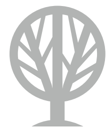


Invesque®

2018 ANNUAL REPORT

PUBLISHED APRIL 2019

Contents

Company Values 3
They drive everything we do

Our Strategy 5
Swift, creative, energetic

Portfolio Highlights 7
Property metrics & growth trends

From the Chairman & CEO 9
Scott White on the state of Invesque

Financial Report 14

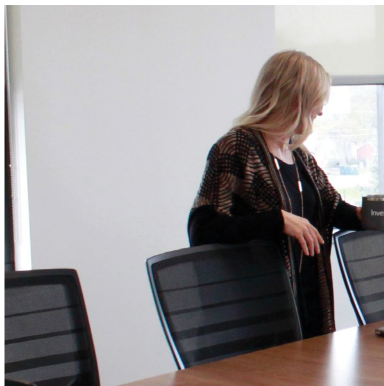
Corporate & Unitholder Information 108

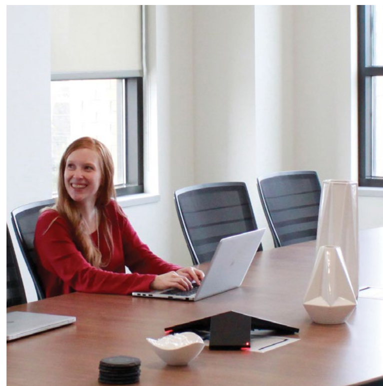
Our Brand is Built on Timeless Values

Invesque is committed to **teamwork** & **excellence** — a collaborative environment which places pursuing the best result possible as our top priority.

We also insist on **positive energy** & **fun**, never growing complacent, tired or settling for the status quo.

But most importantly, we value **family**. Having a life balance at Invesque is mandatory. We believe the foundation of family provides support, joy and a reminder that our daily work serves a bigger purpose.

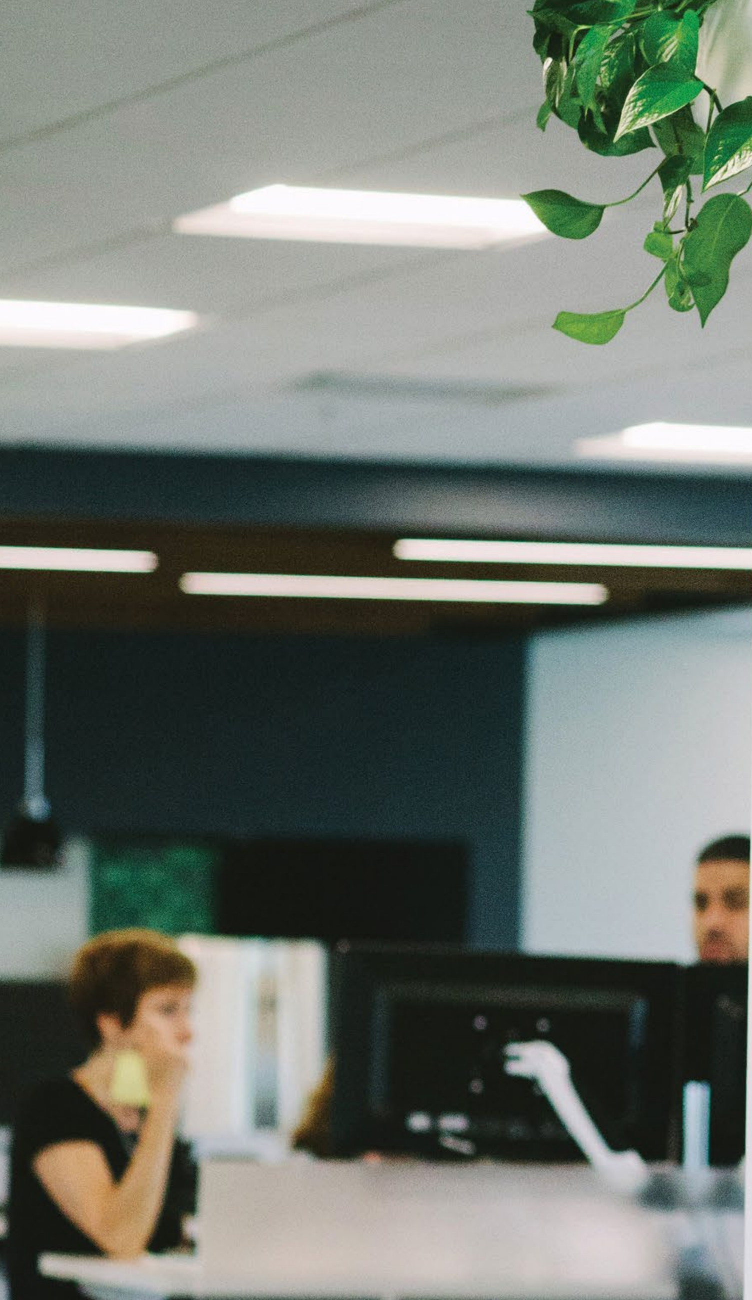




Our core values represent who we are, what we stand for, how we go about our business, and how we execute our strategy.

We are Swift, Creative & Energetic

Since 2016, Invesque has quickly and creatively executed on opportunities with best-in-class operators to build a highly diversified portfolio of income generating healthcare real estate. Our team of industry experts executes efficiently, thinks creatively and brings passion and energy to everything we do. This is our formula for long-term success.



Our investment philosophy is focused on the premise that an aging demographic in North America will continue to utilize healthcare services in growing proportion to the overall economy. At Invesque, we believe that healthcare real estate generates long-term, out-paced risk-adjusted returns. While any particular asset class may come in and out of favor during any cycle, long-term, patient investors will be rewarded. We very strategically and deliberately diversify our portfolio by asset type, geography, payor source and operator. We remain focused on growing this highly diversified portfolio of properties throughout the United States and Canada.

Portfolio Highlights

As of 12/31/2018

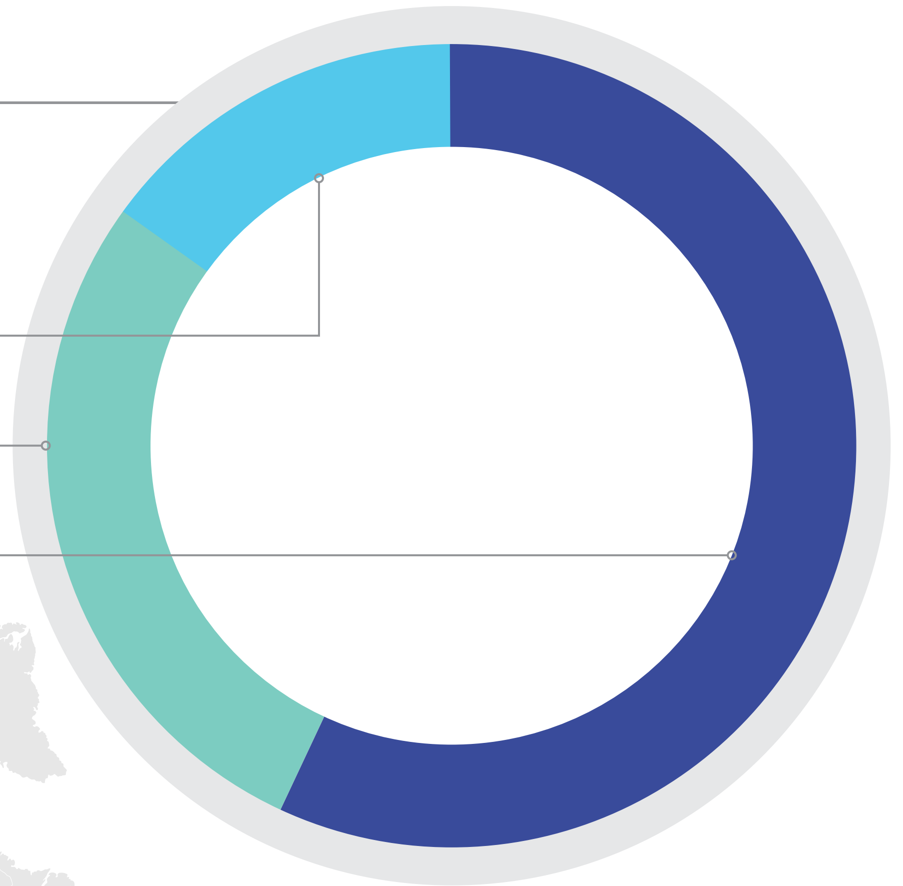
Investment Properties

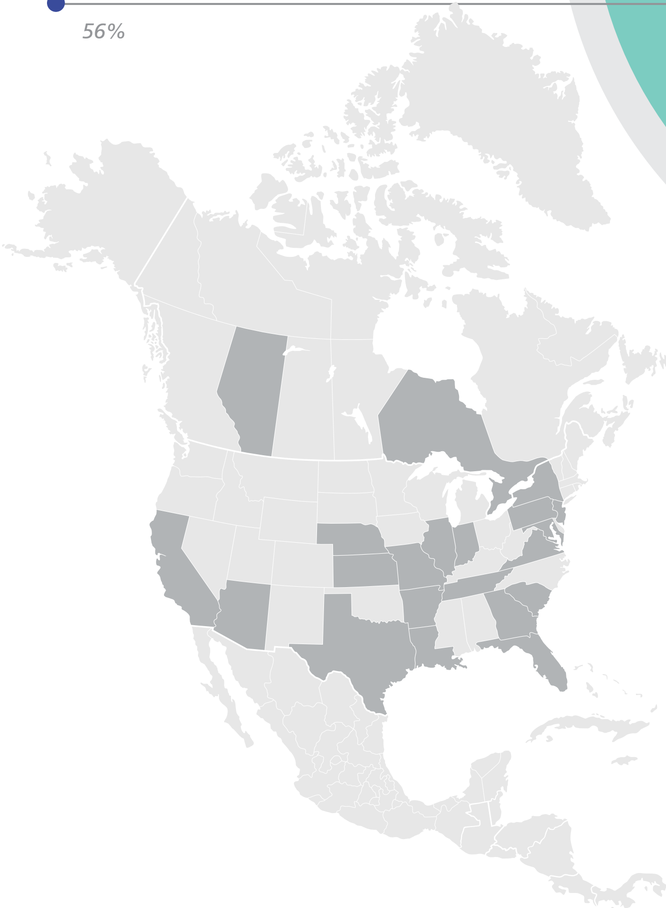
98

15 *Medical Office Building*
15%

28 *Skilled Nursing Facility*
29%

55 *Seniors Housing*
56%



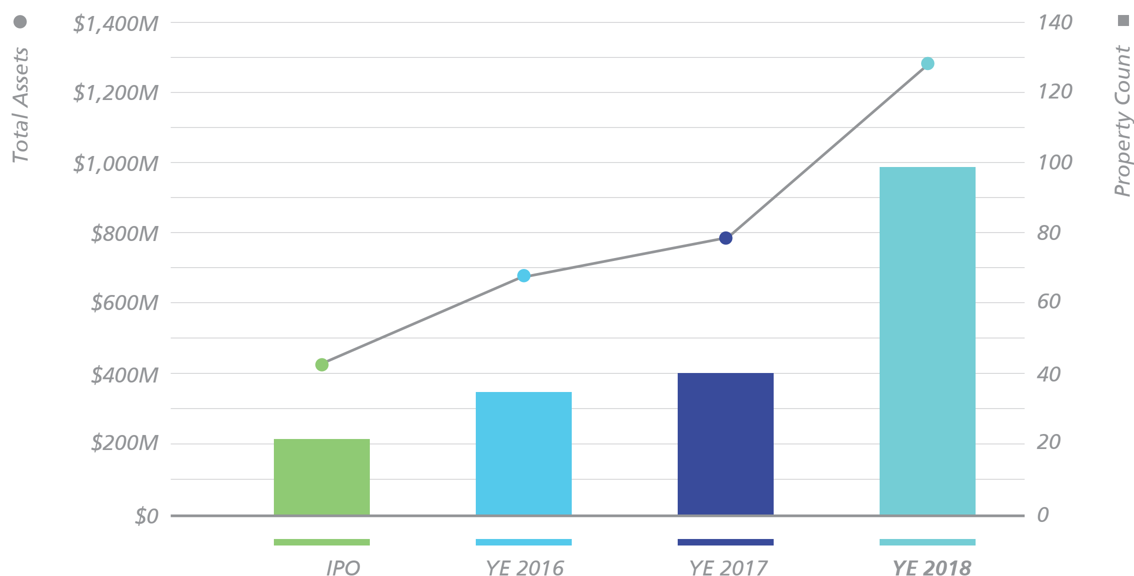


Average Age
12 years

Beds / Suites
8,000+

Number of Operators
20

U.S. States / Canadian Provinces
19 / 2



	IPO	YE 2016	YE 2017	YE 2018
Total Assets (000s)	$418,882	$677,719	$785,005	**$1,283,959**
Property Count	21	35	40	**98**
Beds / Suites	3,332	4,500	4,931	**8,000+**
Occupancy: Triple Net Lease	- %	87%	85%	**85%**
Occupancy: Joint Venture	- %	- %	- %	**89%**
Occupancy: Medical Office Building	- %	- %	- %	**90%**
Operators	4	7	9	**20**
States / Provinces	4 / 0	9 / 1	11 / 1	**19 / 2**
Payout Ratio	- %	60%	77%	**86%**
FFO	- $	$14,736	$28,188	**$48,219**
AFFO	- $	$19,571	$30,920	**$43,105**
Debt to Total Assets	- %	53%	55%	**57%**

FROM THE
Chairman & CEO

April 2019

Dear Shareholders:

As we look back at where the Invesque story began, it is hard to believe where we are today. Less than three years ago, our team set out to build a world class real estate company that would own a diversified portfolio of high-quality healthcare real estate that would generate strong yields and provide our shareholders with stable dividends and superior risk-adjusted returns. In light of our goals, 2018 proved to be a pivotal year for the Invesque platform.

Through rigorous underwriting, collaboration and partnership, Invesque became one of the fastest growing real estate companies in North America in 2018. Ours is a growth story, and we are proud of the exceptional growth we have generated thus far. We have nearly tripled our assets since becoming a public company, and we believe we have built one of the premier real estate companies in North America.

2018 – The Cornerstone Year of the Invesque Platform

The achievements in 2018 were paramount toward building a diversified portfolio of real estate along with constructing a well-structured balance sheet. Our ability to use our stock as an acquisition currency to align interests with our partners is a key tool that has fueled Invesque's substantial growth while providing our partners the opportunity to grow alongside all our stakeholders.

Highlights from 2018 include the following:

- Closed on the acquisition of Care Investment Trust, a portfolio of 42 senior housing and care properties spread across the United States for approximately $425 million, funded in part through the issuance of Invesque equity at $9.75 per share;
- Closed on the acquisition of Mohawk Medical REIT, a portfolio of 14 medical office buildings in Canada and the United States for a purchase price of approximately $137 million, funded in part through the issuance of Invesque equity at $9.75 per share;
- Announced a strategic partnership with Ellipsis Real Estate Partners that granted Invesque the exclusive rights to Ellipsis' pipeline of development projects, including the right of first offer to invest in all of Ellipsis' developments as well as the right to purchase completed properties;
- Executed on a new $400 million senior unsecured credit facility with an accordion feature to increase the size up to $750 million;
- Completed a $50 million convertible unsecured subordinated debentures offering;
- Upsized and closed the previously announced preferred equity private placement of $71.5 million;
- Expanded senior management team with industry veterans that provide complementary skill sets and additional access to high quality partners within the industry; and
- Completed rebranding to Invesque.

Building the Optimal Portfolio

We remain focused on optimizing value in our portfolio through our acquisitions and dispositions. As a result of our portfolio management and capital recycling efforts in 2018, our portfolio today features the following key attributes:

- Approximately $1.3 billion in gross book value;
- 100 properties;
- 8,100+ beds / suites;
- Approximately 577,000 SF of multi-tenant medical office buildings;
- 12 years average property age;
- 19 U.S. states and 2 Canadian provinces; and
- Diversified mix of private pay seniors housing, skilled nursing, and medical office properties.

