



**NORTHWEST INTERNATIONAL HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST**

**Condensed Consolidated Interim Financial Statements
Unaudited**

For the Three and Six Months Ended June 30, 2013

NorthWest International Healthcare Properties Real Estate Investment Trust
Condensed Consolidated Interim Statements of Financial Position
Unaudited (Canadian dollars)

As at	June 30, 2013	December 31, 2012
Assets		
Investment properties (note 6)	\$ 223,284,721	\$ 205,502,477
Investment in associates (note 7)	238,466,234	80,706,461
Intangible asset (note 8)	14,832,112	15,612,750
Due from related parties (note 9)	33,459,938	42,522,743
Accounts receivable	1,973,792	466,683
Other assets (note 10)	1,391,245	993,260
Cash	3,718,316	3,749,911
Total assets	\$ 517,126,358	\$ 349,554,285
Liabilities		
Mortgages and loans payable (note 11)	\$ 200,756,633	\$ 116,497,806
Deferred consideration (note 12)	28,750,841	30,993,246
Convertible debentures (note 13)	20,803,300	-
Deferred revenue (note 14)	16,412,039	18,263,895
Deferred tax liability	985,728	120,920
Derivative financial instruments	-	23,083,107
Income tax payable	442,159	-
Accounts payable and accrued liabilities	4,109,356	3,060,271
Distributions payable	606,341	567,992
	272,866,397	192,587,237
Unit-based compensation liability (note 15)	188,698	184,998
Class B LP exchangeable units (note 16)	185,779,373	114,686,110
Total liabilities	458,834,468	307,458,345
Unitholders' Equity		
Unitholders' equity (note 17)	58,291,890	42,095,940
Total liabilities and unitholders' equity	\$ 517,126,358	\$ 349,554,285

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

NorthWest International Healthcare Properties Real Estate Investment Trust
Condensed Consolidated Interim Statements of Income and Comprehensive Income
Unaudited (Canadian dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net Operating Income				
Revenue from investment properties	\$ 5,040,841	\$ -	\$ 9,756,059	\$ -
Property operating costs	495,149	-	867,304	-
	4,545,692	-	8,888,755	-
Other Income				
Interest	849,834	3,530	1,177,967	5,308
Management fee participation (note 20)	410,367	-	810,245	-
Share of profit of associates (note 7)	2,420,961	-	3,777,782	-
	3,681,162	3,530	5,765,994	5,308
Expenses				
Mortgage and loan interest expense	2,128,851	-	3,778,351	-
General and administrative expenses	865,015	296,134	1,196,036	775,364
Transaction costs	389,319	(162,592)	468,182	259,204
Amortization of intangibles (note 8)	390,319	-	780,638	-
Foreign exchange gain	(1,150,983)	-	(72,187)	-
	2,622,521	133,542	6,151,020	1,034,568
Income (loss) before other finance costs and fair value adjustments	5,604,333	(130,012)	8,503,729	(1,029,260)
Finance costs:				
Amortization of financing costs	(68,139)	-	(135,763)	-
Class B LP exchangeable unit distributions	(2,665,873)	(3,801)	(4,883,583)	(13,937)
Fair value adjustment of Class B exchangeable units	(13,304,371)	(271,625)	(5,411,614)	(278,250)
Accretion of financial liabilities (notes 11 and 12)	(1,192,257)	-	(2,842,651)	-
Fair value adjustment of convertible debentures (note 13)	1,796,700	-	1,796,700	-
Convertible debenture issuance costs (note 13)	(1,693,228)	-	(1,693,228)	-
Fair value gain on derivative financial instrument	16,621,050	-	23,083,107	-
Fair value adjustment of investment properties (note 6)	(16,014)	-	(886,774)	-
Other fair value losses (note 18)	(12,025)	(847,669)	(3,700)	(357,373)
Income (loss) before taxes and discontinued operations	5,070,176	(1,253,107)	17,526,223	(1,678,820)
Current income tax expense	408,711	-	822,924	-
Deferred income tax expense	492,992	-	932,992	-
Net income (loss) from continuing operations	4,168,473	(1,253,107)	15,770,307	(1,678,820)
Net income from discontinued operations (note 4)	-	3,543,513	-	5,507,056
Net income	\$ 4,168,473	\$ 2,290,406	15,770,307	3,828,236
Other comprehensive income (loss):				
Items that will be reclassified subsequently to income				
Foreign currency translation adjustment	(2,326,950)	-	(313,013)	-
Share of other comprehensive loss of associate (note 7)	(722,074)	-	(931,517)	-
Other comprehensive income (loss), net of tax	(3,049,024)	-	(1,244,530)	-
Total comprehensive income for the period, net of tax	\$ 1,119,449	\$ 2,290,406	\$ 14,525,777	\$ 3,828,236

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

NorthWest International Healthcare Properties Real Estate Investment Trust
Condensed Consolidated Interim Statements of Unitholders' Equity
Unaudited (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, 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
Distributions	-	-	-	(542,715)	-	-	(542,715)
Net income for the period	-	-	-	-	-	3,828,236	3,828,236
Balance, June 30, 2012	\$ 26,878,721	\$ -	\$ (114,683)	\$ (1,466,905)	\$ -	\$ 11,006,781	\$ 36,303,914
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	-	-	-	(1,764,115)	-	-	(1,764,115)
Foreign currency translation adjustment	-	-	-	-	454,571	-	454,571
Share of other comprehensive loss of associate	-	-	-	-	(108,737)	-	(108,737)
Net loss for the period	-	-	-	-	-	(36,311,703)	(36,311,703)
Balance, December 31, 2012	\$ 68,055,709	\$ 2,345,022	\$ (114,683)	\$ (3,231,020)	\$ 345,834	\$ (25,304,922)	\$ 42,095,940
Units issued pursuant to equity offering	1,397,490	-	-	-	-	-	1,397,490
Units issued through distribution reinvestment plan	106,958	-	-	-	-	-	106,958
Conversion of Class B LP exchangeable units	2,830,000	-	-	-	-	-	2,830,000
Asset management fees paid in units	900,295	-	-	-	-	-	900,295
Distributions	-	-	-	(3,564,570)	-	-	(3,564,570)
Foreign currency translation adjustment	-	-	-	-	(313,013)	-	(313,013)
Share of other comprehensive loss of associate	-	-	-	-	(931,517)	-	(931,517)
Net income for the period	-	-	-	-	-	15,770,307	15,770,307
Balance, June 30, 2013	\$ 73,290,452	\$ 2,345,022	\$ (114,683)	\$ (6,795,590)	\$ (898,696)	\$ (9,534,615)	\$ 58,291,890

