NORTHWEST INTERNATIONAL HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

(Formerly GT Canada Medical Properties Real Estate Investment Trust)

Consolidated Financial Statements

For the Years Ended December 31, 2012 and 2011

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INDEPENDENT AUDITORS REPORT

The Unitholders of NorthWest International Healthcare Properties
Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of NorthWest International Healthcare Properties Real Estate Investment Trust, which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of income and comprehensive income, changes in unitholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of NorthWest International Healthcare Properties Real Estate Investment Trust as at December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

The consolidated financial statements of NorthWest International Healthcare Properties Real Estate Investment Trust as at and for the year ended December 31, 2011 were audited by another auditor who expressed an unmodified opinion on those financial statements on April, 24, 2012.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

April 30, 2013
Toronto, Canada

NorthWest International Healthcare Properties Real Estate Investment Trust
(Formerly GT Canada Medical Properties Real Estate Investment Trust)
Consolidated Statements of Financial Position
Audited (Canadian dollars)

As at December 31,	**2012**	2011
Assets		
Investment properties (note 9)	**$ 205,502,477**	$ 61,332,333
Investment in associate (note 10)	**80,706,461**	-
Intangible asset (note 11)	**15,612,750**	-
Due from related parties (note 12)	**42,522,743**	-
Accounts receivable	**466,683**	152,968
Other assets (note 13)	**993,260**	524,596
Cash	**3,749,911**	1,700,067
Total assets	**$ 349,554,285**	$ 63,709,964
Liabilities		
Mortgage and loans payable (note 14)	**$ 116,497,806**	$ 32,398,102
Deferred consideration (note 15)	**30,993,246**	-
Deferred revenue (note 16)	**18,263,895**	-
Deferred tax liability (note 24)	**120,920**	-
Derivative financial instrument (note 17)	**23,083,107**	-
Accounts payable and accrued liabilities	**3,060,271**	1,349,213
Distributions payable	**567,992**	75,778
	192,587,237	33,823,093
Unit-based compensation liabilities (note 18)	**184,998**	2,870,159
Class B LP exchangeable units (note 19)	**114,686,110**	960,625
Total liabilities	**307,458,345**	37,653,877
Unitholders' Equity		
Unitholders' equity (note 20)	**42,095,940**	26,056,087
Total liabilities and unitholders' equity	**$ 349,554,285**	$ 63,709,964

NorthWest International Healthcare Properties Real Estate Investment Trust
(Formerly GT Canada Medical Properties Real Estate Investment Trust)
Consolidated Statements of Income and Comprehensive Income
Audited (Canadian dollars)

Year Ended December 31,	**2012**	2011
Net Operating Income		
Revenue from investment properties	**$ 1,441,552**	$ -
Property operating costs	**323,778**	-
	1,117,774	-
Other Income		
Interest	**278,092**	12,027
Management fee participation	**452,718**	-
Share of profit of associate (note 10)	**1,168,584**	-
	1,899,394	12,027
Expenses		
Mortgage and loan interest expense	**738,072**	-
General and administrative expenses	**1,694,883**	1,686,225
Transaction costs (note 21)	**7,526,686**	-
Foreign exchange loss	**327,804**	-
	10,287,445	1,686,225
Loss before finance costs and fair value adjustments	**(7,270,277)**	(1,674,198)
Finance costs:		
Amortization of deferred financing costs	**(2,819)**	-
Class B LP exchangeable unit distributions	**(2,181,325)**	(40,573)
Fair value adjustment of Class B exchangeable units	**(10,348,250)**	364,375
Fair value loss on derivative financial instrument (note 17)	**(13,597,507)**	-
Fair value loss on revaluation of investment properties (note 9)	**(8,535,836)**	-
Other fair value gains (note 22)	**58,274**	4,346,613
Income (loss) before taxes and discontinued operations	**(41,877,740)**	2,996,217
Income tax expense (note 24)	**180,788**	-
Net income (loss) from continuing operations	**(42,058,528)**	2,996,217
Net income from discontinued operations (note 8)	**9,575,061**	6,343,542
Net income (loss)	**$(32,483,467)**	$ 9,339,759
Other comprehensive income:		
Foreign currency translation adjustment	**454,571**	-
Share of other comprehensive loss of associate (note 10)	**(108,737)**	-
Other comprehensive income, net of tax	**345,834**	-
Total comprehensive income (loss) for the year, net of tax	**$(32,137,633)**	$ 9,339,759

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

NorthWest International Healthcare Properties Real Estate Investment Trust
(Formerly GT Canada Medical Properties Real Estate Investment Trust)
Consolidated Statements of Unitholders' Equity
Audited (Canadian dollars)

	Trust Unit Equity	Contributed Surplus	Reduction on Reclassification to Liabilities	Cumulative Distributions	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total
Balance, December 31, 2010	**$ 20,002,565**	**$ -**	**$ (114,683)**	**$ (14,224)**	**$ -**	**$ (2,161,214)**	**$ 17,712,444**
Unit issue costs	(86,150)	-	-	-	-	-	(86,150)
Distributions	-	-	-	(909,966)	-	-	(909,966)
Net income for the year	-	-	-	-	-	9,339,759	9,339,759
Balance, December 31, 2011	**19,916,415**	**-**	**(114,683)**	**(924,190)**	**-**	**7,178,545**	**26,056,087**
Units issued pursuant to rights offering	4,462,244	-	-	-	-	-	4,462,244
Unit issue costs	(268,540)	-	-	-	-	-	(268,540)
Conversion of Class B LP units	1,238,875	-	-	-	-	-	1,238,875
Conversion of Deferred Unit Plan units	1,529,727	-	-	-	-	-	1,529,727
Expiry of warrant liability	-	2,345,022	-	-	-	-	2,345,022
Public offering of units	25,000,000	-	-	-	-	-	25,000,000
Unit issue costs	(2,295,181)	-	-	-	-	-	(2,295,181)
Units issued as consideration	18,472,169	-	-	-	-	-	18,472,169
Distributions	-	-	-	(2,306,830)	-	-	(2,306,830)
Foreign currency translation adjustment	-	-	-	-	454,571	-	454,571
Share of other comprehensive loss of associate	-	-	-	-	(108,737)	-	(108,737)
Net loss for the year	-	-	-	-	-	(32,483,467)	(32,483,467)
Balance, December 31, 2012	**$ 68,055,709**	**$ 2,345,022**	**$ (114,683)**	**$ (3,231,020)**	**$ 345,834**	**$(25,304,922)**	**$ 42,095,940**

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

NorthWest International Healthcare Properties Real Estate Investment Trust
(Formerly GT Canada Medical Properties Real Estate Investment Trust)
Consolidated Statements of Cash Flows
Audited (Canadian dollars)

Year Ended December 31,	**2012**	2011
Cash provided by (used in):		
Operating activities		
Net income (loss) before tax from continuing operations for the period	**$(41,877,740)**	$ 2,996,217
Adjustment for:		
Mortgage and loan interest	**738,072**	-
Finance costs		
Amortization of financing charges	**2,819**	-
Class B LP exchangeable unit distributions	**2,181,325**	40,573
Fair value adjustment of Class B exchangeable units	**10,348,250**	(364,375)
Share of profit of associate (note 10)	**(1,168,584)**	-
Unrealized foreign exchange loss	**327,804**	-
Amortization of deferred revenue	**(368,880)**	-
Fair value loss on revaluation of investment properties (note 9)	**8,535,836**	-
Fair value loss on derivative financial instrument (note 17)	**13,597,507**	-
Other fair value gains	**(58,274)**	(4,346,613)
Unit based compensation expense (note 18)	**1,247,862**	287,460
Changes in non-cash working capital balances (note 23)	**(816,475)**	2,060,236
Cash provided by (used in) operating activities from continuing operations	**(7,310,478)**	673,498
Class B distributions paid	**(1,435,362)**	(37,195)
Income taxes paid	**(59,864)**	-
Mortgage and loan interest paid	**(631,299)**	-
Net cash provided by (used in) operating activities from continuing operations	**(9,437,003)**	636,303
Investing activities		
Acquisitions of investment properties (note 7 (a))	**(35,908,468)**	-
Indebtedness acquired on acquisition of investment properties (note 6)	**(254,160)**	-
Investment	**-**	400,000
Cash provided by (used in) investing activities from continuing operations	**(36,162,628)**	**400,000**
Financing activities		
Proceeds from units issued, net of issue costs	**26,898,523**	(86,150)
Repayment of mortgages	**(261,608)**	-
Refinancing of mortgages	**(1,431,916)**	-
Credit facility advances	**8,035**	-
Advances from related parties	**18,414,486**	-
Cash settlement of stock lending agreement	**(3,031,306)**	-
Distributions paid	**(1,814,616)**	(848,412)
Cash provided by (used in) financing activities from continuing operations	**38,781,598**	(934,562)
Net change in cash from continuing operations	**(6,818,033)**	101,741
Effect of foreign currency translation	**(332)**	-
Net change in cash from discontinued operations (note 8)	**8,868,209**	409,334
Net change in cash	**2,049,844**	511,075
Cash, beginning of period	**1,700,067**	1,188,992
Cash, end of period	**$ 3,749,911**	$ 1,700,067

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

1. Organization of the Real Estate Investment Trust

NorthWest International Healthcare Properties Real Estate Investment Trust (the "REIT") changed its name from GT Canada Medical Properties Real Estate Investment Trust on October 30, 2012. The REIT is an unincorporated open-ended real estate investment trust governed under the laws under the Province of Ontario pursuant to an amended and restated declaration of trust dated November 16, 2012 (the "Declaration of Trust"). The REIT's trust units (the "Trust Units") trade under the symbol "MOB.UN" on the TSX Venture Exchange (the "TSXV"). The principal, registered and head office of the REIT is located at 284 King Street East, Toronto, Ontario M5A 1K4.