Since our launch in 2016, we have nearly tripled the size of our asset base and our property count. Our focus has always been to exercise extreme discipline in growing and diversifying our portfolio, not only by asset class, but also by geographic concentration, while maintaining a healthy and profitable relationship with all our operating partners. We have expanded our reach from the initial nine states and one Canadian province to 19 states and two Canadian provinces, while expanding our operator relationships from nine in 2016 to 20 today. These achievements are a testament to the hard work of our team and the trust our operating and capital partners have in us to build a world class enterprise stretching across the healthcare spectrum. Today, we have a solid portfolio and we have positioned ourselves for long-term success.

The Invesque Team and Culture Defines Us

The Invesque platform is highly scalable and poised for meaningful growth. However, the real accomplishment of 2018 was enhancing our team and defining our culture. Our platform is only as good as the team that supports it. I am proud to say we have built an exceptional group of experienced professionals that is among the strongest teams in the industry.

While 2018 represented a cornerstone year in our growth as a leading North American real estate company, I will always look back fondly at 2018 as the year the Invesque team and culture truly came to fruition. We have long believed our most precious investment is that which we make in our people and the environment we collectively work in each day. Our culture is built on principles that honor our employees and encourage them to be their best, and give their best, every day.

We have five core tenets that shape the Invesque culture. We define our interactions with each other, and with our partners, by these core tenets. Invesque is committed to **teamwork** and **excellence**, a collaborative environment which places pursuing the best results possible as our top priority. We also insist on **positive energy** and **fun**, never growing complacent or tired, or settling for the status quo. We show up every day excited to execute on our strategy. We enjoy what we do, and we enjoy working with each other. Having fun, while creating value for our shareholders, is key to our success. And finally, we focus on the importance of **family** and making sure each person on our team knows we value him or her as a person who has goals and dreams and is part of a family and community beyond life at Invesque. This is who we are. **This is Invesque.** We are proud of our team and our culture and strongly believe this will define us as we build a forever company. This culture and team will differentiate us and help us create value for our shareholders.

2019 and Beyond

While we are very proud of the platform we have built thus far, we are not going to rest on our laurels. In addition to focusing on asset growth in 2019, we will focus on asset management of our current portfolio. We expect to trim non-core assets in order to further our goal to build a well-diversified, investment grade quality portfolio of healthcare real estate. The North American healthcare real estate market is ripe for consolidation over the next decade with a substantial number of operating partners seeking well-aligned capital partners who will look to grow their relationships in a profitable and collaborative manner. We will continue to position ourselves to be the preferred capital provider and real estate owner to many of these high-quality operating partners.

As I noted last year, we continue to work hard every day to identify new opportunities and create shareholder value. We remain disciplined in our approach and our focus and look forward to serving you in 2019 and onwards. I could not be prouder of the team we have and look forward to continuing our journey alongside them and you for many years to come.

In continued appreciation of your support,

Scott White
Chairman & CEO
Invesque

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

INVESQUE INC.

Years ended December 31, 2018 and 2017

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Invesque Inc.

Opinion

We have audited the consolidated financial statements of Invesque Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions; and
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Report."

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards; and

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Thomas Rothfischer.

Toronto, Canada
March 13, 2019

INVESQUE INC.

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

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash	$ 26,978	$ 12,958
Tenant and other receivables	15,544	7,564
Loans receivable (note 3)	12,241	11,446
Other (note 4)	5,598	1,182
	60,361	33,150
Non-current assets:		
Loans receivable (note 3)	20,181	24,985
Derivative instruments (note 9)	1,722	2,827
Investment in joint ventures (note 6)	84,658	980
Investment properties (note 5)	1,115,530	721,991
Investment in MS-SW Development Fund Holdings, LLC	—	1,072
Other non-current assets (note 4)	1,507	—
	1,223,598	751,855
Total assets	$ 1,283,959	$ 785,005
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 9,871	$ 5,400
Accrued real estate taxes	11,052	8,056
Construction payable	—	1,097
Dividends payable	3,253	1,987
Liability to previous owner of Care (note 5)	9,676	—
Credit facilities (note 7)	12,647	5,958
Mortgages payable (note 8)	49,444	52,351
Other current liabilities (note 11)	2,030	814
	97,973	75,663
Non-current liabilities:		
Credit facilities (note 7)	325,493	210,974
Mortgages payable (note 8)	253,886	117,158
Convertible debentures (note 10)	89,745	41,936
Derivative instruments (note 9)	651	99
Deferred tax liability (note 21)	7,011	10,291
Other non-current liabilities (note 11)	12,785	9,500
Non-controlling interest liability	2,947	—
	692,518	389,958
Total liabilities	790,491	465,621
Shareholders' equity:		
Common share capital (note 13)	493,165	310,459
Preferred Share capital (note 13)	71,106	26,353
Contributed surplus	400	400
Equity component of convertible debentures	1,671	1,130
Cumulative deficit	(69,785)	(20,145)
Accumulated other comprehensive income	(3,089)	1,187
Total shareholders' equity	493,468	319,384
Commitments and contingencies (note 22)		
Subsequent events (note 22 and 28)		
Total liabilities and shareholders' equity	$ 1,283,959	$ 785,005

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, 2018		Year ended December 31, 2017
Revenue:				
Rental (note 15)	$	109,388	$	60,188
Lease revenue from joint ventures (note 6)		2,991		2,887
Other income		1,548		929
		113,927		64,004
Expenses (income):				
Finance costs from operations (note 16)		38,264		16,055
Real estate tax expense		11,796		8,763
General and administrative expenses (note 17)		13,412		8,074
Direct property operating expenses (note 18)		3,126		—
Transaction costs for business combination (note 5)		6,444		2,073
Diligence costs for transactions not pursued		2,041		491
Allowance for credit losses on loans and interest receivable (note 3)		11,336		—
Change in non-controlling interest liability		17,927		—
Change in fair value of investment properties - IFRIC 21		2,801		309
Change in fair value of investment properties (note 5)		14,385		8,846
Change in fair value of financial instruments (notes 9 and 24)		2,325		(2,292)
Change in fair value of contingent consideration (note 22)		10,676		—
		134,533		42,319
Income from joint ventures (note 6)		5,450		—
Income (loss) before income taxes		(15,156)		21,685
Income tax expense (recovery):				
Deferred (note 21)		(2,881)		5,371
Current (note 21)		—		51
		(2,881)		5,422
Net income (loss)	$	(12,275)	$	16,263
Other comprehensive income (loss):				
Items to be reclassified to net income (loss) in subsequent periods				
Unrealized gain (loss) on translation of foreign operations		(4,276)		1,258
Total comprehensive income (loss)	$	(16,551)	$	17,521
Income (loss) per share (note 14):				
Basic and diluted	$	(0.24)	$	0.50

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, 2018 and 2017

	Common Share capital	Preferred Share capital	Contributed surplus	Equity component of convertible debentures	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2018 as previously reported	$ 310,459	$ 26,353	$ 400	$ 1,130	$ (20,145)	$ 1,187	$ 319,384
Impact of adopting IFRS 9 (note 2)	—	—	—	—	(364)	—	(364)
Adjusted balance, January 1, 2018	$ 310,459	$ 26,353	$ 400	$ 1,130	$ (20,509)	$ 1,187	$ 319,020
Net loss	—	—	—	—	(12,275)	—	(12,275)
Other comprehensive loss	—	—	—	—	—	(4,276)	(4,276)
Common Shares issued, net of issuance costs (note 13)	182,332	—	—	—	—	—	182,332
Preferred Shares issued, net of issuance costs (note 13)	—	44,753	—	—	—	—	44,753
Common Shares issued under the Company's dividend reinvestment plan	782	—	—	—	—	—	782
Convertible debentures, net of tax	—	—	—	541	—	—	541
Dividends declared on common shares	—	—	—	—	(37,001)	—	(37,001)
Common Shares purchased under NCIB (note 13)	(408)	—	—	—	—	—	(408)
Balance, December 31, 2018	$ 493,165	$ 71,106	$ 400	$ 1,671	$ (69,785)	$ (3,089)	$ 493,468

	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 of issuance costs	1,540	—	—	—	—	—	1,540
Preferred Shares issued, net of issuance costs (note 13)	—	26,353	—	—	—	—	26,353
Common Shares issued under the Company's dividend reinvestment plan	368	—	—	—	—	—	368
Dividends declared on common shares	—	—	—	—	(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

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, 2018 and 2017

		Year ended December 31, 2018		Year ended December 31, 2017
Cash flows from operating activities:				
Net income (loss)	$	(12,275)	$	16,263
Items not involving cash:				
Fair value adjustment of investment properties		14,385		8,846
Fair value adjustment of financial instruments		2,325		(2,292)
Fair value adjustment of contingent consideration		10,676		—
Allowance for credit losses on loans and interest receivable		11,336		—
Straight-line rent		(10,831)		(5,982)
Finance costs from operations		38,264		16,055
Change in non-controlling interest liability		17,927		—
Income from joint ventures		(5,450)		—
Change in fair value of investment in MS-SW Development Fund Holdings, LLC		(214)		(178)
Deferred income tax		(2,881)		5,371
Interest paid		(34,313)		(16,538)
Interest income received		1,554		4,062
Change in non-cash operating working capital:				
Tenant and other receivables		(6,256)		(524)
Accounts payable and accrued liabilities		(2,491)		1,681
Unearned revenue		(551)		814
Other assets		(2,690)		2,617
Other liabilities		3,030		9,414
Accrued real estate taxes		3,427		1,205
Net cash provided by operating activities	$	24,972	$	40,814
Cash flows from financing activities:				
Proceeds from credit facilities	$	437,459	$	34,741
Payments on credit facilities		(313,300)		(41,847)
Debt issuance costs paid		(7,516)		(3,951)
Proceeds from mortgages payable		25,186		90,204
Payments of mortgages payable		(68,972)		(42,201)
Dividends paid to common shareholders		(34,952)		(23,414)
Payment for repurchase of common shares		(408)		—
Proceeds from issuance of Preferred Share capital, net of issuance costs (note 13)		44,753		26,500
Proceeds from issuance of 2018 Convertible Debentures (note 10)		50,000		—
Cash provided by financing activities	$	132,250	$	40,032
Cash flows from investing activities:				
Additions to investment properties	$	(186,632)	$	(77,359)
Dispositions of investment properties		49,671		22,678
Distributions from joint ventures		8,164		—
Contributions to joint ventures		(1,655)		—
Distributions to non-controlling interest partners		(128)		—
Proceeds from return of equity investment in MS-SW Development Fund Holdings, LLC		848		—
Proceeds from income support agreement		327		156
Construction costs		(4,600)		(9,214)
Prepaid acquisition costs		—		(504)
Issuance of loans receivable		(29,288)		(20,925)
Repayment of loans receivable		20,091		9,629
Cash used in investing activities	$	(143,202)	$	(75,539)
Increase in cash and cash equivalents		14,020		5,307
Cash and cash equivalents, beginning of period		12,958		7,651
Cash and cash equivalents, end of period	$	26,978	$	12,958

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 Province of British Columbia. The Company's registered office is 2500 - 700 W Georgia Street, Vancouver, British Columbia V7Y 1B3.

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. The Company partners with industry leaders to invest across the health care spectrum. Specifically, the Company will look to acquire and invest in predominately transitional care, long-term care, memory care, assisted living, independent living and medical office properties. At December 31, 2018, the Company owns interests in a portfolio of 98 health care and senior living 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 13, 2019.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments, investment in MS-SW Development Fund Holdings, LLC and deferred shares, 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 subsidiaries as of December 31, 2018, including Invesque International Holdings Inc., Invesque US Holdings Inc., Invesque 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 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 income and 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. dollar are translated at the rate of exchange at the consolidated statement of financial position 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 statement of financial position 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, 2018 are as follows:

(i) Investment properties:

The estimates used when determining the fair value of investment properties are capitalization rates, stabilized future cash flows, terminal capitalization rates and discount rates. 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) Loans receivable:

The determination of an allowance for credit losses takes into account different factors and varies by nature of investment. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which would require an increase or decrease in the allowance of credit risk.

(iv) 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. With the exception of the acquisition of Care Investment Trust, LLC, the Company's acquisitions have generally been determined to be asset purchases as the Company does 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, 2018 and 2017, 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. Borrowing costs related to development properties are capitalized to the costs of the projects. 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) 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.

(d) Financial instruments - Policy applicable from January 1, 2018:

Financial instruments are generally measured at fair value on initial recognition. The classification and measurement of financial assets consists of the following categories: (i) measured at amortized cost, (ii) fair value through profit and loss ("FVTPL"), or (iii) fair value through other comprehensive income ("FVTOCI"). Financial assets classified at amortized cost are measured using the effective interest method. Financial assets classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statement of income and comprehensive income. Financial assets classified as FVTOCI are measured at fair value with gains or losses recognized through other comprehensive income, except for gains and losses pertaining to impairment or foreign exchange recognized through profit or loss.

The classification and measurement of financial liabilities consists of the following categories: (i) measured at amortized cost and (ii) FVTPL. Financial liabilities classified at amortized cost are measured using the effective interest method. Financial liabilities classified as FVTPL are measured at fair value with changes in fair value attributable to changes in the credit risk of the liability presented in other comprehensive income, and the remaining amount of change in fair value presented in the consolidated statement of income and comprehensive income

The following summarizes the Company's classification of financial instruments:

Financial assets and liabilities	**Measurement**
Cash	Amortized cost
Restricted cash	Amortized cost
Tenant and other receivables	Amortized cost
Security deposits and costs related to future acquisitions	Amortized cost
Income support receivable	Amortized cost
Escrow deposits held by lender	Amortized cost
Loans receivable	Amortized cost/FVTPL
Derivative instruments	FVTPL
Investment in MS-SW Development Fund Holdings, LLC	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Accrued real estate taxes	Amortized cost
Construction payable	Amortized cost
Dividends payable	Amortized cost
Liability to previous owner of Care	Amortized cost
Security deposits received from tenants	Amortized cost
Escrows collected from tenants	Amortized cost
Contingent consideration liabilities	FVTPL
Mortgages payable	Amortized cost
Credit facilities	Amortized cost
Convertible debentures	Amortized cost

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Company derecognizes a financial liability when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized through profit or loss.

The Company adopted the practical expedient to determine expected credit losses ("ECL") on tenant and other receivables using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL. Impairment losses are recorded in the consolidated statements of income and comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include discounts or premiums relating to assumed debt, fees and commissions paid to agents, brokers, advisers, lenders and insurers, transfer taxes and duties.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements 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.

(i) Convertible debentures:

The convertible debentures are compound financial instruments as they contain both a liability and an equity component.

At the date of issuance, the liability component of 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 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 and comprehensive income.

(ii) Impairment of financial assets:

The Company recognizes loss allowances for expected credit loss ("ECL") on financial assets measured at amortized cost, unfunded loan commitments and financial guarantee contracts. The Company applies a three-stage approach to measure allowance for credit losses. The Company measures loss allowance at an amount equal to 12 months of expected losses for performing loans if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

Allowance on Performing Loans

The Company maintains an allowance in order to address impairment in the existing portfolio for loans that have not yet been individually identified as impaired. An allowance is recorded for expected credit losses on financial assets regardless of whether there has been an actual loss event. The Company recognizes a loss allowance at an amount equal to 12 month expected credit losses, if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1). The Company will record expected credit losses over the remaining life of performing financial assets which are considered to have experienced a significant increase in credit risk (Stage 2).

The determination of a significant increase in credit risk takes into account different factors and varies by nature of investment. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or certain criteria are met which are specific to the individual borrower based on judgment.

When determining the expected credit loss provision, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. Management considers past events, current market conditions and reasonable forward-looking supportable information about future economic conditions. In assessing information about possible future economic conditions, management utilized multiple economic scenarios including a base case, which represents the most probable outcome and is consistent with management's view of the financial asset. In considering the lifetime of a loan, the contractual period of the loan, including prepayment, extension and other options is generally used.