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

NorthWest International Healthcare Properties Real Estate Investment Trust
Condensed Consolidated Interim Statements of Cash Flows
Unaudited (Canadian dollars)

	Three Months Ended		Six Months Ended	
	2013	2012	2013	2012
Cash provided by (used in):				
Operating activities				
Net income (loss) before tax from continuing operations for the period	\$ 5,070,176	\$ (1,253,107)	\$ 17,526,223	\$ (1,678,820)
Adjustment for:				
Amortization of intangible asset (note 8)	390,319	-	780,638	-
Mortgage and loan interest	2,128,851	-	3,778,351	-
Finance costs				
Amortization of financing charges	68,139	-	135,763	-
Class B LP exchangeable unit distributions	2,665,873	3,801	4,883,583	13,937
Fair value adjustment of Class B exchangeable units	13,304,371	271,625	5,411,614	278,250
Accretion of financial liabilities (notes 11 and 12)	1,192,257	-	2,842,651	-
Fair value adjustment of convertible debentures (note 13)	(1,796,700)	-	(1,796,700)	-
Share of profit of associate (note 7)	(2,420,961)	-	(3,777,782)	-
Unrealized foreign exchange gain	(1,177,785)	-	(94,774)	-
Amortization of deferred revenue	(120,713)	-	(1,603,161)	-
Fair value adjustment of investment properties (note 6)	16,014	-	886,774	-
Fair value gain on derivative financial instrument	(16,621,050)	-	(23,083,107)	-
Other fair value losses	12,025	847,669	3,700	357,373
Changes in non-cash working capital balances (note 19(i))	(2,108,814)	(4,610,676)	(2,251,144)	(3,908,679)
Cash provided by (used in) operating activities from continuing operations	602,002	(4,740,688)	3,642,629	(4,937,939)
Class B distributions paid	(2,177,352)	(3,801)	(4,415,242)	(13,937)
Income taxes paid	(425,554)	-	(421,222)	-
Mortgage and loan interest paid	(1,464,872)	-	(2,740,514)	-
Net cash used in operating activities from continuing operations	(3,465,776)	(4,744,489)	(3,934,349)	(4,951,876)
Investing activities				
Acquisitions of investment properties (note 5)	(40,422)	-	(19,736,833)	-
Additions to investment properties	(14,256)	-	(36,082)	-
Additions to investment in associate	(121,231)	-	(1,286,689)	-
Distribution income from associates	1,757,302	-	1,757,302	-
Cash provided by (used in) investing activities from continuing operations	1,581,393	-	(19,302,302)	-
Financing activities				
Mortgages proceeds	24,600	-	12,011,400	-
Proceeds from units issued, net of issue costs	890,888	4,193,704	2,297,785	4,193,704
Issuance of convertible debentures	4,109,490	-	22,600,000	-
Repayment of mortgages	191,475	-	(3,535,973)	-
Payment of deferred consideration	(1,764,184)	-	(2,836,293)	-
Credit facility advances	(1,130)	-	28,827	-
Financing fees paid	(38,456)	-	(151,885)	-
Advances to related parties	(2,626,307)	-	(3,809,963)	-
Distributions paid	(1,714,325)	(283,444)	(3,419,262)	(510,778)
Cash provided by (used in) financing activities from continuing operations	(927,949)	3,910,260	23,184,636	3,682,926
Net change in cash from continuing operations	(2,812,332)	(834,229)	(52,015)	(1,268,950)
Effect of foreign currency translation	(66,010)	-	20,420	-
Net change in cash from discontinued operations (note 4)	-	(118,160)	-	(92,598)
Net change in cash	(2,878,342)	(952,389)	(31,595)	(1,361,548)
Cash, beginning of period	6,596,658	1,290,908	3,749,911	1,700,067
Cash, end of period	\$ 3,718,316	\$ 338,519	\$ 3,718,316	\$ 338,519

Supplemental disclosure relating to non-cash financing and investing activities (note 19(ii))

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

NorthWest International Healthcare Properties Real Estate Investment Trust

Notes to Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2013

Unaudited (Canadian dollars)

1. Organization of the Real Estate Investment Trust

NorthWest International Healthcare Properties Real Estate Investment Trust (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.

NorthWest Value Partners Inc. ("NWVP") acquired a controlling interest of the REIT in mid-2012. In a series of transactions, the REIT disposed of its entire portfolio of Canadian medical office buildings to NorthWest Healthcare Properties REIT ("NWHP REIT"), a related party, effective October 1, 2012. In a separate series of transactions, effective October 1, 2012, the REIT acquired a portfolio of international assets from NWVP (the "Initial International Assets"). 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 Developer for the REIT in respect of the REIT's investments. On October 30, 2012, the REIT changed its name from "GT Canada Medical Properties Real Estate Investment Trust", reflecting its new strategic direction.

The REIT's condensed consolidated interim financial statements for the three and six months ended June 30, 2013, were authorized for issue by the Board of Trustees on August 29, 2013.

2. Statement of Compliance

The REIT's unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under IAS 34, Interim Financial Reporting.

These unaudited condensed consolidated interim financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore, should be read in conjunction with the audited consolidated financial statements and notes for the REIT as at and for the year ended December 31, 2012, which are available on SEDAR at www.sedar.com.

3. Summary of Significant Accounting Policies

All significant accounting policies have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements, except as noted below. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as at June 30, 2013.

