Consolidated Financial Statements
(Expressed in U.S. dollars)

INVESQUE INC.

(formerly Mainstreet Health Investments Inc.)

Years ended December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Invesque Inc.

We have audited the accompanying consolidated financial statements of Invesque Inc. (formerly Mainstreet Health Investments Inc.), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Invesque Inc. (formerly Mainstreet Health Investments Inc.) as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 14, 2018
Toronto, Canada

INVESQUE INC.

Consolidated Statements of Financial Position
(Expressed in thousands of U.S. dollars)

		December 31, 2017		December 31, 2016
Assets				
Current assets:				
Cash	$	12,958	$	7,651
Tenant and other receivables		7,564		7,040
Loans receivable (note 3)		11,446		—
Other (note 4)		1,182		2,122
		33,150		16,813
Non-current assets:				
Loans receivable (note 3)		24,985		29,081
Derivative instruments (note 9)		2,827		1,543
Investment in joint ventures (note 6)		980		917
Investment properties (note 5)		721,991		628,471
Investment in MS-SW Development Fund Holdings, LLC		1,072		894
		751,855		660,906
Total assets	$	785,005	$	677,719
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	5,400	$	2,387
Accrued real estate taxes		8,056		6,915
Construction payable		1,097		6,442
Dividends payable		1,987		1,978
Unearned revenue		814		—
Credit facilities (note 7)		5,958		—
Mortgages payable (note 8)		52,351		47,889
		75,663		65,611
Non-current liabilities:				
Credit facilities (note 7)		210,974		225,290
Mortgages payable (note 8)		117,158		41,827
Convertible debentures (note 11)		41,936		41,214
Derivative instruments (note 9)		99		—
Deferred tax liability (note 22)		10,291		5,583
Other non-current liabilities (note 12)		9,500		957
		389,958		314,871
Total liabilities		465,621		380,482
Common Share capital (note 15)		310,459		308,551
Preferred Share capital (note 15)		26,353		—
Contributed surplus		400		244
Convertible debentures		1,130		1,130
Cumulative deficit		(20,145)		(12,617)
Accumulated other comprehensive income (loss)		1,187		(71)
Total shareholders' equity		319,384		297,237
Commitments and contingencies (notes 15 and 23)				
Subsequent events (notes 3, 7, 15 and 29)				
Total liabilities and shareholders' equity	$	785,005	$	677,719

See accompanying notes to consolidated financial statements.

INVESQUE INC.

Consolidated Statements of Income and Comprehensive Income
(Expressed in thousands of U.S. dollars, except per share amounts)

		Year ended December 31, 2017		Year ended December 31, 2016
Revenue:				
Rental (note 17)	$	60,188	$	39,436
Lease revenue from joint ventures (note 6)		2,887		455
Other income (notes 3 and 21)		4,991		974
		68,066		40,865
Expenses (income):				
Finance costs (note 18)		20,117		13,967
Real estate tax expense		8,763		5,044
General and administrative expenses (notes 19 and 20)		8,565		5,178
Transaction costs for business combination (note 29)		2,073		—
Change in value of investment properties - IFRIC 21		309		1,299
Change in value of investment properties (note 5)		8,846		6,507
Change in value of financial instruments (notes 4, 9 and 21)		(2,292)		(1,543)
Income before income taxes		21,685		10,413
Income tax expense:				
Deferred (note 22)		5,371		5,536
Current (note 22)		51		—
		5,422		5,536
Net income	$	16,263	$	4,877
Items to be reclassified to net income (loss) in subsequent periods				
Other comprehensive income (loss):				
Unrealized gain (loss) on translation of foreign operations		1,258		(71)
Total comprehensive income	$	17,521	$	4,806
Income per share (note 16):				
Basic and diluted	$	0.50	$	0.30

See accompanying notes to consolidated financial statements.

INVESQUE INC.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of U.S. dollars)
Years ended December 31, 2017 and 2016

	Common Share capital	Preferred Share capital	Contributed surplus	Equity component of convertible debentures	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2017	$ 308,551	$ —	$ 244	$ 1,130	$ (12,617)	$ (71)	$ 297,237
Net income	—	—	—	—	16,263	—	16,263
Other comprehensive income	—	—	—	—	—	1,258	1,258
Common shares issued, net	1,540	—	—	—	—	—	1,540
Preferred shares issued, net	—	26,353	—	—	—	—	26,353
Shares issued under the Dividend Reinvestment Plan	368	—	—	—	—	—	368
Dividends declared	—	—	—	—	(23,791)	—	(23,791)
Proceeds from income support agreement	—	—	156	—	—	—	156
Balance, December 31, 2017	$ 310,459	$ 26,353	$ 400	$ 1,130	$ (20,145)	$ 1,187	$ 319,384

	Common Share capital	Contributed surplus	Equity component of convertible debentures	Cumulative deficit	Accumulated other comprehensive income	Total
Balance, January 1, 2016	$ 20,734	$ —	$ —	$ (5,755)	$ —	$ 14,979
Net income	—	—	—	4,877	—	4,877
Other comprehensive loss	—	—	—	—	(71)	(71)
Common shares issued, net	287,767	—	—	—	—	287,767
Shares issued under the Dividend Reinvestment Plan	50	—	—	—	—	50
Dividends Declared	—	—	—	(11,739)	—	(11,739)
Convertible debentures, net of tax	—	—	1,130	—	—	1,130
Proceeds from income support agreement	—	244	—	—	—	244
Balance, December 31, 2016	$ 308,551	$ 244	$ 1,130	$ (12,617)	$ (71)	$ 297,237

See accompanying notes to consolidated financial statements.

INVESQUE INC.

Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)
Years ended December 31, 2017 and 2016

	Year ended December 31, 2017	Year ended December 31, 2016
Cash flows from operating activities:		
Net income	$ 16,263	$ 4,877
Items not involving cash:		
Fair value adjustment of investment properties	8,846	6,507
Fair value adjustment of financial instruments	(2,292)	(1,543)
Straight-line rent	(5,982)	(4,224)
Finance costs	20,117	13,967
Change in fair value of investment in MS-SW Development	(178)	—
Deferred income tax	5,371	5,536
Listing expense	—	700
Interest paid	(16,538)	(11,383)
Change in non-cash operating working capital:		
Tenant and other receivables	(524)	(6,197)
Accounts payable and accrued liabilities	1,681	970
Unearned revenue	814	(1,790)
Other assets	2,617	(585)
Other liabilities	9,414	956
Accrued real estate taxes	1,205	1,449
Net cash provided by operating activities	$ 40,814	$ 9,240
Cash flows from financing activities:		
Proceeds from credit facilities	$ 34,741	$ 112,601
Payments on credit facilities	(41,847)	(31,616)
Debt issuance costs paid	(3,804)	(2,043)
Proceeds from mortgages payable	90,204	26,902
Payments of mortgages payable	(42,201)	(48,985)
Proceeds from issuance of convertible debentures	—	42,762
Proceeds from notes payable	—	3,900
Repayments of notes payable	—	(6,400)
Proceeds from issuance of shares	—	184,051
Payments of share issuance costs	—	(14,089)
Dividends paid to common shareholders	(23,414)	(9,711)
Proceeds from income support agreement	156	244
Proceeds from issuance of Preferred Share capital (note 15)	26,500	—
Payments of Preferred Share issuance costs	(147)	—
Proceeds from issuance of preferred shares (note 14)	—	10,300
Repayment of preferred shares (note 14)	—	(10,300)
Cash provided by financing activities	$ 40,188	$ 257,616
Cash flows from investing activities:		
Additions to investment properties	$ (77,359)	$ (220,938)
Dispositions to investment properties	22,678	—
Contributions to joint ventures	—	(917)
Construction costs	(9,214)	(6,087)
Prepaid acquisition costs	(504)	—
Issuance of loans receivable	(20,925)	(38,452)
Repayment of loans receivable	9,629	—
Cash used in investing activities	$ (75,695)	$ (266,394)
Increase in cash and cash equivalents	5,307	462
Cash and cash equivalents, beginning of period	7,651	7,189
Cash and cash equivalents, end of period	$ 12,958	$ 7,651

See accompanying notes to consolidated financial statements.

Invesque Inc. (the "Company") was incorporated on May 31, 2007 under the Business Corporations Act (Ontario). Effective April 4, 2016, the Company changed its name from "Kingsway Arms Retirement Residences Inc." to "Mainstreet Health Investments Inc." and continued under the laws of the Province of British Columbia. Effective January 3, 2018, the Company changed its name from "Mainstreet Health Investments Inc." to "Invesque Inc." and continued under the laws of the Providence of British Columbia. The Company's registered office is 2500 - 700 W Georgia Street, Vancouver, British Columbia V7Y 1B3.

On April 4, 2016, the Company acquired Mainstreet Investment Company, LLC's ("MS Investment") interest in a joint venture, Mainstreet Health Holdings Inc. ("MHI Holdco"), for consideration consisting of the issuance of 81,160,000 common shares and 307,659,850 non-voting shares of the Company.

On May 26, 2016, the Company filed a prospectus relating to an offering ("the Offering") of 9,500,000 common shares of the Company. Upon completion of the offering on June 2, 2016, the Company acquired the remaining shares of MHI Holdco subsequent to the conversion of the outstanding 2015 Convertible Debentures of MHI Holdco into common shares of MHI Holdco. This acquisition was a reverse takeover transaction which has been accounted for as an asset acquisition in which MHI Holdco has been identified as the acquirer of the Company and the acquisition has been recorded in accordance with IFRS 2, Share-based Payment. As the former shareholder of MHI Holdco owned a controlling interest in the Company at the closing of the transaction, the financial statements of the Company reflect the historical results of MHI Holdco and the acquisition of the net assets of the Company at fair value on the date of closing.

The Company is a North American health care real estate company with a growing portfolio of high quality properties located in the United States and Canada and operated by best-in-class senior living and care operators primarily under long-term leases and joint ventures. Specifically, the Company will look to acquire and invest in properties which offer predominately transitional care, long-term care, memory care, assisted living and independent living programs that are leased to operators under triple-net leases. At December 31, 2017, the Company owns a portfolio of 40 seniors housing and care properties.

1. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB").

These consolidated financial statements were approved by the Board of Directors of the Company and authorized for issuance on March 14, 2018.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis, except for cash, investment properties, derivative financial instruments, investment in MS-SW Development Fund Holdings, LLC, subscription receipts, deferred shares and the 2015 Convertible Debentures, which are measured at fair value through profit and loss ("FVTPL").

(c) Principles of consolidation:

(i) Transactions eliminated on consolidation:

The consolidated financial statements comprise the financial statements of the Company and its 100% owned subsidiaries as of December 31, 2017, including MHI International Holdings Inc., Mainstreet Health US Holdings Inc., Mainstreet Health Holdings, LP and project specific limited partnerships. All intercompany transactions and balances are eliminated on consolidation.

(ii) Joint arrangements:

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights

to the net assets of the arrangement.

A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

These consolidated financial statements include the Company's proportionate share of each of the assets, liabilities, revenue and income and expenses of joint operations on a line-by-line basis. Joint ventures are included in the Company's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the net assets. The Company's share of joint venture profit or loss is included in the consolidated statements of comprehensive income.

(d) Functional and presentation currency:

The consolidated financial statements are presented in U.S. dollars, which is the functional and presentational currency of the Company.

Assets and liabilities of operations having a functional currency other than the U.S. dollars are translated at the rate of exchange at the consolidated balance sheet dates. Revenue and expenses are translated at average rates for the year, unless exchange rates fluctuated significantly during the year, in which case the exchange rates at the dates of the transaction are used. Gains or losses on translating a foreign operation are included in other comprehensive income ("OCI") as a component of equity.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Foreign currency denominated monetary assets and liabilities are translated using the prevailing rate of exchange at the consolidated balance sheet dates. Gains and losses on translation of monetary items are recognized in the consolidated statements of income in general and administrative expenses.

(e) Use of estimation and uncertainty:

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending December 31, 2017 are as follows:

(i) Investment properties:

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts.

(ii) Accounting for convertible debentures:

Management estimates the allocation of the debt and equity components of convertible debentures. The liability allocation is based upon the fair value of a similar liability that does not have an equity conversion option and the residual is allocated to the equity component.

(iii) Other:

Estimates are also made in the determination of the fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Company to its counterparties, the credit risk of the Company's counterparties relative to the Company, the estimated future cash flows and discount rates.

