	2,259,611	585,878
Units vested but not exercised	1,799,297	83,702

For the year ended December 31, 2021, the REIT granted 896,033 DUP units with a grant-date fair value of $11.7 million (for the year ended December 31, 2020 - 724,944 DUP units with a fair value of $7.2 million).

13. Class B Exchangeable Units

The Class B exchangeable units 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 NorthWest International Healthcare Properties LP ("NWI LP") totaled $1.4 million for the year ended December 31, 2021 (for the year ended December 31, 2020 - $3.5 million) and have been accounted for as finance costs in profit or loss.

(in thousands of Canadian dollars, unless otherwise stated)

The following table shows the continuity of the Class B exchangeable units:

	Units	Amount
Balance, December 31, 2019	17,708,065	$ 211,257
Converted to Trust units	(15,998,065)	(106,387)
Fair value adjustment	—	(83,324)
Balance, December 31, 2020	1,710,000	$ 21,546
Fair value adjustment	—	2,035
Balance, December 31, 2021	**1,710,000**	**$ 23,581**

14. 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,	2021	2020
Current income tax	**$ 13,196**	$ 20,466
Deferred income tax, relating to origination and reversal of temporary differences	**111,033**	(5,644)
	$ 124,229	$ 14,822

Income tax expense is net of the benefits recognized from previously unrecorded temporary difference of $7.0 million attributable to previously unused tax losses (December 31, 2020 - $14.7 million).

Deferred taxes

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

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

(in thousands of Canadian dollars, unless otherwise stated)

Deferred income tax assets and liabilities consist of the following:

Year ended December 31,		2021		2020
Deferred tax liability related to difference in tax and book basis of:				
Investment properties	$	396,784	$	302,002
Mortgage and loans payables		88		6,130
Other		—		2,928
Total deferred income tax liabilities before offset		396,872		311,060
Tax offset		(10,657)		—
Total deferred income tax liabilities		386,215		311,060
Deferred tax asset related to difference in tax and book basis of:				
Investment properties		3,396		—
Derivative financial instruments		5,920		17,458
Tax loss carryforwards		8,824		3,339
Other		3,887		2,443
Total deferred income tax assets before offset		22,027		23,240
Tax offset		(10,657)		—
Total deferred income tax assets		11,370		23,240
Net deferred income tax liability	$	374,845	$	287,820

Reconciliation of effective tax rate:

Year ended December 31,		2021		2020
Income before income taxes from continuing operations	$	736,068	$	396,236
Income tax expense calculated at the domestic rates applicable to profits in the country concerned		135,148		66,048
Increase (decrease) resulting from				
Foreign tax exempt income		(22,396)		(9,666)
Item not deductible in determining taxable profit		5,253		5,670
Deductible temporary differences for which no deferred tax asset is recognized		17,077		941
Reversal of previously recorded deferred tax liability on current year dispositions		—		(28,492)
Previously unrecorded tax benefit of losses		(6,964)		(14,675)
Tax adjustments related to prior years		(4,993)		(3,374)
Other		1,104		(1,630)
Income tax expense	$	124,229	$	14,822

15. 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.

(in thousands of Canadian dollars, unless otherwise stated)

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, 2019	**153,626,666**	**$ 1,510,245**
Units issued through distribution reinvestment plan (i)	646,360	7,122
Units issued on conversion of convertible debentures (note 11)	4,244,780	51,483
Units issued under deferred unit plan (note 12)	212,936	2,275
Units issued pursuant to Class B conversion (note 13)	15,998,065	106,387
Units issued pursuant to equity offering	2,049,180	25,000
Units cancelled pursuant to NCIB	(800,207)	(7,196)
Units issuance cost	—	(506)
Balance, December 31, 2020	**175,977,780**	**$ 1,694,810**
Units issued through distribution reinvestment plan (i)	2,079,189	26,504
Units issued on conversion of convertible debentures (note 11)	10,548,173	139,131
Units issued under deferred unit plan (note 12)	136,736	1,777
Units issued pursuant to equity offering (ii)	35,385,257	446,725
Units issuance costs	—	(18,915)
Balance, December 31, 2021	**224,127,135**	**$ 2,290,032**

(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%. On March 24, 2020, in response to market volatility caused by the COVID-19 pandemic the Board approved the elimination of the 3% bonus distribution under the DRIP, commencing with the April 2020 distribution. On November 12, 2020, the REIT announced the reinstatement of the DRIP, which had previously been suspended on March 24, 2020. For the year ended December 31, 2021 the REIT's DRIP participation rate was 16.8% (year ended December 31, 2020 - 13.9%).