(a) Convertible Debentures

The convertible debentures are convertible into Trust Units of the REIT. As the REIT's Trust Units are redeemable at the option of the holder and are, therefore, considered puttable instruments in accordance with IAS 32, *Financial Instruments: Presentation*, the convertible debentures are considered a liability containing liability-classified embedded derivatives. The REIT has elected to record the full outstanding amount of each convertible debenture at its fair value with the changes being recognized in net income and other comprehensive income.

(b) Accounting Judgments and Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from estimates and such differences could be material. The significant estimates and judgments made by management are the same as those discussed in the audited annual consolidated financial statements for the year ended December 31, 2012.

NorthWest International Healthcare Properties Real Estate Investment Trust

Notes to Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2013

Unaudited (Canadian dollars)

3. Summary of Significant Accounting Policies (continued)

(c) Changes to Accounting Standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning January 1, 2013 or later. The standards are described in the REIT's annual consolidated financial statements for the year ended December 31, 2012 and there have not been any additional standards applicable to the REIT issued since December 31, 2012.

(d) Change in Accounting Policies

(i) IFRS 7 Offsetting Financial Assets and Liabilities

In December 2011, the IASB made amendments to IFRS 7 Financial Instruments: Disclosures. 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. On January 1, 2013, the REIT adopted this pronouncement and there was no material impact on the Company's unaudited condensed consolidated interim financial statements.

(ii) 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. 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. For purposes of this assessment, the REIT determines it controls an entity when:

- It is exposed, or has rights, to variable returns from its involvement with that entity; and
- It has the ability to affect those returns through its power over that entity

On January 1, 2013, the REIT adopted these pronouncements retrospectively and there was no material impact on the REIT's unaudited condensed consolidated interim financial statements.

(iii) IFRS 13 Fair Value Measurement

On May 12, 2011, the IASB issued IFRS 13 Fair Value Measurement (IFRS 13). 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. On January 1, 2013, the REIT adopted this pronouncement on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the REIT to determine fair value and did not result in any measurement adjustments as at January 1, 2013.

(iv) 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. On January 1, 2013, the REIT adopted this pronouncement and there was no material impact on the REIT's unaudited condensed consolidated interim financial statements.

NorthWest International Healthcare Properties Real Estate Investment Trust
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2013
Unaudited (Canadian dollars)

4. Discontinued Operations

The REIT sold all of its Canadian medical office buildings ("the Existing Portfolio") effective October 1, 2012 as part of the repositioning of the REIT to focus on international assets, as described in note 1. As a result, the REIT has classified the income, expenses and cash flows associated with the Canadian medical office buildings as discontinued operations.

	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Net Operating Income		
Revenue from investment properties	\$ 2,381,889	\$ 4,612,647
Property operating costs	928,820	1,867,605
	1,453,069	2,745,042
Expenses		
Mortgage and loan interest expense	563,098	1,071,179
Income before other finance costs and fair value adjustments	889,971	1,673,863
Amortization of deferred financing costs	(19,856)	(43,106)
Fair value gain on investment properties	2,673,398	3,876,299
Net income from discontinued operations	\$ 3,543,513	\$ 5,507,056

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

	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Net cash provided by operating activities	\$ 2,021,833	\$ 2,809,054
Net cash used in investing activities	(2,806,601)	(6,062,430)
Net cash provided by financing activities	666,608	3,160,778
Net change in cash from discontinued operations	\$ (118,160)	\$ (92,598)

5. Property Acquisitions

On March 31, 2013, the REIT completed the acquisition of a medical office complex in Fulda, Germany (the "Fulda Property") for a gross purchase price of \$19,513,141 including transaction costs of \$842,216. The REIT's investment was funded from cash and new mortgage financing from a German lending institution for \$11,804,379 (net of transaction costs of \$71,121) with a five year term, a fixed interest rate of 2.37% per annum and a 40 year amortization period. The acquisition has been accounted for as an asset acquisition.

NorthWest International Healthcare Properties Real Estate Investment Trust
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2013
Unaudited (Canadian dollars)

6. Investment Properties

As at	June 30, 2013	December 31, 2012
Balance, beginning of period	\$ 205,502,477	\$ 61,332,333
Continuing operations		
Acquisitions of Initial International Assets	-	84,412,292
Acquisition of investment property (note 5)	19,513,141	128,212,296
Additions to investment properties	36,082	-
Fair value loss	(886,774)	(8,535,836)
Foreign currency translation	(880,205)	1,413,725
	17,782,244	205,502,477
Discontinued operations		
Acquisitions of investment properties	-	18,764,618
Additions to investment properties	-	71,240
Fair value gain	-	3,842,768
Amortization of leasing costs and tenant inducements	-	(15,959)
Disposal of investment properties	-	(83,995,000)
	-	(61,332,333)
Balance, end of period	\$ 223,284,721	\$ 205,502,477

The Fulda Property (note 5) was acquired on March 31, 2013 for \$19,513,141, which included an allocation of transaction costs. As at June 30, 2013, the value of investment properties decreased by \$880,205 attributable to the strengthening of the Euro and offset by the weakening of the Brazilian Real relative to the Canadian dollar and decreased by \$886,774 primarily attributable to the transaction costs capitalized on acquisition of the Fulda Property.

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

Capitalization Rate	June 30, 2013	December 31, 2012
Minimum	5.49%	5.49%
Maximum	10.50%	10.50%
Weighted average	9.30%	9.55%

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 \$6,050,443 and a 0.25% decrease would increase fair value by \$5,733,748.