(f) Critical judgments:

Judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

(i) Accounting for leases:

The Company uses judgment regarding the present value of lease payments, the fair value of assets and the determination of the lease term in assessing the classification of its leases as operating leases, in particular with long-term leases in single operator properties. The Company has determined that all of its leases are operating leases.

(ii) Accounting for acquisitions:

Management must assess whether an acquisition should be accounted for as an asset purchase 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 should be recognized. The Company's acquisitions have generally been determined to be asset purchases as the Company did not acquire an integrated set of processes as part of the acquisition transaction.

2. Significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand and highly liquid marketable investments with an original maturity of 90 days or less at their date of purchase and are stated at cost, which approximates fair value. As at December 31, 2017 and 2016, there were no cash equivalents.

(b) Investment properties:

Investment properties are held to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business. All of the Company's income properties are investment properties. On acquisition, investment properties are initially recorded at cost, including transaction costs. Subsequent to initial recognition, the Company uses the fair value model to account for investment properties under International Accounting Standard ("IAS") 40, Investment Property. Under the fair value model, investment properties are recorded at fair value, which is determined based on available market evidence, at the statement of financial position date. Related fair value gains and losses are recorded in income and comprehensive income for the period in the period in which they arise.

Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

Properties under development include those properties, or components thereof, that will undergo activities that will take a substantial period of time to prepare the properties for their intended use as income properties. Properties under development are also adjusted to fair value at each consolidated balance sheet date with fair value adjustments recognized in income.

Investment property is classified as held for sale when the property is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of investment properties, its sale is highly probable and

expected to be completed with one year. Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal.

(c) Loans receivable:

Loans receivable are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the loans receivable are measured at amortized cost using the effective interest method, less any impairment losses.

(d) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) in the principal market for the asset or liability; or

(ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is not observable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(e) Financial instruments:

The Company classifies financial assets and liabilities according to their characteristic and the related management's intention for use on an ongoing basis.

The following summarizes the Company's classification and measurement of financial assets and liabilities:

Financial assets and liabilities	**Classification**	**Subsequent measurement**
Cash	FVTPL	Fair value
Tenant and other receivables	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Derivative instruments	FVTPL	Fair value
Investment in MS-SW Development Fund Holdings, LLC	FVTPL	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Accrued real estate taxes	Other financial liabilities	Amortized cost
Construction payable	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost
Mortgages payable	Other financial liabilities	Amortized cost
Credit facilities	Other financial liabilities	Amortized cost
2015 Convertible Debentures	FVTPL	Fair value
2016 Convertible Debentures	Other financial liabilities	Amortized cost

(i) Non-derivative financial assets and financial liabilities - recognition and derecognition:

Financial assets and liabilities at fair value through profit or loss are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognized on the date they are originated.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or when the Company neither transfers nor retains substantially all of the risk and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial asset that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(ii) 2015 Convertible debentures:

A financial liability is classified at FVTPL if it is classified as held-for-trading or is designated as such upon initial recognition. The terms of the underlying agreements of the 2015 Convertible Debentures allowed the holders to convert for a variable number of shares and were hybrid instruments comprising a host liability related to the principal and interest amounts due, plus an embedded derivative instrument related to the conversion option. Management determined that the hybrid instruments qualified for measurement as one instrument at FVTPL. Any gains or losses arising on remeasurement were recognized in income (loss) and comprehensive income (loss).

(iii) 2016 Convertible debentures:

The 2016 Convertible Debentures are a compound financial instrument as they contain both a liability and an equity component.

At the date of issuance, the liability component of the 2016 Convertible Debentures is recognized at its estimated fair value of a similar liability that does not have an equity conversion option and the residual is allocated to the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the 2016 Convertible Debenture is measured at amortized cost using the effective interest rate method. The equity component is not remeasured subsequent to initial recognition and will be transferred to share capital when the conversion option is exercised, or, if unexercised, at maturity. Interest, losses and gains relating to the financial liability are recognized in income (loss) and comprehensive income (loss).

(iv) Impairment of non-derivative financial assets:

Financial assets not classified as FVTPL are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset and that the loss event has had a negative effect on the estimated future cash flows of that asset which can be estimated reliably.

An impairment loss with respect to investments measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the consolidated statements of income and comprehensive income and are reflected in an allowance account against the investments. Interest on the impaired assets continues to be recognized through the unwinding of the discount if it is considered collectible. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(v) Derivative instruments:

The Company uses derivative financial instruments to manage interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. If a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the combined instrument is not measured at fair value through profit or loss.

Derivative financial instruments, including embedded derivatives that must be separately accounted for, are initially valued at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in income (loss) and comprehensive income (loss).

(f) Revenue recognition:

(i) Lease revenue from third party operators:

The Company accounts for its leases with operators as operating leases given that it has retained substantially all of the risks and benefits of ownership of investment properties.

Revenue includes rent earned from tenants under triple-net lease agreements, in which the tenant operators assume all operational risk and operating expenses associated with the investment properties, realty tax recoveries on certain investment properties where the Company is the primary obligor and other incidental income. Lease-related revenue is recognized as revenue over the term of the underlying leases. Other revenue is recognized at the time the service is provided.

The Company applies the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease.

(ii) Lease revenue from joint ventures:

The Company earns revenue under lease arrangements with operating entities which are jointly owned with Autumnwood Lifestyles Inc. ("Autumnwood") (note 6). The leases are accounted for as operating leases and lease revenue is recognized on a straight-line basis over the term of the underlying leases.

(iii) Interest income:

Interest income received from borrowers is recognized in the consolidated statements of income and comprehensive income using the effective interest method.

(g) Employee benefits:

(i) Short-term benefits:

Short-term employee benefit obligations, including vacation and bonus payments, are measured on an undiscounted basis and are expensed as the related service is provided. Liabilities are recognized for the amounts expected to be paid within 12 months as the Company has an obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Short-term employee benefits are recorded in accounts payable and other liabilities.

(ii) Share-based payment plans:

The Company maintains a Deferred Share Incentive Plan for its employees and directors. This plan is considered cash-settled and the fair value of the amount payable is recognized as an expense with a corresponding increase in liabilities, over the employees' service period. The awards are fair-valued on the basis of the share price at each reporting period and at the settlement date and the change in fair value on the amortized share-based compensation expense is recognized as compensation expense.

(h) Levies:

In accordance with IFRS Interpretations Committee ("IFRIC") 21, Levies ("IFRIC 21"), for its properties located in the United States, the Company recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed.

(i) Income taxes:

Income tax expense comprises current and deferred tax. Tax is recognized in income except to the extent it relates to a business combination, or items recognized directly in equity or other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to tax payable or receivable in respect of previous years. It is measured using rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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:

(i) 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 profit or loss;

(ii) Temporary differences related to investments in subsidiaries and associates to the extent that the Company is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be used. 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. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Judgement is required to assess the interpretation of tax legislation when recognizing and measuring current and deferred tax assets and liabilities. The impact of different interpretations and applications could potentially be material. The Company recognizes a tax benefit from an uncertain tax position when it is probable that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

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. Management's estimate of future taxable profits and the recognition of deferred tax assets are reviewed at each reporting date and deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) IFRS amendments adopted in 2017:

(i) The amendments to IAS 7, Statement of Cash Flows ("IAS 7") apply prospectively for annual periods beginning on or after January 1, 2017 and require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company adopted the amendments to IAS 7 in 2017 (note 13).

(ii) The amendments to IAS 12, Income Taxes ("IAS 12") apply retrospectively for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company adopted the amendments to IAS 12 on January 1, 2017. The adoption of these amendments did not have a material impact on the consolidated financial statement.

(k) IFRS standards and amendments issued but not yet effective:

(i) On June 20, 2016, the IASB issued amendments to IFRS 2, Share-based Payment ("IFRS 2"), clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled, share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the year beginning on January 1, 2018, and does not expect the amendments to have a significant impact on the consolidated financial statements.

(ii) The Company will adopt IFRS 9, Financial Instruments ("IFRS 9"), which replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), in its consolidated financial statements for the annual period beginning

on January 1, 2018, the mandatory effective date. IFRS 9 will generally be applied retrospectively without restatement of comparative information.

IFRS 9 contains a new classification and measurement approach for financial assets to be classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and FVTPL, and eliminates the existing IAS 39 category of held to maturity, loans and receivables and available for sale.

For impairment of financial assets, IFRS 9 replaces the 'incurred loss' impairment model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as FVTPL are recognized in profit or loss, whereas under IFRS 9 the amount of change in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Company does not currently apply hedge accounting in its consolidated financial statements.

Management does not expect the adoption of IFRS 9 to have a material impact on the consolidated financial statements.

(iii) IFRS 15, Revenue from Contracts With Customers ("IFRS 15") is effective for annual periods beginning on or after January 1, 2018, and will replace IAS 11, Construction Contracts, IAS 18, Revenue, International Financial Reporting Interpretations Committee ("IFRIC") 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC 31, Revenue - Barter Transactions Involving Advertising Services.

IFRS 15 contains a single, control-based model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. IFRS 15 also includes additional disclosure requirements for revenue accounted for under the standard.

The Company will adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognized at January 1, 2018. As a result, the Company will not apply the requirements of IFRS 15 to the comparative period presented. Management does not expect that the adoption of IFRS 15 will have a material impact on the consolidated financial statements. However, additional disclosure requirements may result in separate disclosure of revenue for service components that are part of a lease (i.e. a non-lease component).

(iv) On January 13, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). IFRS 16 will replace IAS 17, Leases ("IAS 17"). The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset and a lease liability, representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16.

The Company is still evaluating the impact of IFRS 16. In particular, the Company is assessing how the new standard may impact the allocation of consideration to each lease and non-lease component. The standard requires this allocation to be completed in accordance with the guidance in IFRS 15, that is, on the basis of relative standalone selling prices.

(v) On June 7, 2017, the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ("IFRIC 23"), which provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 requires (i) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (ii) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (iii) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount of expected value, depending on whichever method better predicts the resolution of the uncertainty. The Company intends to adopt these amendments in its consolidated financial statements for the year beginning on January 1, 2019. The extent of the impact of adoption of the new standard has not yet been determined.

3. Loans receivable:

The Company has issued mezzanine loans to entities which are wholly owned subsidiaries of Mainstreet Property Group, LLC ("Mainstreet LLC"), which is majority owned by the former chairman of the Company. The loans have been issued for the development of seniors housing and care properties in the United States. The mezzanine loans provide for annual interest, of which a portion is payable at a current pay rate on a monthly basis ("Current Interest"), with the remaining portion of interest accruing until the earlier of the loan's maturity or prepayment ("PIK Interest"). The mezzanine loans provide the Company with the right to purchase the development upon its substantial completion at fair market value. The Company's interest in the mezzanine loans is secured behind the construction lender by a pledge of equity interests in the developments and, in some instances, a second mortgage position in the real estate. The mezzanine loans are guaranteed by Mainstreet LLC.

On December 22, 2016, a subsidiary of the Company entered into an interest only loan agreement with MS Investment with a capacity of $5,000 to be used by MS Investment for development costs, operating capital expenditures or other costs, of which $2,500 of the loan was advanced to MS Investment on December 22, 2016, and an additional $2,500 was advanced on January 6, 2017.

A subsidiary of the Company has entered into a credit agreement with Autumnwood with a capacity of CDN$1,500. The credit agreement is to be used for capital expenditures, property level principal and interest expense and other debt service obligations in respect of Autumnwood's interest in four properties located in Ontario, Canada, and of which the Company and Autumnwood are partners in joint arrangements.

On October 20, 2017, a subsidiary of the Company entered into a loan agreement with the tenant operator of the Symphony Portfolio ("Symcare") for a principal amount of $7,000 earning 5.00% annual interest, of which a portion is payable at a current pay rate on a monthly basis ("Current Interest"), with the remaining portion of interest accruing until the earlier of the loan's maturity or prepayment ("PIK Interest"). To fund this loan, the Company and Symcare amended the terms of an agreement whereby the seller of the Symcare portfolio had deposited $7,000 of their sale proceeds into a holdback escrow account to protect against cash flow deficiencies through the end of calendar year 2018 (the "Additional Security Escrow Agreement"). The amended terms of the Additional Security Escrow Agreement released the funds previously held in the escrow account to the Company, which were in turn used to fund the loan to Symcare. The terms of the loan include similar provisions as the original Additional Security Escrow Agreement whereby the loan will be satisfied by the return of the security deposit if applicable rent coverage ratios or cash collection hurdles are met as defined in the agreement. The maturity date of the new loan is June 30, 2019. The Company recognized interest income of $70 for the year ended December 31, 2017 in the consolidated statement of income and comprehensive income related to this loan.