(ii) On February 22, 2021, the REIT completed a public offering of 17,020,000 units at a price of $12.65 per unit for gross proceeds of $215.3 million, which included partial exercise of the over-allotment option granted to the underwriters, whereby an additional 1,200,000 units were issued at a price of $12.65 per unit. In connection with the public offering, on April 9, 2021 the REIT closed a private placement of 395,257 Trust Units to NWVP at the same price per unit for gross proceeds of approximately $5.0 million.

On June 18, 2021, the REIT completed a public offering of 15,985,000 units at a price of $12.60 per unit for gross proceeds of $201.4 million, which included the full exercise of an over-allotment option granted to the underwriters, whereby an additional 2,085,000 units were issued at a price of $12.60 per unit. In connection with the public offering, on July 22, 2021 the REIT closed a private placement of 1,985,000 trust units with NWVP at the same price per unit for approximately $25.0 million.

(in thousands of Canadian dollars, unless otherwise stated)

16. Non-Controlling Interests

The following tables present summarized accounts for Vital Trust and two investment properties Divine, and Fritz-Lang-Platz 6, held by Australia REIT and NWI Gesundheitsimmobilien GmbH & Co. KG, respectively, where a non-controlling or partial interest is owned in these entities by a third party. On June 30, 2020, the REIT sold a 70% interest in its Australia REIT subsidiary, and as a result the non-controlling interests balance related to Divine is no longer consolidated by the REIT as at December 31, 2021 and December 31, 2020.

In October 2021, Vital Trust completed an equity placement of 39,655,172 units in which the REIT participated by buying 16,551,724 units for a total of $42.0 million, increasing the REIT's investment interest in Vital Trust.

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

As at December 31,	**2021**			2020		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
REIT's ownership interest	**27.4 %**	**94.9 %**		25.9 %	94.9 %	
Total assets	**$ 2,598,545**	**$ 26,179**	**$ 2,624,724**	$ 2,077,485	$ 21,976	$ 2,099,461
Total liabilities	**1,031,765**	**8,746**	**1,040,511**	867,205	9,949	877,154
Net assets	**$ 1,566,780**	**$ 17,433**	**$ 1,584,213**	$ 1,210,280	$ 12,027	$ 1,222,307
Attributable to:						
Unitholders of the REIT	**435,865**	**16,905**	**452,770**	313,567	11,491	325,058
Non-controlling interests	**1,130,915**	**528**	**1,131,443**	896,713	536	897,249
	$ 1,566,780	**$ 17,433**	**$ 1,584,213**	$ 1,210,280	$ 12,027	$ 1,222,307

	For the year ended December 31, 2021			For the year ended December 31, 2020			
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Divine	Fritz-Lang-Platz 6	Total
Revenue from investment properties	**$ 115,070**	**$ 1,650**	**$ 116,720**	$ 104,540	$ 3,810	$ 1,766	$ 110,116
Net income (loss) attributable to:							
Unitholders of the REIT	**90,238**	**(664)**	**89,574**	22,202	1,667	738	24,607
Non-controlling interests	**227,962**	**37**	**227,999**	65,709	1,316	34	67,059
Net income (loss)	**$ 318,200**	**$ (627)**	**$ 317,573**	$ 87,911	$ 2,983	$ 772	$ 91,666
Total comprehensive income (loss) attributable to:							
Unitholders of the REIT	**71,261**	**(839)**	**70,422**	40,295	1,257	50	41,602
Non-controlling interests	**174,079**	**(7)**	**174,072**	118,568	2,785	69	121,422
Total comprehensive income (loss)	**$ 245,340**	**$ (846)**	**$ 244,494**	$ 158,863	$ 4,042	$ 119	$ 163,024
Distributions attributable to non-controlling interests	**$ 31,817**	**$ —**	**$ 31,817**	$ 27,082	$ 716	$ —	$ 27,798

(in thousands of Canadian dollars, unless otherwise stated)