NorthWest International Healthcare Properties Real Estate Investment Trust
Notes to Condensed Consolidated Interim Financial Statements
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Unaudited (Canadian dollars)

7. Investment in Associates

	Vital Trust (i)	NWHPP REIT (ii)	Total
As at December 31, 2011	\$ Nil	\$ Nil	\$ Nil
Acquisition of equity investment	79,638,912	-	79,638,912
Share of profit for the period	1,168,584	-	1,168,584
Share of other comprehensive loss for the period	(108,737)	-	(108,737)
Foreign exchange	7,702	-	7,702
As at December 31, 2012	\$ 80,706,461	\$ -	\$ 80,706,461
Acquisition of equity investment	-	155,429,531	155,429,531
Additional units purchased (i)	1,267,496	-	1,267,496
Cash distributions received	(964,167)	(793,135)	(1,757,302)
Share of profit for the period	3,377,457	400,325	3,777,782
Share of other comprehensive loss for the period	(931,517)	-	(931,517)
Foreign exchange	(26,217)	-	(26,217)
As at June 30, 2013	\$ 83,429,513	\$ 155,036,721	\$ 238,466,234

(i) Investment in Vital Healthcare Property Trust

On November 16, 2012 (with an effective date of October 1, 2012), the REIT acquired an investment in Vital Healthcare Property Trust ("Vital Trust") which is subject to a securities lending arrangement. 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.

During the six months ended June 30, 2013, the REIT acquired an additional 1,972,826 units of Vital Trust to bring its respective cumulative exposure to Vital Trust to 20.02%.

As at June 30, 2013, the REIT had exposure to 61,478,485 units of Vital Trust. The closing price on the New Zealand Stock Exchange ("NZX") of Vital Trust's units as at June 30, 2013 was \$1.12 (NZD \$1.38).

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

As at	June 30, 2013 (audited)	December 31, 2012 (unaudited)
Assets	\$ 513,022,543	\$ 515,968,581
Liabilities	\$ 261,192,469	\$ 268,987,487
% interest held	20.02%	19.66%

	Three Months Ended June 30, 2013 (unaudited)	Six Months Ended June 30, 2013 (unaudited)
Revenues	\$ 14,215,873	\$ 28,693,141
Profit	\$ 10,091,203	\$ 16,949,687
Other comprehensive income (loss)	\$ (3,607,744)	\$ (4,666,440)

NorthWest International Healthcare Properties Real Estate Investment Trust
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2013
Unaudited (Canadian dollars)

7. **Investment in Associates (continued)**

(ii) Investment in NorthWest Healthcare Properties REIT

Pursuant to the exercise of a put right held by NWVP under the Put/Call Agreement, the REIT indirectly acquired an approximate 26% interest in NorthWest Healthcare Properties REIT ("NWHP REIT") from NWVP and affiliates. The interest acquired by the REIT consists of 4,345,900 units of NWHP REIT and 7,551,546 class B limited partnership units of NHP Holdings Limited Partnership ("NHP LP"), which are exchangeable for trust units of NWHP REIT. The investment in NWHP REIT is accounted for using the equity method as it was established that the REIT has significant influence with respect to this investment.

Pursuant to the terms of the Put/Call Agreement, the Trust acquired the NWHP REIT securities at a price of \$13.22 per unit, for total gross consideration of \$157,284,236 less \$73,772,588 of third party debt (note 11) that was indirectly assumed by the REIT. The purchase price does include estimated acquisition costs of \$19,193.

The acquisition of the investment in NWHP REIT is summarized as follows:

	Net assets acquired
Investment in associate	\$ 155,410,338
Due from related party - Interest Rate Subsidy (note 9 (iii))	1,873,898
	157,284,236
Loan payable	(73,772,588)
Net assets acquired	83,511,648
Class B units issued as consideration	68,511,648
Settlement of promissory note receivable	15,000,000
Total consideration	\$ 83,511,648

The REIT's indirect acquisition of the NWHP REIT securities and debt assumed were effected by a subsidiary of the REIT acquiring holding entities from NWVP. One of the entities acquired by the REIT was NorthWest Operating Trust ("NWOT") which is party to contractual arrangements with NWHP REIT that grant NWOT certain governance rights with respect to NWHP REIT, including board appointment rights, certain pre-emptive rights and registration rights.

As per the Put/Call Implementation Agreement, the purchase price payable by the REIT for the investment in NWHP REIT shall be adjusted upwards to the extent that there was positive working capital, or downwards to the extent that there was negative working capital, in any of the entities acquired, directly or indirectly, by the REIT.

As at June 30, 2013, the REIT had exposure to 11,897,446 units of NWHP REIT. The closing price on the Toronto Stock Exchange of NWHP REIT's units as at June 30, 2013 was \$11.47.

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7. Investment in Associates (continued)

(ii) Investment in NorthWest Healthcare Properties REIT (continued)

A summary of NWHP REIT's aggregate assets and liabilities and net income for the period was as follows:

	June 30, 2013 (unaudited)
As at	
Assets	\$ 1,302,951,000
Liabilities	\$ 792,326,000
% interest held	25.75%
	For the period from June 21 to June 30, 2013 ⁽¹⁾ (unaudited)
Revenues	\$ 4,052,967
Profit	\$ 1,554,945
Other comprehensive income (loss)	\$ -

(1) NWHP REIT's results have been prorated for the 10 day period from June 21 to June 30, 2013 to represent the income attributable to the period from acquisition by the REIT.

8. Intangible Asset

In conjunction with the acquisition of the Initial International Assets, the REIT indirectly acquired rights under a Management Fee Participation Agreement (note 20 (a)(iii)). At the time of acquisition, the value ascribed to the agreement was \$15,612,750. The intangible asset is being amortized on a straight line basis over its determined useful life of 10 years.

	Six Months Ended June 30, 2013	Year Ended December 31, 2012
Balance, beginning of period	\$ 15,612,750	\$ Nil
Acquisition	-	15,612,750
Amortization	(780,638)	-
Balance, end of period	\$ 14,832,112	\$ 15,612,750

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9. Due from Related Parties

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

As at	June 30, 2013	December 31, 2012
Working capital and closing adjustment receivable - Initial International Assets (i)	\$ 27,216,652	\$ 27,300,011
Promissory note receivable (ii)	-	15,000,000
Interest rate subsidy (iii)	1,873,898	-
Instalment note receivable (iv)	1,337,393	1,296,755
Other (v)	3,031,995	(1,074,023)
	\$ 33,459,938	\$ 42,522,743

(i) Working capital and closing adjustment receivable - Initial International Assets

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 indirectly assumed on acquisition of the Initial International Assets as compared to the values assigned at the time the agreement entered into in connection with the acquisition was signed. The working capital and closing adjustment receivable is unsecured and shall be paid on or before December 31, 2013. The working capital and closing adjustment receivable earns an economic return of 8% per annum.