During November and December of 2017 the Company issued other short term loans with operating partners to fund development costs and short term working capital needs.

Loans receivable issued as of December 31, 2017 are detailed in the table below:

Debtor	Loan Type	December 31, 2017	December 31, 2016	Issued Date	Maturity Date (1)	Current Interest Rate	PIK Interest Rate
MS Houston Holdings II, LLC	Mezzanine loan	$ —	$ 2,576	June 23, 2016	June 23, 2020	10.5%	4.0%
MS-SW Mezzanine Fund, LLC	Mezzanine loan	3,964	3,835	September 1, 2016	September 1, 2020	10.5%	4.0%
MS Webster Holdings, LLC	Mezzanine loan	2,640	2,545	September 2, 2016	September 2, 2020	10.5%	3.0%
MS Lincoln Holdings, LLC	Mezzanine loan	3,697	3,552	September 30, 2016	October 1, 2020	10.5%	4.0%
MS Aurora Holdings II, LLC	Mezzanine loan	—	3,678	November 1, 2016	January 1, 2021	12.0%	4.0%
MS Phoenix Holdings, LLC	Mezzanine loan	—	2,810	November 1, 2016	September 1, 2021	10.5%	3.0%
MS Surprise, LLC	Mezzanine loan	2,878	2,793	November 1, 2016	October 1, 2021	10.5%	3.0%
MS Parker Holdings II, LLC	Mezzanine loan	3,581	3,441	November 1, 2016	September 1, 2021	12.0%	4.0%
MS Columbia MO Holdings, LLC	Mezzanine loan	—	406	December 23, 2016	December 31, 2018	10.5%	4.0%
MS Omaha Holdings, LLC	Mezzanine loan	—	936	December 22, 2016	December 31, 2018	10.5%	4.0%
Mainstreet Investment Company, LLC	Interest-only loan	5,075	2,509	December 22, 2016	December 22, 2018	8.5%	1.5%
Autumnwood Lifestyles Inc.	Revolving credit facility	1,193	—	November 1, 2016	October 31, 2018	8.0%	—%
Autumnwood Lifestyles Inc.	Loan receivable	1,193	—	June 29, 2017	October 16, 2020	—%	—%
Symcare ML, LLC	Loan receivable	7,032	—	October 20, 2017	June 30, 2019	2.5%	2.5%
MCA Memory Care America, LLC	Loan receivable	606	—	November 6, 2017	November 6, 2018	10.0%	—%
Mainstreet Development Fund II, LP	Loan receivable	652	—	November 28, 2017	June 1, 2018	6.5%	—%
Autumnwood Lifestyles Inc.	Loan receivable	1,318	—	December 19, 2017	August 12, 2018	—%	—%
Mainstreet Property Group, LLC	Loan receivable	2,602	—	December 29, 2017	February 28, 2018	7.0%	—%
	Carrying value	$ 36,431	$ 29,081				
	Less current portion	11,446	—				
	Long-term portion	$ 24,985	$ 29,081				

(1) Mezzanine loans due at the time of sale of the property if sale occurs earlier than the stated maturity date.

On July 25, 2017, the Company settled the $6,673 outstanding principal, accrued PIK Interest and current interest, as of the repayment date, on the mezzanine loans receivable from MS Aurora Holdings II, LLC and MS Phoenix Holdings, LLC.

On November 28, 2017, the Company received credit of $4,151 representing full repayment of outstanding principal, accrued PIK Interest and current interest, as of the repayment date, on the mezzanine loans receivable from MS Houston Holdings II, LLC, MS Columbia MO Holdings, LLC and MS Omaha Holdings, LLC in connection with the purchase of these properties from Mainstreet Property Group, LLC (note 5).

On January 10, 2018, the Company received total payments of $3,756 representing full repayment of outstanding principal, accrued PIK Interest and current interest, as of the repayment date, on the mezzanine loan receivable from MS Lincoln Holdings, LLC.

On January 10, 2018, the Company received $1,000 from MS Investment as repayment of a portion of their outstanding loan balance.

On February 23, 2018, the Company received $2,622 representing full repayment of principal and current interest, as of the repayment date, of the loan receivable from Mainstreet Property Group, LLC.

On February 23, 2018, the Company received total payments of $2,720 representing full repayment of outstanding principal, accrued PIK Interest and current interest, as of the repayment date, on the mezzanine loan receivable from MS Webster Holdings, LLC.

4. Other current assets:

Other current assets are as follows:

	December 31, 2017	December 31, 2016
Prepaid expense	$ 328	$ 128
Costs related to future acquisitions	548	16
Security deposits paid on future acquisitions	217	217
Income support receivable (note 21)	—	1,208
Other	89	553
	$ 1,182	$ 2,122

5. Investment properties:

(a) Investment properties:

	Number of Properties		Amount
January 1, 2016	10	$	268,425
Acquisitions of income properties	25		351,220
Capital expenditures	—		11,109
Increase in straight-line rents	—		4,224
Fair value adjustment	—		(6,507)
Balance, December 31, 2016	35	$	628,471
Acquisitions of income properties	6		106,296
Sale of income properties	1		(22,761)
Capital expenditures	—		10,248
Increase in straight-line rents	—		5,982
Fair value adjustment	—		(8,846)
Translation of foreign operations	—		2,601
Balance, December 31, 2017	40	$	721,991
Property tax liability under IFRIC 21			(355)
Fair value adjustment to investment properties - IFRIC 21			355
		$	721,991

At December 31, 2017, the Company used an internal valuation process to value its investment properties. Third party appraisers are engaged to prepare valuations on a portion of the portfolio annually such that one third of the portfolio is valued externally each year, and every property in the portfolio is valued externally at least once every five years.

Acquired investment properties are initially measured at cost, including directly attributable acquisition costs, when the transactions are deemed to be asset acquisitions. Subsequent to initial recognition, investment properties are measured at fair value, determined based on available market evidence. The Company uses alternative valuation methods such as the direct capitalized income approach, discounted cash flow projections (Level 3 inputs) or recent transaction prices. The fair value of investment properties reflects rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The significant unobservable assumptions used in determining fair value of investment properties measured using the capitalized income approach with total value of $637,204 as at December 31, 2017 (December 31, 2016 - $589,835) are set out in the following table:

	December 31, 2017	December 31, 2016
Capitalization rate - range	6.50% - 8.25%	6.50% - 8.25%
Capitalization rate - weighted average	7.96%	7.81%

The fair value of investment properties measured using the capitalized income approach is most sensitive to changes in capitalization rates. At December 31, 2017, a 25 basis point increase or decrease in the weighted average capitalization rate would decrease the fair value of the investment properties by $19,456 (December 31, 2016 - $19,306) or increase the fair value of the investment properties by $20,727 (December 31, 2016 - $20,567), respectively.

(b) Acquisitions and dispositions - year ended December 31, 2017

	Ensign Properties	Columbia	Omaha	Houston II	Wichita	Total
Number of properties acquired (disposed):	3	1	1	1	(1)	5
Net assets acquired (disposed):						
Investment properties	$ 38,229	$ 21,420	$ 24,629	$ 22,018	$ (22,761)	$ 83,535
Assumed mortgages	—	(8,781)	(9,925)	(12,514)	—	(31,220)
Mezzanine loan applied against purchase	—	(411)	(965)	(2,661)	—	(4,037)
Working capital balances	—	(1,937)	(1,991)	—	83	(3,845)
	$ 38,229	$ 10,291	$ 11,748	$ 6,843	$ (22,678)	$ 44,433
Consideration paid/funded (received) by:						
Cash	2,229	10,291	11,970	6,843	(22,678)	8,655
Proceeds from mortgage payable	30,000	—	—	—	—	30,000
Proceeds from Secured Revolving Facility	6,000	—	—	—	—	6,000
Development lease funded	—	—	(222)	—	—	(222)
	$ 38,229	$ 10,291	$ 11,748	$ 6,843	$ (22,678)	$ 44,433

(i) On May 10, 2017, a wholly owned subsidiary of the Company acquired three properties (the "Ensign Properties") for a combined purchase price of $38,000 plus transaction costs. One property is located in Glendale, Arizona and provides long term and transitional care services. The other two properties are located in Rosemead, California and primarily provide combined assisted living and transitional care services. Each property is leased to a subsidiary of The Ensign Group, Inc. under a triple net master lease. The Company entered into a new mortgage secured by all three Ensign Properties to fund $30,000 of the purchase price. The debt bears interest at a variable rate of LIBOR plus 350 basis points through its maturity date of June 1, 2022. The Company funded the remainder

of the purchase with cash on hand and $6,000 in proceeds from the Secured Revolving Facility (note 7).

(ii) On November 28, 2017 the Company purchased three transitional care facilities located in Columbia, Missouri; Omaha, Nebraska and Houston, Texas from Mainstreet LLC for a purchase price of $68,000 plus transaction costs. The Company funded the transaction through a combination of assumed debt, the retirement of the Company's mezzanine loans outstanding on the three properties, cash on hand and equity in the unencumbered Wichita, Kansas property, which was sold concurrently to Mainstreet LLC for $22,775 less transaction costs. The Company held mezzanine loans on these properties with a total principal and PIK Interest balance of $4,037, which were settled as a credit towards the combined purchase price at closing.

At the acquisition date, the Omaha, Nebraska property was under development, and the vendor of the property, Mainstreet LLC, agreed to fund payment for two months until rental income commenced. The Company recorded a development lease receivable of $222, which reduced the cost of the investment property acquired. The Company has received full payment related to the development lease receivable as of December 31, 2017. Rent for this property commenced January 9, 2018.

At the acquisition date, the Company assumed a mortgage payable in the amount of $8,781 on the property located in Columbia, Missouri. The mortgage requires interest only payments and bears interest at a variable rate equal to the rate of LIBOR plus 300 basis point through the mortgage's maturity date of December 23, 2018. Subsequent to the assumption of the Columbia, Missouri property mortgage, the Company drew an additional $1,816 as of December 31, 2017 to fund its construction.

At the acquisition date, the Company assumed a mortgage payable in the amount of $9,925 on the property located in Omaha, Nebraska. The mortgage requires interest only payments and bears interest at a variable rate of LIBOR plus 325 basis points through its maturity date of December 31, 2018. Subsequent to the assumption of the Omaha Nebraska property mortgage, the Company drew an additional $2,024 as of December 31, 2017 to fund its construction.

At the acquisition date, the Company assumed a mortgage payable in the amount of $12,514 on the property located in Houston, Texas. The mortgage requires interest only payments and bears interest at a variable rate of LIBOR plus 300 basis points through its maturity date of June 25, 2018.

At the time of closing the Company also assumed $3,870 of liabilities related to the remaining development costs of the properties which was recorded as a construction payable in the consolidated statement of financial position.

(c) Acquisitions - year ended December 31, 2016

	Hanover Park	Scranton 7 Properties	Mainstreet LLC Properties acquired June 2, 2016	Hearth Properties	Mainstreet LLC Properties acquired November 1, 2016	Evanston	Autumnwood Properties	MCA Properties	Total
Number of properties acquired:	1	7	3	2	4	1	4	3	25
Net assets acquired:									
Investment properties	$ 34,574	$ 29,351	$ 59,774	$ 41,159	$ 77,759	$ 23,035	$ 40,463	$ 45,105	$ 351,220
Assumed mortgages	—	—	(33,106)	(17,985)	(38,926)	—	(22,090)	—	(112,107)
Mezzanine loan applied against purchase	—	—	—	—	(9,371)	—	—	—	(9,371)
Working capital balances	(733)	—	(2,257)	—	(2,984)	(189)	(71)	(5)	(6,239)
	$ 33,841	$ 29,351	$ 24,411	$ 23,174	$ 26,478	$ 22,846	$ 18,302	$ 45,100	$ 223,503
Consideration paid/funded by:									
Cash	30,341	29,351	24,670	23,174	28,554	22,846	12,090	45,100	216,126
Deposit applied against purchase price	3,500	—	—	—	—	—	—	—	3,500
Common shares issued	—	—	—	—	—	—	6,212	—	6,212
Development lease receivable	—	—	(259)	—	(2,076)	—	—	—	(2,335)
	$ 33,841	$ 29,351	$ 24,411	$ 23,174	$ 26,478	$ 22,846	$ 18,302	$ 45,100	$ 223,503

(i) On April 29, 2016, a wholly owned subsidiary of the Company acquired one property in respect of which the Company had previously entered into a purchase agreement (Hanover Park, the eleventh property of the Symphony Portfolio, the first ten of which were acquired in October 2015) for $34,075 plus transaction costs.