	For the year ended December 31, 2021			For the year ended December 31, 2020			
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Divine	Fritz-Lang-Platz 6	Total
Cash flows from (used in):							
Operating	**$ (3,557)**	**$ (87)**	**$ (3,644)**	$ 37,225	$ 2,645	$ 658	$ 40,528
Investing	**(342,516)**	**(429)**	**(342,945)**	(122,350)	—	—	(122,350)
Financing	**344,126**	**694**	**344,820**	80,068	(1,659)	(635)	77,774
Effect of foreign currency translation	**2,951**	**(5)**	**2,946**	6,252	(1,793)	1	4,460
Net change in cash	**$ 1,004**	**$ 173**	**$ 1,177**	$ 1,195	$ (807)	$ 24	$ 412
Cash ending balance	**$ 6,778**	**$ 192**	**$ 6,970**	$ 5,775	$ —	$ 21	$ 5,796

For the year ended December 31, 2021, the REIT had total net income attributable to non-controlling interests of $228.3 million and total comprehensive income of $174.3 million. Included in these amounts are $0.3 million and $0.2 million related to the Aspen Group, respectively, which are classified as part of discontinued operations (note 3). 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 27.4% and 94.9%, respectively.

17. Rental Revenue

The components of rental revenue are as follows:

For the year ended December 31,	2021	2020
Rental income	**$ 290,291**	$ 287,884
Operating cost recoveries	**55,925**	57,159
Tax and insurance recoveries	**21,704**	22,701
Other revenue	**6,693**	6,074
Rental revenue	**$ 374,613**	$ 373,818

18. Supplemental Cash Flow Information

(i) Cash, cash equivalents and restricted cash

As at	December 31, 2021	December 31, 2020
Cash and cash equivalents	**$ 62,700**	$ 144,106
Restricted cash	**41**	41
Total cash, cash equivalents and restricted cash	**$ 62,741**	$ 144,147

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

(in thousands of Canadian dollars, unless otherwise stated)

(ii) Changes in Non-Cash Working Capital Balances

For the year ended December 31,		**2021**	2020
Accounts receivable	$	**(36,825)**	$ 2,133
Other assets		**(3,847)**	8,258
Accounts payable and accrued liabilities		**21,000**	18,731
Changes in non-cash working capital balances	$	**(19,672)**	$ 29,122

(iii) Non-Cash Financing and Investing Activities

For the year ended December 31,		**2021**	2020
Non cash distributions to Unitholders under the DRIP (note 15)	$	**26,504**	$ 7,122
Investment property received as compensation for sale of discontinued operation (notes 3 and 4)		**17,105**	—
Units issued under deferred unit plan (note 12)		**1,777**	2,275
Non cash distributions from unlisted securities under dividend reinvestment program (note 9)		**2,435**	—
Non-cash conversion of convertible debentures		**139,131**	51,483
Non-cash conversion of Class B exchangeable units (note 13)		**—**	106,387

(iv) Finance costs

For the year ended December 31,		**2021**	2020
Distributions on Exchangeable Units	$	**1,368**	$ 3,501
Accretion of financial liabilities		**11,707**	5,585
Amortization of deferred financing costs		**12,189**	11,051
Amortization of marked to market adjustment		**(416)**	(866)
Fair value adjustment of Convertible Debentures		**3,989**	(2,330)
Fair value adjustment of Class B exchangeable units		**2,035**	(83,324)
Total finance costs	$	**30,872**	$ (66,383)

(in thousands of Canadian dollars, unless otherwise stated)

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

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

(in thousands of Canadian dollars, unless otherwise stated)