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic conditions. In determining expected credit losses, management has considered key macroeconomic variables that are relevant to each investment type. The estimation of future cash flows also includes assumptions about local real estate market conditions, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of

impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary. We exercise judgment to incorporate multiple economic forecasts in the determination of the final expected credit loss. The allowance is sensitive to changes in both economic forecast and the probability-weight assigned to each forecast scenario.

Allowance on Impaired Loans

The Company considers a financial asset to be credit impaired when the borrower is more than 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest or when the Company has commenced enforcement remedies available to it under its contractual agreements. Allowances for impaired loans (Stage 3) are recorded for individually identified impaired loans to reduce their carrying value to the expected recoverable amount. The Company reviews loans receivable on an ongoing basis to assess whether any loans should be classified as impaired and whether an allowance or write-off should be recorded. To determine the amount the Company expects to recover from an individually significant impaired loan, the Company uses the value of the estimated future cash flows discounted at the loans' original effective interest rate. The determination of estimated future cash flows of a collateralized impaired loan reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower.

(iii) 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 and comprehensive income.

(e) Financial instruments - Policy applicable before January 1, 2018:

The classification and measurement of the Company's financial instruments prior to January 1, 2018 is outlined in note 2(k). The previous policy for impairment of financial instruments differed from the current policy as set out below.

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.

(f) Non-controlling interest liability

The Company records third-party interests in the net assets of consolidated entities which do not qualify to be classified as equity as non-controlling interest liabilities. Such interests are initially recognized at fair value and are subsequently measured at amortized cost, with any changes recorded as change in non-controlling interest liability in the consolidated statements of income and comprehensive income.

(g) 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.

The Company also earns revenue from tenants from various sources consisting of rent earned under lease agreements, property tax and operating cost recoveries and other incidental income. Revenue from lease components is recognized on a straight-line basis over the lease term and includes the recovery of property taxes and insurance. Revenue recognition commences when a tenant has the right to use the premises and is recognized pursuant to the terms of the lease agreement.

Revenue related to the services component of the Company’s leases is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. These services consist primarily of utilities, cleaning and property maintenance costs for which the revenue is recognized over time, typically as the costs are incurred, which is when the services are provided.

(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.

(h) 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 (note19) for its employees and directors. This plan is considered cash-settled and fair value changes in the amount payable are recognized through profit or loss with a corresponding change in liabilities. 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.

(i) 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. For properties located in Canada, property tax liabilities are recognized on a monthly basis.

(j) Income taxes:

Income tax expense comprises current and deferred tax. Tax is recognized in profit or loss 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.

(k) IFRS amendments adopted in 2018:

(i) Amendments to IFRS 2 Share-based payment (“IFRS 2”)

The Company adopted amendments to IFRS 2, beginning on January 1, 2018, the mandatory effective date. There was no material impact from the adoption of the amendments to IFRS 2.

(ii) IFRS 9 Financial Instruments ("IFRS 9")

The Company adopted IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"), beginning on January 1, 2018, the mandatory effective date. The adoption of IFRS 9 was applied retrospectively, without restatement of the comparative period, with the $364 impact recognized as an adjustment to opening retained earnings as at January 1, 2018.

IFRS 9 contains a new classification and measurement approach which requires financial assets to be classified and measured based on the business model in which they are managed 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 and fair value through profit or loss, and eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

(a) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(b) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost as described above are measured at fair value.

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 fair value through profit or loss 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.

The following table summarizes the classification impacts upon adoption of IFRS 9.

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Cash	FVTPL	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Tenant and other receivables	Loans and receivables	Amortized cost
Security deposits and costs related to future acquisitions	Loans and receivables	Amortized cost
Income support receivable	Loans and receivables	Amortized cost
Escrow deposits held by lender	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost/FVTPL
Derivative instruments	FVTPL	FVTPL
Investment in MS-SW Development Fund Holdings, LLC	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other liabilities at amortized cost	Amortized cost
Accrued real estate taxes	Other liabilities at amortized cost	Amortized cost
Construction payable	Other liabilities at amortized cost	Amortized cost
Dividends payable	Other liabilities at amortized cost	Amortized cost
Liability to previous owner of Care	Other liabilities at amortized cost	Amortized cost
Security deposits received from tenants	Other liabilities at amortized cost	Amortized cost
Escrows collected from tenants	Other liabilities at amortized cost	Amortized cost
Contingent consideration liabilities	FVTPL	FVTPL
Mortgages payable	Other liabilities at amortized cost	Amortized cost
Credit facilities	Other liabilities at amortized cost	Amortized cost
Convertible debentures	Other liabilities at amortized cost	Amortized cost

For impairment of financial assets, IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets except for investments in equity instruments, and to contract assets, lease receivables, loan commitments and financial guarantee contracts.

The Company adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL.

(iii) Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, replacing all existing guidance in IFRS related to revenue, including (but not limited to) IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 15 Agreements for the Construction of Real Estate.

IFRS 15 contains a single, control-based model that applies to contracts with customers and provides 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 adopted IFRS 15 beginning on January 1, 2018, using the cumulative effect method, which means that the Company did not apply the requirements of IFRS 15 to the comparative period presented. The effect of initially applying this standard would have been recognized at January 1, 2018, however, the adoption of IFRS 15 did not have an impact on the timing of recognition or measurement of revenue.

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

(i) 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 adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

(ii) 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 adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

3. Loans receivable:

Loans receivable issued as at December 31, 2018 and 2017 are detailed in the table below:

Debtor	Loan Type	December 31, 2018	December 31, 2017	Issued Date	Maturity Date [1]	Current Interest Rate	PIK Interest Rate
MS-SW Mezzanine Fund, LLC	Mezzanine loan	$ 1,271	$ 3,964	September 1, 2016	September 1, 2020	10.5%	4.0%
MS Webster Holdings, LLC	Mezzanine loan	—	2,640	September 2, 2016	September 2, 2020	10.5%	3.0%
MS Lincoln Holdings, LLC	Mezzanine loan	—	3,697	September 30, 2016	October 1, 2020	10.5%	4.0%
MS Surprise, LLC	Mezzanine loan	2,965	2,878	November 1, 2016	October 1, 2021	10.5%	3.0%
MS Parker Holdings II, LLC	Mezzanine loan	3,725	3,581	November 1, 2016	September 1, 2021	12.0%	4.0%
Mainstreet Investment Company, LLC	Interest-only loan	3,932	5,075	December 22, 2016	December 22, 2018	8.5%	1.5%
Autumnwood Lifestyles Inc.	Revolving credit facility	1,100	1,193	November 1, 2016	October 31, 2018 [3]	8.0%	—%
Autumnwood Lifestyles Inc.	Loan receivable	367	1,193	June 29, 2017	On Demand	8.0%	—%
Symcare ML, LLC	Loan receivable	7,206	7,032	October 20, 2017	June 30, 2019	2.5%	2.5%
MCA Memory Care America, LLC	Loan receivable	300	606	November 6, 2017	April 1, 2019	10.0%	—%
Mainstreet Development Fund III, LP	Loan receivable	652	652	November 28, 2017	On Demand	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%	—%
Mainstreet Development Fund II, LP	Loan receivable	397	—	January 31, 2018	On Demand	15.0%	—%
Mainstreet Development Fund II, LP	Loan receivable	507	—	February 23, 2018	On Demand	15.0%	—%
Park Terrace Operating, LLC, Seneca Lake Terrace Operating, LLC, Premier Senior Living, LLC	Loan receivable	700	—	August 16, 2013 [2]	August 16, 2025	8.7%	—%
Ellipsis Real Estate Partners	Loan receivable	4,043	—	May 4, 2018	May 4, 2028	—%	14.5%
Symcare ML, LLC	Loan receivable	7,557	—	December 26, 2018	January 1, 2033	—%	10.0%
PAIF-MS, LLC	Loan receivable	1,900	—	December 31, 2018	January 25, 2019	5.0%	—%
YAL Borrower LLC	Interest-only loan	2,000	—	December 31, 2018	December 30, 2020	5.0%	—%
YAL Borrower LLC	Loan receivable	2,000	—	December 31, 2018	December 30, 2020	5.0%	—%
Allowance for losses on loans receivable		(10,341)	—				
Carrying value of loans recorded at amortized cost		$ 30,281	$ 36,431				
Javelina Ventures, LLC	Loan receivable - FVTPL	2,141	—	December 31, 2018	[4]	—%	5.0%
Carrying value of loans receivable		32,422	36,431				
Less current portion		12,241	11,446				
Long-term portion		$ 20,181	$ 24,985				

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

(2) Loan assumed during the acquisition of Care (defined below) on February 1, 2018. Loan was originally issued by Care PSL Holdings LLC on August 16, 2013.

(3) Maturity date is the later of October 31, 2018 and the completion of the expansion projects at the Marina Point and Red Oak Facilities. The projects are not yet complete.

(4) The repayment of this loan is pursuant to Javelina Ventures Operating Agreement in which net available cash from operations will be used to repay the principal and accrued interest on this loan.

On March 26, 2018, a subsidiary of the Company entered into a loan agreement with the tenant operator of the Symphony Portfolio ("Symcare") for a principal amount of $3,659 with provisions for an additional $2,000 line of credit. The loan earns 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"). The maturity date of the loan is June 30, 2019. On June 29, 2018, the loan was amended to extend the line of credit to $2,122. On July 31, 2018, the loan was amended to increase the total borrowing capacity to $6,401. On August 31, 2018, the loan was amended to increase the total borrowing capacity to $7,522. On December 28, 2018, the Company agreed to release $9,000 being held by a third party escrow agent on behalf of Symcare which were held to serve as a security deposit for Symcare's obligations under the lease agreement. These funds were used to repay in full the outstanding principal and accrued interest on this loan, as well as other amounts due.

On December 26, 2018, a subsidiary of the Company entered into a loan agreement with Symcare with a total capacity of $15,000 and a maturity date of January 1, 2033. As at December 31, 2018, Symcare had drawn $7,557 on this loan. The loan earns 10% interest accruing to the balance of the loan through December 1, 2019. Through and including December 1, 2022, half of the interest will accrue to the loan balance with the remaining portion payable at a current pay rate on a monthly basis. Commencing January 1, 2023 the full amount of monthly interest payments shall be paid each month.

On May 4, 2018, a subsidiary of the Company entered into a development agreement with Ellipsis Real Estate Partners LLC ("Ellipsis") and issued a loan of $1,600 to fund the development of seniors housing and medical office properties in the United States The loan earns 14.5% annual interest and the principal amount and all accrued interest is due the earlier of the maturity date, May 4, 2028, or the sale of certain development projects. On September 14, 2018, the Company funded an additional $2,400 to Ellipsis pursuant to the original agreement.

On December 31, 2018, a subsidiary of the Company issued two loans, each with a balance of $2,000, to the buyer of the Traditions Portfolio (note 5). These notes each earn 5% interest and are due December 30, 2020. One loan receives interest only monthly payments while the other loan receives monthly payments of interest and amortizing principal. The Company recorded a non-controlling interest liability of $2,000 to reflect the interest of the Company's partner in the Traditions Portfolio, as such partner has an assigned interest in one of the loans.

On December 31, 2018, a subsidiary of the Company issued a loan to Javelina Ventures, LLC for $2,141, earning 5% annual interest. Concurrently, the Company entered into an operating agreement in which it will share in 5% of the net available cash flows from operations. Pursuant to the operating agreement, the loan will be repaid with net available cash from operations following a waterfall schedule outlined in the agreement.

Loans receivable and associated allowance for losses on loans receivable as at December 31, 2018 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	$ 29,314	$ 1,556	$ 11,893	$ 42,763
Allowance for losses on loans receivable	(293)	(78)	(9,970)	(10,341)
Loans receivable, net of allowances	$ 29,021	$ 1,478	$ 1,923	$ 32,422

The changes in the allowance for credit losses during the year ended December 31, 2018 are shown in the following table:

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of period [1]	$ 364	$ —	$ —	$ 364
Allowance for credit losses				
Remeasurement	—	62	9,841	9,903
Transfer to/(from)				—
Stage 1	(145)	16	129	—
Stage 2	—	—	—	—
Stage 3	—	—	—	—
Total allowance for credit losses	$ 219	$ 78	$ 9,970	$ 10,267
Fundings	212	—	—	212
Repayments	(138)	—	—	(138)
Balance as at December 31, 2018	$ 293	$ 78	$ 9,970	$ 10,341

(1) Allowance recorded as an adjustment to opening retained earnings as at January 1, 2018 due to the impact of adopting IFRS 9 (note 2)

During the year ended December 31, 2018, $1,556 and $11,893 of loans receivable were transferred from Stage 1 to Stage 2 and from Stage 1 to Stage 3, respectively due to an increase in credit risk. As at December 31, 2018, $11,893 of loans receivable are categorized as Stage 3. For the year ended December 31, 2018, a loss of $9,903 was recorded in the consolidated statements of income and comprehensive income due to the increased allowance on the Stage 2 and Stage 3 loans. An additional allowance of $1,359 was recorded in respect of the related interest amounts.

The Company recognized a loss of $1,779 for the year ended December 31, 2018 in the consolidated statement of income and comprehensive income related to the impairment associated with the mezzanine loan to MS Parker II Holdings, LLC. The development project associated with the loan has been terminated, and certain loan guarantees have been assessed to have decreased in value. The Company recorded an allowance to reduce the recoverable value of the loan to the value of the land held by the project, for which the Company has a first mortgage position.

The Company recognized a loss of $3,881 for the year ended December 31, 2018 in the consolidated statement of income and comprehensive income related to the impairment associated with the interest-only loan to Mainstreet Investment Company, LLC. This loan was due on December 22, 2018 and is in default as the borrower has not repaid principal or interest. The borrower has failed to meet reporting requirements outlined in the terms of the loan. The Company has moved the balance of this loan to Stage 3 and recorded a full allowance against this loan to reflect the increased credit risk.

The Company recognized a loss of $2,932 for the year ended December 31, 2018 in the consolidated statement of income and comprehensive income related to the impairment associated with the mezzanine loan on MS Surprise, LLC. The interest payments on this loan are more than 90 days past due and the loan is in default. The Company has assessed the underlying value of all collateral and guaranties available, and has determined it is not sufficient to recover the loan balance.

The Company recognized a loss of $1,249 for the year ended December 31, 2018 in the consolidated statement of income and comprehensive income related to the impairment associated with the mezzanine loan remaining on the MS-SW Mezzanine Fund, LLC. $2,801 of this loan was repaid on December 31, 2018 representing full outstanding principal and PIK interest related to the properties in Chandler, AZ and Tucson, AZ. The remaining $1,271 of this loan is secured by a property in Loveland, CO. The interest payments on this loan are more than 90 days past due and the loan is in default. The Company has assessed the underlying value of all collateral and guaranties available, and has determined it is not sufficient to recover the remaining loan balance.

4. Other assets:

Other assets are as follows:

	December 31, 2018	December 31, 2017
Prepaid expense	$ 519	$ 328
Prepaid management fees (note 5)	648	—
Security deposits and costs related to future acquisitions	1,048	765
Income support receivable (note 5)	337	—
Escrow deposits held by lenders	2,565	—
Furniture, fixtures, and equipment	507	—
Other	1,481	89
	$ 7,105	$ 1,182
Current	$ 5,598	$ 1,182
Non-current	1,507	—
	$ 7,105	$ 1,182

Escrow deposits held by lenders includes amounts collected from the Company and held for use in payment of real estate taxes, property insurance and replacement reserves.