(ii) On June 2, 2016, a wholly owned subsidiary of the Company acquired a portfolio of seven properties in Scranton, Pennsylvania (the "Scranton Portfolio") for a purchase price of $29,091 plus transaction costs. The Scranton Portfolio was owned 50% by an entity that is owned 100% by the former chairman of the Company.

(iii) On June 2, 2016, a wholly owned subsidiary of the Company acquired three properties located in Chesterton, Indiana; Mooresville, Indiana; and Topeka, Kansas, respectively, for a combined purchase price of $59,821 plus transaction costs. These properties were majority owned by the former chairman of the Company.

At the acquisition date, the Topeka, Kansas property was under development, and a wholly owned subsidiary of the Company entered into a development lease in conjunction with its purchase of the property, whereby the vendor of the property, Mainstreet LLC, agreed to fund payment until rental income commenced. Upon execution of the development lease, the Company recorded a development lease receivable of $259, which reduced the cost of the investment property acquired. The property is operational and rent commenced on August 1, 2016, and the Company received full payment of $259 related to the development lease receivable during the period ended December 31, 2016.

At the time of closing the Company also assumed $2,249 of liabilities related to the remaining development costs of the property which were recorded as a development cost liability on the statement of financial position. There was no remaining development cost liability related to the Topeka, Kansas property as at December 31, 2016.

(iv) On August 5, 2016, a wholly owned subsidiary of the Company acquired one property located in Syracuse, New York ("Hearth at Greenpoint") in respect of which the Company had previously entered into a purchase agreement. The Hearth at Greenpoint property was acquired for a purchase price of $32,967 plus transaction costs. The Company assumed mortgage debt on the property of $13,994 including a mark-to-market adjustment of $723.

(v) On October 18, 2016, a wholly owned subsidiary of the Company acquired one property located in Syracuse, New York ("Hearth on James") in respect of which the Company had previously entered into a purchase agreement. The Hearth on James property was acquired for a purchase price of $6,878 plus transaction costs. The Company assumed mortgage debt on the property of $3,991 including a mark-to-market adjustment of $269.

(vi) On November 1, 2016, a wholly owned subsidiary of the Company acquired four properties located in Leawood, Kansas; Houston, Texas; Fort Worth, Texas and Wichita, Kansas, respectively, for a combined purchase price of $92,321 plus transaction costs. The Company held mezzanine loans on these properties with a total principal and PIK Interest balance of $9,371, which were repaid as a credit towards the combined purchase price at closing. The Company also assumed mortgage debt totaling $38,926 upon closing of the transaction. These properties were majority owned by the former chairman of the Company.

At the acquisition date, all four properties were under development, and a wholly owned subsidiary of the Company entered into an income support agreement in conjunction with its purchase of the property, whereby the vendor of the property, Mainstreet LLC, agreed to fund payment until rental income commences. Upon execution of the income support agreement, the Company recorded a development lease receivable of $2,076, which reduced the cost of the investment properties acquired.

At the time of closing the Company also assumed $2,984 of liabilities related to the remaining development costs of the properties which was recorded as a construction payable in the statement of financial position. Subsequent to the acquisition date, an additional $14,333 of construction was completed on these properties which was recorded as a reduction of the purchase price. The Company received a credit from Mainstreet LLC at closing in the amount of $17,317 related to the construction costs to be completed.

During the year ended December 31, 2016, the Company capitalized $175 of interest on these development properties.

(vii) On November 1, 2016, a wholly owned subsidiary of the Company acquired a property in Evanston, Illinois ("Evanston") for a purchase price of $22,900 plus transaction costs.

(viii) On November 1, 2016, a wholly owned subsidiary of the Company acquired a 50% interest in two properties located in the province of Ontario, Canada ("Red Oak" and "Marina Point") for a total purchase price of $16,824 plus transaction costs. The Company assumed mortgage debt on the Red Oak property of $3,010. The Company assumed mortgage debt on the Marina Point property of $6,269.

(ix) On November 4, 2016, a wholly owned subsidiary of the Company acquired a 50% interest in two properties located in the province of Ontario, Canada ("Amberwood" and "SMG") for a total purchase price of $21,973 plus transaction costs. The Company assumed mortgage debt on the Amberwood property of $4,425. The Company assumed mortgage debt on the SMG property of $8,386.

(x) On December 16, 2016, a wholly owned subsidiary of the Company acquired a portfolio of three properties located in San Antonio, Texas; New Braunfels, Texas and Little Rock, Arkansas (together, the "MCA Properties"), respectively, for a combined purchase price of $44,300 plus transaction costs.

6. Joint arrangements:

As at December 31, 2017, the following are the Company's joint arrangements:

Joint arrangement	Number of properties	Location	Company ownership	Consolidation type
Mainstreet-Autumnwood Landlord (1)	4	Canada	50%	Joint operation
Mainstreet-Autumnwood Operator (2)	4	Canada	50%	Joint venture

(1) The Company directly holds its interest in the real estate joint operation.
(2) These joint venture arrangements have been structured through separate legal entities and lease the properties from the joint operation landlord.

The Company and Autumnwood (referred to as the "landlords") each owns a 50% direct beneficial interest in the real estate assets and are jointly obligated for the related mortgages for a portfolio of four properties, which under IFRS 11, Joint Arrangements ("IFRS 11"), are accounted for as joint operations.

The Company's 50% interest in the operations of these properties is held through separate legal entities (collectively referred to as "Mainstreet-Autumnwood Operators"), which under IFRS 11 are accounted for as joint ventures using the equity method.

Mainstreet-Autumnwood Operators have leased the real estate from the landlords under their respective lease agreements. These leases are for three-year periods, with six automatic renewals every third anniversary for a total of 21 years. The Company's share of the landlords' lease receipts, $2,887 for the year ended December 31, 2017 (2016 - $455), is reported as lease revenue from joint ventures. Mainstreet-Autumnwood Operators lease expense is included in the share of income from joint ventures in the consolidated statements of income and comprehensive income.

The following tables summarize the information about the Company's investment in joint ventures, which have been accounted for under the equity method. During the year ended December 31, 2017, no contributions or distributions were made to the joint ventures. During the year ended December 31, 2016, the Company contributed its initial investment of $917 in the joint ventures and no distributions were made.

		December 31, 2017		December 31, 2016
Current assets	$	1,968	$	495
Non-current assets		2,184		2,086
Total assets	$	4,152	$	2,581
Current liabilities	$	2,240	$	783
Total liabilities	$	2,240	$	783
Net investment in joint ventures	$	980	$	917

	Year ended December 31, 2017		Year ended December 31, 2016	
Revenue	$	10,427	$	1,637
Expenses		10,421		1,612
Net income	$	6	$	25
Company's share of net income from joint ventures	$	—	$	—

Related party transactions occur between the Company and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the parties. Except as disclosed elsewhere in these consolidated financial statements, the related party balances are included in accounts payable and receivable and in lease revenue from joint ventures. As of December 31, 2017, NIL (2016 - $185) of the Company's accounts receivable relate to its investment in joint ventures.

7. Credit facilities:

The credit facilities are recorded net of loan fees, which are capitalized when paid, and amortized into finance cost over the terms of the related loans using the effective interest rate method.

	December 31, 2017		December 31, 2016	
Facility	$	214,895	$	228,000
Secured Revolving Facility		6,000		—
Finance costs, net		(3,963)		(2,710)
Carrying value	$	216,932	$	225,290
Less current portion		5,958		—
Long-term portion	$	210,974	$	225,290

On February 24, 2017, a wholly owned subsidiary of the Company entered into a secured revolving credit facility ("Secured Revolving Facility") for the purpose of financing property acquisitions. The Secured Revolving Facility has a maximum capacity of $25,000 and had an original maturity date of February 24, 2018. Interest on the Secured Revolving Facility is variable in nature and is dependent on the security provided to the lender. The Secured Revolving Facility provides the ability to draw funds as a first priority mortgage up to 55% of the value of the collateral property, and a second priority mortgage up to 95% of the value of the collateral property.

On February 9, 2018 the Company amended the terms of the Secured Revolving Facility to extend its maturity date to December 31, 2018 and reduce available capacity on a second priority mortgage from 95% to 80% of the value of the collateral property. In conjunction with the amendment, the Company repaid in full $6,000 then outstanding on the Secured Revolving Facility and received proceeds of $17,024 to fund the acquisition of the Grand Brook Properties (as defined in note 29).

On June 6, 2017 the Company amended the terms of its credit facility (the "Facility") agreement to extend the maturity date of the term loan from October 30, 2019 to June 6, 2022 and extend the maturity date of the revolving line of credit from October 31, 2018 to June 6, 2021 with an additional one year extension option, subject to lender approval (the "Facility Recast"). The Facility was also amended to increase the total Facility capacity from $285,000 to $300,000. The term loan capacity remained consistent at $200,000 while the revolving line of credit capacity increased from $85,000 to $100,000. The amended agreement includes an accordion feature that would extend the capacity of the total revolving line of credit, the total term commitment or both, bringing the total capacity of the Facility to $500,000. As at December 31, 2017, the Facility is secured by 24 properties located in the United States. As at December 31, 2017, the security provided the Company with a

borrowing base of $238,871, which represents the maximum amount that can be drawn. The Facility provides for interest-only payments during the term and a borrowing rate of LIBOR plus 275 basis points when the Company's leverage is less than 50%, LIBOR plus 300 basis points when the Company's leverage is greater than or equal to 50% but less than 55%, and LIBOR plus 325 basis points when the Company's leverage is greater than or equal to 55%. Per the agreement, the Company's leverage cannot exceed 60%. On December 7, 2017 the Company amended the terms of the Facility which increased the allowable leverage rate to 65% through June 30, 2018.

At December 31, 2017, total borrowings outstanding under the Facility were $214,895, and the borrowing rate was 4.82%. At December 31, 2017, total borrowings outstanding under the Secured Revolving Facility were $6,000 and the borrowing rate was 6.97%. At December 31, 2016, total borrowings outstanding under the Facility were $228,000, and the borrowing rate was 3.77%. Future principal repayments are as follows:

		Aggregate principal payments
2018	$	6,000
2019		—
2020		—
2021		14,895
2022		200,000
Total	$	220,895

8. Mortgages payable:

Mortgages payable consist of the following as at December 31, 2017:

		December 31, 2017		December 31, 2016
Mortgages payable	$	170,668	$	89,950
Mark-to-market adjustment, net		257		268
Finance costs, net		(1,416)		(502)
Carrying value	$	169,509	$	89,716
Less current portion		52,351		47,889
Long-term portion	$	117,158	$	41,827

Mortgages payable are collateralized by investment properties with a fair value of $276,905 at December 31, 2017. Maturity dates on mortgages payable range from 2018 to 2049, and the weighted average years to maturity is 5.27 years at December 31, 2017.

Future principal payments on the mortgages payable as at December 31, 2017 are as follows:

	Regular principal payments	Principal due on maturity	Total principal payments	% of total principal payments
2018	$ 1,856	$ 50,528	$ 52,384	30.69%
2019	2,402	4,347	6,749	3.95%
2020	2,677	—	2,677	1.57%
2021	2,786	—	2,786	1.63%
2022	2,533	32,347	34,880	20.45%
Thereafter	8,884	62,308	71,192	41.71%
	$ 21,138	$ 149,530	$ 170,668	100.00%

	December 31, 2017	December 31, 2016
Mortgages at fixed rates:		
Mortgages (principal)	$ 85,646	$ 45,660
Interest rates	3.87% to 4.66%	3.87% to 4.55%
Weighted average interest rate	4.46%	4.31%
Mortgages at variable rates:		
Mortgages (principal)	$ 85,022	$ 44,290
Interest rates	Banker's acceptance plus 1.47% to LIBOR plus 3.50%	U.S. Prime to LIBOR plus 3.25%
Weighted average interest rate	4.67%	3.87%
Blended weighted average rate	4.57%	4.10%

9. Derivative financial instruments:

To manage interest rate risk, management of the Company entered into an interest rate swap agreement effective January 29, 2016 (the "Swap Agreement"). In the Swap Agreement, the Company agreed to exchange the difference between fixed and variable rate interest on a principal amount of $147,015 effectively fixing the one month LIBOR rate at 1.2%. On November 30, 2016, the Company increased the principal amount for which interest is exchanged under the Swap Agreement to $200,000 effectively fixing the one month LIBOR rate at 1.16% through its maturity on October 30, 2019. The interest rate swap is not designated as a hedge and is marked to fair value each reporting period through finance cost in the consolidated statement of income and comprehensive income. The Company determined the fair value of its interest rate swap to be an asset of $2,827 at December 31, 2017 based on a market comparison technique. The determination was made using Level 2 inputs. The Company recognized income of $1,284 for the year ended December 31, 2017 (2016 - $1,543), in the consolidated statement of income and comprehensive income related to the change in value of the interest rate swap.