Year ended December 31, 2020	Mortgages and loans payable	Convertible debentures	Class B exchangeable units	Total
Balance, beginning of year	$ 2,341,391	$ 391,201	$ 211,257	$ 2,943,849
Cash financing activities:				
Mortgage and loan proceeds	1,533,618	—	—	1,533,618
Repayment of mortgages	(1,037,603)	—	—	(1,037,603)
Mortgages and loan dispositions	(403,673)	—	—	(403,673)
Redemption of convertible debentures	—	(44,567)	—	(44,567)
Financing fees paid	(12,928)	—	—	(12,928)
Total cash financing activities	**79,414**	**(44,567)**	**—**	**34,847**
Non-cash financing activities:				
Amortization of financing costs	11,051	—	—	11,051
Amortization of mark-to-market adjustment	(866)	—	—	(866)
Accretion of financial liabilities	5,585	—	—	5,585
Conversion to Unitholders' Equity	—	(51,483)	(106,387)	(157,870)
Fair value adjustment of Class B exchangeable units	—	—	(83,324)	(83,324)
Fair value adjustment of convertible debentures	—	(2,330)	—	(2,330)
Other adjustments	1,065	—	—	1,065
Foreign exchange translation	57,773	—	—	57,773
Total non-cash financing activities	**74,608**	**(53,813)**	**(189,711)**	**(168,916)**
Balance, end of year	**$ 2,495,413**	**$ 292,821**	**$ 21,546**	**$ 2,809,780**

19. Related Party Transactions

(a) As at December 31, 2021, Northwest Value Partners Inc. and affiliates ("NWVP") indirectly owned approximately 12.2% of the REIT through a combination of Trust Units of the REIT and Class B exchangeable units of NWI LP, approximately 11.7% on a fully diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred units (as at December 31, 2020 - 15.3% and 13.5%. 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.

On April 9, 2021 and in connection with the February 22, 2021 public offering, the REIT completed a private placement of 395,257 Trust Units to NWVP for gross proceeds of approximately $5.0 million.

On July 22, 2021 and in connection with the June 18, 2021 public offering, the REIT completed a private placement of 1,985,000 Trust Units to NWVP for gross proceeds of approximately $25.0 million.

As at December 31, 2021, NWVP had a total outstanding balance of 188,349 REIT deferred units (December 31, 2020 - 46,071) of which 93,028 unvested deferred units are scheduled to vest between 2024 and 2026 (December 31, 2020 - nil).

(b) As at December 31, 2021, the REIT had a payable owing to NWVP of $0.1 million (December 31, 2020 - $0.7 million) that is included in accounts payable and accrued liabilities.

(in thousands of Canadian dollars, unless otherwise stated)

The REIT incurred charges to NWVP during the year ended December 31, 2021, of $3.6 million, gross of $0.4 million HST, which includes: (i) compensation for CEO management services totaling $2.5 million for the year ended December 31, 2021, $1.3 million of which related to cash exercise of vested DUPs, (ii) the cost of NWVP personnel seconded to the REIT totaling $0.3 million and expense reimbursements of $0.4 million. The aforementioned charges were recorded as part of general and administrative expenses and transaction costs during the year ended December 31, 2021.

During the year ended December 31, 2021, the REIT made total payments to NWVP of $4.2 million to settle the obligations noted above.

During the year ended December 31, 2020, the REIT paid net amount $12.0 million (including HST) to NWVP. The REIT expenses and obligations that were incurred or have been assumed by NWVP, included: (i) CEO management services related to strategic investment initiatives of $8.0 million, including $1.2 million related to management services and a $6.8 million bonus that have been expensed as transaction costs, (ii) the assumption of $1.3 million of REIT obligations by NWVP related to investment and strategic personnel have been expensed as transaction costs, (iii) reimbursement for NWVP personnel seconded to the REIT totaling $0.3 million, and (iv) expense reimbursements of $1.1 million, which had been recorded as general and administrative expenses and transaction costs.

(c) At December 31, 2021, 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, 2020 - $0.1 million), which were settled subsequent to year end.

(d) Key Management Compensation

For the year ended December 31,		**2021**		2020
Short-term compensation	**$**	**4,739**	$	11,572
Unit-based long-term incentives (1)		**7,489**		4,875
	$	**12,228**	$	16,447

(1) Deferred units granted vest up to five years, depending on the grant. Of the total deferred units, 50% vest in three years and 25% in the fourth and fifth years. Amounts are determined based on the grant date fair value of deferred units, being the equivalent of the trading price of a REIT unit, multiplied by the number of deferred units granted in the year.