5. Investment properties:

(a) Investment properties:

	Number of Properties		Amount
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
Acquisitions of income properties	47		462,280
Sale of income properties	(7)		(69,135)
Capital expenditures	—		13,598
Increase in straight-line rents	—		10,831
Fair value adjustment	—		(14,385)
Translation of foreign operations	—		(9,650)
Balance, December 31, 2018	80	$	1,115,530
Property tax liability under IFRIC 21			(237)
Fair value adjustment to investment properties - IFRIC 21			237
		$	1,115,530

At December 31, 2018, 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. Acquisition costs related to business combinations are expensed in the period incurred. 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 as at December 31, 2018 and December 31, 2017 are set out in the following table:

	December 31, 2018	December 31, 2017
Capitalization rate - range	6.50% - 8.25%	6.50% - 8.25%
Capitalization rate - weighted average	7.89%	7.96%
Terminal capitalization rate - range	5.70% - 9.25%	9.25%
Terminal capitalization rate - weighted average	7.04%	9.25%
Discount rate - range	6.70% - 9.00%	9.00%
Discount rate - weighted average	7.74%	9.00%

The fair value of investment properties is most sensitive to changes in capitalization rates, terminal capitalization rates and discount rates. Changes in the capitalization rates, terminal capitalization rates and discount rates would result in the following changes in the fair value of the Company's investment properties:

		December 31, 2018		December 31, 2017
Capitalization rate:				
25-basis point increase	$	(28,559)	$	(19,456)
25-basis point decrease	$	30,448	$	20,727
Terminal capitalization rate:				
25-basis point increase	$	(4,281)	$	(289)
25-basis point decrease	$	4,629	$	305
Discount rate:				
25-basis point increase	$	(2,479)	$	(1,091)
25-basis point decrease	$	2,535	$	1,131

(b) Acquisitions and dispositions - year ended December 31, 2018

	Lincoln	Round Rock	Care	Grand Brook	San Antonio/ Webster	Mohawk MOB	Buffalo MOB	Keepsake	Traditions Portfolio	Total
Number of consolidated properties acquired (disposed):	1	1	24	3	2	14	1	1	(7)	40
Net assets acquired (disposed):										
Investment properties	$ 21,501	$ 22,836	$ 191,009	$ 21,695	$ 49,094	$ 136,894	$ 8,155	$ 11,096	$ (69,135)	$ 393,145
Investment in joint ventures	—	—	84,813	—	—	—	—	—	—	84,813
Mortgages repaid (assumed)	(11,668)	(13,158)	(123,589)	—	(25,706)	—	—	(5,837)	—	(179,958)
Mezzanine loan applied against purchase	(3,723)	—	—	—	(2,697)	—	—	—	—	(6,420)
Working capital balances	—	(990)	(572)	(50)	(2,920)	(465)	(39)	(363)	(576)	(5,975)
Non-controlling interest liability	—	—	(1,188)	—	—	—	—	—	16,040	14,852
	$ 6,110	$ 8,688	$ 150,473	$ 21,645	$ 17,771	$ 136,429	$ 8,116	$ 4,896	$ (53,671)	$ 300,457
Consideration paid/ funded (received):										
Cash	6,110	8,688	2,067	4,621	17,771	22,833	1,544	4,679	(49,671)	18,642
Proceeds from Secured Revolving Facility	—	—	—	17,024	—	—	—	—	—	17,024
Proceeds from Mohawk Facility, net	—	—	—	—	—	81,899	6,572	—	—	88,471
Issuance of common shares	—	—	148,406	—	—	31,080	—	—	—	179,486
Accrued transaction costs	—	—	—	—	—	1,307	—	217	—	1,524
Income support receivable	—	—	—	—	—	(690)	—	—	—	(690)
Loans issued to buyer	—	—	—	—	—	—	—	—	(4,000)	(4,000)
	$ 6,110	$ 8,688	$ 150,473	$ 21,645	$ 17,771	$ 136,429	$ 8,116	$ 4,896	$ (53,671)	$ 300,457

i) On January 10, 2018, a wholly owned subsidiary of the Company acquired a newly constructed transitional care facility located in Lincoln, Nebraska from Mainstreet Property Group, LLC ("Mainstreet LLC"). The property was acquired for a purchase price of $21,451 plus transaction costs and is accounted for as an asset acquisition. The acquisition was funded by the assumption of $11,668 in mortgage debt, a $3,723 credit received in satisfaction of a mezzanine loan held by the Company with respect to this property, and available cash on hand.

ii) 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 and is accounted for as an asset acquisition. 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 was funded through draws on the mortgage payable.

iii) On February 1, 2018, a wholly owned subsidiary of the Company completed the acquisition of Care Investment Trust, LLC ("Care") from Tiptree Inc. The acquisition of Care 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. The Care portfolio consists of 24 properties leased to operators under long-term triple-net leases and 18 operating properties in joint venture arrangements in which the Company owns the majority joint venture interest in 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 was funded by the assumption of $123,589 of property level indebtedness (including a mark-to-market discount adjustment of $1,219), the issuance of 16,647,236 common shares at a fixed issuance price of $9.75 per common share and $919 of cash. The fair value of the common shares issued on the closing date of the transaction, which was based on the adjusted quoted market price of the Company's common shares on February 1, 2018, was $146,736. The Care acquisition is accounted for as a business combination and as a result transaction costs are expensed as incurred. For the year ended December 31, 2018, the consolidated statement of income and comprehensive income includes transaction costs of $6,444 related to this transaction. The Company incurred additional transaction costs for business combination of $2,073 during the year ended December 31, 2017 related to this transaction. The purchase agreement also contained provisions for a post-closing true up of working capital items. The working capital true up was paid on July 3, 2018 through a combination of cash on hand of $1,148 and the issuance of common shares with a value of $1,670.

For the year end December 31, 2018, the Care portfolio has contributed revenue of $18,983 and net income of $22,670. Had the acquisition of the Care portfolio taken place on January 1, 2018, revenue for the Company for the year ended December 31, 2018 would have been $115,395 and net income for the Company for the year ended December 31, 2018 would have been $(10,308).

iv) 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 and is accounted for as an asset acquisition. The acquisition was funded by cash on hand and $17,024 in proceeds from the Secured Revolving Facility.

v) 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 $49,054 plus transaction costs and is accounted for as an asset acquisition. This transaction was funded through the assumption of $25,706 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 $2,920 of liabilities related to the remaining development costs of the properties which were funded through future draws on the mortgages payable.

vi) On May 1, 2018, the Company purchased 14 multi-tenant medical office buildings located in Canada and the United States from Mohawk Medical Properties Real Estate Investment Trust and its subsidiary, Mohawk Medical Operating Partnership (I) LP (collectively, "Mohawk REIT") for a combined purchase price of $136,894. The acquisition, which is accounted for as an asset acquisition, was funded through a combination of a new credit facility of $81,899, net of loan fees, the issuance of 3,606,616 common shares and cash on hand. Mohawk Realty Advisors Ltd. and its affiliates will continue to provide asset and property management for the properties. On the day of purchase, the Company prepaid to the asset manager an amount equal to the contractual fee due under the two year initial term of the asset management agreement (note 4).

The Company entered into an income support agreement in conjunction with its purchase of the properties from Mohawk REIT, whereby the seller agreed to fund monthly payments to supplement rental income until certain leasing metrics are met. Upon execution of the income support agreement, the Company recorded an income support receivable of $690, which reduced the cost of the investment properties acquired.

vii) On July 9, 2018, the Company purchased a medical office building in Williamsville, New York ("Buffalo MOB") for $7,732 plus transaction costs. This transaction was funded by $6,572 in new borrowings on the Mohawk Facility and cash on hand. Mohawk Realty Advisors Ltd. and its affiliates provide asset and property management services for the property.

viii) On October 31, 2018, the Company purchased a memory care and assisted living facility ("Keepsake") in Syracuse, New York for $11,018, plus transaction costs. The transaction was funded by the assumption of mortgage debt of $5,837 and available cash on hand.

ix) On December 31, 2018, the Company sold its interest in a portfolio of seven properties located in Georgia (collectively, the "Traditions Portfolio") for total consideration of $70,000, less transaction costs. Concurrently with the sale of the portfolio, the Company repaid the outstanding mortgage balance of $28,670 and a prepayment penalty of $293. $16,040 represents the net sale proceeds owed to the Company's partner in the portfolio. The Traditions Portfolio was acquired as part of the acquisition of Care, at which time the Company and the prior owner of Care entered into an agreement whereby the two parties would evenly share net proceeds from the sale of the Traditions Portfolio in the event of a sale. The Company recorded a liability of $10,676 representing the proceeds owed to the prior owner. The Company issued $4,000 of loans receivable to the buyer of the portfolio.

(c) 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.

(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.

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.

6. Joint arrangements:

As at December 31, 2018, the following are the Company's joint arrangements:

Joint arrangement	Number of properties	Location	Company ownership	Consolidation type
Invesque-Autumnwood Landlord	4	Canada	50%	Joint operation (1)
Invesque-Autumnwood Operator	4	Canada	50%	Joint venture (2)
Calamar	2	United States	75%	Joint venture (3)
Greenfield JV	3	United States	80%	Joint venture (3)
Greenfield Lansdale	1	United States	80%	Joint venture (3)
Heritage JV	3	United States	80%	Joint venture (3)
Heritage Newtown	1	United States	80%	Joint venture (3)
Heritage Harleysville	1	United States	90%	Joint venture (3)
Phoenix Fayetteville	1	United States	90%	Joint venture (3)
Royal JV	5	United States	80%	Joint venture (3)
Royal Eatonton	1	United States	65%	Joint venture (3)

(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.
(3) These joint venture arrangements have been structured through separate legal entities. The joint venture owns an interest in separate legal entities which own the real estate and operations.

The Company has entered into a number of joint arrangements for the purpose of jointly owning and operating certain of its seniors housing investments as detailed in the table above.

The Company and Autumnwood each owns a 50% direct beneficial interest in the real estate assets of the Invesque-Autumnwood Landlord entity and are jointly obligated for the related mortgages for a portfolio of four properties which are accounted for as joint operations and are accounted for under the proportionate consolidation method. The Company's 50% interest in the operations of these properties is held through separate legal entities (collectively referred to as "Invesque-Autumnwood Operators"), which under IFRS 11, Joint Arrangements, are accounted for as joint ventures using the equity method. Invesque-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, $2,991 for the year ended December 31, 2018 (2017 - $2,887), is reported as lease revenue from joint ventures. Invesque-Autumnwood Operators lease expense is included in the share of income from joint ventures in the consolidated statements of income and comprehensive income.

In connection with the acquisition of the Care portfolio on February 1, 2018, the Company acquired an interest in 18 properties held in joint arrangements. In these joint arrangements the Company owns an interest in the real estate and operations through separate legal entities at each of the properties, and has management agreements in place to provide for the day to day operations resulting in joint control of the interests. Each of these joint arrangements are accounted for as joint ventures using the equity method and the Company's share of net income is included in 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:

	Year ended December 31, 2018	Year ended December 31, 2017
Contributions to joint ventures	$ 1,655	$ —
Distributions received from joint ventures	$ 8,164	$ —

	December 31, 2018		December 31, 2017	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	$ 4,965	$ 4,047	$ 91	$ 45
Tenant and other receivables	2,443	1,591	1,713	857
Other	1,349	1,021	164	82
Current assets	8,757	6,659	1,968	984
Investment properties	256,184	202,972	—	—
Property, plant and equipment	28,012	20,498	2,184	1,092
Loans receivable	3,864	39	—	—
Derivative instruments	2,024	1,726	—	—
Other non-current assets	445	325	—	—
Total assets	$ 299,286	$ 232,219	$ 4,152	$ 2,076
Accounts payable and accrued liabilities	$ 6,511	$ 4,945	$ 2,240	$ 1,096
Unearned Revenue	1,066	873	—	—
Mortgages payable - current	32,323	25,382	—	
Current liabilities	39,900	31,200	2,240	1,096
Mortgages payable - non-current	144,419	116,263	—	—
Other non-current liabilities	104	98	—	—
Total liabilities	$ 184,423	$ 147,561	$ 2,240	$ 1,096
Net assets	$ 114,863	$ 84,658	$ 1,912	$ 980

	Year ended December 31, 2018		Year ended December 31, 2017	
	Net income	Company share of net income	Net income	Company share of net income
Revenue	$ 84,234	$ 59,153	$ 10,427	$ —
Property operating expense	(68,782)	(46,889)	(10,421)	—
Finance costs	(7,597)	(6,065)	—	—
Depreciation expense	(1,586)	(1,189)	—	—
Change in fair value of financial instruments	(434)	(373)	—	—
Change in fair value of investment properties	849	813	—	—
Net income, prior to distributions to owners	$ 6,684	$ 5,450	$ 6	$ —

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 other receivables and in lease revenue from joint ventures.

The following table summarizes information about the mortgages payable at the joint ventures:

	December 31, 2018	December 31, 2017
Mortgages at fixed rates:		
Mortgages (principal) [(1)]	$ 100,028	$ —
Interest rates	3.24% to 5.68%	—
Weighted average interest rate	4.26%	—%
Mortgages at variable rates:		
Mortgages (principal)	$ 76,874	$ —
Interest rates	LIBOR plus 2.75% to LIBOR plus 3.20%	—
Weighted average interest rate	5.43%	—%
Blended weighted average rate	4.76%	—%

(1) Includes $83,769 of variable rate mortgages that are fixed with interest rate swaps.

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, 2018	Borrowing rate at December 31, 2018		December 31, 2017	Borrowing rate at December 31, 2017
Secured Facility Term [1]	$	—	—%	$	200,000	4.41%
Secured Facility Revolver		—	—%		14,895	4.82%
Unsecured Facility Term [1]		200,000	4.33%		—	—%
Unsecured Facility Revolver [3]		44,900	4.75%		—	—%
Secured Revolving Facility		12,740	6.31%		6,000	6.97%
Mohawk Facility USD denominated portion		21,286	4.72%		—	—%
Mohawk Facility CAD denominated portion [1] [2]		62,461	4.53%		—	—%
Finance costs, net		(3,247)	—		(3,963)	—
Carrying value	$	338,140	4.52%	$	216,932	4.51%
Less current portion		12,647			5,958	
Long-term portion	$	325,493		$	210,974	

(1) This facility is fixed with an interest rate swap.

(2) This facility is denominated in Canadian dollars with a fixed amount of CAD$85,202.

(3) $25,000 of this facility is fixed with an interest rate swap.

On June 6, 2017 the Company amended the terms of its credit facility (the "Secured 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 30, 2018 to June 6, 2021 with an additional one year extension option, subject to lender approval (the "Facility Recast"). The Secured Facility was also amended to increase the total Secured 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 included 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 Secured Facility to $500,000. The Secured Facility provided 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 was not to exceed 60%. On December 20, 2018 the Company repaid and canceled the outstanding balance of the Secured Facility using the proceeds from the Unsecured Facility (defined below).

On December 20, 2018 the Company entered into an agreement for an unsecured credit facility (the "Unsecured Facility") with a $400,000 capacity. The Unsecured Facility is comprised of a $200,000 term loan and a $200,000 revolving line of credit. The term loan has a maturity date of December 20, 2023, while the revolving line of credit has a maturity date of December 20, 2022, with a one year extension option, subject to lender approval. The Unsecured Facility bears interest at a rate of LIBOR plus an applicable margin based on the Company's consolidated leverage ratio, with an option to use a rate based on Base Rate, as defined in the agreement, plus an applicable margin.

The table below shows the applicable margins at each leverage ratio:

Level	Consolidated Leverage Ratio	Applicable Margin for Revolving Credit LIBOR Loans	Applicable Margin for LIBOR Loans that are Term Loans
1	Less than 40%	1.60%	1.55%
2	Equal to or greater than 40% but less than 45%	1.75%	1.70%
3	Equal to or greater than 45% but less than 50%	1.90%	1.85%
4	Equal to or greater than 50% but less than 55%	2.05%	2.00%
5	Equal to or greater than 55% but less than 60%	2.20%	2.15%
6	Equal to or greater than 60% but less than 65%	2.45%	2.40%

The borrowing capacity of the Unsecured Facility is based on the undepreciated book value of an unencumbered pool of assets. Per the agreement, the Company's leverage cannot exceed 62.5% through December 31, 2019, reducing to 60% thereafter. The agreement also provides for the Company's leverage to increase to 65% for two quarters following any material acquisition. Per the agreement, the fixed charge ratio shall not be less than 1.75 to 1.0.

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 (note 5).