The Company entered into an interest rate swap agreement effective April 15, 2017 (the "Leawood Swap Agreement") to manage the interest rate risk associated with the mortgage for the Leawood Property. In the Leawood Swap Agreement, the Company agreed to exchange the difference between fixed and variable rate interest on a principal amount of $14,092 effectively fixing the interest at 4.55% through its maturity on March 15, 2024. The interest rate swap is not designated as a hedge and is marked to fair value each reporting period through finance cost in the consolidated statement of income and comprehensive income. The Company determined the fair value of its interest rate swap to be a liability of $51 at December 31, 2017 based

on a market comparison technique. The determination was made using Level 2 inputs. The Company recognized a loss of $51 for the year ended December 31, 2017 in the consolidated statement of income and comprehensive income related to the change in value of the interest rate swap.

The Company entered into an interest rate swap agreement effective April 15, 2017 (the "Topeka Swap Agreement") to manage the interest rate risk associated with the mortgages for the Topeka Property. In the Topeka Swap Agreement, the Company agreed to exchange the difference between fixed and variable rate interest on a principal amount of $13,385 effectively fixing the interest at 4.55% through its maturity on March 15, 2024. The interest rate swap is not designated as a hedge and is marked to fair value each reporting period through finance cost in the consolidated statement of income and comprehensive income. The Company determined the fair value of its interest rate swap to be a liability of $48 at December 31, 2017 based on a market comparison technique. The determination was made using Level 2 inputs. The Company recognized a loss of $48 for the year ended December 31, 2017 in the consolidated statement of income and comprehensive income related to the change in value of the interest rate swap.

10. Note payable to related party:

On October 30, 2015, the Company entered into a $2,500 note payable with an entity that is owned 100% by the former chairman of the Company. On February 26, 2016, this note was amended and increased by $1,000. On April 14, 2016, $1,400 of this note was repaid. On April 28, 2016, this note was further increased by $1,500. The note payable had an original maturity date of October 30, 2016 and an interest rate of 5.0% per annum. The note payable of $3,600 and all accrued interest was repaid in full on June 2, 2016.

On April 26, 2016, a subsidiary of the Company entered into a $1,400 note payable with an entity that is owned 100% by the former chairman of the Company. The note payable had an original maturity date of October 30, 2016 and an interest rate of 5.0% per annum. The note payable of $1,400 and all accrued interest was repaid in full on June 2, 2016.

11. Convertible debentures:

(i) 2015 Convertible Debentures

On October 29, 2015, the Company issued convertible subordinated debentures (the "2015 Convertible Debentures") in the aggregate principal amount of $107,961, maturing October 29, 2020. The Convertible Debentures bore interest at the following rates: (i) 10% per annum for the period commencing on October 29, 2015 and ending on and including October 28, 2016; and (ii) 8.5% per annum for the annual period commencing on October 29, 2016 and each year thereafter; in each case payable on a quarterly basis commencing on December 31, 2015, fifty percent (50.0%) in cash and fifty percent (50.0%) by capitalizing the interest accrued and payable as an increase to the principal amount.

All or any portion of the 2015 Convertible Debentures were convertible into shares of the Company at any time based on the conversion formula outlined in the 2015 Convertible Debentures agreement. Upon completion of the Offering on June 2, 2016, the holders of the 2015 Convertible Debentures with an outstanding balance of $111,171 exchanged their interest into 1,111,708 common shares of MHI Holdco. The holders then converted all of their common shares in MHI Holdco, which included 51,810 common shares held prior to the exchange of the 2015 Convertible Debentures, into 11,635,104 common shares of the Company.

The 2015 Convertible Debentures principal activity is as follows:

		Value
2015 Convertible Debenture balance, December 31, 2015	$	108,891
Interest capitalized as principal		2,280
Convertible Debentures exchanged for common shares of the Company		(111,171)
2015 Convertible Debenture balance, December 31, 2016 and 2017	$	—

(i) 2016 Convertible Debentures

On December 16, 2016, the Company issued $45,000 aggregate principal amount of convertible unsecured subordinated debentures (the "2016 Convertible Debentures"). The 2016 Convertible Debentures are due on January 31, 2022 and bear interest at an annual rate of 5.00% payable semi-annually in arrears on July 31 and January 31 of each year.

Each 2016 Convertible Debenture is convertible into freely tradable shares of the Company at the option of the holder at any time prior to the earlier of January 31, 2022 and the last business day immediately preceding the date specified by the Company for redemption, at a conversion price of $11.00 per common share. Holders converting their 2016 Convertible Debentures will be entitled to receive, in addition to the applicable number of Common Shares, accrued and unpaid interest thereon for the period from the last interest payment date up to and including the last record date set by the Company prior to the date of conversion for determining the holders of Common Shares entitled to receive dividends on the Common Shares prior to conversion.

On or after January 31, 2020 and prior to January 31, 2021, the 2016 Convertible Debentures may be redeemed by the Company in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest provided that the Current Market Price, as defined in the Company's Indenture, is not less than 125% of the conversion price. On or after January 31, 2021, the 2016 Convertible Debentures may be redeemed by the Company in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued interest.

Subject to regulatory approval and provided no event of default has occurred, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 2016 Convertible Debentures on redemption or maturity through, in whole or in part, the issuance of freely tradable common shares. The number of common shares to be issued in respect of each debenture will be determined by dividing the principal amount of the debenture by 95% of the Current Market Price, as defined in the indenture. In addition, subject to regulatory approval and provided no event of default has occurred, common shares may be issued with the proceeds used by Company the to satisfy the obligations to pay interest on the 2016 Convertible Debentures.

As at December 31, 2017 the 2016 Convertible Debentures are comprised of the following:

		December 31, 2017		December 31, 2016
Issued	$	45,000	$	45,000
Issue costs, net of amortization and accretion of equity component		(1,416)		(2,138)
Equity component, excluding issue costs and taxes		(1,648)		(1,648)
2016 Convertible Debentures	$	41,936	$	41,214

Interest costs related to the 2016 Convertible Debentures are recorded in financing costs using the effective interest rate method.

12. Other non-current liabilities:

Other non-current liabilities are as follows:

	December 31, 2017	December 31, 2016
Deferred shares liability	$ 1,096	$ 352
Security deposits received from tenants	8,404	605
	$ 9,500	$ 957

13. Reconciliation of changes in liabilities arising from financing activities:

	Credit facilities	Mortgages payable	Convertible debentures	Total
Balance, December 31, 2016	$ 225,290	$ 89,716	$ 41,214	$ 356,220
Debt assumed through acquisitions	—	31,219	—	31,219
Proceeds from financing	34,741	90,204	—	124,945
Repayments	(41,847)	(40,693)	—	(82,540)
Scheduled principal payments	—	(1,508)	—	(1,508)
Financing costs paid	(2,571)	(1,233)	—	(3,804)
Amortizing of financing costs and mark to market adjustments	1,319	298	721	2,338
Changes in foreign currency rates	—	1,506	—	1,506
Balance, December 31, 2017	$ 216,932	$ 169,509	$ 41,935	$ 428,376

14. 2016 Preferred shares:

On April 28, 2016, the Company issued $10,300 of non-voting preferred shares. The preferred shares entitled the holder to a fixed cash dividend per share at a rate of 8.5% per year, which dividend was to increase to an annual rate of 10.5% if the preferred shares had not been redeemed within three months of issuance. The preferred shares were redeemed upon completion of the Offering on June 2, 2016.

15. Share capital:

(a) Common Shares:

The following number and value of common shares were issued and outstanding as at December 31, 2017:

	Common Shares	Value
Balance, December 31, 2015	—	$ 20,734
Shares issued	32,216,994	287,767
Issued pursuant to the Company's dividend reinvestment plan	5,361	50
Balance, December 31, 2016	32,222,355	308,551
Issued on settlement of Deferred Share Incentive Plan	94,826	1,540
Issued pursuant to the Company's dividend reinvestment plan	41,573	368
Balance, December 31, 2017	32,358,754	$ 310,459

(i) On December 2, 2015, the Company agreed to acquire all of the shares of MHI Holdco held by MS Investment, representing approximately 75% of the issued and outstanding shares of MHI Holdco, in consideration for the issuance of 81,160,000 pre-consolidation common shares and 307,659,850 pre-consolidation non-voting shares ("Non-Voting Shares") in the capital of the Company. These shares were consolidated on a 250:1 basis upon completion of the offering described in (iii) below. The non-voting Shares were converted to common shares in connection with the closing of the offering described in (iii) below.

The transaction, which closed on April 4, 2016, resulted in a reverse takeover of the Company in which MS Investment acquired approximately 95% of the issued and outstanding shares of the Company and an 80% voting interest in the Company (with the balance of their equity interest being held in the form of Non-Voting Shares).

(ii) On June 2, 2016 the Company acquired all of the remaining outstanding shares of MHI Holdco subsequent to the conversion of the 2015 Convertible Debentures issued by MHI Holdco into shares of MHI Holdco. The shareholders of MHI Holdco received 518,094 common shares of the Company and the 2015 Convertible Debenture holders received 11,117,010 common shares of the Company, both on a post-consolidation basis. The Company has been identified as the accounting acquiree rather than the accounting acquirer and the transaction is considered to be a reverse-takeover. As the former shareholders of MHI Holdco owned a controlling interest in the Company at the closing of the transaction, the financial statements of the Company reflect the historical results of MHI Holdco and the acquisition of the net assets of the Company at their fair value on the date of closing. However, the equity structure (i.e. the number and type of shares issued) reflects the equity structure of the Company.

At the closing of the transaction the Company did not meet the definition of a business and, therefore, the acquisition of the Company was not considered to be a business combination. The acquisition of the Company was accounted for in accordance with IFRS 2, Share-Based Payment, reported as the issuance of common shares and an expense of $700, which is measured by calculating the difference between (i) the fair value of the number of shares that MHI Holdco would have to issue in order to provide the same percentage ownership of the combined entity to the shareholders of the Company as they would have in the combined entity as a result of the reverse-takeover; and (ii) the fair value of the identifiable net assets of the Company on June 2, 2016.

(iii) On June 2, 2016, the Company completed the issuance of 9,500,000 common shares for gross proceeds of $95,000. The underwriters of the transaction were granted an overallotment option to purchase up to an additional 1,425,000 common shares within 30 days of the completion of the offering. The overallotment option was exercised in full on June 21, 2016 resulting in gross proceeds of $14,250.

(iv) On October 6, 2016, the Company closed its offering of 7,406,000 subscription receipts (the "Subscription Receipts") at a price of $10.10 per Subscription Receipt for gross proceeds of $74,800, which included 966,000 Subscription Receipts acquired upon the exercise by the underwriters of an overallotment option granted to them by the Company.

(v) On October 31, 2016, the Company completed the redemption of the subscription receipts in exchange for the issuance of 7,406,000 common shares. Upon conversion to common shares, the subscription receipts were adjusted to fair value and approximately $70,129, net of transaction costs, was transferred to shareholders' equity with a corresponding gain of approximately $667 recorded in the consolidated statements of income and comprehensive income as a finance cost.

(vi) On November 1, 2016, the Company issued 352,334 common shares as partial consideration for the acquisition of two properties located in the province of Ontario, Canada.

(vii) On November 3, 2016, the Company issued 262,117 common shares as partial consideration for the acquisition of two properties located in the province of Ontario, Canada.