The REIT's consolidated financial statements for the year ended December 31, 2012, were authorized for issue by the Board of Trustees on April 30, 2013.

2. Statement of Compliance

The REIT's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Summary of Significant Accounting Policies

(a) Basis of presentation

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars, which is also the REIT's functional currency. The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the REIT's management to exercise judgement in applying the REIT's accounting policies.

These consolidated financial statements have been prepared in Canadian dollars 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 at fair value through profit and loss, and unit-based compensation liabilities, which are measured at fair value.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries. Subsidiaries are fully 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. 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. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

3. Summary of Significant Accounting Policies (continued)

(c) Functional and presentation currency

The functional and presentation currency of the REIT is the Canadian dollar. Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at average rates for the period.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the balance sheet date. Gains and losses on translation of monetary items are recognized in the consolidated statement of income (loss) and comprehensive income (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, which are included in other comprehensive income (loss).

(d) Investment properties

Investment properties include properties that are held principally by the REIT to earn rentals, 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 transfer taxes. Subsequent to initial recognition, investment properties are measured at fair value, with changes in fair value recognized in the consolidated statement of income (loss) and comprehensive income (loss) in the year in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the property. 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.

(e) Intangible assets

The intangible asset (note 11) represents the REIT's Management Fee Participation Agreement with its external asset manager as described in note 25(a)(iv). The intangible asset was initially recorded at fair value at the time of acquisition (note 6).

Amortization of the value of the management fee participation intangible is determined using the straight line method over its estimated useful life. The intangible asset is assessed for impairment whenever there is an indication that the intangible asset may be impaired.

(f) Leases

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 of the leases to which the REIT is the lessor have been determined to be operating leases.

(g) Revenue recognition

Rental revenue from operating leases is recognized on a straight-line basis whereby the total amount of rental revenue to be received from the lease is accounted for on a straight-line basis over the term of the lease. The difference between rental revenue recognized and cash flows is recorded as straight line rent receivable or payable on the balance sheet.

3. Summary of Significant Accounting Policies (continued)

(g) Revenue recognition (continued)

Rental revenue includes rental income earned from tenants under lease agreements, operating costs and realty tax recoveries, parking income, and incidental income. Operating cost and realty tax recoveries are recognized in the period that recoverable costs are chargeable to tenants.

Other income relates to the management fee participation and is recorded as earned pursuant to the REIT's agreement with its external asset manager as described in note 25(a)(iv).

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

(h) Financial Instruments

The REIT recognizes financial assets and financial liabilities when the REIT becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets classified as at fair value through profit or loss, are measured at fair value plus transaction costs on initial recognition. Financial assets at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Measurement in subsequent periods depends on the classification of the financial instrument:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivative assets. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of comprehensive income.

The REIT does not have any assets at FVTPL.

Available- for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such by management or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value with changes recognized in other comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are recorded in the consolidated statements of comprehensive income. If there is objective evidence that an asset is impaired, its recoverable amount is determined and any impairment loss is recognized in the consolidated statements of comprehensive income. Objective evidence would include a significant or prolonged decline in the fair value of an asset below its original cost.

The REIT does not have any available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. If there is objective evidence that an asset is impaired, its recoverable amount is determined and any impairment loss is recognized in the consolidated statements of comprehensive income.

Cash, accounts receivable and the balances due from related parties are classified as loans and receivables. Due to their short-term nature, the carrying amounts of accounts receivable and the balances due from related parties approximate fair value.

3. Summary of Significant Accounting Policies (continued)

(h) Financial Instruments (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL if they are designated as such by management, or they are derivative liabilities. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of comprehensive income.

Management has designated the Class B LP exchangeable unit liability, Deferred Unit Plan liability and incentive unit options as FVTPL. The warrant liability and the derivative financial instrument are considered to be derivative liabilities, and are classified as FVTPL by definition.

Other financial liabilities

Other financial liabilities are financial liabilities that are not classified as FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The REIT's other financial liabilities include mortgage and loans payable, deferred consideration, deferred revenue, accounts payable and accrued liabilities and distributions payable.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or disbursements (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

Due to their short term nature, the carrying value of the deferred consideration, accounts payable and accrued liabilities, and distributions payable approximates fair value. The carrying values of the mortgages and loans payable and deferred revenue approximate fair value as they bear interest at market rates.

(i) Other assets

Other assets include commodity taxes receivable and acquisition costs. Acquisition costs related to future asset acquisitions are capitalized when it is probable that the acquisition will be completed.

(j) Unit-based compensation liabilities

(i) Incentive unit options

The REIT had an incentive unit option plan and recorded the expense associated with these awards over the vesting period, based on the fair value of the awards made. Incentive unit options were settled with the issuance of the REIT's Trust Units. Due to the fact that Trust Units were redeemable at the option of the holder, awards of incentive unit options were considered to be cash-settled. As such, the fair value of unsettled incentive unit options were recognized as a liability and re-measured to fair value each reporting date, with changes recognized in the consolidated statements of comprehensive income (loss).

(ii) Warrant liability

The warrants were exchangeable into Trust Units, which in turn are a puttable financial instrument. As such, prior to the warrants being exchanged, they were considered a derivative instrument classified as a liability. The warrant liability was re-measured to fair value each reporting period, with changes recorded in the consolidated statements of comprehensive income (loss).

3. Summary of Significant Accounting Policies (continued)

(j) Unit-based compensation liabilities (continued)

(iii) Deferred Unit Plan liability

The Deferred Unit Plan units are exchangeable for Trust Units, which in turn are a puttable financial instrument. As such, the Deferred Unit Plan units are classified as a liability. Management designated the Deferred Unit Plan liability as FVTPL; the Deferred Unit Plan liability is re-measured to fair value each reporting date with changes recorded in the consolidated statements of comprehensive income (loss).

(k) Class B LP Exchangeable Units

The Class B LP exchangeable units of a subsidiary of the REIT are exchangeable into Trust Units at the option of the holder. In accordance with International Accounting Standard (“IAS”) 32, Financial Instruments: Presentation, the Trust Units are puttable and therefore, the Class B LP exchangeable units meet the definition of a financial liability. Further, the Class B LP exchangeable units are classified as fair value through profit or loss financial liabilities and are measured at fair value each reporting period with any changes in fair value recognized in the consolidated statement of income and comprehensive income as finance cost. The distributions paid on the Class B LP exchangeable units are accounted for as finance costs.

(l) Trust Units

The Trust Units meet the definition of a financial liability in accordance with International Accounting Standard (“IAS”) 32, Financial Instruments: Presentation, as they are redeemable at the option of the holder. The Trust Units are considered to be puttable instruments because of the redemption feature. There is a limited exemption to allow puttable instruments 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. Trust Units are recognized at the proceeds received, net of direct issue costs. The distributions on Trust Units are recorded as a reduction in unitholders’ equity.

(m) 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 tax 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 revenues. 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 period 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.

3. Summary of Significant Accounting Policies (continued)

(m) Income taxes (continued)

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.

(n) 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.

(o) Investment in associate

Associates are all entities over which the REIT has significant influence but not control. The REIT's investment in associate, which represents the REIT's approximate 19.66% indirect interest in Vital Healthcare Property Trust ("Vital Trust"), a public company listed on the New Zealand Stock Exchange. The REIT has determined that due to its approximately 19.66% interest in Vital Trust and through the REIT's common external management arrangements with Vital Trust, the REIT has significant influence over the investment and accordingly has accounted for its investment using the equity method of accounting. The investment in Vital Trust has been initially recognized at cost on the date at which significant influence was obtained.

The REIT's share of its associate's post-acquisition net income (loss) is recognized in net income (loss), and its share of post-acquisition movements in other comprehensive income (loss) is recognized in other comprehensive income (loss). The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the REIT's share of losses in an associate equals or exceeds its interest in the associate, the REIT does not recognize further losses.

Unrealized gains and losses on transactions between the REIT and its associate are eliminated to the extent of the REIT's interest in the associate. Accounting policies of the REIT's associate are consistent with the policies adopted by the REIT.

The REIT assesses at each year-end whether there is any objective evidence that its interest in the associate is impaired. If impaired, the carrying value of the REIT's share of the underlying assets in the associate is written down to its estimated recoverable amount.

3. Summary of Significant Accounting Policies (continued)

(p) Critical accounting estimates

The preparation of these consolidated financial statements requires the REIT to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from those estimates.

Investment properties

Investment properties are re-measured to fair value at each reporting date, determined based either on internal valuation models incorporating available market evidence, or on valuations performed by 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. Estimates used in determining the fair value of the investment properties include capitalization rates, inflation rates, vacancy rates, and net operating income.

Unit-based compensation liabilities

The measurement of the unit-based compensation liabilities require the REIT to make estimates and assumptions that affect the reported amount of the liabilities and the corresponding gain or loss on changes in fair value. Estimates and assumptions used in determining the fair value of these liabilities include the expected life of the instruments and the volatility of the Trust's unit prices.

Interests in associates

If it is determined that objective evidence exists that indicate that the REIT's interest in its associate has been impaired, the investment must be written down to its estimated fair value. Estimates used in determining the fair value of the associate include discount rates, inflation rates, and net operating income.

Derivative financial instrument

The measurement of the fair value of the REIT's derivative financial instrument is based on estimates and assumptions that affect the reported amount of the liabilities and the corresponding gain or loss on changes in fair value. Estimates and assumptions used in the valuation for the REIT's derivatives are described in note 17.