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

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

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

(in thousands of Canadian dollars, unless otherwise stated)

Significant subsidiaries of the REIT are listed below:

		Holding	
Name of Subsidiary	**Place of Operation**	**December 31, 2021**	**December 31, 2020**
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 %
NWH Cayman LP	Cayman Islands	100.0 %	100.0 %
NWI Jersey Ltd	United Kingdom	100.0 %	100.0 %
NWI Jersey HC Ltd	Jersey	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	27.4 %	25.9 %
NWI NZ Management Company Limited	New Zealand	100.0 %	100.0 %
NorthWest Healthcare Properties Management Limited	New Zealand	100.0 %	100.0 %
NorthWest Healthcare Properties Management Pty Ltd.	Australia	100.0 %	100.0 %
Northwest Healthcare Australia RE Ltd.	Australia	100.0 %	100.0 %
NWH Australia Hold Trust	Australia	100.0 %	100.0 %
NWH Australia Asset Trust	Australia	100.0 %	100.0 %
NWH Australia Hold Trust No. 2	Australia	100.0 %	100.0 %

20. Employee Benefits Expense

Year ended December 31,		**2021**		2020
Short-term employee benefits	$	**24,218**	$	30,230
Unit-based compensation expense		**12,582**		7,374
	$	**36,800**	$	37,604

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, 2021, total short-term employee benefits of $10.9 million (December 31, 2020 – $11.5 million) are included in 'Property operating costs' and $7.8 million (December 31, 2020 – $12.6 million) are included in 'General and administrative expenses'. During the year ended December 31, 2021, the REIT capitalized $6.0 million of employee benefits directly related to leasing, capital expenditures or development of investment properties (December 31, 2020 - $6.2 million).

(in thousands of Canadian dollars, unless otherwise stated)

21. Segmented Information

The REIT operates in one industry segment being the real estate industry segment; however the REIT monitors and operates its European, Brazilian, Canadian, 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. The REIT's general and administrative expenses are managed centrally in Canada and are not allocable to operating segments, however certain operating segments incur general and administrative expenses specific to their segment and are included in the segment results reported.

As a result of the acquisition of the Aspen Group in the United Kingdom, the REIT acquired and immediately presented the subsidiaries that operate the hospitals acquired as held for sale and discontinued operations. The below table excludes segments classified as discontinued operations.

During the year ended December 31, 2021, two tenants in Brazil accounted for 11% (for the year ended December 31, 2020 - 12%) of the total revenue from investment properties.

As at December 31, 2021	**Canada**	**Brazil**	**Europe**	**Australasia**	**Total**
Investment properties	**$1,218,710**	**$ 662,811**	**$1,687,268**	**$2,725,516**	**$6,294,305**
Mortgages and loans payable	**$1,318,577**	**$ 156,160**	**$ 319,377**	**$1,012,865**	**$2,806,979**

As at December 31, 2020	**Canada**	**Brazil**	**Europe**	**Australasia**	**Total**
Investment properties	$1,204,857	$ 648,226	$1,172,476	$2,236,504	$5,262,063
Mortgages and loans payable	$1,075,674	$ 170,415	$ 468,208	$ 781,116	$2,495,413

For the year ended December 31, 2021	**Canada**	**Brazil**	**Europe**	**Australasia**	**Total**
Operating Income					
Revenue from investment properties	**$ 125,651**	**$ 41,545**	**$ 80,393**	**$ 127,024**	**$ 374,613**
Property operating costs	**59,168**	**—**	**11,692**	**14,233**	**85,093**
Net property operating income	**66,483**	**41,545**	**68,701**	**112,791**	**289,520**
Interest and other	**13**	**213**	**37**	**4,334**	**4,597**
Development revenue	**—**	**—**	**10,350**	**—**	**10,350**
Management fee	**—**	**—**	**2,712**	**13,833**	**16,545**
Share of income from equity accounted investment	**—**	**—**	**11,066**	**96,417**	**107,483**
	13	**213**	**24,165**	**114,584**	**138,975**
Mortgage and loan interest expense	**48,439**	**7,227**	**8,477**	**26,318**	**90,461**
General and administrative expenses	**18,202**	**1,324**	**7,388**	**13,289**	**40,203**
Transaction costs	**7,198**	**622**	**17,063**	**13,101**	**37,984**
Development costs		**—**	**9,441**	**—**	**9,441**
Foreign exchange (gain) loss	**(16,723)**	**(34)**	**41**	**1,981**	**(14,735)**
	57,116	**9,139**	**42,410**	**54,689**	**163,354**
Operating income (loss)	**$ 9,380**	**$ 32,619**	**$ 50,456**	**$ 172,686**	**$ 265,141**