(viii) Prior to the June 2, 2016 transactions described above, the Company previously issued 10,171 stock options which are fully vested and remain exercisable at CDN$25.00 per share (2,642,800 at CDN$0.10 per share prior

to the 250:1 share consolidation described in (i) above). At December 31, 2017, 540,000 of the stock options remain outstanding and expire on June 14, 2018.

(ix) Prior to the June 2, 2016 transactions described above, the Company previously issued 4,400 share purchase warrants which remain exercisable at CDN$25.00 per warrant (1,100,000 at CDN$0.10 per warrant prior to the 250:1 share consolidation described in (i) above). At December 31, 2017, 300,000 of the warrants remain outstanding and expire on June 14, 2018.

(x) On March 3, 2017 the Company filed a base shelf prospectus with the securities regulatory authorities in each of the provinces and territories of Canada. The prospectus is valid for a 25-month period, during which time the Company may offer and issue, from time to time, common shares, preferred shares, debt securities, warrants, subscription receipts and units, or any combination thereof, having an aggregate offering price of $500,000. The intention of the base shelf prospectus is to allow the Company to more quickly access capital when market opportunities permit.

(xi) For the year ended December 31, 2017, the Company declared dividends payable in cash on common shares of $23,791 (2016 - $11,739).

(b) Preferred Shares:

On December 22, 2017, the Company entered into subscription agreements in respect of the issuance of class A convertible preferred shares ("Preferred Shares") for aggregate gross proceeds of $54,000, to be funded in multiple series. The first series was funded on the day of the agreement resulting in the issuance of 2,802,009 Class A Series 1 Convertible Preferred Shares (the "Series 1 Preferred Shares") for aggregate gross proceeds of $26,500.

On February 2, 2018, the Company amended the terms of the subscription agreements to increase the amount of the subscription to approximately $71,500. The second series was funded on February 9, 2018, resulting in the issuance of 3,172,086 Class A Series 2 Preferred Shares (the "Series 2 Preferred Shares") for aggregate gross proceeds of $30,000. The third and final series is expected to be funded prior to May 31, 2018 and result in the issuance of 1,586,042 Class A Series 3 Preferred Shares (the "Series 3 Preferred Shares") on substantially the same terms as the other series for aggregate gross proceeds of $15,000.

The Preferred Shares are non-voting and are initially convertible into common shares of the Company on a one-for-one basis at the option of the holder based on an initial liquidation preference and a conversion price of $9.75. The Preferred Shares were issued at a price per share equal to the initial liquidation preference of $9.75, subject to a 3% discount. Following issuance, the liquidation preference of the Preferred Shares will accrete at a rate of 5.65% per annum, compounded quarterly, increasing the number of common shares into which each Preferred Share is convertible at the fixed rate, and is subject to further adjustments in certain circumstances. In certain circumstances, the Company may redeem the Preferred Shares for an amount equal to their liquidation preference and may also require the conversion of the Preferred Shares. If the Preferred Shares are redeemed or mandatorily converted in the first year following issuance, the liquidation preference of such shares will include a 4% premium to the initial liquidation preference. This premium will be reduced by 1% per year in respect of redemptions or mandatory conversions in the second, third or fourth years following issuance.

16. Earnings per share:

Basic income per share is calculated using the weighted average number of shares outstanding during the period. The calculation of diluted income per share, is calculated using the "if-converted" method and to the extent the conversion is dilutive, assumes all convertible securities have been converted at the beginning of the period, or at the time of issuance, if later, and any charges or returns on the convertible securities, on an after-tax basis, are removed from net earnings. The after-tax interest on 2016 Convertible Debentures have been removed from net earnings and the weighted average number of shares has been increased by the number of shares, which would be issued on conversion of the 2016 Convertible Debentures, pro-rated for the number of days in the period the 2016 Convertible Debentures were outstanding. The outstanding 2016 Convertible Debentures, options, share purchase warrants and unvested deferred shares, if exercised, would be anti-dilutive to net income per share. Accordingly their potential exercise has been ignored in calculating the diluted net income per share.

The following table reconciles the numerator and denominator of the basic and diluted earnings per share computation:

Net income:

	Year ended December 31, 2017	Year ended December 31, 2016
Net income for basic net income per share	$ 16,263	$ 4,877

Denominator for basic and diluted net income per share:

	Year ended December 31, 2017	Year ended December 31, 2016
Weighted average number of shares, including fully vested deferred shares: Basic	32,323,269	16,236,291
Weighted average shares issued if all Preferred Shares were converted	76,558	—
Weighted average number of shares: Diluted	32,399,827	16,236,291

Net income per share:

	Year ended December 31, 2017	Year ended December 31, 2016
Basic and diluted	$ 0.50	$ 0.30

For the year ended December 31, 2016, the weighted average number of common shares outstanding has been calculated as the average of:

(i) For the period from January 1, 2016 to June 2, 2016 the weighted average number of ordinary shares of MHI Holdco outstanding during the period multiplied by the share conversion ratio.
(ii) For the period from June 2, 2016 to December 31, 2016 the actual number of ordinary shares of the Company outstanding during that period.

17. Rental revenue:

Rental revenue consists of the following:

	Year ended December 31, 2017	Year ended December 31, 2016
Cash rentals received	$ 45,372	$ 28,895
Straight-line rent adjustments	5,982	4,224
Property tax recovery	8,834	6,317
	$ 60,188	$ 39,436

The Company is scheduled to receive rental income from operators under the provisions of long term non-cancellable operating leases, generally with lease terms of 10 to 15 years, with provisions for lease extensions at the option of the tenants. These leases are triple-net and include renewal options and rent escalation clauses.

The tenant operator of the Symphony Portfolio ("Symcare") of 11 properties pays rent pursuant to a master lease. For the year ended December 31, 2017, rental revenue from this tenant comprised approximately 58% (2016 - 83%), of the Company's consolidated rental revenue for the period.

Future minimum rentals to be received as of December 31, 2017 are as follows:

Less than 1 year	$ 51,457
Between 1 and 5 years	225,240
More than 5 years	528,016
	$ 804,713

Future minimum rentals in the above table attributable to Symcare represent approximately 46% of the total.

18. Finance costs:

Finance costs consist of the following:

	Year ended December 31, 2017	Year ended December 31, 2016
Interest expense on credit facilities	$ 10,337	$ 6,179
Interest expense on mortgages payable	4,822	1,217
Interest expense on notes payable	—	72
Interest expense on convertible debentures	2,250	4,715
Preferred share dividends	—	83
Amortization and accretion expense	2,345	887
Interest rate swap payments	374	999
Write off of MTM adjustment on refinanced debt	—	(609)
Non-cash write-off of deferred financing costs from refinancing	—	287
Yield maintenance premium on refinanced debt	—	919
Amortization of mark-to-market debt adjustments	(11)	(115)
Fair value gain on subscription receipts	—	(667)
	$ 20,117	$ 13,967

19. General and administrative:

General and administrative costs consist of the following:

	Year ended December 31, 2017	Year ended December 31, 2016
Compensation and benefits	$ 3,333	$ 1,580
Management and administrative fees	270	896
Professional fees	1,942	1,044
Deferred share compensation	1,614	352
Loss on currency conversion	3	41
Listing expense	—	700
Diligence costs for transactions not pursued	491	22
Other	912	543
	$ 8,565	$ 5,178

20. Deferred share incentive plan:

On May 25, 2016, the shareholders of the Company voted on and approved a deferred share incentive plan (the "Deferred Share Incentive Plan").

Each director of the Company is given the right to participate in the Deferred Share Incentive Plan. Each director who elects to participate shall receive a portion of his or her fees earned for service on the Board (the "Elected Amount") in the form of deferred shares in lieu of cash ("Individual Contributed Deferred Shares"). In addition, the Deferred Share Incentive Plan provides that the Corporation shall match 100% of the Elected Amount for each director such that the aggregate number of deferred shares issued to each such director annually shall be equal in value to two times the Elected Amount for such director ("Company Contributed Deferred Shares").

Under the Deferred Share Incentive Plan, deferred shares may be granted from time to time to participants in the Deferred Share Incentive Plan at the discretion of the Board or the Compensation, Governance and Nominating Committee ("Discretionary Deferred Shares")

Wherever cash dividends are paid on the common shares, additional deferred shares are credited to the Participant's account. The number of such additional Deferred Shares is calculated by multiplying the aggregate number of Deferred Shares held on the relevant dividend record date by the amount of the dividend paid by the Company on each common share, and dividing the result by the market value of the common shares on the dividend date.

Individual Contributed Deferred Shares vest immediately upon grant. Company Contributed Deferred Shares, which are granted only to directors, generally vest in three equal installments on the first three anniversary dates of the grant.

Discretionary Deferred Shares may also be granted to participants and, where vesting is not specified in connection with the grant, such Discretionary Deferred Shares will vest on the second anniversary of the date of grant.

Additional deferred shares credited to a participant's account in connection with cash dividends vest on the same schedule as their corresponding Deferred Shares and are considered issued on the same date as the deferred shares in respect of which they were credited.

At the meeting of shareholders held on May 25, 2016, shareholders approved an amendment to the Deferred Share Incentive Plan to increase the maximum number of common shares available for issuance under the Deferred Share Incentive Plan to 1,200,000.

At December 31, 2017, the number of deferred shares granted and outstanding and vested are as follows:

	Granted/ Outstanding	Fully Vested
As at January 1, 2016	—	—
Discretionary Deferred Shares granted	40,000	—
Individual Contributed Deferred Shares (vested immediately)	19,682	19,682
Company Contributed Deferred Shares	19,682	—
Dividend equivalents automatically granted on deferred shares	2,181	359
As at December 31, 2016	81,545	20,041
Discretionary Deferred Shares granted	146,092	80,694
Individual Contributed Deferred Shares (vested immediately)	30,435	30,435
Company Contributed Deferred Shares	30,435	5,577
Dividend equivalents automatically granted on deferred shares	14,956	5,203
Shares Forfeited	(14,073)	—
Shares issued upon vesting of deferred shares	(94,826)	(94,826)
As at December 31, 2017	194,564	47,124

For the year ended December 31, 2017, expense recognized in the consolidated statements of income and comprehensive income related to deferred share grants was $1,614 (2016 - $352). A deferred share liability of $1,096 (2016 - $352) is included in other non-current liabilities in the consolidated statements of financial position as at December 31, 2017.

21. Related party transactions:

Related party transactions during the years ended December 31, 2017 and 2016 include transactions between the Company and entities with an ownership interest held by Paul "Zeke" Turner, who served as chairman of the Company's board of directors from June 2, 2016 through September 19, 2017. Effective September 19, 2017, Mr. Turner resigned from his position on the board of directors of the Company, at which point he was no longer a related party. Mr. Turner owns or has a majority interest in certain entities with which the Company has transacted, including Mainstreet LLC, Mainstreet Asset Management, Inc ("MAMI") and MS Investment. These entities are considered related parties with respect to all transactions completed while Mr. Turner served on the Company's board of directors. As at and for the years ended December 31, 2017 and 2016, the following related party transactions occurred involving the former chairman of the Company or entities owned or controlled by him:

(i) For the year ended December 31, 2017, the Company paid asset management and administrative services fees of $270 (2016 - $896), to MAMI, which is owned 100% by the former chairman of the Company. Prior to the completion of the reverse takeover transaction on April 4, 2016, the fee was payable pursuant to an asset management agreement (the "First Asset Management Agreement") dated October 29, 2015, and called for an asset management fee equal to 3.0% of gross rentals received. On April 4, 2016, the Company entered into a new asset management agreement with MAMI (the "Second Asset Management Agreement" and together with the First Asset Management Agreement, the "Asset Management Agreements"), which called for management fees payable at a rate of 0.3% of the estimated gross book value of the Company up to a gross book value of $1,000,000, plus 0.1% of the gross book value of the Company in excess of $1,000,000.

On November 1, 2016, the Company completed the internalization of asset management functions. The Second Asset Management Agreement was terminated effective October 31, 2016, and no fees or penalties were or will be paid to MAMI. In connection with internalization, the Company and MAMI entered into an administrative services agreement pursuant to which MAMI is required to provide the Company with certain administrative services, including information technology support and equipment as well as dedicated office space for a period of up to two years, in exchange for a one time fee of $65 and a monthly fee of $23.