(ii) Promissory note receivable

The promissory note receivable arose from the sale of the Existing Portfolio (note 4) and was due from an affiliate of NWVP. In connection with the completion of the acquisition of the investment in NWHP REIT (note 7(ii)), NWVP settled the promissory note in full on June 21, 2013. The promissory note was unsecured, repayable on demand at any time and bore interest at a rate of 8% per annum, payable quarterly in arrears.

Interest earned on the promissory note for the three and six months ended June 30, 2013 from an affiliate of NWVP was \$295,890 and \$562,192, respectively.

(iii) Interest rate subsidy

As part of the acquisition of the investment in NWHP REIT (note 7(ii)), NWVP has committed, by means of a capital contribution, that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014. At the date of acquisition the present value of the interest rate subsidy was \$1,873,898 and has been recorded as a receivable from NWVP, and subsequent cash payments by NWVP will be recorded as a reduction of the receivable balance.

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9. Due from Related Parties (continued)

(iv) Instalment note receivable

In connection with the REIT's acquisition of the Initial International Assets, the REIT entered into an arrangement with an affiliate of NWVP to partially compensate the REIT for assuming obligations associated with the Sabará Children's Hospital in Brazil (the "Instalment Note"). Pursuant to the Instalment Note, the REIT will earn from an affiliate of NWVP, two instalment note receipts – on April 2, 2013 and April 2, 2014 as detailed below. The Instalment Note receipts shall be received by the REIT no later than April 2, 2014. The Instalment Note is non-interest bearing. The receipt of the principal portion of the installment receipts will be recorded as a reduction of the Instalment Notes and is, therefore, not recorded as revenue. The Instalment Note is recorded at the present value of the future cash flows.

The below table summarizes the scheduled instalment receipts and the present value discount applied at June 30, 2013:

April 2, 2013	\$	526,835
April 2, 2014		858,720
Present value adjustment		(48,162)
Balance, June 30, 2013	\$	1,337,393

(v) Other

In the normal course of operations, through various agreements with its external managers and through the post-closing adjustment related to the investment in NWHP REIT (note 7(ii)), the REIT has amounts owing to and from NWVP and affiliates. These amounts are due within 12 months and are non-interest bearing.

10. Other Assets

As at	June 30, 2013	December 31, 2012
Commodity taxes recoverable	\$ 207,702	\$ 149,839
Acquisition costs	1,112,952	822,557
Prepaid expenses and deposits	70,591	20,864
	\$ 1,391,245	\$ 993,260

Acquisition costs and deposits on investment properties under contract relate to potential acquisitions undergoing due diligence.

11. Mortgages and Loans Payable

As at	June 30, 2013	December 31, 2012
Mortgages payable (net of financing costs of \$276,789)	\$ 39,715,470	\$ 26,831,512
Securities lending agreement	26,228,639	29,393,937
Margin facilities	73,772,588	-
Term loan (net of financing costs of \$396,675)	61,003,074	60,264,322
Line of credit	36,862	8,035
Total	200,756,633	116,497,806
Less: Current portion	128,233,525	30,163,316
Non-current debt	\$ 72,523,108	\$ 86,334,490

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11. Mortgages and Loans Payable (continued)

Mortgages payable

During the six months ended June 30, 2013 the following mortgages and credit facilities were obtained:

On the acquisition of the Fulda Property (note 5), the REIT obtained new mortgage financing for \$11,804,379 (net of transaction costs of \$71,121) with a five year term, a fixed interest rate of 2.37% per annum and a 40 year amortization period.

Margin facilities

The debt assumed on acquisition of the interest in NWHP REIT (note 7(ii)) consists of various revolving margin facilities with two separate financial institutions. The margin facilities allow the REIT to borrow funds against the market value of the units of NWHP REIT. The REIT has pledged all of the units it acquired of NWHP REIT as security for the margin facilities.

Interest on the margin facilities is calculated daily and ranges from 4.25% to 10.75% per annum. As part of the acquisition, NWVP has committed, by means of a capital contribution, that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014, which has been recorded as a receivable from NWVP at the date of acquisition of the investment in NWHP REIT (note 9(iii)).

The margin facilities mature between October 18, 2013 and March 31, 2014.

Term loan

On maturity, the principal balance of the term loan will be adjusted by IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy). For the three and six months ended June 30, 2013, accretion expense of \$741,632 and \$1,969,617 respectively was recorded to account for the related IPCA adjustment for the period.

A summary of the maturity and effective interest rates relating to the components of mortgages and loans payable outstanding at June 30, 2013 are as follows:

	Maturity	Effective Interest Rate	Principal Amount
Fixed rate			
Mortgage debt (net of financing costs of \$241,612)	November 30, 2017	2.43 %	\$ 35,170,552
Term loan (net of financing costs of \$479,100)	December 27, 2014	6.60 %	61,003,074
Line of credit	September 30, 2014	6.00 %	36,862
Total fixed rate debt			\$ 96,210,488
Variable rate			
Mortgage debt	June 30, 2017 - March 31, 2018	3.50 %	4,544,918
Securities lending agreement	November 15, 2013	5.15 %	26,228,639
Margin facilities	October 18, 2013 - March 31, 2014	7.93 % ⁽¹⁾	73,772,588
Total variable rate debt			\$ 104,546,145
Total debt			\$ 200,756,633

⁽¹⁾ The effective cash interest paid on the margin facilities is 4.25% to December 31, 2013 and 6.00% to March 31, 2014 as a result of the interest rate subsidy from NWVP (note 9(iii)).