(q) 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 financial statements.

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. The accounting treatment of leases as finance leases would have a significant effect on the measurement of transactions and balances in the financial statements.

Property acquisitions

When investment properties 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 business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. All of the REIT's property acquisitions have been accounted for as asset acquisitions.

3. Summary of Significant Accounting Policies (continued)

(q) Critical judgments in applying accounting policies (continued)

Income Tax

With the exception of subsidiaries that are subject to income tax, deferred income taxes are not recognized in the financial statements on the basis that the REIT can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the year. In 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.

(r) Future accounting changes

IAS 32 and IFRS 7 *Offsetting Financial Assets and Liabilities*

In December 2011, the IASB made amendments to IAS 32, Financial Instruments: Presentation, and IFRS 7 Financial Instruments: Disclosures. The amendments to IAS 32 clarify the requirements for offsetting financial instruments. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position; or subject to master netting arrangements or similar arrangements

The effective date for the amendments, which is to be applied retrospectively, to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendment to IFRS 7, which is to be applied retrospectively, are annual periods beginning on or after January 1, 2013. Management intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined

IFRS 9 *Financial Instruments*

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the REIT's consolidated financial statements.

3. Summary of Significant Accounting Policies (continued)

(r) Future accounting changes (continued)

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*

In May 2011, the IASB issued IFRS 10, IFRS 11 and IFRS 12, which are all effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation Special Purpose Entities, and provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities–Non-monetary Contributions by Venturers, and established principles for the financial reporting by parties to a joint arrangement. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. In conjunction with IFRS 10, IFRS 11 and IFRS 12, the IASB also issued amended and retitled IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. Management has not yet determined the potential impact the adoption of IFRS 10, IFRS 11, IFRS 12 and the amendments to IAS 28 will have on the REIT's consolidated financial statements.

IFRS 13 *Fair Value Measurement*

On May 12, 2011, the IASB issued IFRS 13 Fair Value Measurement (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the REIT's consolidated financial statements.

IAS 1 *Presentation of Financial Statements*

Amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), provide guidance on the presentation of items contained in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. The REIT will start the application of this amendment in the consolidated financial statements effective January 1, 2013, and does not expect it to have an impact on the consolidated financial statements as a result of adopting this standard.

4. Acquisition of Control

On April 16, 2012, the REIT announced it had entered into a support agreement (the "Support Agreement") with NorthWest Value Partners ("NWVP") whereby NWVP would offer to acquire all of the Units for $2.05 per Trust Unit (the "NWVP Offer") by way of a take-over bid. The NWVP Offer was subject to a number of conditions including acceptance of the NWVP Offer by the holders of at least 66 2/3% of the issued and outstanding Trust Units. In addition, in connection with the NWVP Offer, all the REIT's existing properties were to be sold to a subsidiary of NorthWest Healthcare Properties Real Estate Investment Trust ("NWHP REIT") for $87,370,000. The REIT's Trustees unanimously resolved to recommend that Unitholders tender their units to the NWVP Offer and support of the sale of the REIT's existing properties to NWHP REIT.

4. Acquisition of Control (continued)

As a result of the issuance of all of the Trust Units under the Rights Offering (see note 20 (i)), the NWVP Offer price was adjusted from $2.05 per Trust Unit to $1.87. NWVP's take-over bid circular and the REIT's Trustees' circular were mailed to unitholders on April 27, 2012 and April 20, 2012, respectively.

On June 11, 2012, after the extension of the initial expiry date of the NWVP Offer of May 24, 2012, 18,481,046 Trust Units had been tendered to the NWVP Offer, representing approximately 91% of the total outstanding Trust Units and approximately 68% of the fully diluted Trust Units. As disclosed in the takeover bid circular mailed in connection with the NWVP Offer, and for purposes of ensuring that the REIT continued to meet the ongoing listing requirements of the TSX-V, NWVP sold 1,321,000 Trust Units deposited under the NWVP Offer.

5. Dispositions of Canadian Investment Properties

In connection with the NWVP Offer, the REIT agreed to sell its portfolio of twelve Canadian investment properties (the "Existing Portfolio") to NWHP REIT in two separate transactions. The first transaction resulting in the REIT's property in Port Hope (the "Port Hope Property") being conveyed, with the second transaction resulting in the conveyance of the balance of the Existing Portfolio.

Sale of Port Hope Property

On November 14, 2012, with an effective date of October 1, 2012, the REIT completed the sale of the Port Hope Property to a subsidiary of NWHP REIT pursuant to an acquisition agreement dated June 19, 2012 (the "Port Hope Acquisition Agreement") between the GT Canada General Partner Inc., in its capacity as the general partner of GT Operating Partnership (I) LP ("GT LP"), and NHP Holdings Inc. ("NHP GP"), in its capacity as the general partner of NHP Holdings Limited Partnership ("NHP Partnership"); both NHP Holdings Inc. and NHP Partnership being subsidiaries of NWHP REIT. Pursuant to the Port Hope Acquisition Agreement, GT LP sold its interest in Port Hope Limited Partnership to NHP Partnership, which effectively resulted in the transfer of the Port Hope Property to NHP Partnership.

Pursuant to the Port Hope Acquisition Agreement, the purchase price for the Port Hope Property was $7,875,000, and was satisfied by the assumption of mortgage debt on the Port Hope Property by NHP Partnership in the amount of approximately $4,979,000, and the balance of $2,896,000 by cash.

Sale of Balance of Existing Portfolio

On November 16, 2012, with an effective date of October 1, 2012, the REIT completed the sale of the balance of the Existing Portfolio to a subsidiary of NWHP REIT pursuant to an acquisition agreement dated May 31, 2012 (the "Portfolio Acquisition Agreement") between the REIT, NWHP REIT and NHP GP, in its capacity as the general partner of NHP Partnership. Pursuant to the Portfolio Acquisition Agreement, the REIT sold its interest in GT LP to NHP Partnership, which effectively resulted in the transfer of the balance of the Portfolio to NHP Partnership.

Pursuant to the Portfolio Acquisition Agreement, the purchase price for the balance of the Existing Portfolio was $79,620,000, and was satisfied by the assumption of mortgage debt of $43,316,000, a $30,000,000 promissory note (the "NHP Promissory Note"), and the balance of $6,304,000 by cash. The NHP Promissory Note is payable on demand and carries an interest rate of 8% per annum (see note 12 (ii)).

Audited (Canadian dollars)

5. Dispositions of Canadian Investment Properties (continued)

	Port Hope	Existing Portfolio	Total
Consideration			
Cash received	$ 2,896,000	$ 6,304,000	**$ 9,200,000**
Mortgages and loans payable	4,979,000	43,316,009	**48,295,009**
Mortgages and loans payable	-	30,000,000	**30,000,000**
Working capital adjustment receivable	47,446	30,132	**77,578**
Total consideration	**7,922,446**	**79,650,141**	**87,572,587**
Net Assets Sold			
Investment properties	7,770,160	76,224,840	**83,995,000**
Prepaid expenses and deposits	41,559	325,001	**366,560**
Accounts receivable	28,583	101,882	**130,465**
Other assets	18,500	324,527	**343,027**
Cash	37,001	236,043	**273,044**
Accounts payable	(78,198)	(733,042)	**(811,240)**
Total net assets sold	**7,817,605**	**76,479,251**	**84,296,856**
Total gain on sale	**$ 104,841**	**$ 3,170,890**	**$ 3,275,731**

6. Acquisition of Initial International Assets

On November 16, 2012 (with an effective date of October 1, 2012), pursuant to the definitive agreement dated October 23, 2012 between the REIT and NWVP (the "Definitive Agreement"), the REIT indirectly acquired a portfolio of five medical office buildings in Germany, the land and buildings of Sabará Children's Hospital in Brazil, and a 19.66% interest in Vital Trust (collectively, the "Initial International Assets") from NWVP and affiliates. In connection with the acquisition of the Initial International Assets, the REIT also entered into a Management Fee Participation Agreement (note 25(a)(iv)) and a Put/Call Agreement (note 17). The total purchase price for the transaction was $123,088,279, including acquisition costs of $10,000,000. The acquisition of the investment properties has been treated as asset purchases and the acquisition of the investment in Vital Trust has been treated as an acquisition of an investment in associate (see note 10). As a result, acquisition costs of $10,000,000 were capitalized to the assets acquired based on their relative fair values at the date of acquisition.

The consideration for the Initial International Assets consisted of 9,878,165 Trust Units of the REIT and 55,944,444 Class B LP exchangeable units. The consideration was ascribed a value of $1.87 per trust unit and $1.87 per Class B LP exchangeable unit.

Audited (Canadian dollars)

6. Acquisition of Initial International Assets (continued)

The following summarizes the recognized amounts of identifiable assets acquired and liabilities assumed measured at their respective fair values:

Assets	
Investment properties (note 9)	$ 84,412,292
Investment in associate (note 10)	79,638,912
Intangible asset (note 11)	15,612,750
Due from related party (note 12)	31,141,756
	210,805,710
Liabilities	
Mortgage and loans payable	59,688,832
Deferred revenue (note 16)	17,569,492
Derivative financial instrument (note 17)	9,485,600
Working capital (i)	973,507
	87,717,431
Net assets acquired	**123,088,279**
Consideration transferred by the REIT:	
Trust Units	18,472,169
Class B LP exchangeable units	104,616,110
Total consideration transferred	**$ 123,088,279**

(i) As per the Definitive Agreement, the purchase price is to be adjusted to the extent that the working capital (defined as cash, accounts receivable, and prepaid expenses less accounts payable and accrued liabilities) of the Initial International Assets is greater or less than nil. The initial accounting for the assets and liabilities recognized with respect to the acquisition of the Initial International Assets has been completed provisionally and has not been finalized, and is therefore subject to adjustment.