(ii) The Company has issued certain mezzanine loans to entities which are wholly owned subsidiaries of Mainstreet LLC (note 3). The loans have been issued for the development of seniors housing and care properties in the United States. The mezzanine loans provide for annual interest, of which a portion is payable at a current pay rate on a monthly basis, with the remaining portion of interest accruing until the earlier of the loan's maturity or prepayment ("PIK Interest"). The mezzanine loans provide the Company with the right to purchase the development upon its substantial completion at fair market value.

(iii) On October 30, 2015, the Company entered into a $2,500 note payable with an entity that is owned 100% by the former chairman of the Company. On February 26, 2016, this note was amended and increased by $1,000. On April 14, 2016, $1,400 of this note was repaid. On April 28, 2016, this note was further increased by $1,500. The note payable had an original maturity date of October 30, 2016 and an interest rate of 5.0% per annum. The note payable of $3,600 and all accrued interest was repaid in full on June 2, 2016.

On April 26, 2016, a subsidiary of the Company entered into a $1,400 note payable with an entity that is owned 100% by the former chairman of the Company. The note payable had an original maturity date of October 30, 2016 and an interest rate of 5.0% per annum. The note payable of $1,400 and all accrued interest was repaid in full on June 2, 2016.

(iv) On April 4, 2016 the Company entered into a development agreement with Mainstreet LLC with the right to provide mezzanine financing for projected construction costs for all suitable development properties identified by Mainstreet LLC. The Company will have an option to acquire any property for which it has provided mezzanine financing pursuant to the terms set out in the development agreement. As at December 31, 2017, the Company has $16,760 (December 31, 2016 - $26,572) in outstanding mezzanine financing receivable from wholly owned subsidiaries of Mainstreet LLC. The Company has recognized income of $3,461 for the year ended December 31, 2017 (2016 - $899), in the consolidated statement of income and comprehensive income related to interest income on these mezzanine loans.

(v) On June 2, 2016, a wholly owned subsidiary of the Company acquired three properties located in Chesterton, Indiana; Mooresville, Indiana; and Topeka, Kansas, respectively, for a combined purchase price of $59,821 plus transaction costs. These properties were acquired from wholly owned subsidiaries of Mainstreet LLC.

At the acquisition date, the Topeka, Kansas property was under development, and a wholly owned subsidiary of the Company entered into a development lease in conjunction with its purchase of the property, whereby the vendor of the property, Mainstreet LLC, agreed to fund payment until rental income commenced. Upon execution of the development lease, the Company recorded a development lease receivable of $259, which reduced the cost of the investment property acquired and which was subsequently paid. At the time of closing the Company also assumed $2,249 of liabilities related to the remaining development costs of the property which were recorded as a development cost liability on the statement of financial position. There is no remaining development cost liability related to the Topeka, Kansas property.

(vi) On June 2, 2016, a wholly owned subsidiary of the Company acquired a portfolio of seven properties in Scranton, Pennsylvania (the "Scranton Portfolio") for a purchase price of $29,091 plus transaction costs. The Scranton Portfolio was owned 50% by an entity that is owned 100% by the former chairman of the Company.

(vii) On November 1, 2016, a wholly owned subsidiary of the Company acquired four properties located in Leawood, Kansas; Houston, Texas; Fort Worth, Texas and Wichita, Kansas, respectively, for a combined purchase price of $92,321 plus transaction costs. These properties were acquired from wholly owned subsidiaries of Mainstreet LLC.

At the acquisition date, all four properties were under development, and a wholly owned subsidiary of the Company entered into an income support agreement (the "Income Support Agreement") in conjunction with its purchase of the property, whereby the vendor of the property, Mainstreet LLC, agreed to fund payment until rental income commences. Upon execution of the development leases, the Company recorded an income support receivable of $2,076, which reduced the cost of the investment properties acquired. The Leawood, Kansas property is operational and rent commenced on December 1, 2016. The Company has received full payment of the initial $2,076 income support receivable recorded at acquisition. The Company has received additional payments under the Income Support Agreement of $1,107 as of December 31, 2017 due to the timing of lease commencements on the remaining properties.

At the time of closing the Company also assumed $2,984 of liabilities related to development costs of the properties which was recorded as a construction cost liability on the statement of financial position. Subsequent to the acquisition date, an additional $14,333 of construction was completed on these properties as of December 31, 2017. The Company received a credit from Mainstreet LLC at closing in the amount of $17,317 related to the construction costs to be completed.

(viii) On December 22, 2016, a subsidiary of the Company entered into a full recourse loan agreement with MS Investment with a capacity of $5,000 to be used by MS Investment for development costs, operating capital expenditures or other costs. $2,500 of the loan was advanced to MS Investment on December 22, 2016, and an additional $2,500 was advanced on January 6, 2017. The loan provides for an annual interest rate of 10.0%, of which 8.5% is payable at a current pay rate on a monthly basis, with an additional 1.5% accruing at PIK Interest and due at the repayment of the loan. The loan matures on December 22, 2018.

(ix) In July 2017, the Company entered into an agreement to sell the Wichita, Kansas and Fort Worth, Texas properties to Mainstreet LLC for a combined purchase price of approximately $47,298. In conjunction with this transaction, lease agreements to operate both properties were entered into by an affiliate of Mainstreet LLC and the Income Support Agreement has been terminated. The triple-net lease agreements have initial terms of 15 years and are at market rates, which are equal to the payments previously received under the Income Support Agreement. The final income support payments were received in July 2017 and there is no remaining income support receivable related to these properties. Rent for the two properties commenced on July 15, 2017. The Company has recognized $1,726 of rental revenue for these properties for the year ended December 31, 2017.

Subsequent to the original agreement in July 2017, the purchase agreement was amended to exclude the Fort Worth, Texas property from the sale transaction. The lease agreement remains in place and the property will continue to be operated by an affiliate of Mainstreet LLC.

(x) On November 28, 2017 the Company purchased three transitional care facilities located in Columbia, Missouri; Omaha, Nebraska and Houston, Texas from Mainstreet LLC for a purchase price of $68,000 plus transaction costs. The Company funded the transaction through a combination of assumed debt, the retirement of the Company's mezzanine loans outstanding on the three properties, cash on hand and equity in the unencumbered Wichita, Kansas property, the sale of which was completed concurrently for $22,775 plus transaction costs. The Company held mezzanine loans on these properties with a total principal and PIK Interest balance of $4,037, which were repaid as a credit towards the combined purchase price at closing.

(xi) On July 25, 2017, the Company received total payments of $6,673 representing full repayment of outstanding principal, accrued PIK Interest and current interest, as of the repayment date, on the mezzanine loans receivable from MS Aurora Holdings II, LLC and MS Phoenix Holdings, LLC.

Other related party transactions

The Company entered into subscription agreements in respect of the issuance of class A convertible preferred shares to certain funds managed by Magnetar Financial LLC (collectively, "Magnetar") for aggregate gross proceeds of $54,000, to be funded in multiple series. Magnetar is a related party of the Company as it beneficially owns or controls more than 10% of the Company's outstanding common shares. The purpose of the transaction was to raise proceeds to be used for the repayment of debt, general working capital purposes and to fund future acquisitions.

The first series of the private placement was funded on the day of the agreement resulting in the issuance of 2,802,009 Series 1 Preferred Shares for aggregate gross proceeds of $26,500. On February 2, 2018, the Company amended the terms of the subscription agreements to increase the amount of the subscription to approximately $71,500. The second series was funded on February 9, 2018, resulting in the issuance of 3,172,086 Series 2 Preferred Shares for aggregate gross proceeds of $30,000. The third series is expected to be funded prior to May 31, 2018 and result in the issuance of 1,586,042 Series 3 Preferred Shares on substantially the same terms as the other series for aggregate gross proceeds of $15,000.

22. Income taxes:

The income tax expense in the consolidated statements of income (loss) and comprehensive income (loss) differs from that expected by applying the combined federal, provincial and state income tax rates of 26.5% (2016 - 26.5%). The differences for the years ended December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Income before income taxes	$ 21,685	$ 10,413
Income tax expense at Canadian tax rate	5,747	2,759
Non-deductible expenses	1,015	398
Expense not subject to tax	—	307
Tax benefit not previously recognized	—	(1,032)
Difference in tax rate in foreign jurisdiction	284	3,104
Change in tax rate in foreign jurisdiction	(1,692)	—
Other	17	—
Income tax expense	$ 5,371	$ 5,536

The Company has certain subsidiaries in the United States and Canada that are subject to tax on their taxable income. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below.

	December 31, 2017		December 31, 2016	
Deferred tax assets:				
Net operating losses	$	10,941	$	7,870
Other		131		183
Deferred tax assets	$	11,072	$	8,053
Deferred tax liabilities:				
Investment properties	$	20,170	$	12,574
Derivative instruments		756		625
Convertible debentures		437		437
Deferred tax liabilities	$	21,363	$	13,636
Net deferred tax liability	$	(10,291)	$	(5,583)

The gross movement in deferred tax is as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
Deferred tax liability, beginning balance	$	5,583	$	—
Deferred tax expense		5,371		5,536
Deferred tax liability charged to equity		(663)		47
Deferred tax liability, ending balance	$	10,291	$	5,583

On December 22, 2017, new U.S. tax legislation was enacted, commonly referred to as the Tax Cuts and Jobs Act of 2017 ("U.S. Tax Reform"). Among other significant changes, the U.S. Tax Reform lowers the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. For the year ended December 31, 2017, the Company has re-measured the deferred taxes to reflect the reduced federal rate of 21% effective January 1, 2018 which will apply in future years when these deferred taxes are settled or realized. The change in federal income tax rate has resulted in a one-time recovery of income tax of $1,692.

At December 31, 2017, U.S. subsidiaries had accumulated net operating losses available for carryforward for U.S. income tax purposes of $38,462 (2016 - $18,708). The federal net operating losses will expire in 2036. The state net operating losses will expire in 2028.

The Company has net operating losses and deductible temporary differences amounting to $11,198 in Canada at December 31, 2017 (2016 - $13,728) for which no deferred tax asset has been recognized as it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom. The net operating losses expire between 2026 and 2034.

23. Commitments and contingencies:

On March 31, 2016, a subsidiary of the Company entered into a purchase and sale agreement to acquire a portfolio of three properties in Syracuse, New York for total consideration of $50,863. As of December 31, 2017, one of these properties, Keepsake Village at Greenpoint, has yet to be acquired. The Company has a commitment to acquire Keepsake Village at Greenpoint for total consideration of $11,018.

Pursuant to the Chesterton lease agreement and satisfaction of certain conditions, the tenant has an option prior to the end of the fifth year of the lease to increase rent to a level supported by certain metrics as identified in the lease agreement. In consideration for the exercise of such option, the Company is required to pay the tenant an amount equal to the capitalized value of the rent increase using a pre-determined capitalization rate. If such option is exercised, the tenant's rent is also increased by an amount equal to the consideration paid multiplied by the capitalization rate. The Company has not recorded any balance in the financial statements associated with this commitment.

Pursuant to the Scranton Portfolio purchase and sale agreement, if certain conditions are met, the Company will be obligated to make an earn-out payment to the seller of the properties. Additionally, pursuant to the Scranton Portfolio lease agreement, if an earn-out payment is made, the tenant's rent will increase at an amount equal to the consideration paid for the earn-out multiplied by a pre-determined rate. The Company has not recorded any balance in the financial statements associated with this commitment.

Pursuant to the Evanston lease agreement and satisfaction of certain conditions, the tenant has an option to increase rent to a level supported by certain metrics as identified in the lease agreement. In consideration for the exercise of such option, the Company is required to pay the tenant an amount equal to the capitalized value of the rent increase using a pre-determined capitalization rate. If such option is exercised, the tenant's rent is also increased by an amount equal to the consideration paid multiplied by the capitalization rate. The Company has not recorded any balance in the financial statements associated with this commitment.

There are risks which arise from the joint arrangements, including the willingness of the other partners to contribute or withdraw funds and a change in creditworthiness of the partner. As a result, there may be a requirement by the Company to contribute cash into the operating partnership.

24. Capital management:

The Company's objectives when managing capital are to ensure sufficient liquidity to pursue its organic growth combined with strategic acquisitions, and to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations.

The capital of the Company consists of mortgages payable, the credit facilities, convertible debentures, preferred shares and common shares.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets, as well as with consideration of externally imposed capital requirements. In managing its capital structure, the Company monitors performance throughout the period to ensure working capital requirements are funded from operations, available cash on deposit and available financing. The Company may make changes to its capital structure in order to support the broader corporate strategy or in light of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue equity or new debt, issue new debt with different characteristics to replace existing debt, or reduce the amount of existing debt.