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11. Mortgages and Loans Payable (continued)

As at June 30, 2013, the scheduled principal repayments and debt maturities are as follows:

2013	\$ 26,784,433
2014	136,326,505
2015	1,125,063
2016	1,133,097
2017 and thereafter	36,060,998
	201,430,096
Financing costs	(673,463)
	\$ 200,756,633

12. Deferred Consideration

The following table summarizes the deferred consideration payable in connection with the acquisition of Hospital e Maternidade Brasil on December 27, 2012:

As at	June 30, 2013	December 31, 2012
Holdback payable	\$ 24,640,969	\$ 24,295,000
Transaction costs payable	4,109,872	6,698,246
	\$ 28,750,841	\$ 30,993,246

On maturity, the holdback payable will be adjusted by CDI (Brazil's equivalent of a prime rate). For the three and six months ended June 30, 2013, accretion expense of \$450,625 and \$873,034 was recorded to account for the related CDI adjustment for the period.

13. Convertible Debentures

Between March 25, 2013 and April 3, 2013, the REIT issued \$22,600,000 principal amount of unsecured convertible subordinated debentures (the "Debentures"). The Debentures bear interest at 6.50% per annum, payable semi-annually on September 30 and March 31 each year, and mature on March 31, 2018. Each Debenture is convertible at any time by the debenture holder into 350.877 Trust Units per one thousand dollars of face value, representing a conversion price of \$2.85 per Trust Unit. On and after March 31, 2016, and prior to March 31, 2017, the Debentures may be redeemed by the REIT, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price for the REIT's Trust Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On and after March 31, 2017 and prior to the maturity date of March 31, 2018, the Debentures may be redeemed by the REIT at a price equal to the principal amount plus accrued and unpaid interest. As at June 30, 2013, the fair value of the convertible debentures is \$20,803,300, which is based on the closing trade price of the debentures on June 30, 2013.

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14. Deferred Revenue

As at	June 30, 2013	December 31, 2012
Securitized rental income (i)	\$ 16,412,039	\$ 17,226,215
Rental income received in advance	-	1,037,680
	\$ 16,412,039	\$ 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.

15. Unit-based Compensation Liabilities

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

As at	June 30, 2013	December 31, 2012
Deferred unit plan liability (i)	188,698	184,998
	\$ 188,698	\$ 184,998

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

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

For the six months ended June 30, 2013, the REIT granted or issued nil DUP units with a fair value of \$nil (for the six months ended June 30, 2012 - 619,749 DUP units with a cost of \$1,062,864).

As at June 30, 2013, there were 92,449 DUP units (December 31, 2012 - 92,449 DUP units) of the REIT issued and outstanding with a fair value of \$188,698 (December 31, 2012 - \$184,998). The fair value of the DUP Liability is determined with reference to the market price of the REIT's Trust Units at the reporting date.

The following table shows the continuity of the DUP units:

Balance, December 31, 2011	198,287
Granted	303,230
Issued as a result of the change of control	409,018
Converted to REIT Units	(818,036)
Balance, December 31, 2012	92,499
Balance, June 30, 2013	92,499

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16. Class B LP Exchangeable Units

As at June 30, 2013, there were 91,068,320 Class B LP exchangeable units of NWI Healthcare Properties LP ("NWI LP") issued and outstanding with a fair value of \$185,779,373 (December 31, 2012 – 55,944,444 units with a fair value of \$114,686,110). These Class B LP exchangeable units are economically equivalent to Trust Units and are entitled to receive distributions equal to those provided to holders of Trust 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.

Distributions declared on the Class B LP exchangeable units of NWI LP totaled \$2,665,873 and \$4,883,583 for the three and six months ended June 30, 2013 (three and six months ended June 30, 2012 - \$3,801 and \$13,937) 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, 2011	662,500	\$ 960,625
Converted to Trust Units	(662,500)	(1,238,875)
Units issued as consideration for acquisition of the Initial International Assets	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
Converted to Trust Units	(1,513,369)	(2,830,000)
Units issued as consideration for acquisition of investment in NWHP REIT (note 7(ii))	36,637,245	68,511,649
Fair value adjustment of Class B LP exchangeable units	-	5,411,614
Balance, June 30, 2013	91,068,320	\$ 185,779,373

17. 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.

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17. Trust Units (continued)

The following table shows the changes in Trust Units:

	Trust Units	Amount
Balance - December 31, 2011	14,858,347	\$ 19,916,415
Units issued pursuant to rights offering	3,880,212	4,462,244
Unit issue costs - cash	-	(268,540)
Conversion of Class B LP units	662,500	1,238,875
Conversion of Deferred Unit Plan units	818,036	1,529,727
Units issued as consideration for acquisition of the Initial International Assets	9,878,165	18,472,169
Units issued pursuant to equity offering	12,500,000	25,000,000
Unit issue costs - cash	-	(2,295,181)
Balance - December 31, 2012	42,597,260	\$ 68,055,709
Units issued pursuant to equity offering (i)	850,900	1,701,800
Unit issue costs - cash (i)	-	(304,310)
Units issued through distribution reinvestment plan (ii)	54,809	106,958
Conversion of Class B LP exchangeable units (iii)	1,513,369	2,830,000
Asset management fees paid in units (iv)	456,992	900,295
Balance - June 30, 2013	45,473,330	\$ 73,290,452

- (i) On January 14, 2013, the underwriters exercised their over-allotment option and completed their purchase of 850,900 additional Trust Units of the REIT at a price of \$2.00 per Trust Unit for gross proceeds of \$1,701,800 before transaction costs of \$304,310, which have been charged directly to equity.
- (ii) On January 23, 2013, the REIT announced it had implemented a distribution reinvestment plan (the "DRIP") starting with the distribution that was payable on February 15, 2013 to those unitholders of record on January 31, 2013.
- (iii) On March 11, 2013, the REIT converted 1,513,369 Class B LP exchangeable units into 1,513,369 Trust Units.
- (iv) On June 14, 2013, the REIT issued 456,922 units to settle outstanding asset management fees owing to a subsidiary of NWVP (note 20 (iii)).