(in thousands of Canadian dollars, unless otherwise stated)

For the year ended December 31, 2020	Canada	Brazil	Europe	Australasia	Total
Operating Income					
Revenue from investment properties	$ 124,760	$ 44,703	$ 76,930	$ 127,425	$ 373,818
Property operating costs	58,991	—	13,725	15,308	88,024
Net property operating income	65,769	44,703	63,205	112,117	285,794
Other income					
Interest and other	62	281	242	1,362	1,947
Management fee	—	—	4,243	7,423	11,666
Share of income from equity accounted investment	—	—	2,454	49,637	52,091
	62	281	6,939	58,422	65,704
Mortgage and loan interest expense	48,150	8,550	11,596	29,452	97,748
General and administrative expenses	12,664	1,392	4,317	11,066	29,439
Transaction costs	18,136	213	3,195	13,389	34,933
Foreign exchange (gain) loss	16,627	7	(71)	3,945	20,508
	95,577	10,162	19,037	57,852	182,628
Operating income (loss)	$ (29,746)	$ 34,822	$ 51,107	$ 112,687	$ 168,870

22. Commitments and Contingent Liabilities

a. The REIT obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at December 31, 2021, the REIT has a total of $4.4 million in outstanding 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 vend-in of European investment properties to the European JV in 2020, the REIT has indemnified its joint venture partner for potential tax liabilities related to the investment properties. Given that the eventual disposition of properties is dependent on uncertain future events not within the control of the REIT, and that the taxable outcome of the disposition is not estimable due to the variables involved, the REIT has not recognized a provision related to the indemnification.

d. The REIT has entered into acquisition and construction agreements on development properties and is committed to associated costs of $293.7 million as at December 31, 2021 (December 31, 2020 - $271.0 million), of which $18.3 million relates to the committed development expenditures for properties contributed and sold to the European JV (note 5).

e. 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.

f. 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.

23. 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 6 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 December 31, 2021 is as follows:

(in thousands of Canadian dollars, unless otherwise stated)

	Carrying value	Fair Value Level 1	Level 2	Level 3
Assets measured at fair value:				
Investment properties	$ 6,294,305	$ —	$ —	$ 6,294,305
Financial instruments	15,362	—	2,096	—
Investment in unlisted securities	100,141	—	—	100,141
Assets recorded at amortized cost:				
Loans receivable	10,257	—	—	10,257
Liabilities measured at fair value:				
Financial instruments	44,319	—	24,698	—
Convertible debentures	137,225	137,225	—	—
Class B LP exchangeable units	23,581	23,581	—	—
Deferred unit plan liabilities	26,223	26,223	—	—
Financial liabilities recorded at amortized cost:				
Mortgage and loans payable	2,806,979	—	2,795,265	—

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 December 31, 2020 is as follows:

	Carrying value	Fair Value Level 1	Level 2	Level 3
Assets measured at fair value:				
Investment properties	$ 5,262,063	$ —	$ —	$ 5,262,063
Financial instruments	541	—	—	541
Assets recorded at amortized cost:				
Loans receivable	10,925	—	—	10,925
Liabilities measured at fair value:				
Financial instruments	62,405	—	62,405	—
Convertible debentures	292,821	292,821	—	—
Class B LP exchangeable units	21,546	21,546	—	—
Deferred unit plan liabilities	24,277	24,277	—	—
Financial liabilities recorded at amortized cost:				
Mortgage and loans payable	2,495,413	—	2,510,990	—

24. 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.

(in thousands of Canadian dollars, unless otherwise stated)

At December 31, 2021, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 39.9% (December 31, 2020 - 42.9%).

As at		**December 31, 2021**		December 31, 2020
Debt				
Gross value of debt excluding convertible debentures (1)	**$**	**2,820,602**	$	2,510,310
Gross value of total debt (2)		**2,957,827**		2,803,131
Gross Book Value of Assets				
Total assets	**$**	**7,064,401**	$	5,845,238
Debt-to-Gross Book Value (Declaration of Trust)		**39.9 %**		42.9 %
Debt-to-Gross Book Value (including convertible debentures)		**41.9 %**		48.0 %

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

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

The REIT's capital management is also impacted by various financial covenants in certain loan agreements. As at December 31, 2021, the REIT is in compliance with all such financial covenants.