The real estate industry is capital-intensive by nature. As a result, debt capital is an important aspect in managing the business. In addition, financial leverage is used to enhance terms from purchased real estate. The Company actively monitors debt maturities and available debt financing options.

Under the terms of the Company's credit facilities, the Company is required to meet certain financial and non-financial covenants that are customary for the nature and phase of the Company's current business structure.

25. Fair value measurement:

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated statements of financial position is as follows:

	December 31, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash	$ 12,958	$ —	$ —	$ 7,651	$ —	$ —
Investment in MS-SW Development Fund Holdings LLC	—	—	1,072	—	—	894
Derivative asset	—	2,827	—	—	1,543	—
Investment properties	—	—	721,991	—	—	628,471
Derivative liability	—	(99)	—	—	—	—

For the assets and liabilities measured at fair value as at December 31, 2017, there were no transfers between Level 1, Level 2 and Level 3 liabilities during the period. For changes in fair value measurements of investment properties included in Level 3 of the fair value hierarchy, refer to note 4 for details. The fair value of the Investment in MS-SW Development Fund Holdings LLC represents contributions made to the entity and the value of contractual returns accrued.

Fair value of financial instruments:

The carrying amounts and fair values of financial instruments as shown in the consolidated statements of financial position are shown in the table below. The table below excludes cash, trade and other receivables, accounts payable, accrued real estate taxes, accrued interest expense, accrued convertible debenture interest, dividend payable and development cost liability, as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value:

	December 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Investment in MS-SW Development Fund Holdings, LLC	$ 1,072	$ 1,072	$ 894	$ 894
Loans receivable	36,431	36,431	29,081	29,008
Derivative instruments	2,827	2,827	1,543	1,543
Financial liabilities:				
Mortgages payable	169,509	170,668	89,716	89,950
Credit facilities	216,932	220,895	225,290	228,000
Derivative instruments	99	99	—	—
2016 Convertible Debentures	41,936	43,650	41,214	42,975

Fair value represents management's estimates of the fair market value at a given point in time, which may not reflect fair value in the future. These calculations are subjective and require estimation, and cannot be determined with precision. Changes in assumptions could significantly affect the estimates. The following summarizes the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

(i) Investment in MS-SW Development Fund Holdings, LLC

Management has determined the fair value of this unlisted private equity investment using applicable inputs such as contractual rates of return, estimated future cash flows and market value of the associated development properties. Fair value measurements of this investment were estimated using Level 3 inputs.

(ii) Loans receivable

The fair value of loans receivable is determined by the discounted cash flow method using applicable inputs such as prevailing interest rates, contractual rates and discounts. Fair value measurements of these instruments were estimated using Level 3 inputs. The carrying values of short term loans generally approximate their fair values.

(iii) Derivative instruments

The fair values of the derivative instruments represents estimates at a specific point in time using financial models, based on interest rates that reflect current market conditions, the credit quality of counterparties and interest rate curves.

(iv) Mortgages payable and credit facility

The fair values of these instruments are estimates made at a specific point in time, based on relevant market information. These estimates are based on quoted market prices for the same or similar issues or on the current rates offered to the Company for similar financial instruments subject to similar risk and maturities. Fair value measurements of these instruments were estimated using Level 2 inputs. The carrying values of short-term and variable rate debt generally approximate their fair values.

(v) 2016 Convertible Debentures

The Company determined the fair value of the 2016 Convertible Debentures using a quoted market price which is considered a Level 1 input.

26. Financial risk management:

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by senior management under guidelines approved by the Board of Directors. There have been no significant changes in the Company's risk management policies and strategies since December 31, 2016.

(i) Market risk

Foreign currency risk:

Foreign exchange risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. A portion of the Company's operations are located in Canada, resulting in the Company being subject to foreign currency fluctuations which may impact its financial position and results. In order to mitigate the risk, the Company's borrowings on Canadian assets are also denominated in Canadian dollars to act as a natural hedge. In addition, Canadian dollar revenue was predominantly naturally hedged by Canadian dollar expenditures such as corporate professional fees, interest expense and administrative expenditures.

Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on the Facility, which bears interest based on the LIBOR rate, and certain mortgages payable, which bear interest at variable rates. To manage interest rate risk,

the Company entered into the Swap Agreement, the Leawood Swap Agreement and the Topeka Swap Agreement which effectively fixes interest on a portion of its variable rate debt. It may also enter into additional derivative financial instruments from time to time to mitigate interest rate risk. To limit exposure to the risk of higher interest rates at renewal, the Company spreads the maturities of its fixed-rate, long-term debt over time.

At December 31, 2017, the Company's interest-bearing financial instruments were as follows:

	Carrying Amount			
	December 31, 2017		December 31, 2016	
Fixed-rate financial liabilities	$	324,354	$	284,675
Variable-rate financial liabilities	$	104,058	$	71,545

An increase/decrease of 100-basis-points in interest rates at December 31, 2017 for the variable-rate financial instruments would have decreased/increased the income for the year by $1,059 (on a pre-tax basis) (2016 - $723).

(ii) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. The Company is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the consolidated statement of financial position. The Company actively manages its affairs to minimize its credit risk through careful selection and assessment of its credit parties and collateral based on knowledge obtained through means such as due diligence carried out in respect of leasing transactions to new operators. The Company also manages credit risk related to its cash balances by selection of reputable banking institutions.

(iii) Liquidity risk:

The Company is subject to the liquidity risk that it will not be able to meet its financial obligations as they come due. Although a portion of the cash flow generated by the investment properties is devoted to servicing outstanding debt and the 2016 Convertible Debentures, there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If the Company is unable to meet principal or interest repayment obligations, it could be required to renegotiate such payments, issue additional equity or debt, or obtain other financing. The failure to make or renegotiate interest or principal payments, issue additional equity or debt, or obtain other financing could have a material adverse effect on the Company's financial condition and results of operations. The Company manages its liquidity risk through cash and debt management. The Company plans to address scheduled interest payments through operating cash flows and significant principal maturities through a combination of debt and equity financing.

The following are the contractual maturities of the Company's financial liabilities as at December 31, 2017, including expected interest payments where applicable:

	Total	2018	2019	2020	2021	2022	Thereafter
Credit facilities	$ 263,396	$ 15,856	$ 9,793	$ 9,820	$ 24,133	$ 203,794	$ —
Mortgages payable	206,474	59,175	11,925	7,641	7,630	38,852	81,251
Convertible debentures	55,125	2,250	2,250	2,250	2,250	46,125	—
Accounts payable and accrued liabilities	5,400	5,400	—	—	—	—	—
Accrued real estate taxes	8,056	8,056	—	—	—	—	—
Construction payable	1,097	1,097	—	—	—	—	—
Dividends payable	1,987	1,987	—	—	—	—	—
Other non-current liabilities	9,500	751	185	160	—	—	8,404
Purchase commitment	59,570	59,570		—	—	—	—
Total commitments	$ 610,605	$ 154,142	$ 24,153	$ 19,871	$ 34,013	$ 288,771	$ 89,655

27. Key management personnel compensation:

The remuneration of key management personnel of the Company for years ended December 31, 2017 and 2016 is set forth in the table below. The Company completed the internalization of asset management on November 1, 2016 (note 21), and therefore, the table below sets forth the remuneration from November 1, 2016 to December 31, 2016 and all of 2017, with the exception of the share based compensation.

	Year ended December 31, 2017	Year ended December 31, 2016
Officers and directors compensation	$ 1,637	$ 877
Post-employment benefits	—	24
Other benefits	53	8
Share based compensation	1,427	352
	$ 3,117	$ 1,261

28. Segment:

The Company primarily owns income-producing seniors housing and care properties throughout the United States and Canada. In measuring performance, the Company does not distinguish or group its properties on a geographical or any other basis. Management has applied judgment by aggregating its properties into one reportable segment for disclosure purposes. The Company's Chief Executive Officer is the chief decision maker and regularly reviews performance on an individual property basis.

At December 31, 2017, $680,785 of the Company's non-current assets, excluding financial instruments, are located in the United States and $42,186 are located in Canada. During the year ended December 31, 2017, the Company generated $60,188 (2016 - $39,436), of its revenues, excluding other income, from properties located in the United States and $2,887 (2016 - $455) of its revenues from properties located in Canada.

29. Subsequent events:

On January 10, 2018, a wholly owned subsidiary of the Company acquired a newly constructed transitional care facility located in Lincoln, Nebraska from Mainstreet LLC. The property was acquired for a purchase price of $21,614 plus transaction costs. The acquisition was funded by the assumption of $11,668 in mortgage debt, a $3,756 credit received in satisfaction of a mezzanine loan held by the Company with respect to this property, and available cash on hand.

On January 31, 2018, a wholly owned subsidiary of the Company acquired a newly constructed transitional care facility located in Round Rock, Texas from Mainstreet LLC. The property was acquired for a purchase price of $22,769 plus transaction costs. The acquisition was funded by the assumption of $13,158 in mortgage debt and available cash on hand. At the time of closing the Company also assumed $597 of liabilities related to the remaining development costs of the property which will be funded through future draws on the mortgages payable.

On February 1, 2018, a wholly owned subsidiary of the Company completed the acquisition of Care Investment Trust, LLC ("Care") from Tiptree Inc. This transformative acquisition includes an ownership interest in 42 seniors housing and care properties in the United States. The Care portfolio is comprised of 35 independent living, assisted living and memory care properties, and seven skilled nursing facilities located in 11 states. Of the 42 properties acquired, 24 of the properties are leased to operators under long-term triple-net lease and 18 of the properties are held through joint venture arrangements with seniors housing operators in which the Company owns the majority of the real estate and the operations.

The contractual purchase price of the Company's interest in the Care portfolio was $425,000, subject to working capital adjustments and transaction costs. The purchase price was funded by the assumption of approximately $260,708 in property level indebtedness and the issuance of 16,647,236 common shares at a fixed issuance price of $9.75 per common share. Transaction costs and certain working capital adjustments were settled with available cash on hand. This transaction is expected to be accounted for as a business combination and as a result transaction costs are expensed as incurred. For the year ended December 31, 2017, the consolidated statements of income and comprehensive income includes expense of $2,073 related to this transaction. The Company expects to incur additional expense of approximately $5,672 related to this transaction.

On February 2, 2018, the Company amended the terms of the subscription agreements in respect to the issuance of Preferred Shares to increase the amount of the subscription to approximately $71,500. The second series was funded on February 9, 2018, resulting in the issuance of 3,172,086 Series 2 Preferred Shares for aggregate gross proceeds of $30,000. The third and final series is expected to be funded prior to May 31, 2018 and result in the issuance of 1,586,042 Series 3 Preferred Shares on substantially the same terms as the other series for aggregate gross proceeds of $15,000.

On February 9, 2018, a wholly owned subsidiary of the Company acquired three properties located in Garland, Texas; Grapevine, Texas and McKinney, Texas (together, the "Grand Brook Properties") for a combined purchase price of $21,500 plus transaction costs. The acquisition was funded by cash on hand and $17,024 in proceeds from the Secured Revolving Facility.

On February 23, 2018, the Company purchased two transitional care facilities located in San Antonio, Texas and Webster, Texas from Mainstreet, LLC for a combined purchase price of $51,967 plus transaction costs. This transaction was funded through the assumption of $25,705 of mortgages payable, the retirement of the Company's mezzanine loan outstanding on the Webster, Texas property of $2,697 and cash on hand. At the time of closing the Company also assumed $5,819 of liabilities related to the remaining development costs of the properties which will be funded through future draws on the mortgages payable.

On March 2, 2018, the Company announced it had entered into an arrangement agreement ("Arrangement Agreement") with Mohawk Medical Properties Real Estate Investment Trust and its subsidiary, Mohawk Medical Operating Partnership (I) LP (collectively, "Mohawk REIT") to acquire all of the outstanding units of Mohawk REIT, for approximately CAD$177,740, subject to certain adjustments. Mohawk REIT owns 14 multi-tenant medical office buildings located in seven markets throughout Canada and the United States. Upon closing, Mohawk Realty Advisors Ltd. and its affiliates will continue to provide asset and property management for the properties. The acquisition is expected to be funded through a combination of new debt, cash on hand, and an issuance of the Company's common shares at a fixed price of $9.75 per share.