7. Property Acquisitions

(a) Acquisitions - Continuing Operations

On December 27, 2012, the REIT indirectly acquired the land and buildings constituting Hospital e Maternidade Brasil (“HMB”), located in suburban Sao Paulo, Brazil for $128,212,296, which included approximately $6,664,509 of transaction costs and $24,295,000 of deferred consideration (note 15), of which $23,809,100 is due on December 21, 2013 and $485,900, adjusted in accordance with variation in CDI (Brazil's equivalent of a prime rate), is due December 21, 2014. The REIT’s investment was funded from existing resources and new term loan of $60,737,500 (note 14).

Audited (Canadian dollars)

7. **Property Acquisitions (continued)**

(b) Acquisitions - Discontinued Operations

(i) On January 6, 2012, the REIT acquired a portfolio of three medical office buildings located in Lindsay, Hamilton and St. Thomas, Ontario (the "Sunder Portfolio). The transaction was treated as an asset acquisition. The Sunder Portfolio was acquired for $10,600,000 plus customary closing costs of $394,459. The purchase price was comprised of assumed mortgage debt of $4,396,827 and co-terminus VTB financing of $3,357,000 with a combined average interest rate of 4.09%. The balance of the purchase price was funded with cash.

(ii) On May 1, 2012 the REIT acquired the Port Hope Property, a 25,000 square foot medical office building in Port Hope, Ontario, for a total purchase cost of $7,500,000 plus customary closing costs of $270,159. The purchase price was comprised of mortgage debt of $4,979,000 with an interest rate of prime plus 2.00%. The balance of the purchase price was funded with cash.

8. **Discontinued Operations**

The REIT sold all of its existing investment properties as described in note 5. As a result, the REIT has classified the income, expenses and cash flows as discontinued operations.

Year Ended December 31,	**2012**	2011
Net Operating Income		
Revenue from investment properties	**$ 7,011,675**	$ 6,019,760
Property operating costs	**2,859,625**	2,525,876
	4,152,050	3,493,884
Expenses		
Mortgage and loan interest expense	**1,640,527**	1,148,892
Income finance costs and fair value adjustments	**2,511,523**	2,344,992
Amortization of deferred financing costs	**(54,961)**	(49,028)
Gain on disposal of investment properties (note 5)	**3,275,731**	-
Fair value gain on investment properties	**3,842,768**	4,047,578
Net income from discontinued operations	**$ 9,575,061**	$ 6,343,542

Details of cash flows relating to discontinued operations are as follows:

Year Ended December 31,	**2012**	2011
Net cash provided by (used in) operating activities	**$ 2,738,210**	$ (442,420)
Net cash provided by (used in) investing activities	**3,096,969**	(2,399,080)
Net cash provided by financing activities	**3,033,030**	3,250,834
Net change in cash from discontinued operations	**$ 8,868,209**	$ 409,334

Audited (Canadian dollars)

9. Investment Properties

Year Ended December 31,	2012	2011
Balance, beginning of period	**$ 61,332,333**	$ 44,676,320
Continuing operations		
Acquisitions of Initial International Assets (note 6)	**84,412,292**	-
Acquisitions of investment properties (note 7(a))	**128,212,296**	-
Fair value loss	**(8,535,836)**	-
Foreign currency translation	**1,413,725**	-
	205,502,477	**-**
Discontinued operations		
Acquisitions of investment properties (note 7(b))	**18,764,618**	12,541,048
Additions to investment properties	**71,240**	81,416
Fair value gain	**3,842,768**	4,192,563
Straight-line rent	**-**	(144,985)
Amortization of leasing costs and tenant inducements	**(15,959)**	(14,029)
Disposal of investment properties	**(83,995,000)**	-
	(61,332,333)	16,656,013
Balance, end of period	**$ 205,502,477**	$ 61,332,333

Investment properties are carried at 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, or on valuations performed by third-party appraisers.

The fair value of the investment properties at December 31, 2012 and December 31, 2011 were determined on internal valuation models incorporating available market evidence. Estimates and assumptions used in determining the fair value of the investment properties include capitalization rates, inflation rates, vacancy rates, and property level net operating income.

The investment properties included in the Initial International Portfolio were acquired on November 16, 2012 (effective October 1, 2012) for $84,412,292, which included an allocation of the transaction costs. As at December 31, 2012, the value of investment properties increased by $1,413,725 attributable to the strengthening of the Euro and Brazilian Real relative to the Canadian dollar and decreased by $8,535,836 attributable to variances against appraised values of the Initial International Portfolio.

Audited (Canadian dollars)

9. Investment Properties (continued)

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

Capitalization Rate	2012	2011
Minimum	**5.49%**	6.90%
Maximum	**10.50%**	8.75%
Weighted average	**9.55%**	7.23%

Fair values are most sensitive to changes in capitalization rates. A 0.25% increase in the weighted average capitalization rate would decrease fair value by $5,405,000 and a 0.25% decrease would increase fair value by $5,130,000.

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

	December 31, 2012
Less than 1 year	$ 19,271,776
1 - 5 years	$ 58,144,095
Longer than 5 years	$ 279,142,636

10. Investment in Associate

On November 16, 2012 (with an effective date of October 1, 2012), pursuant to the Definitive Agreement, the REIT acquired an investment in Vital Trust (note 6). The investment in Vital Trust is accounted for using the equity method as it was established that the REIT has significant influence with respect to this investment.

As at December 31, 2012, the REIT owned 59,505,559 units of Vital Trust. The closing price on the New Zealand Stock Exchange ("NSX") of Vital Trust's units as at December 31, 2012 was $1.04 (NZD $1.26).

	Amount
As at December 31, 2011	$ Nil
Acquisition of equity investment (note 6)	79,638,912
Share of profit for the period	1,168,584
Share of other comprehensive loss for the period	(108,737)
Foreign exchange	7,702
As at December 31, 2012	**$ 80,706,461**

Audited (Canadian dollars)

10. Investment in Associate (continued)

A summary of Vital Trust's aggregated assets and liabilities and net income for the period was as follows:

	December 31, 2012 (unaudited)
Assets	$ 515,968,581
Liabilities	$ 268,987,487
% interest held	19.66%

	For the period from October 1 to December 31, 2012[(1)] (unaudited)
Revenues	$ 13,012,885
Profit	$ 5,943,966
Other comprehensive loss	$ (553,388)

(1) Vital Trust has a June 30 fiscal year end. For purposes of the computation of the revenues and net income of Vital Trust that are attributable to the REIT, the revenue and net income for the six month period ended December 31, 2012 has been pro-rated for the period from October 1, 2012 to December 31, 2012.

11. Intangible Asset

In conjunction with the acquisition of the Initial International Assets (note 6), the REIT entered into a Management Fee Participation Agreement (note 25 (a)(iv)). At the time of acquisition, the value ascribed to the agreement was $15,612,750.

	2012	2011
Opening balance, January 1	$ -	$ -
Acquisition (note 6)	15,612,750	-
Balance, December 31	**$ 15,612,750**	$ -

12. Due from Related Parties

The following table summarizes the balance owing from/(to) NWVP and its subsidiaries:

	2012	2011
Instalment note receivable (i)	$ 1,296,755	$ -
Promissory note receivable (ii)	15,000,000	-
Working capital and closing adjustment receivable (iii)	27,300,011	-
Other (iv)	(1,074,023)	-
	$ 42,522,743	$ -

Audited (Canadian dollars)

12. Due from Related Parties (continued)

(i) Instalment note receivable

Pursuant to an instalment note entered into in connection with the REIT's acquisition of the Initial International Assets (and as contemplated by the Definitive Agreement), NWVP will make instalment payments to the REIT (on April 2013 and April 2014) under an arrangement with the REIT to partially compensate the REIT for assuming obligations associated with the Sabará Children's Hospital in Brazil (note 15). The instalment note is non-interest bearing with amounts owing thereunder maturing on April 2, 2013 and April 2, 2014. The instalment note receivable is recorded at the present value of the future cash flows. The receipt of the principal portion of the installment payments will be recorded as a reduction of the instalment notes receivable and is, therefore, not recorded as revenue.

The below table summarizes the scheduled instalment payments and the present value discount applied at December 31, 2012:

April 2, 2013	$	526,835
April 2, 2014		858,720
Present value adjustment		(88,800)
Balance, December 31, 2012	**$**	**1,296,755**

(ii) Promissory note receivable

As partial consideration for sale of the Existing Portfolio to NWHP REIT, the REIT received the NHP Promissory Note in the amount of $30,000,000.

The NHP Promissory Note is unsecured, repayable on demand at any time on or after November 29, 2012 and bears interest at a rate of 8% per annum, payable quarterly in arrears. In December 2012, $15,000,000 of the note was repaid. The remaining balance of the note was assumed by an affiliate of NWVP in connection with a restructuring of other obligations owing between affiliates of NWVP and NWHP REIT.

Interest earned on the NHP Promissory Note for the year ended December 31, 2012 from NWHP REIT and NWVP was $269,589.

(iii) Working capital and closing adjustment receivable

The working capital and closing adjustment receivable from a subsidiary of NWVP arises as a result of the differences in the values of the working capital and debt assumed on acquisition of the Initial International Assets (note 6) as compared to the values assigned at closing. The working capital receivable is unsecured, non-interest bearing, and is due on demand.