18. Other Fair Value Gains (Losses)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Incentive unit options	\$ -	\$ 101,944	\$ -	\$ 108,099
Warrant liability	-	(781,917)	-	(286,126)
DUP liability (note 15 (i))	(12,025)	(167,696)	(3,700)	(179,346)
	\$ (12,025)	\$ (847,669)	\$ (3,700)	\$ (357,373)

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19. Supplemental Cash Flow Information

(i) Changes in Non-Cash Working Capital Balances

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Accounts receivable	\$ (1,199,489)	\$ -	\$ (1,491,473)	\$ -
Other assets	(277,429)	(165,548)	(390,799)	70,721
Accounts payable and accrued liabilities	(631,896)	(4,445,128)	(368,872)	(3,979,400)
	\$ (2,108,814)	\$ (4,610,676)	\$ (2,251,144)	\$ (3,908,679)

(ii) Non-Cash Financing and Investing Activities

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012

Supplemental disclosure relating to non-cash financing and investing activities:

Non-cash addition to investment in associate through discharge of promissory note receivable (note 9 (ii))	\$ 15,000,000	\$ -	\$ 15,000,000	\$ -
Non-cash addition to investment in associate through issuance of Class B LP Exchangeable Units (note 16)	\$ 68,511,649	\$ -	\$ 68,511,649	\$ -
Assumption of margin facilities on acquisition of investment in associate (note 11)	\$ 73,772,588	\$ -	\$ 73,772,588	\$ -
Asset management fees settled through issuance of units (note 17 (iv))	\$ 900,295	\$ -	\$ 900,295	\$ -
Non-cash distributions to Unitholders under the DRIP	\$ 85,226	\$ -	\$ 85,226	\$ -

20. Related Party Transactions

- (i) As at June 30, 2013, NWVP indirectly owned approximately 87% of the outstanding Trust Units (approximately 60% 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 and the Chairman of the Board of Trustees of NWHP REIT.
- (ii) On November 16, 2012 with an effective date of October 1, 2012 the REIT acquired the Initial International Assets from NWVP and affiliates (note 1). In conjunction with the acquisition of the Initial International Assets, the REIT entered into a Put/Call Agreement. Pursuant to the Put/Call Agreement, the REIT has granted NWVP the right (the "Put Right") to sell to the REIT any or all of up to 12,500,000 NWHP trust units and/or securities exchangeable trust units ("Option Units") held by NWVP to the REIT. NWVP has granted the REIT the right (the "Call Right") to acquire any or all of the Option Units. The Put/Call Agreement specifies the price at which the Option Units may be purchased/sold and the put/call rights expire on November 16, 2014. On June 21, 2013, the REIT acquired 11,897,446 Option Units under the Put/Call Agreement (note 7(ii)). As at June 30, 2013, there remain put/call rights in respect of 602,554 Option Units under to the Put/Call Agreement.

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20. Related Party Transactions (continued)

- (iii) 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 (note 8).

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:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Base asset management fees	465,460	-	\$ 900,295	\$ -
Property management fees	33,629	-	64,674	-
Management fee participation	(410,367)	-	(810,245)	-
Reimbursement of out-of-pocket costs				
- completed transactions	-	-	54,571	-
Reimbursement of out-of-pocket costs				
- in-progress transactions	425,224	-	425,224	-
	513,946	-	\$ 634,519	\$ -

- (iv) The Asset Manager has agreed to an adjustment of \$500,000 for travel and other out of pocket costs for the six months ended June 30, 2013 (\$nil for the three months ended June 30, 2013) and it is included as a reduction in general and administrative costs.
- (v) On November 16, 2012, with an effective date of October 1, 2012, the REIT sold the Existing Portfolio to NWHP REIT (note 1). As part of the post-closing adjustment, the REIT has made an accrual of an amount owing NWHP REIT of \$488,167 for estimated post-closing working capital related items. During the six months ended June 30, 2013, the REIT made an advance to NWHP REIT of \$150,000 to reduce the working capital balance owing. As at June 30, 2013, the remaining amount of \$338,167 is included in accounts payable and accrued liabilities.
- (vi) To provide the REIT with an effective economic return on the working capital and closing adjustment receivable (note 9), NWVP has agreed to pay interest of \$550,000 for the three and six months ended June 30, 2013.
- (vii) 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.

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21. 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. During the three and six months ended June 30, 2013, two tenants in the Brazil operating segment accounted for 74% and 77% respectively (three and six months ended June 30, 2012 - nil) of the total revenue from investment properties.

As at June 30, 2013

	Germany	Brazil	Australia/ New Zealand	Canada	Total
Investment properties	\$ 61,587,458	\$ 161,697,263	\$ -	\$ -	\$ 223,284,721
Mortgages and loans payable	\$ 39,752,332	\$ 61,003,074	\$ 26,228,639	\$ 73,772,588	\$ 200,756,633

Three months ended June 30, 2013

	Germany	Brazil	Australia/ New Zealand	Canada	Total
Operating Income (Loss) from Continuing Operations					
Net Operating Income					
Revenue from investment properties	\$ 1,321,788	\$ 3,719,053	\$ -	\$ -	\$ 5,040,841
Property operating costs	359,404	135,745	-	-	495,149
	962,384	3,583,308	-	-	4,545,692
Other Income					
Interest	-	16,410	-	833,424	849,834
Management fee participation	-	-	410,367	-	410,367
Share of profit of associate	-	-	2,420,961	-	2,420,961
	-	16,410	2,831,328	833,424	3,681,162
Expenses					
Mortgage and loan interest expense	254,005	1,009,693	339,599	525,554	2,128,851
General and administrative expenses	42,346	75,554	-	747,115	865,015
Transaction costs	8	-	-	389,311	389,319
Amortization of intangibles	-	-	-	390,319	390,319
Foreign exchange loss (gain)	-	43,043	-	(1,194,026)	(1,150,983)
	296,359	1,128,290	339,599	858,273	2,622,521
Operating income (loss) from continuing operations	\$ 666,025	\$ 2,471,428	\$ 2,491,729	\$ (24,849)	\$ 5,604,333