On September 28, 2018, the Company repaid $5,000 on the Secured Revolving Facility. On October 2, 2018, the Company repaid the remaining $12,024. On October 26, 2018 the Company amended the terms of the Secured Revolving Facility to extend the maturity date to June 30, 2019 and reduce the maximum capacity to $12,740. Concurrently, the Company drew $12,740 secured by a property in Webster, Texas.

On May 1, 2018, a wholly owned subsidiary of the Company entered into a secured credit facility ("Mohawk Facility") for the purpose of funding the acquisition of 14 properties from Mohawk REIT. The facility has maximum commitment amounts of CAD$90,060, with a borrowing rate of the BA Rate plus 220 basis points, and a US Dollar commitment of $22,515, with a borrowing rate of LIBOR plus 220 basis points. The facility provides for interest-only payments through its maturity date of May 1, 2023. Per the terms of the agreement, CAD$4,858 and USD$1,228 are reserved for the construction of tenant improvements and the payment of leasing commissions for leases entered into after the closing of the transaction. On May 1, 2018, in conjunction with the acquisition from Mohawk REIT, the Company drew CAD$85,202 and USD$16,647. The facility also included an allocation of USD$4,460 for the acquisition of an additional medical office property in Williamsville, New York. On June 28, 2018, the Company amended the terms of the agreement to increase the borrowing capacity for the Williamsville, New York property to USD$6,572. The company drew a total of USD$6,572 in conjunction with the closing of the Williamsville asset on July 9, 2018. On December 31, 2018, the Company repaid USD$1,933 on the facility.

Future principal repayments of the credit facilities are as follows:

		Aggregate principal payments
2019	$	12,740
2020		—
2021		—
2022		44,900
2023		283,747
Total	$	341,387

8. Mortgages payable:

Mortgages payable consist of the following as at December 31, 2018:

		December 31, 2018		December 31, 2017
Mortgages payable	$	306,170	$	170,668
Mark-to-market adjustment, net		(883)		257
Finance costs, net		(1,957)		(1,416)
Carrying value	$	303,330	$	169,509
Less current portion		49,444		52,351
Long-term portion	$	253,886	$	117,158

Mortgages payable are collateralized by investment properties with a fair value of $480,354 at December 31, 2018. Maturity dates on mortgages payable range from 2019 to 2049, and the weighted average years to maturity is 5.71 years at December 31, 2018.

Future principal payments on the mortgages payable as at December 31, 2018 are as follows:

		Regular principal payments		Principal due on maturity		Total principal payments	% of total principal payments
2019	$	5,351	$	44,118	$	49,469	16.16%
2020		5,757		13,297		19,054	6.22%
2021		5,810		6,781		12,591	4.11%
2022		5,116		59,384		64,500	21.07%
2023		4,382		31,691		36,073	11.78%
Thereafter		20,465		104,018		124,483	40.66%
	$	46,881	$	259,289	$	306,170	100.00%

	December 31, 2018	December 31, 2017
Mortgages at fixed rates:		
Mortgages (principal) [1]	$ 228,925	$ 85,646
Interest rates	3.08% to 5.98%	3.87% to 4.66%
Weighted average interest rate	4.58%	4.46%
Mortgages at variable rates:		
Mortgages (principal)	$ 77,245	$ 85,022
Interest rates	LIBOR plus 2.5% to US Prime plus 0.5%	Banker's acceptance plus 1.47% to LIBOR plus 3.50%
Weighted average interest rate	5.56%	4.67%
Blended weighted average rate	4.82%	4.57%

(1) Includes $60,827 of variable rate mortgages that are fixed with interest rate swaps.

INVESQUE INC.

Notes to Consolidated Financial Statements
(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)
Years ended December 31, 2018 and 2017

9. Derivative financial instruments:

Derivative financial instruments as at December 31 are detailed in the table below:

Swap	Maturity Date	Fixed Rate	Current notional amount	Asset (Liability) Balance December 31, 2018	Asset (Liability) Balance December 31, 2017	Income (Loss) for the year ended December 31, 2018	Income (Loss) for the year ended December 31, 2017
The Secured Facility Term Swap	October 30, 2019	LIBOR fixed at 1.16%	$ 200,000	$ —	$ 2,827	$ (2,827)	$ 1,284
The Unsecured Term	November 30, 2020	LIBOR fixed at 2.18%	200,000	1,189	—	1,189	—
The Unsecured Revolver	January 2, 2024	LIBOR fixed at 2.56%	25,000	(163)	—	(163)	—
Leawood Swap	March 15, 2024	Interest rate fixed at 4.55%	13,560	134	(51)	185	(51)
Topeka Swap	March 15, 2024	Interest rate fixed at 4.55%	12,879	128	(48)	176	(48)
Red Oak Swap [3]	January 18, 2021	Interest rate fixed at 3.77%	4,462	(17)	—	(17)	—
Park Terrace Swap [1]	December 18, 2020	LIBOR fixed at 2.42%	3,750	4	—	12	—
Seneca Lake Swap [1]	December 18, 2020	LIBOR fixed at 2.42%	4,238	4	—	14	—
Winchester Swap [1]	November 1, 2021	Interest rate fixed at 4.54%	6,601	157	—	(41)	—
Calhoun Swap [1]	May 31, 2019	LIBOR fixed at 1.75%	28,800	106	—	(6)	—
Mohawk Credit Facility Swap [2]	July 2, 2020	Banker's Acceptance fixed at 2.33%	62,461	(126)	—	(126)	—
Grand Brook Swap	October 2, 2021	Interest rate fixed at 5.98%	16,065	(345)	—	(345)	—
			Carrying Value	$ 1,071	$ 2,728	$ (1,949)	$ 1,185
			Derivative instruments (Asset)	$ 1,722	$ 2,827		
			Derivative instruments (Liability)	(651)	(99)		
				$ 1,071	$ 2,728		

(1) These derivatives were assumed with the purchase of Care on February 1, 2018.

(2) The swap is for a fixed amount of CAD$85,202

(3) The swap has a current notional amount of CAD$6,086

10. Convertible debentures:

(a) 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.

The 2016 Convertible Debentures are convertible into common shares of the Company at the option of the holder at at a conversion price of $11.00 per common share 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. 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 provided that the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after January 31, 2021, and prior to the maturity date, 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.

As at December 31, 2018 the 2016 Convertible Debentures are comprised of the following:

		December 31, 2018		December 31, 2017
Issued	$	45,000	$	45,000
Issue costs, net of amortization and accretion of equity component		(694)		(1,416)
Equity component, excluding issue costs and taxes		(1,648)		(1,648)
2016 Convertible Debentures	$	42,658	$	41,936

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

(b) 2018 Convertible Debentures

On August 24, 2018, the Company issued $50,000 aggregate principal amount of convertible unsecured subordinated debentures (the "2018 Convertible Debentures"). The 2018 Convertible Debentures are due on September 30, 2023 and bear interest at an annual rate of 6.00% payable semi-annually in arrears on March 31 and September 30 of each year commencing on March 31, 2019.

The 2018 Convertible Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of $10.70 per common share. The debentures will not be redeemable prior to September 30, 2021. On or after September 30, 2021, and prior to September 30, 2022, the 2018 Convertible Debentures may be redeemed in whole or in part from time to time at the Company's option, at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after September 30, 2022, and prior to the maturity date, the 2018 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 and unpaid interest.

As at December 31, 2018 the 2018 Convertible Debentures are comprised of the following:

		December 31, 2018		December 31, 2017
Issued	$	50,000	$	—
Issue costs, net of amortization and accretion of equity component		(2,177)		—
Equity component, excluding issue costs and taxes		(736)		—
2018 Convertible Debentures	$	47,087	$	—

Interest costs related to the 2018 Convertible Debentures are recorded in financing costs using the effective interest rate method.

11. Other liabilities:

Other liabilities are as follows:

		December 31, 2018		December 31, 2017
Deferred shares liability	$	1,756	$	1,096
Security deposits received from tenants		10,029		8,404
Escrows collected from tenant		1,575		—
Unearned revenue		303		814
Liability to previous owner of Care (note 5)		1,000		—
Other		152		—
	$	14,815	$	10,314
Current	$	2,030	$	814
Non-current		12,785		9,500
	$	14,815	$	10,314

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

	Credit facilities	Mortgages payable	Convertible debentures	Total
Balance, December 31, 2017	$ 216,932	$ 169,509	$ 41,936	$ 428,377
Debt assumed through acquisitions	—	179,958	—	179,958
Proceeds from financing	437,459	25,186	50,000	512,645
Repayments	(313,300)	(64,513)	—	(377,813)
Scheduled principal payments	—	(4,459)	—	(4,459)
Financing costs paid	(3,825)	(1,304)	(2,387)	(7,516)
Amortizing of financing costs and mark to market adjustments	1,313	305	932	2,550
Non-cash write-off of deferred financing costs from refinancing	3,178	530	—	3,708
Changes in foreign currency rates	(3,617)	(1,882)	—	(5,499)
Equity component of convertible debentures	—	—	(736)	(736)
Balance, December 31, 2018	$ 338,140	$ 303,330	$ 89,745	$ 731,215

13. Share capital:

(a) Common shares:

The following number and value of common shares were issued and outstanding as at December 31, 2018:

	Common Shares	Value
Balance, December 31, 2016	32,222,355	$ 308,551
Issued on settlement of Deferred Share Incentive Plan	94,826	870
Issued pursuant to the Company's dividend reinvestment plan	41,573	368
Recognition of previously unrecognized tax benefit of amortization of issuance cost	—	670
Balance, December 31, 2017	32,358,754	$ 310,459
Issued as consideration for acquisition of Care (note 5)	16,855,890	148,406
Issued as consideration for acquisition of Mohawk (note 5)	3,606,616	31,080
Issued on settlement of Deferred Share Incentive Plan	72,191	623
Issued pursuant to the Company's dividend reinvestment plan	100,700	782
Recognition of previously unrecognized tax benefit of amortization of issuance cost	—	2,223
Shares acquired under NCIB	(60,300)	(408)
Balance, December 31, 2018	52,933,851	$ 493,165

(i) 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.

(ii) On November 9, 2018 the Toronto Stock Exchange approved the Company's notice of intention to make a normal course issuer bid ("NCIB") for a portion of its common shares. Pursuant to the notice, the Company is authorized to acquire up to a maximum of 2,647,954 of its Units, or approximately 5% of the Company's 52,959,070 outstanding Shares as of November 1, 2018, for cancellation over the next 12 months. Purchases under the NCIB will be made through the facilities of the Toronto Stock Exchange or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Share equal to the market at the time of acquisition. The number of Shares that can be purchased pursuant to the NCIB is subject to a daily maximum of 7,918 Shares, subject to the Company's ability to make one block purchase of Shares per calendar week that exceeds such limits. Any Shares purchased under the NCIB will be canceled upon purchase. During the year ended December 31, 2018, the Company acquired 60,300 shares.

(iii) For the year ended December 31, 2018, the Company declared dividends payable in cash on common shares of $37,001, respectively (2017 - $23,791).

(b) Preferred Shares:

The following number and value of Preferred Shares were issued and outstanding as at December 31, 2018:

	Preferred Shares		Value
Balance, December 31, 2016	—	$	—
Issued Series 1 Preferred Shares	2,802,009		26,353
Balance, December 31, 2017	2,802,009		26,353
Issued Series 2 Preferred Shares	3,172,086		29,856
Issued Series 3 Preferred Shares	1,586,042		14,897
Balance, December 31, 2018	7,560,137	$	71,106

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 upon entering into 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 $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.

On March 29, 2018, the third and final series was funded, resulting 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.

As at December 31, 2018, the Preferred Shares are convertible into 7,945,285 common shares of the Company.

14. 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 the convertible debentures has 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 convertible debentures, pro-rated for the number of days in the period the convertible debentures were outstanding. The outstanding convertible debentures, 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 (loss):

	Year ended December 31, 2018	Year ended December 31, 2017
Net income (loss) for basic and diluted net income (loss) per share	$ (12,275)	$ 16,263

Denominator for basic and diluted net income (loss) per share:

	Year ended December 31, 2018	Year ended December 31, 2017
Weighted average number of shares, including fully vested deferred shares: Basic	50,273,295	32,323,269
Weighted average shares issued if all Preferred Shares were converted	6,975,227	76,558
Weighted average number of shares: Diluted	57,248,522	32,399,827

Net income (loss) per share:

	Year ended December 31, 2018	Year ended December 31, 2017
Basic and diluted	$ (0.24)	$ 0.50

15. Rental revenue:

Rental revenue consists of the following:

		Year ended December 31, 2018		Year ended December 31, 2017
Cash rentals received	$	82,192	$	45,372
Straight-line rent adjustments		10,831		5,982
Property tax recoveries		14,327		8,834
Revenue from services - CAM recoveries [1]		2,038		—
	$	109,388	$	60,188

(1) Represents property services element in accordance with IFRS 15, Revenue from Contracts with Customers.

The Company is scheduled to receive rental income from operators of its seniors housing and care properties 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 Company is also scheduled to receive rental income from tenants of the medical office building portfolio. These leases, generally with lease terms of 5 to 10 years, include provisions for recovery of real estate taxes, insurance and costs associated with common area maintenance ("CAM").

The tenant operator of the Symphony Portfolio ("Symcare") of 11 properties pays rent pursuant to a master lease. For the year ended December 31, 2018, rental revenue from this tenant comprised approximately 32% (2017 - 58%), of the Company's consolidated rental revenue for the period.

Future minimum rentals to be received as of December 31, 2018 are as follows:

Less than 1 year	$	84,148
Between 1 and 5 years		343,068
More than 5 years		633,815
	$	1,061,031

Future minimum rentals in the above table attributable to Symcare represent approximately 33% of the total.

16. Finance costs:

Finance costs consist of the following:

	Year ended December 31, 2018	Year ended December 31, 2017
Interest expense on credit facilities	$ 15,778	$ 10,337
Interest expense on mortgages payable	17,096	4,822
Interest expense on convertible debentures	3,317	2,250
Amortization and accretion expense	2,819	2,345
Interest rate swap payments (receipts)	(1,226)	374
Write-off of deferred financing costs from refinancing	3,708	—
Amortization of mark-to-market debt adjustments	79	(11)
Interest income from loans receivable (note 3)	(3,307)	(4,062)
Finance costs from operations	$ 38,264	$ 16,055
Change in non-controlling interest liability	17,927	—
Allowance for credit losses on loans and interest receivable	11,336	—
Change in fair value of financial instruments	2,325	(2,292)
Change in fair value of contingent consideration	10,676	—
Total finance costs	$ 80,528	$ 13,763

17. General and administrative:

General and administrative costs consist of the following:

	Year ended December 31, 2018	Year ended December 31, 2017
Compensation and benefits	$ 6,273	$ 3,333
Asset management and administrative fees	421	270
Professional fees	2,544	1,942
Deferred share compensation	1,283	1,614
Other	2,891	915
	$ 13,412	$ 8,074

18. Direct property operating expenses:

Direct property operating expenses consist of the following:

	Year ended December 31, 2018	Year ended December 31, 2017
Repairs and maintenance	$ 744	$ —
Utilities	829	—
Property management fees	380	—
Services	642	—
Other	135	—
Non-recoverable operating expenses	396	—
	$ 3,126	$ —

19. 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 Company 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 of Directors 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, 2018, the number of deferred shares granted and outstanding and vested are as follows:

	Granted/ Outstanding	Fully Vested
As at December 31, 2016	81,545	20,041
Discretionary Deferred Shares granted	156,295	83,179
Individual Contributed Deferred Shares (vested immediately)	32,866	32,867
Company Contributed Deferred Shares	32,757	5,863
Shares forfeited	(14,073)	—
Shares issued upon vesting of deferred shares	(94,826)	(94,826)
As at December 31, 2017	194,564	47,124
Discretionary Deferred Shares granted	178,543	66,548
Individual Contributed Deferred Shares (vested immediately)	36,873	36,873
Company Contributed Deferred Shares	38,363	13,893
Shares forfeited	(872)	(2)
Shares issued upon vesting of deferred shares	(72,192)	(72,192)
As at December 31, 2018	375,279	92,244

For the year ended December 31, 2018, expense recognized in the consolidated statements of income and comprehensive income related to deferred shares was $1,283 (2017 - $1,614). A deferred share liability of $1,756 (2017 - $1,096) is included in other non-current liabilities in the consolidated statements of financial position as at December 31, 2018. The table above includes dividends granted during the year ended December 31, 2018 of 27,767 shares (2017 - 14,956 shares).