(iv) Other

In the normal course of operations, through agreements with its external managers, the REIT has amounts owing to NWVP and affiliates. These amounts are due within 12 months and are non-interest bearing.

Audited (Canadian dollars)

13. Other Assets

	2012	2011
Commodity taxes recoverable	$ 149,839	$ 101,425
Acquisition costs	822,557	58,174
Prepaid expenses and deposits	20,864	34,285
Deposits on investment properties under contract	-	185,727
Straight-line rent receivable	-	144,985
	$ 993,260	$ 524,596

Acquisition costs and deposits on investment properties under contract relate to potential acquisitions undergoing due diligence. Straight-line rent receivable arises from the recognition of rental revenues on a straight-line basis over the lease term.

14. Mortgage and Loans Payable

	2012	2011
Mortgages payable (net of financing costs of $180,400)	$ 26,831,512	$ 32,398,102
Securities lending agreement (net of financing costs of $473,178)	29,393,937	-
Term loan	60,264,322	-
Line of credit	8,035	-
Total	116,497,806	32,398,102
Less: Current portion	30,163,316	7,949,256
Non-current debt	**$ 86,334,490**	$ 24,448,846

Continuing Operations

Mortgages payable

On November 27, 2012, the REIT refinanced four of its five German properties. The REIT entered into a new mortgage for approximately $22,694,000, with a five year term maturing in November 2017, a fixed interest rate of 2.50% per annum and a 40 year amortization period. The proceeds from this mortgage, along with approximately $1,400,000 of cash, were used to repay the existing mortgage financing.

The entire mortgage payable balance relates to the German properties, and as such, the investment properties in Germany are pledged as collateral for the mortgages payable.

Securities lending agreement

On November 22, 2012, NWI Healthcare Properties LP ("NWI LP"), a current subsidiary of the REIT, entered into a Global Master Securities Lending Agreement (the "Vital SLA") with a Canadian financial institution (the "SLA Counterparty").

Pursuant to the Vital SLA, NWI LP has transferred (or "loaned") the Vital Trust Units to the SLA Counterparty in return for the SLA Counterparty paying to it an amount of cash collateral (the "SLA Collateral"). The SLA Collateral that the SLA Counterparty must deposit with the REIT is calculated by reference to the value of the Vital Trust Units from time to time. If the value of the Vital Trust Units increases, the SLA Counterparty will be required to deposit additional SLA Collateral to NWI LP, while NWI LP will be required to return part of the SLA Collateral to the SLA Counterparty if the value of the Vital Trust Units declines. NWI LP must pay interest on the SLA Collateral it holds to the SLA Counterparty.

14. Mortgage and Loans Payable (continued)

Continuing Operations (continued)

Securities lending agreement (continued)

The Vital SLA is due to terminate on November 15, 2013 (or any earlier date agreed by the parties). Both the NWI LP and the SLA Counterparty may, at their option, terminate the Vital SLA at any time before that date (subject, in the case of the SLA Counterparty, to giving not less than 30 days prior notice to the REIT).

On termination of the Vital SLA, the SLA Counterparty is generally required to deliver to the REIT a number of units in Vital Trust equal to the Vital Trust Units, and the REIT is required to repay the SLA Collateral.

The obligations of the NWI LP in respect of Vital SLA have been guaranteed by the REIT pursuant to a Deed of Guarantee and Indemnity entered into by the REIT and the SLA Counterparty.

The REIT pays interest on the SLA Collateral it holds to the SLA Counterparty at a rate that fluctuates with the New Zealand dollar LIBOR rate. As at December 31, 2012 the interest rate was approximately 5.15%

Term loan

On December 27, 2012, in connection with the REIT's acquisition of HMB (note 7(a)), the REIT obtained a term loan from BTG Pactual Bank ("BTG") for $60,737,500 at an effective interest rate of 6.60% for a two year term. The principal balance of the new financing will be adjusted by IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy) upon repayment.

The REIT has the right to prepay the loan subject to yield maintenance fees. BTG has the right to call the loan after February 1, 2015. If the REIT does not pay any payment required, or fails to pay the balance of the purchase price under the purchase agreement with Rede D'Or (the former owner of the BTG property), Rede D'Or is to buy back the HMB Property for 92.5% of the amount already paid by the REIT under the purchase agreement from which payment BTG retains the amount owed to it and remits the balance to the REIT.

The term loan with BTG is secured by the future rents of the HMB Property.

Line of Credit

During the year, the REIT obtained an operating line of credit available of up to $163,975. The line of credit bears interest at 6% on the balance outstanding. As at December 31, 2012 the balance outstanding on this line of credit was $8,035. The line of credit is secured by one of the German investment properties.

Discontinued Operations

Mortgage and loans payable

During the year ended December 31, 2012 the following mortgages were obtained; however, on October 1, 2012 upon sale of the Existing Portfolio to NWHP REIT, the REIT was relieved of all below mortgage obligations:

(i) On March 5, 2012, the REIT refinanced its Orillia property for a gross amount of $4,300,000, which generated net proceeds of $843,000. The refinancing shortened the maturity date to July 2016 while the interest rate was unchanged at 4.19%.

14. Mortgage and Loans Payable (continued)

Discontinued Operations (continued)

Mortgage and loans payable (continued)

(ii) On the acquisition of the Sunder Portfolio (note 7(b)), the REIT assumed mortgage debt on the properties in the amount of $4,396,827 and co-terminus VTB financing in the amount of $3,357,000, with the total debt in respect of the acquisition having a combined average interest rate of 4.09%. The VTB financing was in the form of $2,259,000 secured by mortgages and $1,098,000 in unsecured promissory notes, interest only, with a fixed interest rate of 2.0%. The mortgages and loans mature in May 2013 and April 2015 as noted in the table below.

(iii) On the acquisition of the Port Hope Property (note 7(b)), the REIT incurred mortgage debt on the property in the amount of $4,979,000 with an interest rate of prime plus 2.00%. The mortgage is interest only until November 1, 2012 and then subject to amortization over 25 years. The mortgage matures in May 2014.

(iv) On August 22, 2012, upon maturity of the existing mortgage, the REIT refinanced its Whitby property for a gross amount of $6,955,000, which generated net proceeds of $800,000. The refinancing resulted in a new maturity date of October 2017 while the interest rate was reduced to 3.95%.

(v) With the maturity of the mortgage on the Welland property on August 1, 2012, the REIT negotiated an extension of the maturity to November 2012, with the same interest rate and payment amount.

(vi) In the year ended December 31, 2012, the REIT incurred financing costs of $50,774 which will be deferred and amortized over the life of the related mortgages. As the REIT was relieved of its obligations under the mortgages related to the Existing Portfolio upon sale to NWHP REIT, as at October 1, 2012, the unamortized financing fees were written off.

Line of Credit

The REIT established a revolving credit facility agreement (the “Credit Facility”) in April 2011 in the amount of $5,655,000 to be drawn on by the REIT for property acquisitions and working capital requirements. Amounts outstanding under the Credit Facility bear interest at a rate equal to the lender’s prime rate plus 200 basis points. The Credit Facility matures in December 2013 and is secured by a first ranking mortgage on the property located at 89 Dawson Road, in Guelph Ontario. During 2012, the REIT drew $2,155,000 of this facility in connection with its purchase of the Sunder Portfolio described in note 7(b). Upon sale of the Existing Portfolio, this line of credit was repaid in full and terminated.

Audited (Canadian dollars)

14. Mortgage and Loans Payable (continued)

A summary of the maturity and effective interest rates relating to the components of mortgages and loans payable outstanding at December 31, 2012 are as follows:

	Maturity	Effective Interest Rate	Principal Amount
Fixed rate			
Mortgage debt	November 30, 2017	2.50 %	$ 22,371,901
Term loan	December 27, 2014	6.60 %	60,264,322
Line of credit	September 30, 2014	6.00 %	8,035
Total fixed rate debt			$ 82,644,258
Variable rate			
Mortgage debt	June 30, 2017 - March 31, 2018	3.50 %	4,459,611
Securities lending agreement	November 15, 2013	5.15 %	29,393,937
Total variable rate debt			$ 33,853,548
Total debt			**$ 116,497,806**

As at December 31, 2012, the scheduled principal repayments and debt maturities are as follows:

2013	$ 30,163,316
2014	61,522,229
2015	784,004
2016	791,710
2017 and thereafter	23,890,125
	117,151,384
Financing costs	(653,578)
	$ 116,497,806

15. Deferred Consideration

The following table summarizes the deferred consideration payable in connection with the acquisition of the HMB Property (note 7 (a)):

	2012	2011
Holdback payable (i)	$ 24,295,000	$ -
Transaction costs payable (ii)	6,698,246	-
	$ 30,993,246	$ -

(i) Holdback Payable

The REIT held back consideration in the amount of $24,295,000, of which $23,809,100 is due on December 21, 2013 and $485,900, adjusted in accordance with variation in CDI (Brazil's equivalent of a prime rate), is due December 21, 2014.

Audited (Canadian dollars)

15. Deferred Consideration (continued)

(ii) Transaction Costs Payable

The REIT has accrued transaction costs and financing fees payable which are outstanding relating to the HMB acquisition (note 7(a)). The transaction costs are expected to be paid within 12 months.

16. Deferred Revenue

	2012	2011
Securitized rental income (i)	$ 17,226,215	$ -
Rental income received in advance	1,037,680	-
	$ 18,263,895	$ -

(i) At the same time the lease was signed with Sabará Children's Hospital, the owner of the Hospital Sabará property securitized 78.75% of the future rents receivable over a 15 year term in return for a lump sum payment. At the time of securitization, deferred revenue was recorded equal to the present value of the proceeds received upon the securitization. The deferred revenue is amortized into revenue from investment properties on a straight line basis over the term of the lease.