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21. Segmented Information (continued)

Six months ended June 30, 2013

	Germany	Brazil	Australia/ New Zealand	Canada	Total
Operating Income (Loss) from Continuing Operations					
Net Operating Income					
Revenue from investment properties	\$ 2,195,400	\$ 7,560,659	\$ -	\$ -	\$ 9,756,059
Property operating costs	591,340	275,964	-	-	867,304
	1,604,060	7,284,695	-	-	8,888,755
Other Income					
Interest	-	23,207	-	1,154,760	1,177,967
Management fee participation	-	-	810,245	-	810,245
Share of profit of associate	-	-	3,777,782	-	3,777,782
	-	23,207	4,588,027	1,154,760	5,765,994
Expenses					
Mortgage and loan interest expense	439,583	2,062,840	725,442	550,486	3,778,351
General and administrative expenses	68,906	128,120	-	999,010	1,196,036
Transaction costs	4,004	-	-	464,178	468,182
Amortization of intangibles	-	-	-	780,638	780,638
Foreign exchange loss (gain)	-	35,108	-	(107,295)	(72,187)
	512,493	2,226,068	725,442	2,687,017	6,151,020
Operating income (loss) from continuing operations	\$ 1,091,567	\$ 5,081,834	\$ 3,862,585	\$ (1,532,257)	\$ 8,503,729

22. Contingent Liabilities

- (a) 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 condensed consolidated interim financial statements.

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23. Fair Values

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 determined the fair value of each investment property using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows. Note 6 outlines the key assumption used by the REIT in determining fair value of its investment properties.

Derivatives instruments valued using a valuation technique with market-observable inputs (Level 2) include the Put/Call option. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.

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

The fair value of the REIT's mortgages payable and loans payable and deferred consideration are determined using present value calculations based on market-observable interest rates for mortgages and loans with similar terms and conditions.

The carrying values of the REIT's financial assets, which include accounts receivable, other assets, and cash, as well as financial liabilities, which accounts payable and accrued liabilities, distribution payable, and income tax payable approximate their recorded fair values due to their short-term nature.

The fair values and levels within the fair value hierarchy for assets and liabilities measured at fair value as at June 30, 2013 are as follows:

	Carrying Value	Fair Value		
		Level 1	Level 2	Level 3
Other Assets				
Investment properties	\$223,284,721	\$ -	\$ -	\$223,284,721
Financial Liabilities				
Convertible debentures	\$ 20,803,300	\$ 20,803,300	\$ -	\$ -
Class B LP exchangeable units	\$185,779,373	\$185,779,373	\$ -	\$ -
Unit-based compensation liability	\$ 188,698	\$ 188,698	\$ -	\$ -

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24. 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 June 30, 2013, the REIT is in compliance with its debt-to-gross book value ratio at 43.4% (December 31, 2012 - 33.5%), which is calculated as follows:

As at	June 30, 2013	December 31, 2012
Debt		
Gross value of secured debt ⁽¹⁾	\$ 224,430,096	\$ 117,151,386
Gross Book Value of Assets		
Total assets	\$ 517,126,358	\$ 349,554,285
Debt-to-Gross Book Value	43.4 %	33.5 %

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

25. Risk Management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the consolidated financial statements as at and for the year ended to December 31, 2012.

26. Subsequent Events

- (a) On July 19, 2013, the REIT declared a distribution of \$0.013334 per REIT unit to unitholders of record on July 31, 2013, payable August 15, 2013. On August 15, 2013, the REIT declared a distribution of \$0.013334 per REIT unit to unitholders of record on August 30, 2013, payable September 16, 2013.
- (b) On August 12, 2013, the REIT announced it reached an agreement with a syndicate of underwriters to issue \$17,500,000 aggregate principal amount of 7.50% convertible unsecured subordinated debentures on a bought deal basis (the "Offering"). The Offering is closed on August 29, 2013.

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26. Subsequent Events (continued)

- (c) Subsequent to June 30, 2013, the REIT indirectly acquired 2,780,321 Vital Trust units in open market purchases for total consideration of approximately \$3,200,000 (NZ\$3,800,000) at an average price of \$1.15 (NZ\$1.38) per unit.

On August 23, 2013, Vital Trust completed a rights offering (the "Vital Rights Offering") and raised approximately \$32,900,000 (NZ\$39,100,000) of additional equity. Pursuant to the Vital Rights Offering, Vital Trust issued an additional 30,704,892 trust units at a price of \$1.07 (NZ\$1.275) per trust unit. The REIT indirectly acquired 12,357,577 Vital Trust units in conjunction with the Vital Rights Offering for total consideration of approximately \$13,500,000 (NZ\$16,100,000), which includes the cost of the additional 3,524,087 rights acquired on the open market.

As a consequence of the open market purchases and acquisition of Vital Trust units in conjunction with the Rights Offering, as of August 29, 2013, the REIT indirectly owns 76,616,383 Vital Trust units or 22.68% of the Vital Trust's outstanding units.

- (d) On August 21, 2013, the REIT increased its borrowing facility under the Macquarie SLA. The REIT drew approximately \$10,100,000 (NZ\$12,000,000) against the facility to fund its acquisition of approximately 10,300,000 Vital Trust units under the Vital Rights Offering. The increase in the Macquarie facility matures in March 2014. As at August 29, 2013, the REIT has pledged 74,088,882 Vital Trust units as collateral for the borrowing facility.
- (e) On August 23, 2013, in conjunction with its participation in the Vital Rights Offering, the REIT entered into a financing arrangement with the Bank of New Zealand ("BNZ"). The BNZ lending facility provides for a maximum loan of approximately \$10,500,000 (NZ\$12,500,000) at the NZ benchmark rate plus 110 bps and matures in August 2018. As of August 29, 2013, the REIT has drawn approximately \$1,300,000 (NZ\$1,600,000) against the facility and has pledged 2,527,501 Vital Trust units as collateral against the BNZ facility.