20. Related party transactions:

Related party transactions in addition to those disclosed elsewhere in these financial statements are as follows:

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"), a significant shareholder of the Company, to be funded in multiple series. 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. 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.

On March 29, 2018, the third and final series was funded, resulting 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.

A member of the Board of Directors has an ownership interest in a marketing firm ("JDA Worldwide"). For the year ended December 31, 2018, the Company incurred $307 of marketing costs in the consolidated statements of income and comprehensive income related to services performed by JDA Worldwide.

21. Income taxes:

The income tax expense in the consolidated statements of income and comprehensive income differs from that expected by applying the combined federal, provincial and state income tax rates of 26.5% (2017 - 26.5%). The differences for the years ended December 31, 2018 and 2017 are as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Income/(loss) before income taxes	$ (15,156)	$ 21,685
Income tax expense (recovery) at Canadian tax rate	(4,016)	5,747
Non-deductible expenses	1,291	1,015
Difference in tax rate in foreign jurisdiction	(152)	(1,408)
Other	(4)	68
Income tax expense (recovery)	$ (2,881)	$ 5,422

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, 2018	December 31, 2017
Deferred tax assets:		
Tax losses	$ 18,704	$ 10,941
Financing costs	1,622	131
	$ 20,326	$ 11,072
Deferred tax liabilities:		
Investment properties	$ 26,511	$ 20,170
Derivative instruments	257	756
Convertible debentures	461	437
Other	108	—
Deferred tax liabilities	$ 27,337	$ 21,363
Net deferred tax liability	$ (7,011)	$ (10,291)

The gross movement in deferred tax is as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Deferred tax liability, beginning balance	$ 10,291	$ 5,583
Deferred tax expense (recovery)	(2,881)	5,371
Deferred tax resulting from business combination	1,699	—
Deferred tax liability charged to equity	(2,098)	(663)
Deferred tax liability, ending balance	$ 7,011	$ 10,291

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 lowered 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 re-measured the deferred taxes to reflect the reduced federal rate of 21%, which will apply in future years when these deferred taxes are settled or realized. The change in federal income tax rate resulted in a one-time recovery of income tax of $1,692 in 2017.

At December 31, 2018, U.S. subsidiaries had accumulated net operating losses available for carryforward for U.S. income tax purposes of $51,316 (2017 - $38,462). The pre-2018 accumulated net operating losses of $38,462 will expire in 2036. The state net operating losses will expire in 2028. The Company and its Canadian subsidiary have non-capital losses in Canada for income tax purposes amounting to $2,800 that expire between 2036 and 2038.

The Company has non-capital losses amounting to $2,110 in Canada at December 31, 2018 (2017 - $11,198) 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.

22. Commitments and contingencies:

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 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 partnerships.

Pursuant to the Grand Brook 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.

On December 31, 2018, the Company entered into an operating agreement with Javelina Ventures, LLC in which the Company will share in 5% of the net available cash flows from operations. Concurrently, the Company entered into an agreement to guarantee a total of $5,000 of the mortgages on the properties operated by Javelina Ventures, LLC. The Company will earn an annual guaranty fee of $225 until the loans have been repaid or the guaranty is released. The Company has not recorded any balance in the financial statements associated with this commitment.

On November 14, 2018, the Company entered into a purchase and sale agreement to purchase a property located in Allen, TX for a purchase price of $8,100 plus transaction costs. The transaction was completed on January 16, 2019 and funded by a new mortgage secured by the property of $5,693 and cash on hand.

23. 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.

24. 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, 2018			December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment in MS-SW Development Fund Holdings LLC	$ —	$ —	$ —	$ —	$ —	$ 1,072
Derivative asset	—	1,722	—	—	2,827	—
Investment properties	—	—	1,115,530	—	—	721,991
Derivative liability	—	651	—	—	99	—
Deferred share liability	1,756	—	—	1,096	—	—

For the assets and liabilities measured at fair value as at December 31, 2018, 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 5 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 expected contractual returns accrued which are estimated to approximate fair value. $848 of the Investment in MS-SW Development Fund Holdings LLC was repaid on December 31, 2018 representing full equity return related to the properties in Chandler, AZ and Tucson, AZ. The remaining $376 of investment was reserved against as it relates to a property in Loveland, CO for which the borrower is in default on the loan.

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, restricted cash, tenant and other receivables, security deposits and costs related to future acquisitions, income support receivable, escrow deposits held by lenders, accounts payable and accrued liabilities, accrued real estate taxes, construction payable, liabilities to previous owner of Care, escrows collected from tenant, and dividend payable, as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value due to their short term nature. The table also excludes security deposits received from tenants as the carrying amount is a reasonable approximation of fair value.

	December 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Investment in MS-SW Development Fund Holdings, LLC	$ —	$ —	$ 1,072	$ 1,072
Loans receivable	32,422	32,361	36,431	36,431
Derivative instruments	1,722	1,722	2,827	2,827
Financial liabilities:				
Mortgages payable	303,330	306,170	169,509	170,668
Credit facilities	338,140	341,387	216,932	220,895
Derivative instruments	651	651	99	99
Convertible debentures	89,745	72,500	41,936	43,650

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. Fair value measurements of derivative instruments were estimated using Level 2 inputs.

(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) Convertible debentures

The Company determined the fair value of the convertible debentures using quoted market prices which are considered Level 1 inputs.

25. 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, 2017.

(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 not exposed to interest rate risk on loans receivable because all of the loans earn interest at fixed rates.

The Company is exposed to interest rate risk on the credit facilities and certain mortgages payable, which bear interest at variable rates. To manage interest rate risk, the Company entered into swap agreements 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. At December 31, 2018, 82.3% of our interest was of fixed rate, including the impact of in-place swaps. 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.

The Company's remaining financial instruments have no exposure to interest rate risk due to their short-term nature.

At December 31, 2018, the Company's interest-bearing financial instruments were as follows:

	Carrying Amount			
	December 31, 2018		December 31, 2017	
Fixed-rate financial liabilities	$	601,435	$	324,354
Variable-rate financial liabilities	$	129,780	$	104,058

As at December 31, 2018, an increase/decrease of 100-basis-points in interest rates, assuming all other variables are constant, would result in a $1,312 (2017 - $1,059) change in the Company's finance costs over the next twelve months.

(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 is exposed to credit risk arising from the possibility that a borrower may be unable to fulfill their contractual obligations. In the event that borrowers are not able to meet commitments, the Company could suffer a loss of either interest or principal or both. 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 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, 2018, including expected interest payments where applicable:

	Total	2019	2020	2021	2022	2023	Thereafter
Credit facilities	$ 410,556	$ 27,929	$ 14,830	$ 14,790	$ 59,614	$ 293,393	$ —
Mortgages payable	372,584	62,135	30,941	23,580	73,383	42,628	139,917
Convertible debentures	118,192	5,567	5,250	5,250	49,125	53,000	—
Accounts payable and accrued liabilities	9,871	9,871	—	—	—	—	—
Accrued real estate taxes	11,052	11,052	—	—	—	—	—
Dividends payable	3,253	3,253	—	—	—	—	—
Liability to previous owner of Care (note 5)	9,676	9,676	—	—	—	—	—
Other current liabilities	2,030	2,030	—	—	—	—	—
Other non-current liabilities	12,785	1,151	1,380	225	—	—	10,029
Total Commitments	$ 949,999	$ 132,664	$ 52,401	$ 43,845	$ 182,122	$ 389,021	$ 149,946

26. Key management personnel compensation:

The remuneration of key management personnel of the Company for years ended December 31, 2018 and 2017 is set forth in the table below.

	Year ended December 31, 2018	Year ended December 31, 2017
Officers and directors compensation	$ 2,510	$ 1,690
Share based compensation	987	1,427
	$ 3,497	$ 3,117

27. Segments:

The Company’s current portfolio includes investments in assisted living, independent living, memory care, transitional care, long-term care, and medical office properties. The Company's senior housing and care investments in assisted living, independent living, memory care, transitional care and long-term care share similar characteristics and are generally leased to operators on a long-term, triple-net lease basis. In some instances the Company has an interest in both the property and operations in joint ventures and joint arrangements with the operating partner at the facility. The Company considers these investments to be one reportable operating segment. The Company also has investments in 15 medical office buildings. This multi-tenant medical office portfolio has different characteristics that are evaluated by management, and is considered to be a separate reportable operating segment.

The following tables show net income (loss) by reportable segment for the years ended December 31, 2018 and 2017:

	Year ended December 31, 2018			
	Seniors housing and care	Medical office buildings	Other	Total
Rental revenue	$ 100,166	$ 9,222	$ —	$ 109,388
Lease revenue from joint ventures	2,991	—	—	2,991
Other income	37	1,297	214	1,548
Finance cost	(34,442)	(2,770)	(1,052)	(38,264)
Real estate tax expense	(10,864)	(932)	—	(11,796)
General and administrative	(547)	(342)	(12,523)	(13,412)
Direct property operating	—	(3,126)	—	(3,126)
Transaction costs for business combination	—	—	(6,444)	(6,444)
Diligence costs for transactions not pursued	—	—	(2,041)	(2,041)
Allowance for credit losses on loans and interest receivable	—	—	(11,336)	(11,336)
Changes in non-controlling interest liability	(17,927)	—	—	(17,927)
Change in fair value of investment properties - IFRIC 21	(2,409)	(392)	—	(2,801)
Change in fair value of investment properties	(14,917)	532	—	(14,385)
Change in fair value of financial instruments	(1,823)	(126)	(376)	(2,325)
Change in fair value of contingent consideration	(10,676)	—	—	(10,676)
Income from joint ventures	5,450	—	—	5,450
Income tax recovery (expense)	—	—	2,881	2,881
Net income (loss)	$ 15,039	$ 3,363	$ (30,677)	$ (12,275)
Expenditures for non-current assets:				
Acquisition of properties	$ 317,231	$ 145,049	$ —	$ 462,280
Capital additions	13,598	—	—	13,598

	Year ended December 31, 2017			
	Seniors housing and care	Medical office buildings	Other	Total
Rental revenue	$ 60,188	$ —	$ —	60,188
Lease revenue from joint ventures	2,887	—	—	2,887
Other income	—	—	929	929
Finance cost	(17,152)	—	1,097	(16,055)
Real estate tax expense	(8,763)	—	—	(8,763)
General and administrative	(245)	—	(7,829)	(8,074)
Transaction costs for business combination	—	—	(2,073)	(2,073)
Diligence costs for transactions not pursued	—	—	(491)	(491)
Change in fair value of investment properties - IFRIC 21	(309)	—	—	(309)
Change in fair value of investment properties	(8,846)	—	—	(8,846)
Change in fair value of financial instruments	2,292	—	—	2,292
Income tax expense	—	—	(5,422)	(5,422)
Net income (loss)	$ 30,052	$ —	$ (13,789)	$ 16,263
Expenditures for non-current assets:				
Acquisition of properties	$ 106,296	$ —	$ —	$ 106,296
Capital additions	10,248	—	—	10,248

The following tables show assets and liabilities by reportable segment as at December 31, 2018 and December 31, 2017:

	As at December 31, 2018			
	Seniors housing and care	Medical office buildings	Other	Total
Investment properties	$ 975,914	$ 139,616	$ —	$ 1,115,530
Investment in joint ventures	84,658	—	—	84,658
Loans receivable	—	—	32,422	32,422
Other assets	22,637	1,790	26,922	51,349
Total assets	$ 1,083,209	$ 141,406	$ 59,344	$ 1,283,959
Contingent consideration liability	$ 9,676	$ —	$ —	$ 9,676
Mortgages payable	303,330	—	—	303,330
Credit facilities	255,561	82,579	—	338,140
Convertible debentures	—	—	89,745	89,745
Non-controlling interest liability	2,947	—	—	2,947
Other liabilities	26,465	1,458	18,730	46,653
Total liabilities	$ 597,979	$ 84,037	$ 108,475	$ 790,491

	As at December 31, 2017			
	Seniors housing and care	Medical office buildings	Other	Total
Investment properties	$ 721,991	$ —	$ —	$ 721,991
Investment in joint ventures	980	—	—	980
Loans receivable	—	—	36,431	36,431
Other assets	10,673	—	14,930	25,603
Total assets	$ 733,644	$ —	$ 51,361	$ 785,005
Mortgages payable	$ 169,509	$ —	$ —	$ 169,509
Credit facilities	216,932	—	—	216,932
Convertible debentures	—	—	41,936	41,936
Other liabilities	19,022	—	18,222	37,244
Total liabilities	$ 405,463	$ —	$ 60,158	$ 465,621

In measuring performance, the Company does not distinguish or group its properties on a geographical basis. Management has applied judgment by aggregating its properties into two reportable segments for disclosure purposes. The Company's Chief Executive Officer is the chief decision maker and regularly reviews performance on an individual property basis and on the basis of the Company's reportable operating segments.

At December 31, 2018, $1,051,527 of the Company's non-current assets, excluding financial instruments, are located in the United States (2017 - $680,785) and $150,168 are located in Canada (2017 - $42,186). During the year ended December 31, 2018, the Company generated $103,080 (2017 - $60,188), of its revenues, excluding other income, from properties located in the United States and $9,299 (2017 - $2,887) of its revenues from properties located in Canada.

28. Subsequent events:

On January 16, 2019, the Company acquired a property located in Allen, TX for a purchase price of $8,100 plus transaction costs. The Company entered into a new mortgage secured by the property to fund $5,693 of the purchase price and funded the remainder of the purchase with cash on hand.

On January 22, 2019, the Company entered into a purchase agreement with Symcare to purchase three buildings. Total consideration is expected to be $52,000 plus transaction costs, and the acquisition is expected to be funded by cash on hand and an issuance of $5,000 of the Company's shares to Symcare. The original master lease with the Symcare operator will be amended to include these new buildings.

INVESQUE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2018

March 13, 2019

Basis of presentation

Financial data in this Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") is for the year ended December 31, 2018. Financial data has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A is intended to provide readers with an assessment of the performance of Invesque Inc. (the "Company") for the year ended December 31, 2018. This MD&A should be read in conjunction with the audited consolidated financial statements and notes of the Company for the years ended December 31, 2018 and 2017.

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2018 (the "2018 AIF"), will be available on SEDAR at www.sedar.com.

All financial information is in thousands of U.S. dollars unless otherwise noted.

Forward-looking disclaimer

Certain information in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements (which involve significant risks and uncertainties and should not be read as guarantees of future performance or results) include statements related to, among other things, the expected seniors housing and care industry and demographic trends, acquisitions, development activities, future maintenance and leasing expenditures, financing, the availability of financing sources and income taxes. Management of the Company ("Management") believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, Management can give no assurance that actual results will be consistent with these forward-looking statements.

Without limiting the foregoing, the words "believe", "expect", "anticipate", "should", "may", "will", "intend", "estimate" and similar expressions identify forward-looking statements.

Factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, general economic conditions, competitive uncertainties and contingencies, demographic and industry trends, legislative and regulatory changes, tax laws and those factors set forth under the heading "Risks and Uncertainties" in this MD&A and 2018 AIF. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions, with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

These forward-looking statements are made as of March 13, 2019 and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Financial Measures not Defined Under IFRS

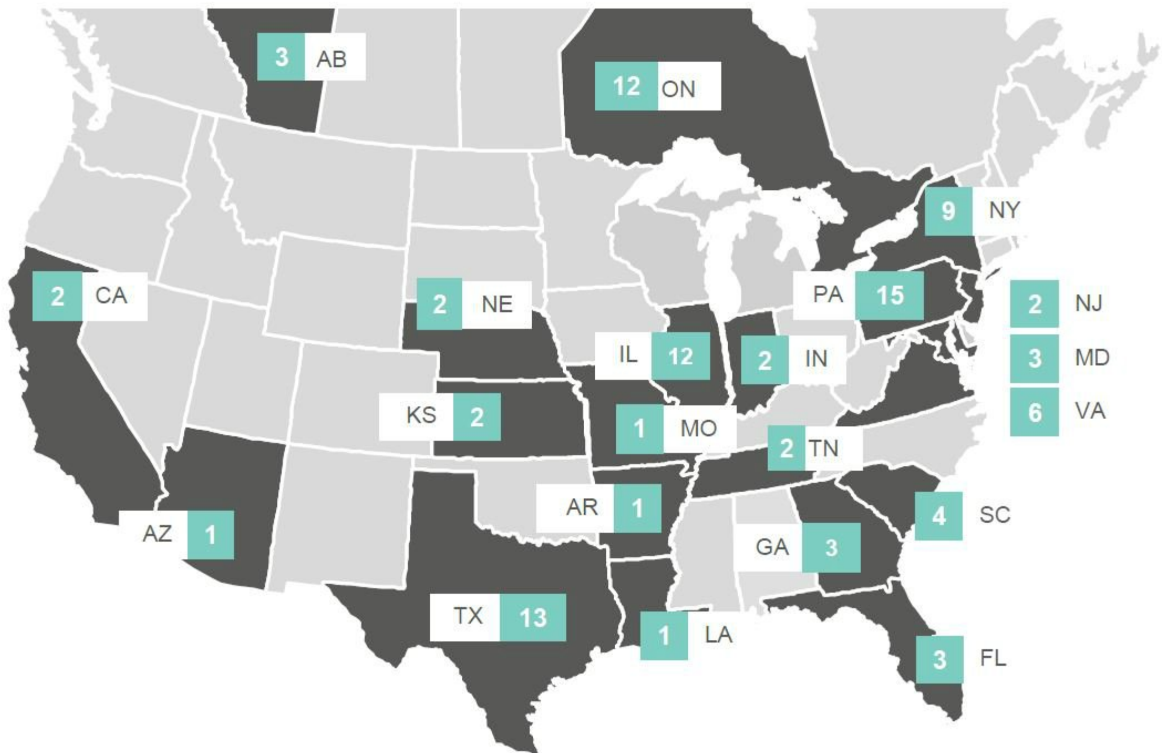
Certain terms used in this MD&A are performance measures that are not defined by IFRS such as Funds From Operations ("FFO"), Adjusted Funds From Operations ("AFFO"), FFO and AFFO as adjusted to exclude diligence costs for transactions not pursued, consolidated income (loss) adjusted for IFRIC 21, fixed charge coverage ratio, payout ratio, earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR"), earnings before interest, income taxes, depreciation, amortization, rent and management fees ("EBITDARM") and any related per share amounts used by the Company to measure, compare and explain the operating results and financial performance of the Company. Such performance measures do not have standardized meanings under IFRS and therefore may not be comparable to similar measures presented by other issuers. Such performance measures should not be construed as alternatives to income (loss) and comprehensive income (loss) or cash flows from operating activities calculated in accordance with IFRS. Further, the supplemental measures used by management may not be comparable to similar measures presented by other real estate enterprises. Management believes that these terms are relevant measures in comparing the Company's performance to industry data and assessing its ability to meet its ongoing obligations.

Business Overview

Invesque Inc. is a corporation continued under the *Business Corporations Act* (British Columbia). Effective January 3, 2018, the Company changed its name from "Mainstreet Health Investments Inc." to "Invesque Inc.". The registered office of the Company is located at 700 W Georgia Street, 25th Floor, Vancouver, British Columbia V7Y 1B3 and the head office of the Company is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7.

The Company is a North American health care real estate company with a growing portfolio of high quality health care properties and medical office buildings located in the United States and Canada that partners with industry leading operators to invest across the health care spectrum. The Company's current portfolio includes investments in assisted living, independent living, memory care, transitional care, long-term care, and medical office properties, which are operated by best-in-class operators primarily under long-term leases and joint venture arrangements. For the Company's seniors housing properties, it generally owns the land and buildings and leases them to operators on a long-term, triple-net lease basis or has an interest in both the property and operations in joint ventures and joint arrangements with the operating partner at the facility. Under a triple-net lease structure, the tenant operators assume the operational risks and expenses associated with operating a seniors housing and care facility on the leased premises. The tenant operators provide and manage the service offerings available at the facilities, deliver all care services, and maintain the buildings. The Company's multi-tenant medical office portfolio is operated via a third party asset management contract with Mohawk Realty Advisors Ltd.

As of March 13, 2019, the Company owns or has a majority interest in a portfolio of 84 properties in the United States comprised of 14 long-term care facilities, 52 assisted living and memory care facilities, 14 transitional care properties, and 4 medical office buildings ("MOB"). The Company also owns 11 medical office buildings and jointly owns the real estate of 4 seniors housing and care facilities in Canada.



Management believes that certain characteristics of the North American seniors housing and care industry, including favorable demographic trends, increasing demand with stagnant supply of new facilities and the shift from high cost hospitals for post-acute care to lower cost settings such as skilled nursing facilities, provide for a unique investment opportunity. The increased demand for healthcare facilities further enforces the growing demand for healthcare spending in medical office buildings as well. Management also believes that, as a result of the high quality of the Company's properties, its triple-net lease and joint venture structures and its relationships with reputable operators and industry participants, the Company is well-positioned to succeed in the industry by capitalizing on these market opportunities.

Recent Activities

Recent Acquisitions and Dispositions

The following asset acquisitions and dispositions were completed during the year ended December 31, 2018:

	Lincoln	Round Rock	Care	Grand Brook	San Antonio/ Webster	Mohawk MOB	Buffalo MOB	Keepsake	Traditions Portfolio	Total
Number of consolidated properties acquired (disposed):	1	1	24	3	2	14	1	1	(7)	40
Net assets acquired (disposed):										
Investment properties	$ 21,501	$ 22,836	$ 191,009	$ 21,695	$ 49,094	$ 136,894	$ 8,155	$ 11,096	$ (69,135)	$ 393,145
Investment in joint ventures	—	—	84,813	—	—	—	—	—	—	84,813
Mortgages repaid (assumed)	(11,668)	(13,158)	(123,589)	—	(25,706)	—	—	(5,837)	—	(179,958)
Mezzanine loan applied against purchase	(3,723)	—	—	—	(2,697)	—	—	—	—	(6,420)
Working capital balances	—	(990)	(572)	(50)	(2,920)	(465)	(39)	(363)	(576)	(5,975)
Non-controlling interest liability	—	—	(1,188)	—	—	—	—	—	16,040	14,852
	$ 6,110	$ 8,688	$ 150,473	$ 21,645	$ 17,771	$ 136,429	$ 8,116	$ 4,896	$ (53,671)	$ 300,457
Consideration paid/ funded (received):										
Cash	6,110	8,688	2,067	4,621	17,771	22,833	1,544	4,679	(49,671)	18,642
Proceeds from Secured Revolving Facility	—	—	—	17,024	—	—	—	—	—	17,024
Proceeds from Mohawk Facility, net	—	—	—	—	—	81,899	6,572	—	—	88,471
Issuance of common shares	—	—	148,406	—	—	31,080	—	—	—	179,486
Accrued transaction costs	—	—	—	—	—	1,307	—	217	—	1,524
Income support receivable	—	—	—	—	—	(690)	—	—	—	(690)
Loans issued to buyer	—	—	—	—	—	—	—	—	(4,000)	(4,000)
	$ 6,110	$ 8,688	$ 150,473	$ 21,645	$ 17,771	$ 136,429	$ 8,116	$ 4,896	$ (53,671)	$ 300,457

On January 10, 2018, a wholly owned subsidiary of the Company acquired a newly constructed transitional care facility located in Lincoln, Nebraska. The property was acquired for a purchase price of $21,451 plus transaction costs. The acquisition was funded by the assumption of $11,668 in mortgage debt, a $3,723 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. 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 was funded through additional draws on the mortgage payable.

On February 1, 2018, a wholly owned subsidiary of the Company completed the acquisition of Care Investment Trust, LLC ("Care") from Tiptree Inc. The acquisition of Care 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. The Care portfolio consists of 24 properties leased to operators under long-term triple-net leases and 18 operating properties in joint venture arrangements in which the Company owns the majority joint venture interest in 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 was funded by the assumption of $123,589 of property level indebtedness (including a mark-to-market discount adjustment of $1,219), the issuance of 16,647,236 common shares at a fixed issuance price of $9.75 per common share and $919 of cash. The fair value of the common shares issued on the closing date of the transaction, which was based on the adjusted quoted market price of the Company's common shares on February 1, 2018, was $146,736. The Care acquisition is accounted for as a business combination, and as a result, transaction costs are expensed as incurred. For the year ended December 31, 2018, the consolidated statement of income and comprehensive income includes transaction costs of $6,444 related to this transaction. The Company incurred additional transaction costs for business combination of $2,073 during the year ended December 31, 2017 related to this transaction. The purchase agreement also contained provisions for a post-closing true up of working capital items. The working capital true up was paid by the Company on July 3, 2018 through a combination of cash on hand of $1,148 and the issuance of common shares with a value of $1,670.

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 for a combined purchase price of $49,054 plus transaction costs. This transaction was funded through the assumption of $25,706 of mortgages payable, a $2,697 credit received in satisfaction of a mezzanine loan held by the Company with respect to the Webster, Texas property, and available cash on hand. At the time of closing, the Company also assumed $2,920 of liabilities related to the remaining development costs of the properties, which was funded through additional draws on the mortgages payable.

On May 1, 2018, the Company purchased 14 multi-tenant medical office buildings located in seven markets throughout Canada and the United States from Mohawk Medical Properties Real Estate Investment Trust and its subsidiary, Mohawk Medical Operating Partnership (I) LP, (collectively, "Mohawk REIT") for a combined purchase price of $136,894. The acquisition was funded through a combination of new debt of $81,899, net of loan fees, the issuance of 3,606,616 common shares at a fixed issuance price of $9.75 per common share, and available cash on hand. Mohawk Realty Advisors Ltd. and its affiliates (collectively, "Mohawk") will continue to provide asset and property management for the properties. On the day of purchase, the Company prepaid to the asset manager an amount equal to the fee due for the initial two year term of the asset management agreement.

The Company entered into an income support agreement in conjunction with its purchase of the properties from Mohawk REIT, whereby the seller agreed to fund monthly payments to supplement rental income until certain leasing metrics are met. Upon execution of the income support agreement, the Company recorded an income support receivable of $690, which reduced the cost of the investment properties acquired.

On July 9, 2018, a wholly owned subsidiary of the Company completed the acquisition of a medical office building in Williamsville, New York for $7,732 plus transaction costs. The acquisition was funded by $6,572 in new borrowings on the

Mohawk Facility (as defined below) and available cash on hand. Mohawk Realty Advisors Ltd. and its affiliates provide asset and property management services for the property.

On October 31, 2018, the Company purchased a memory care and assisted living facility ("Keepsake") in Syracuse, New York for $11,018, plus transaction costs. The transaction was funded by the assumption of mortgage debt of $5,837 and available cash on hand.

On December 31, 2018, the Company sold its interest in a portfolio of seven properties located in Georgia (collectively, the "Traditions Portfolio") for total consideration of $70,000, less transaction costs. Concurrently with the sale of the portfolio, the Company repaid the outstanding mortgage balance of $28,670 and a prepayment penalty of $293. $16,040 represents the portion of the net sale proceeds owed to the Company's partner in the portfolio. The Traditions Portfolio was acquired as part of the acquisition of Care, at which time the Company and the prior owners of Care entered into an agreement whereby the two parties will evenly share net proceeds from the sale of the Traditions Portfolio in the event of a sale. The Company recorded a liability of $10,676 representing the proceeds owed to the prior owner.

Subsequent Events

On January 16, 2019, the Company acquired a property located in Allen, TX for a purchase price of $8,100 plus transaction costs. The Company entered into a new mortgage secured by the property to fund $5,693 of the purchase price and funded the remainder of the purchase with cash on hand.

On January 22, 2019, the Company entered into a purchase agreement with the tenant operator of the Symphony portfolio ("Symcare") to purchase three buildings. Total consideration is expected to be $52,000 plus transaction costs, and the acquisition is expected to be funded by cash on hand and an issuance of $5,000 of the Company's shares to Symcare. This acquisition will be consummated at an attractive yield for Symcare which will help enhance the performance of the overall Symcare portfolio. In exchange, the original master lease with Symcare will be amended to consolidate these new buildings with the existing Symcare master lease and resetting the maturity date to 15 years from closing. The Company will recognize an adjustment of rent to fair market value upon closing, and the amended master lease will include a fair market value rent feature which will reset rents to fair market value at specified dates in the future. Any rent reset taking place after the initial acquisition date will increase rents to the extent supported by performance of the underlying properties under the terms of the master lease, but do not include a feature to reduce rent. The impact of the expected initial rent on the valuation of investment properties currently owned is reflected in change fair value of investment properties in the consolidated statements of income and comprehensive income.

Other Recent Activities

On December 22, 2017, the Company entered into subscription agreements with respect to 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. 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. On March 29, 2018, the third and final series was funded, resulting in the issuance of 1,586,042 Class A Series 3 Preferred Shares (the "Series 3 Preferred Shares", and together with the Series 1 Preferred Shares and the Series 2 Preferred Shares, the "Preferred Shares") on substantially the same terms as the other series for aggregate gross proceeds of $15,000.

On August 24, 2018, the Company issued $50,000 aggregate principal amount of convertible unsecured subordinated debentures (the "2018 Convertible Debentures"). The 2018 Convertible Debentures are due on September 30, 2023 and bear interest at an annual rate of 6.00% payable semi-annually in arrears on March 31 and September 30 of each year commencing on March 31, 2019.

On November 9, 2018 the Toronto Stock Exchange approved the Company's notice of intention to make a normal course issuer bid ("NCIB") for a portion of its common shares. Pursuant to the notice, the Company is authorized to acquire up to a maximum of 2,647,954 of its Units, or approximately 5% of the Company's 52,959,070 outstanding Shares as of November 1, 2018, for cancellation over the next 12 months. Purchases under the NCIB will be made through the facilities of the Toronto Stock Exchange or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Share equal to the market at the time of acquisition. The number of Shares that can be purchased pursuant to the NCIB is subject to a daily maximum of 7,918 Shares, subject to the Company's ability to make one block

purchase of Shares per calendar week that exceeds such limits. Any Shares purchased under the NCIB will be canceled upon purchase. During the year ended December 31, 2018, the Company acquired 60,300 shares.

On December 20, 2018 the Company entered into an agreement for an unsecured credit facility (the "Unsecured Facility") with a $400,000 capacity. The Unsecured Facility is comprised of a $200,000 term loan and a $200,000 revolving line of credit. The term loan has a maturity date of December 20, 2023, while the revolving line of credit has a maturity date of December 20, 2022, with a one year extension option, subject to lender approval. The Unsecured Facility bears interest at a rate of LIBOR or base rate plus an applicable margin based on the Company's consolidated leverage ratio. The borrowing capacity of the Unsecured Facility is based on the undepreciated book value of an unencumbered pool of assets. Per the agreement, the Company's leverage cannot exceed 62.5% through December 31, 2019, reducing to 60% thereafter. The agreement also provides for the Company's leverage to increase to 65% for two quarters following any material acquisition. Per the agreement, the fixed charge ratio shall not be less than 1.75 to 1.0.