17. Derivative Financial Instrument

In conjunction with the acquisition of the Initial International Assets (note 6), the REIT entered into a Put/Call Agreement with NWVP with respect to Trust Units and/or securities exchangeable into Trust Units of NWHP REIT (the "Option Units") owned by NWVP.

Pursuant to the Put/Call Agreement, the REIT has granted NWVP and its affiliates the right (the "Put Right") to sell to the REIT any or all of up to 12,500,000 Option Units held by NWVP and its affiliates, at a price per Option Unit equal to the 20-day volume weighted average price of the NWHP REIT units on the date the Put Right is exercised; provided that if the Put Right is exercised by May 16, 2013, the price per Option Unit will be $13.22.

Pursuant to the Put/Call Agreement, NWVP has granted the REIT the right (the "Call Right"), following the unanimous approval of all of the trustees of the REIT, to acquire any or all of the Option Units at a price per Option Unit equal to the 20-day volume-weighted average price of the NWHP REIT units on the date the Call Right is exercised; provided that if the Call Right is exercised by May 16, 2013, the price per Option Unit will be $13.22.

The Put/Call rights expire on November 16, 2014 if not otherwise exercised.

The Put/Call arrangement has been determined to be a derivative financial instrument in a net liability position. The Put/Call rights have initially been measured at fair value based on the Black-Scholes option pricing model. Subsequent changes in the fair values are recognized through the consolidated statement of comprehensive income (loss).

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17. Derivative Financial Instrument (continued)

The table below outlines the significant assumptions used during the period to estimate the fair value of the derivative financial instrument at December 31, 2012:

	NWVP Put Option	**REIT Call Option**	**NWVP Call Option**
Underlying security	NorthWest Healthcare Properties REIT (NHW.UN)	NorthWest Healthcare Properties REIT (NHW.UN)	NorthWest International Healthcare Properties REIT (MOB.UN)
Dividend yield	6.40%	6.40%	7.90%
Stock price	\$12.48	\$12.48	\$2.01
Exercise price	\$13.22	\$13.22	\$1.87
Average projected volatility	15.00%	15.00%	15.00%
Risk-free interest rate	1.19%	1.19%	1.19%
Expected life of options	0.37 years	0.37 years	0.37 years
Number of options	12.5 million	12.5 million	88.4 million
Estimated fair value	(1.1029)	0.1286	(0.1234)

18. Unit-based Compensation Liabilities

The following table summarizes the REIT's unit-based compensation liabilities:

	2012	2011
Incentive unit options (i)	$ -	$ 108,099
Warrant liability (ii)	-	2,474,543
Deferred unit plan liability (iii)	184,998	287,517
	$ 184,998	$ 2,870,159

(i) Incentive Unit Options

On May 31, 2012, all of the outstanding incentive unit options were cancelled for nil consideration pursuant to the terms of the Support Agreement in conjunction with the NWVP Offer (see note 4).

The following table shows the continuity of incentive unit options and balance outstanding at December 31, 2012:

	Number of Options	**Weighted Average Exercise Price**
Balance, December 31, 2010 and December 31, 2011	**164,000**	**$ 2.39**
Cancelled	(164,000)	2.39
Balance, December 31, 2012	**Nil**	**$ Nil**

Audited (Canadian dollars)

18. Unit-based Compensation Liabilities (continued)

(ii) Warrant Liability

The following table shows the continuity of warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2010	**6,774,957**	**$ 2.06**
Expired	(3,747)	2.70
Balance, December 31, 2011	**6,771,210**	**2.06**
Expired	(6,771,210)	2.06
Balance, December 31, 2012	**-**	**$ -**

(iii) Deferred Unit Plan ("DUP") Liability

On April 21, 2011 the REIT adopted a deferred unit plan to promote a greater alignment of interests between the trustees and management of the REIT and unitholders. Under the terms of the deferred unit plan, they have the right to receive a percentage of their annual remuneration in the form of deferred units.

For the year ended December 31, 2012, the REIT granted or issued 712,248 DUP units with a fair value of $1,247,862 (for the year ended December 31, 2011 - 198,287 DUP units with a cost of $282,500).

As at December 31, 2012, there were 92,449 DUP units (December 31, 2011 - 198,287 DUP units) of the REIT issued and outstanding with a fair value of $184,998 (December 31, 2011 - $287,517). The fair value of the DUP Liability is determined with reference to the market price of the REIT's units at the reporting date.

The following table shows the continuity of the Deferred Unit Plan units:

Balance, December 31, 2010	**Nil**
Granted	198,287
Balance, December 31, 2011	**198,287**
Granted (i)	303,230
Issued as a result of the change of control (ii)	409,018
Converted to REIT Units (ii)	(818,036)
Balance, December 31, 2012	**92,499**

(i) During the year ended December 31, 2012, the REIT granted a total of 303,230 DUP units with a fair value of $482,998 in respect of management and board compensation. Included in the DUP units granted were 75,000 DUP units with a fair value of $150,000 issued to the Trustees of the REIT for their role on the independent committee evaluating the acquisition of the Initial International Assets (note 6).

(ii) On May 31, 2012, as a result of the change of control resulting from the completion of the NWVP Offer described in note 4, the number of deferred unit plan units outstanding doubled, pursuant to the terms of the deferred unit plan. As a consequence, the REIT issued 409,108 DUP units with a fair value of $764,864. All of the 818,036 DUP units outstanding on May 31, 2012 were then converted into Trust Units and tendered to the NWVP Offer at the offer price of $1.87 per unit for a fair value of $1,529,727.

Audited (Canadian dollars)

19. Class B LP Exchangeable Units

As at December 31, 2012, there were 55,944,444 exchangeable Class B LP units of GT LP issued and outstanding with a fair value of $114,686,110 (2011 – 662,500 units with a fair value of $960,625). These exchangeable Class B LP 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 LP Unit Liability is determined with reference to the market price of the REIT's Trust Units at the reporting date.

In connection with the NWVP Offer described in note 4, 662,500 Class B LP units of GT LP with a value of $1,238,875 were converted into Trust Units and tendered.

On November 16, 2012 (with an effective date of October 1, 2012), pursuant to the Definitive Agreement, in exchange for the acquisition of the Initial International Assets, the NWI LP issued 55,944,444 Class B LP exchangeable Units of at a deemed price of $1.87 per unit.

Distributions declared on the Class B LP exchangeable units of GT LP and NWI LP totaled $2,181,325 for the year ended December 31, 2012 (2011 - $40,574) and have been accounted for as finance costs.

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

	Units	Amount
Balance, December 31, 2010	**662,500**	**$ 1,325,000**
Fair value adjustment of Class B LP exchangeable units	-	(364,375)
Balance, December 31, 2011	**662,500**	**960,625**
Converted to REIT Units	(662,500)	(1,238,875)
Units issued as consideration for acquisition of the International Assets (note 6)	55,944,444	104,616,110
Fair value adjustment of Class B LP exchangeable units	-	10,348,250
Balance, December 31, 2012	**55,944,444**	**$ 114,686,110**

20. Trust Units

The REIT is authorized to issue an unlimited number of Trust Units. Each trust unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit ("Redemption Price") as determined by a market formula. The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The REIT's trustees have sole discretion in declaring distributions.

Audited (Canadian dollars)

20. Trust Units (continued)

The following table shows the changes in Trust Units:

	Trust Units	Amount
Balance - December 31, 2010	**14,858,347**	**$ 20,002,565**
Unit issue costs - cash	-	(86,150)
Balance - December 31, 2011	**14,858,347**	**$ 19,916,415**
Units issued pursuant to rights offering (i)	3,880,212	4,462,244
Unit issue costs - cash (i)	-	(268,540)
Conversion of Class B LP units (ii)	662,500	1,238,875
Conversion of Deferred Unit Plan units (iii)	818,036	1,529,727
Units issued as consideration for acquisition of the Initial International Assets (iv)	9,878,165	18,472,169
Units issued pursuant to equity offering (v)	12,500,000	25,000,000
Unit issue costs - cash (v)	-	(2,295,181)
Balance - December 31, 2012	**42,597,260**	**$ 68,055,709**

(i) On April 24, 2012, the REIT completed its' offering of rights (the "Rights Offering") to acquire up to 3,880,212 units of the REIT to unitholders of record on March 30, 2012 at a price of $1.15 per unit. Pursuant to the Rights Offering, the REIT issued a total of 3,880,212 units of the REIT for gross proceeds of $4,462,244.

(ii) On May 31, 2012, the REIT converted 662,500 Class B LP exchangeable units into Trust Units at a fair value of $1,238,875, in conjunction with the NWVP Offer described in note 4.

(iii) On May 31, 2012, the REIT converted 818,036 DUP units into 818,036 Trust Units at a fair value of $1,529,727 in conjunction with the NWVP Offer described in note 4.

(iv) On November 16, 2012 (with an effective date of October 1, 2012), pursuant to the Definitive Agreement, in exchange for the acquisition of the Initial International Assets, the REIT issued 9,878,165 Units at a deemed price of $1.87 per Unit (see note 6).

(v) On December 20, 2012, the REIT completed an equity offering (the "Offering") of 12,500,000 units of the REIT at a price of $2.00 per unit. Pursuant to the Offering, the REIT issued a total of 12,500,000 units of the REIT for gross proceeds of $25,000,000.