25. Risk Management

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

Credit Risk

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

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

(in thousands of Canadian dollars, unless otherwise stated)

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

As at		December 31, 2021		December 31, 2020
Less than 30 days		**2,922**		1,664
31 to 60 Days		**654**		543
61-90 days		**104**		323
More than 90 Days		**2,218**		1,092
Total billed	**$**	**5,898**	$	3,622
Unbilled and other receivables		**46,649**		7,310
Expected credit losses	**$**	**(1,410)**	$	(1,280)
Total accounts receivable	**$**	**51,137**	**$**	**9,652**

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

Liquidity Risk

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

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

The REIT expects to refinance all debt maturing when due. The REIT is currently reviewing all options available to refinance these debts. These options include but are not limited to refinancing with existing lenders or with new lenders, issuing unsecured debt securities and/or additional trust units, or the securitization of rents. The REIT expects to repay or refinance all debts maturing in 2022 using existing liquidity, proceeds from vend-in of assets to joint ventures, proceeds from issuance of REIT units and new asset level financing. There are no assurances that the timing, amounts and terms of any refinancing, or other efforts will be favorable or satisfactory to the REIT's liquidity.

The REIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

(in thousands of Canadian dollars, unless otherwise stated)

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

	Carrying Amount	Contractual Cash Flows	2022	2023	2024	2025	2026	Thereafter
Accounts payable and accrued liabilities (including obligations described in notes 8, 9)	$ 89,963	$ 161,848	$ 161,848	$ —	$ —	$ —	$ —	$ —
Income tax payable	11,379	11,379	11,379	—	—	—	—	—
Distributions payable	14,943	14,943	14,943	—	—	—	—	—
Mortgages and loans payable	2,806,979	2,922,874	1,163,211	595,436	276,534	227,575	434,320	225,798
Convertible debentures	137,225	138,750	6,875	131,875	—	—	—	—
	$3,060,489	$3,249,794	$1,358,256	$ 727,311	$ 276,534	$ 227,575	$ 434,320	$ 225,798

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 half of the REIT's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. At December 31, 2021, $1.4 billion (December 31, 2020 - $0.9 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 $14.4 million annually with all other variables held constant (December 31, 2020 - $0.9 million).

Currency Risk

The REIT has exposure to currency risk as a result of Australasian Secured Financing (see note 10) denominated in New Zealand dollars. The REIT’s margin facility balance and related interest are subject to fluctuations depending on exchange rates. The effects of such fluctuations are recognized in the statement of income and comprehensive income.

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

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

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

(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 statements of income (loss) and comprehensive income (loss) of foreign subsidiaries, assuming all other variables remain unchanged:

For the year ended December 31,		2021		2020
Europe	$	**(20,180)**	$	(10,351)
Brazil		**(6,153)**		(5,417)
New Zealand		**(32,354)**		(12,970)
Australia		**(4,298)**		(10,365)
	$	**(62,985)**	$	(39,103)

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

Price Risk

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

26. Subsequent Events

i. Subsequent to December 31, 2021, the REIT entered into a binding agreement to purchase a property portfolio comprised of 27 healthcare properties in the United States of America (the "US Portfolio") for approximately $764.3 million (USD $601.9 million). The US Portfolio consists of 15 MOBs and 12 Hospitals, located across 10 states. The US acquisition is expected to be fully funded through combination of new corporate and property financings, existing cash resources including credit facilities and cash on hand. The acquisition is expected to be completed during second quarter of 2022, subject to customary closing conditions.

ii. On March 7, 2022, subsidiaries of the REIT entered into a term loan agreement on the amount of $12.2 million (€8.8 million) by securing an investment property. The term loan bears interest rate of EURIBOR plus a margin ranging from 1.95% to 2.45% with term to maturity of three years.

iii. On January 14, 2022, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on January 31, 2022, to be paid and settled on February 15, 2022. On February 15, 2022, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on February 28, 2022, and paid on March 15, 2022.

NorthWest Healthcare Properties
Real Estate Investment Trust
180 Dundas Street West, Suite 1100
Toronto, Ontario
M5G 1Z8

Phone 416 366 2000
Fax 416 366 2433

nwhreit.com