Audited (Canadian dollars)

21. Transaction Costs

The REIT incurred transaction costs in relation to the following:

Year Ended December 31,	2012	2011
Strategic transaction costs (a)		
Professional advisory and other costs	$ 4,664,359	$ -
Management and Trustee compensation (i)	1,876,250	-
DUP units issued (note 18(i) and (ii))	914,864	-
	7,455,473	-
Abandoned acquisition transaction costs (b)	71,213	-
	$ 7,526,686	$ -

(a) The REIT incurred professional advisory fees and other costs in connection with the REIT's consideration of strategic alternatives, the evaluation and negotiation of those strategic transactions with NWVP (described in note 4), as well as the repositioning of the REIT to focus on international healthcare real estate and evaluation of the acquisition of the Initial International Assets from NWVP (as described in note 6)

(i) As a consequence of the acquisition of control arising from the completion of the NWVP Offer, senior management of the REIT received severance payments. The REIT also established a Special Committee of the Board to respond to the NWVP Offer. The members of the Special Committee received additional compensation for their participation.

(b) The REIT expensed professional fees and other costs in connection with the REIT's evaluation of potential acquisitions of investment properties which have been abandoned.

22. Other Fair Value Gains (Losses)

Year Ended December 31,	2012	2011
Incentive unit options (note 18 (i))	$ 108,099	$ 87,376
Warrant liability (note 18 (ii))	129,521	4,259,294
DUP liability (note 18 (iii))	(179,346)	(57)
	$ 58,274	$ 4,346,613

23. Changes in Non-cash Working Capital Balances

Year Ended December 31,	2012	2011
Accounts receivable	**$ (280,818)**	$ 4,437
Other assets	**(617,641)**	(127,656)
Accounts payable and accrued liabilities	**81,984**	2,183,455
	$ (816,475)	$ 2,060,236

Audited (Canadian dollars)

24. Income Taxes

Current income taxes

The REIT qualifies as a mutual fund trust and a real estate 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 income tax payable is required, except for amounts incurred in its incorporated subsidiaries.

Deferred taxes

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

Year Ended December 31,	**2012**	2011
Income (loss) before income taxes	**$ (32,302,679)**	$ 9,339,759
Tax calculated at tax rates applicable to profits in Canada of 48% (2011 - 48%)	(16,750,001)	4,483,084
Increase (decrease) resulting from		
Non-deductible finance costs	6,014,196	(155,425)
Non-deductible fair value losses (gains)	11,840,749	(4,029,212)
Non-deductible transaction costs	805,833	-
Non-deductible unit-based compensation	231,839	137,981
Income of trust taxed directly to unitholders	(1,769,991)	(389,875)
Effect of different tax rates in countries in which the group operates	(120,330)	-
Other	(71,507)	(46,553)
Income taxes	**$ 180,788**	$ -
Current income tax	61,414	-
Deferred income tax	119,374	-
	$ 180,788	$ -

Deferred income tax liabilities consist of the following:

	2012	**2011**
Deferred tax liability related to difference in tax and book basis of investment properties	120,920	-
Total deferred income tax liabilities	**$ 120,920**	$ -

25. Related Party Transactions

(a) Continuing Operations

(i) As a consequence of the acquisition of control of the REIT described in note 4, on December 31, 2012, NWVP indirectly owns 85% of the outstanding Trust Units (approximately 66% on a fully-diluted basis). Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer of the REIT, is the sole shareholder of NWVP. Furthermore, NWVP indirectly owns an approximate 26% interest in NWHP REIT and Mr. Dalla Lana is also Chairman of the Board of Trustees of NWHP REIT.

(ii) Pursuant to the Support Agreement described in note 4, NWVP funded certain of the strategic transaction costs in the amount of $693,128. As consideration, the REIT issued a promissory note for the amount to NWVP. Subsequently, NWVP received a promissory note in the amount of $93,999 in lieu of its share of the cash distribution to unitholders for the month of May 2012. The promissory notes are unsecured, bear interest at a rate of 6% per annum and are redeemable on demand. As of December 31, 2012, promissory notes had been fully repaid. Interest expense on the Promissory Notes for the year ended December 31, 2012 totaled $10,832 (2011 - $Nil) and was included in mortgage and loan interest.

(iii) On November 16, 2012 with an effective date of October 1, the REIT acquired the Initial International Assets from NWVP and affiliates (note 6). In conjunction with the acquisition of the Initial International Assets, the REIT entered into a Put/Call Agreement with NWVP as described in note 17.

(iv) On November 16, 2012, in conjunction with the acquisition of the Initial International Assets, the REIT and its affiliates entered into a series of agreements with affiliates of NWVP, whereby such affiliates have agreed to act as Property Manager, Asset Manager and Development Manager for the REIT.

The Asset Manager is entitled to receive a base annual management fee calculated and payable on a monthly basis, equal to 0.50% of the sum of (a) the historical purchase price of the REIT's assets, and (b) the cost of any capital expenditures incurred by the REIT or its affiliates in respect of the assets subject to the Asset Management Agreement. The foregoing amounts are payable, at the option of the Asset Manager, in either cash, Deferred Units (which would vest immediately), Units or securities of the REIT or its subsidiaries that may be convertible into Units.

Pursuant to the Asset Management Agreement, the REIT must reimburse the Asset Manager for all reasonable and necessary actual out-of-pocket costs and expenses paid by the Asset Manager in connection with the performance of the services under the Asset Management Agreement, including, but without limitation, the costs and expenses incurred by the Asset Manager for travel, lodging and reasonable and necessary costs for experts and consultants reasonably required by the Asset Manager and approved by the REIT.

The REIT also entered into an agreement whereby an affiliate of NWVP has agreed to pay the REIT, in consideration for certain management services rendered, a fee equal to the difference between all management fees paid by Vital Trust to NWVP (or any of its wholly-owned subsidiaries) and the amount that Vital Trust would have paid should it have been wholly-owned and subject the REIT's Asset Management Agreement described above (the "Management Fee Participation Agreement"). NWVP's management arrangements with Vital Trust currently provide for a base management fee of 0.75% (as opposed to the 0.50% payable under the Asset Management Agreement), as well as an opportunity to earn certain transaction fees and an incentive fee.

Audited (Canadian dollars)

25. Related Party Transactions (continued)

(a) Continuing Operations (continued)

The following table summarizes the related party transactions with NWVP and its subsidiaries related to the Asset Management Agreement, Property Management Agreement, Development Agreement and Management Fee Participation Agreement during the year:

Year Ended December 31,	2012	2011
Base annual management fees	$ 300,139	$ -
Property management fees	29,027	-
Management fee participation	(452,718)	-
Reimbursement of out-of-pocket costs - completed transactions (1)	3,189,259	-
Reimbursement of out-of-pocket costs - in-progress transactions (2)	618,820	-
	$ 3,684,527	$ -

(1) Of this amount, $2,939,259 has been recorded in transaction costs (note 21) and $250,000 has been capitalized to investment properties related to the acquisition of HMB (note 7(a))

(2) Included in other assets (note 13).

(v) Key Management Compensation

Compensation for the REIT's current key management personnel was as follows:

Year Ended December 31,	2012	2011
Compensation expense	$ 56,250	$ -
Unit-based payments	184,998	-
	$ 241,248	$ -

Key management personnel of the REIT include the Trustees and the Chief Executive Officer and Chief Financial Officer. Compensation expense of $56,250 relating to the Chief Executive Officer and the Chief Financial Officer are provided by a subsidiary of NWVP under the REIT's asset management arrangements.

(vi) Transactions with related parties disclosed above are in the normal course of business and are recorded at the transaction amount, being the price agreed between the parties.

(b) Discontinued Operations

The transactions described below took place between the REIT and individuals and entities that were related parties to the REIT at the time (but no longer are as a result of the NWVP Acquisition).

(i) On December 24, 2010, the REIT completed the acquisition of a portfolio of five medical office buildings from a related party at the time, Thornley Holdings Limited (which was indirectly controlled by a former director and a former officer of the REIT at such time). The REIT has a contractual obligation to pay a post-closing adjustment on December 24, 2012 in respect of the two medical buildings acquired to the extent that the net operating income of the properties implied a value in excess of the purchase price paid. As a result of the disposition of the Existing Portfolio, this is no longer an obligation of the REIT.

Audited (Canadian dollars)

25. Related Party Transactions (continued)

(b) Discontinued Operations (continued)

(ii) On December 24, 2010, a Head Lease in respect of certain properties of the REIT at such time was entered into between a subsidiary of the REIT and Guelph Medical Place 2 Ltd. (whose shareholders included former trustees and former officers of the REIT). As a result of the disposition of the Existing Portfolio, this is no longer an obligation of the REIT. As a result of the Disposition, this is no longer an obligation of the REIT. For the year ended December 31, 2012, the REIT received $680,130 (2011 - $580,380) in respect of head leases from related parties.

(iii) The eight investment properties acquired prior to 2012 were managed by CMD Management Limited ("CMD") (an entity controlled by a former trustee and former officer of the REIT) pursuant to a property management agreement.

During the year ended December 31, 2012, the REIT was charged $248,837 (year ended December 31, 2011 - $169,525) by CMD for property management fees. Such costs are recoverable from tenants as property operating costs.

On October 1, 2012, pursuant to the sale of the Existing Portfolio, the property management agreement with CMD became an obligation of NWHP REIT.

(iv) The four Canadian investment properties acquired by the REIT in 2012 were managed by NWHP REIT or its affiliate from September 1, 2012 up until disposition. During the year ended December 31, 2012, the REIT was charged $7,080 (2011 - $Nil) by NWHP REIT for property management fees.

(v) On November 16, 2012, with an effective date of October 1, 2012, the REIT sold the Existing Portfolio to NWHP REIT as described in note 5. As part of the post-closing adjustment, which is currently being negotiated, the REIT has made an accrual of an amount owing NWHP REIT of $363,157 for estimated post-closing working capital related items which is included in accounts payable and accrued liabilities.

(vi) Key Management Compensation

Compensation for the REIT's historic key management personnel was as follows:

Year Ended December 31,	**2012**	2011
Short-term wages, bonuses and benefits	**$ 764,034**	$ 647,363
Severance payments	**1,534,375**	-
Unit-based payments	**1,529,727**	389,710
	$ 3,828,136	$ 1,037,073

26. Segmented Information

The REIT operated in one industry segment being the real estate industry segment; however the REIT monitors and operates its German, Brazilian, and Australasian operations separately. The CEO assesses the performance of each of the operating segments based on a measure of operating income. The accounting policies for each of the segments are the same as those for the REIT. The REIT's trust and general and administrative expenses are managed centrally in Canada and are not allocable to operating segments.

The REIT has only computed segmented information for its income from continuing operations as prior to the acquisition of the Initial International Assets the REIT only had one operating segment.

Audited (Canadian dollars)

26. Segmented Information (continued)

During the year ended December 31, 2012, one tenant in the Brazil operating segment accounted for 40% of the revenue from investment properties.

	Germany	Brazil	Australia/ New Zealand	Canada	**Total**
Investment properties	**$ 40,512,634**	**$164,989,843**	**$ -**	**$ -**	**$205,502,477**
Mortgage and loans payable	**$ 26,839,547**	**$ 60,264,322**	**$ 29,393,937**	**$ -**	**$116,497,806**

Operating Income (Loss) from Continuing Operations

	Germany	Brazil	Australia/ New Zealand	Canada	**Total**
Net Operating Income					
Revenue from investment properties	$ 869,146	$ 572,406	$ -	$ -	**$ 1,441,552**
Property operating costs	302,885	20,893	-	-	**323,778**
	566,261	551,513	-	-	**1,117,774**
Other Income					
Interest	-	-	-	278,092	**278,092**
Management fee participation	-	-	452,718	-	**452,718**
Share of profit of associate	-	-	1,168,584	-	**1,168,584**
	-	-	1,621,302	278,092	**1,899,394**
Expenses					
Mortgage and loan interest expense	224,083	(18,802)	521,959	10,832	**738,072**
General and administrative expenses	57,197	42,640	-	1,595,046	**1,694,883**
Transaction costs	-	-	-	7,526,686	**7,526,686**
Foreign exchange loss	-	-	-	327,804	**327,804**
	281,280	23,838	521,959	9,460,368	**10,287,445**
Operating income (loss) from continuing operations	**$ 284,981**	**$ 527,675**	**$ 1,099,343**	**$ (9,182,276)**	**$ (7,270,277)**

27. Contingent Liabilities

(a) Under the terms of the by-laws of the REIT, 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.

(b) 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.

Audited (Canadian dollars)

28. Capital Management

The REIT considers its capital to be its unitholders' equity, Class B LP 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.

At December 31, 2012, the REIT is in compliance with its debt-to-gross book value ratio at 33.5% (2011 - 50.9%), which is calculated as follows:

	2012	2011
Debt		
Gross value of secured debt (1)	**$ 117,151,386**	$ 32,398,102
Gross Book Value of Assets		
Total assets	**$ 349,554,285**	$ 63,709,964
Debt-to-Gross Book Value	**33.5 %**	50.9 %

(1) represents actual balance of mortgages, stock lending agreement, term loan and line of credit

29. Risk Factors

The REIT's activities expose it to a variety of financial risks, including interest rate risk, credit 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. The REIT's accounts receivable are all current.

Audited (Canadian dollars)

29. Risk Factors (continued)

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 favourable 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. Debt repayment obligations are generally funded from refinancing the related debt and property acquisitions are generally funded from equity raises as well as obtaining debt financing on the related property.

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.

The following table sets out the REIT's contractual cash flows:

	Carrying amount	Contractual cash flow	2013	2014	2015	2016	2017	Thereafter
Accounts payable and accrued liabilities	$ 3,060,271	$ 3,060,271	$ 3,060,271	$ -	$ -	$ -	$ -	$ -
Distributions payable	567,992	567,992	567,992	-	-	-	-	-
Mortgages and loans payable	116,497,806	127,822,816	34,742,255	66,083,788	1,322,353	1,317,105	21,089,953	3,267,362
Deferred consideration	30,993,246	30,993,246	30,507,346	485,900	-	-	-	-
Total	$ 151,119,315	$ 162,444,325	$ 68,877,864	$ 66,569,688	$ 1,322,353	$ 1,317,105	$ 21,089,953	$ 3,267,362

Interest Rate Risk

The majority 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, 2012, approximately $33,854,000 (December 31, 2011 - $5,830,000) of the REIT's debt associated with investment properties and investment in associate 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 increase the net loss and comprehensive loss by approximately $494,600 annually with all other variables held constant, while a minus 1% change in the interest rate would decrease the net loss and comprehensive loss by approximately $137,900.

29. Risk Factors (continued)

Currency Risk

The REIT has operating subsidiaries in Germany, Brazil and New Zealand and, therefore, 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 statement of comprehensive income (loss) 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 or loss, denominated in Canadian dollars.

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

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

Year Ended December 31,	**2012**	2011
Germany	$ (12,900)	$ -
Brazil	$ (36,600)	$ -
New Zealand	$ (162,100)	$ -

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.

Fair Value Hierarchy

Estimated fair value amounts are designed to approximate amounts at which financial instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act.

The REIT uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments. 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 had no Level 3 financial instruments at December 31, 2012 and there have been no transfers between levels.

Audited (Canadian dollars)

29. Risk Factors (continued)

Fair Value Hierarchy (continued)

The following table illustrates the classification of the REIT's financial instruments within the fair value hierarchy as at December 31, 2012:

	Level 1	Level 2	Level 3	Total
Class B LP unit liability	$114,686,110	$ -	$ -	$114,686,110
Unit based compensation liability	$ 184,998	$ -	$ -	$ 184,998
Derivative financial instrument	$ -	$ 23,083,107	$ -	$ 23,083,107

The following table illustrates the classification of the REIT's financial instruments within the fair value hierarchy as at December 31, 2011:

	Level 1	Level 2	Level 3	Total
Class B LP unit liability	$ 960,625	$ -	$ -	$ 960,625
Unit based compensation liability	$ 395,616	$ 2,474,543	$ -	$ 2,870,159

30. Subsequent Events

(a) On January 14, 2013, the REIT announced that pursuant to the Offering, the underwriters exercised their overallotment option and completed their purchase of 850,900 additional units of the REIT at a price of $2.00 per unit for gross proceeds of $1,701,800.

(b) On January 22, 2013, the REIT declared a distribution of $0.013334 per REIT unit to unitholders of record on January 31, 2013, payable February 15, 2013. On February 21, 2013, the REIT declared a distribution of $0.013334 per REIT unit to unitholders of record on February 28, 2013, payable March 15, 2013. On March 18, 2013 the REIT declared a distribution of $0.013334 per REIT unit to unitholders of record on March 28, 2013, payable April 15, 2013.

(c) On January 23, 2013, the REIT announced it has implemented a distribution reinvestment plan (the "DRIP") that takes effect with the distribution of $0.013334 per REIT unit that is payable on February 15, 2013 to those unitholders of record on January 31, 2013.

Eligible unitholders (which will include holders of Class B limited partnership units of NWI Healthcare Properties LP that are exchangeable into units of the REIT) that elect to participate in the DRIP will have their cash distributions used to purchase units of the REIT and will also receive a "bonus distribution" of units equal in value to 3% of each distribution. Unitholders wishing to participate should contact their investment advisors to enroll in the DRIP.

The REIT may initially issue up to 10,000,000 units of the REIT under the DRIP. The REIT may increase the number of units available to be issued under the DRIP at any time in its discretion subject to (a) the approval of the REIT's board of trustees, (b) the approval of any stock exchange upon which the Trust Units trade, and (c) public disclosure of such increase.

Since the inception of the DRIP to April 30, 2013, the REIT has issued a total of 24,098 Units under the DRIP for a stated value of $47,545.

30. Subsequent Events (continued)

(d) On March 25, 2013, the REIT completed a $20,000,000 aggregate principal amount of 6.5% convertible unsecured subordinated debentures (the “Debentures”). On April 3, 2013, the REIT announced the issuance of an additional $2,600,000 of Debentures under the over-allotment option which was exercised by the underwriters.

(e) On March 28, 2013, the REIT acquired additional units of Vital Trust to bring its respective ownership interest to 19.99%. In connection with the additional units of Vital Trust acquired, the REIT repaid $5,000,000 of existing obligations under the Vital SLA. On April 2, 2013 the REIT announced its intention to seek to acquire up to 15,352,830 additional units of Vital Trust in the open market over the New Zealand Stock Exchange, which if completed in full, the REIT’s exposure of Vital Trust would increase to 24.99%.

(f) On March 31, 2013, the REIT completed the acquisition of a medical office complex in Fulda, Germany for a gross purchase price of approximately $19,680,000, subject to customary closing. The REIT's investment was funded from existing resources and new mortgage financing from Deutsche Genossenschafts-Hypothekenbank for approximately $11,875,500 with a five year term, a fixed interest rate of approximately 2.37% per annum and a 40 year amortization period, with the balance paid in cash.