Selected Financial Information

(dollar amounts in thousands of U.S. Dollars, except per share amounts)						
	As at December 31,					
		2018		2017		2016
Consolidated properties		80		40		35
Weighted average lease term to maturity (excludes renewal options)[4]		11.8 years		13.3 years		13.9 years
Average facility age		10.2 years		11.5 years		11.7 years
Total assets	$	1,283,959	$	785,005	$	677,719
Total indebtedness	$	731,215	$	428,377	$	356,220
Debt to total assets %		57.0%		54.6%		52.6%
Weighted average interest rate [1]		4.8%		4.6%		4.2%
Joint venture properties		18		—		—
Joint venture total assets	$	299,286	$	4,152	$	2,581
Joint venture indebtedness	$	176,742	$	—	$	—
Joint venture debt to total assets %		59.1%		n/a		n/a
Joint venture weighted average interest rate [5]		4.8%		n/a		n/a
		Year ended December 31, 2018		Year ended December 31, 2017		Year ended December 31, 2016
Revenue	$	113,927	$	64,004	$	39,966
Finance costs	$	38,264	$	16,055	$	13,068
General and administrative expenses	$	13,412	$	8,074	$	5,178
Direct property operating expenses	$	3,126	$	—	$	—
Income from joint ventures	$	5,450	$	—	$	—
Net income (loss)	$	(12,275)	$	16,263	$	4,877
Total comprehensive income (loss)	$	(16,551)	$	17,521	$	4,806
Net income (loss) per share	$	(0.24)	$	0.50	$	0.30
Diluted net income (loss) per share	$	(0.24)	$	0.50	$	0.30
Funds from operations (FFO) [3]	$	48,219	$	28,188	$	14,736
FFO per share [3]	$	0.96	$	0.87	$	0.91
Diluted FFO per share [3]	$	0.83	$	0.85	$	0.90
Adjusted funds from operations (AFFO) [3]	$	43,105	$	30,920	$	19,571
AFFO per share [3]	$	0.86	$	0.96	$	1.21
Diluted AFFO per share [3]	$	0.74	$	0.91	$	1.20
Common share dividends declared	$	37,001	$	23,791	$	11,739
Dividends declared per share	$	0.73668	$	0.73668	$	0.42563
Payout ratio [2]		86%		77%		60%
General and administrative expenses to total asset %		1.04%		1.03%		0.76%

(1) The Company's weighted average interest rates at December 31, 2018, 2017 and 2016 included $348,287, $227,070 and $200,000, respectively, of the Company's debt that is fixed with interest rate swaps.

(2) Payout ratio is a financial measure not defined under IFRS. Payout ratio is calculated by dividing the common share dividends declared by AFFO.

(3) FFO and AFFO, and related per share amounts, are financial measures not defined under IFRS. Please refer to the "Financial Measures not Defined Under IFRS" section of this MD&A.

(4) The weighted average lease term to maturity does not include the medical office building portfolio.

(5) The Company's joint venture weighted average interest rate at December 31, 2018 included $83,769 of the joint ventures debt that is fixed with interest rate swaps.

While the Company believes per share measures to be an effective means of evaluating performance, net income and comprehensive income per share, FFO per share and AFFO per share for the twelve month period ended December 31, 2016 do not provide a normalized basis on which per share amounts should be evaluated due to the Company's reverse takeover transaction that closed on April 4, 2016 (the "Reverse Takeover"), the offering of common shares on June 2, 2016 (the "June 2016 Offering"), and the timing of the 2016 property acquisitions.

Results of Operations - Three and Twelve Months Ended December 31, 2018
(unless otherwise stated, amounts are in thousands of U.S. dollars)

Revenue

	Three months ended December 31,		Years ended December 31,	
	2018	2017	2018	2017
Cash rentals received	$ 21,631	$ 12,170	$ 82,192	$ 45,372
Straight-line rent adjustments	2,564	1,666	10,831	5,982
Property tax recoveries	3,643	2,252	14,327	8,834
CAM recoveries	772	—	2,038	—
Total rental revenue	28,610	16,088	109,388	60,188
Lease revenue from joint ventures	732	737	2,991	2,887
Other income	611	50	1,548	929
Total revenue	$ 29,953	$ 16,875	$ 113,927	$ 64,004

Cash rentals received and straight-line rent adjustments relate to lease agreements under which the Company leases its income properties to its tenants. Property tax recoveries represent the revenue recognized for the real estate taxes for which the tenants are primarily responsible to pay. CAM recoveries represents the recovery of common area maintenance expenses in investment properties that are not triple-net leased, primarily within the Company's medical office building portfolio. Rental revenue increased for the year ended December 31, 2018 due to the acquisition of 47 consolidated properties during the current year and annual rent escalators. Included in rental revenue for the three and twelve months ended December 31, 2018 is $1,193 and $5,336, respectively, of cash rental revenue from the Traditions Portfolio, which was sold on December 31, 2018.

Lease revenue from joint ventures represents revenue earned under lease arrangements with four operating entities, which are jointly owned by the Company.

Other income for the three and twelve months ended December 31, 2018 related primarily to parking income earned at the medical office buildings. There was no comparable income related to parking in the prior year period as this income is generated within the Company's medical office building portfolio. Other income for the year ended December 31, 2017 primarily related to security deposits forfeited during quarter ended June 30, 2017.

Finance Costs from Operations

Finance costs from operations consist of the following:

	Three months ended December 31,		Years ended December 31,	
	2018	2017	2018	2017
Interest expense on credit facilities	$ 4,237	$ 2,800	$ 15,778	$ 10,337
Interest expense on mortgages payable	4,697	1,606	17,096	4,822
Interest expense on convertible debentures	1,313	562	3,317	2,250
Amortization and accretion expense	834	561	2,819	2,345
Interest rate swap payments (receipts)	(350)	5	(1,226)	374
Write-off of deferred financing costs from refinancing	3,708	—	3,708	—
Amortization of mark-to-market debt adjustments	22	(3)	79	(11)
Interest income from loans receivable	(924)	(931)	(3,307)	(4,062)
	$ 13,537	$ 4,600	$ 38,264	$ 16,055

Finance costs are primarily related to interest and amortization on the Company's credit facilities and mortgages payable. Interest expense increased in the year ended December 31, 2018 as compared to the prior year primarily due to mortgage debt assumed on new property acquisitions and a new credit facility that partially funded the purchase of 15 medical office buildings (the "Mohawk Facility"). A portion of the increase is also attributable to increases in the one-month LIBOR rate, which has an impact on the Company's variable rate debt. Additionally, the Company refinanced several mortgages during the prior year and in the current year to longer term instruments, which are at slightly higher rates in the short-term, but are at fixed rates through their respective terms. The Company incurred $3,708 of expense to write-off loan fees associated with the early extinguishment of credit facilities and mortgages in the year ended December 31, 2018. Of the loan fees written off, $3,178 related to the Company's secured revolving credit facility entered into on February 24, 2017, as amended on February 9, 2018 and October 26, 2018 (the "Secured Revolving Facility"), which was replaced with the Unsecured Facility on December 20, 2018. Interest expense on convertible debentures increased over the comparable prior year due to the 2018 Convertible Debentures issued August 24, 2018. Interest income earned on outstanding loans receivable decreased in the year ended December 31, 2018 as compared to the prior year due to the repayment of interest earning loans during the third and fourth quarter of 2017 and the first quarter of 2018.

Real Estate Tax Expense & Change in Fair Value of Investment Properties - IFRIC 21

For the three and twelve months ended December 31, 2018, real estate tax expense (income) was $535 and $11,796, respectively (three and twelve months ended December 31, 2017 - ($11) and $8,763, respectively), which represents property tax expensed for the year for properties owned on the tax assessment date (generally January 1), in accordance with the provisions of *IFRIC 21, Levies*. Real estate taxes are recovered from the Company's tenants under the provisions of their leases. The increase in real estate tax expense as compared to the prior year period is primarily due to the acquisition of the 47 consolidated properties during the current year. Real estate taxes resulted in income during the three months ended December 31, 2017 due to adjustments made to prior estimates as actual invoices were received.

The following table presents real estate tax expense and change in fair value of investment properties - IFRIC 21 together with property tax recoveries to show the net effect of real estate taxes on the Company's consolidated statements of income and comprehensive income for the periods presented. The expense in excess of property tax revenue is primarily due to properties that are not fully occupied, generally within the medical office building portfolio.

	Three months ended December 31,		Years ended December 31,	
	2018	2017	2018	2017
Property tax recoveries	$ 3,643	$ 2,252	$ 14,327	$ 8,834
Real estate tax expense	(535)	11	(11,796)	(8,763)
Change in fair value of investment properties - IFRIC 21	(3,186)	(2,255)	(2,801)	(309)
	$ (78)	$ 8	$ (270)	$ (238)

General and Administrative Expense

General and administrative expense consists of the following:

	Three months ended December 31,		Years ended December 31,	
	2018	2017	2018	2017
Compensation and benefits	$ 1,809	$ 899	$ 6,273	$ 3,333
Asset management and administrative fees	125	67	421	270
Professional fees	490	396	2,544	1,942
Deferred share compensation	241	315	1,283	1,614
Other	1,121	251	2,891	915
	$ 3,786	$ 1,928	$ 13,412	$ 8,074

Compensation and benefits expense includes the cost of salaries, bonuses, and benefits during the period. The increase in compensation and benefits over the prior year periods was primarily due to an increase in personnel of the Company as its portfolio has grown, including individuals who joined the Company in conjunction with the Care acquisition.

Asset management fees for the current period related to the contractual fee due under an asset management agreement with Mohawk. Concurrently with the purchase of the Mohawk properties in the current year, the Company entered into an asset management agreement under which Mohawk would continue to provide asset and property management services for the properties for an initial term of two years.

Professional fees is comprised of costs incurred for external legal counsel, accounting fees and other professional services. The increase in professional fees for the three and twelve month periods ended December 31, 2018 as compared to the prior year periods is primarily due to an increase in services provided due to growth in the Company.

Deferred share compensation expense for the year ended December 31, 2018 decreased over the prior year due to additional expense associated with a separation agreement entered into between the Company and its former chief executive officer during the first quarter of 2017 as well as the vesting and issuance of shares for the initial grant. Deferred share compensation expense for the twelve months ended December 31, 2018 decreased over the prior year period due to a decline in share price causing a fair value change in the deferred share liability.

Other general and administrative expense primarily includes foreign exchange loss (gain), cost of insurance, fees earned by directors of the Company, travel and entertainment expense, investor relations, and marketing. The increase as compared to the prior year periods was primarily due to growth associated with additional properties owned and expenses associated with the re-branding of the Company due to the name change, effective January 3, 2018. It also includes a $260 estimate for a legal settlement related to a suit the Company is party to with respect to a development investment.

For the three and twelve months ended December 31, 2018, the Company's general and administrative expense as a percentage of total assets was 0.29% and 1.04%, respectively, (three and twelve months ended December 31, 2017 - 0.25% and 1.03%, respectively). For the year ended December 31, 2018, general and administrative expense as a percentage of total assets decreased over the comparable prior year, which demonstrates the Company's ability to grow its asset base while decreasing the level of general and administrative expenses as a percentage of total assets. For the three months ended December 31, 2018, general and administrative expense as a percentage of total assets increased compared to the prior year period due to the sale of the Traditions Portfolio at December 31, 2018 and the decrease to the fair value of investment property in the current quarter.

Direct Property Operating Expenses

Direct property operating expenses consist of the following:

	Three months ended December 31,		Years ended December 31,	
	2018	2017	2018	2017
Repairs and maintenance	$ 284	$ —	$ 744	$ —
Utilities	283	—	829	—
Property management fees	144	—	380	—
Services	251	—	642	—
Other	67	—	135	—
Non-recoverable operating expenses	155	—	396	—
	$ 1,184	$ —	$ 3,126	$ —

The direct property operating expenses in the current periods relate to expenses at the 15 multi-tenant medical office buildings the Company owns. These buildings were all acquired in the current year, and there are no comparable prior period expenses.

Transaction Costs for Business Combination

Transaction costs for business combination for the year ended December 31, 2018 were $6,444 (for the year ended December 31, 2017 - $2,073) and included transaction costs incurred in relation to the acquisition of Care on February 1, 2018.

Diligence Costs for Transactions Not Pursued

Diligence costs for transactions not pursued for the year ended December 31, 2018 were $2,041 (for the year ended December 31, 2017 - $491) and include expenses related to the evaluation of investment opportunities that did not result in a purchase transaction. These costs are the result of investments which the Company ultimately decided were not in the best interest of its shareholders. The costs in the current year and prior year relate to different investment opportunities.

Allowance for Credit Losses on Loans and Interest Receivable

Allowance for credit losses on loans and interest receivable for the three and twelve months ended December 31, 2018 were $8,807 and $11,336, respectively (2017 - NIL). During the three and twelve months ended December 31, 2018, the Company recorded losses of $7,448 and $9,977, respectively primarily related to impairment of outstanding loans receivable issued to MS Parker Holdings II, LLC; Mainstreet Investment Company, LLC; MS Surprise, LLC and MS-SW Development Fund Holdings, LLC. The change in fair value of interest and other receivables for the three and twelve months ended December 31, 2018 of $1,359 and $1,359, respectively (2017 - NIL), relates to the recording of an allowance for credit losses related to interest and other receivables.

Change in Non-controlling Interest Liability

The change in non-controlling interest liability was an increase of $120 and $17,927 for the three and twelve months ended December 31, 2018, respectively (2017 - NIL). These costs are the result of the portion of net income attributed to the non-controlling interest partners of the consolidated properties. During the third quarter of 2018, the change in non-controlling interest liability included $16,575 of increase due to the change in fair value of investment property from the Traditions Portfolio that was attributed to the non-controlling interest partner.

Change in Fair Value of Investment Properties

The change in fair value of investment properties was a decrease of $43,256 and $14,385 for the three and twelve months ended December 31, 2018, respectively (the three and twelve months ended December 31, 2017 - $10,111 and $8,846, respectively). The change in fair value of investment properties was primarily driven by an adjustment to record investment properties at fair value based on the Company's estimate of fair value using level 3 inputs as of December 31, 2018. The fair value adjustment is being driven by in increase in value of the Traditions Portfolio to adjust its fair value to its sale price and a decrease in fair value attributable primarily to the impact of the anticipated changes to the master lease covering the Symcare portfolio as discussed in the Recent Activities section of this MD&A. Also included in the change in fair value of investment properties is an adjustment to offset the impact of the increase in straight-line rent receivable.

Change in Fair Value of Financial Instruments

Change in fair value of financial instruments consists of the following:

	Three months ended December 31,		Years ended December 31,	
	2018	2017	2018	2017
Change in fair value of interest rate swaps	$ (3,774)	$ 1,201	$ (1,949)	$ 1,185
Change in fair value of equity investment in MS-SW Development Fund Holdings, LLC	(376)	—	(376)	—
Change in fair value of income support receivable	—	—	—	1,107
Total income (loss) from change in fair value of financial instruments	$ (4,150)	$ 1,201	$ (2,325)	$ 2,292

The change in fair value of financial instruments for the three and twelve months ended December 31, 2018 was primarily due to the change in fair value of interest rate swaps. The change in fair value of equity investments in MS-SW Development Fund Holdings, LLC is due to a change in fair value of the developments underlying this equity investment. The equity was invested to fund a portion of the development of three transitional care properties. The Company has received its equity investment and related returns on two of the properties, and has recorded a fair value loss on the portion of its investment associated with the third property. Change in fair value of financial instruments is also comprised of changes in the Company's interest rate swap agreements.

For the twelve month period ended December 31, 2017, the Company recognized income of $1,107 related to the value of the income support receivable.

Change in Fair Value of Contingent Consideration

On August 31, 2018, the Company entered into a purchase and sale agreement to sell the Traditions Portfolio located in Georgia. The Traditions Portfolio was acquired as part of the acquisition of Care, at which time the Company and the prior owners of Care entered into an agreement whereby the two parties agreed to evenly share net proceeds from the sale of the Traditions Portfolio in the event of a sale. Change in fair value of contingent consideration represents the change in fair value of the estimated amounts due to the former owner upon sale of the Traditions Portfolio. For the three and twelve months ended December 31, 2018, the Company recorded a change in fair value of contingent consideration of $(495) and $10,676, respectively.

Income from Joint Ventures

	Three months ended December 31,		Years ended December 31,	
	2018	2017	2018	2017
Income from joint ventures	$ 2,077	$ —	$ 5,450	$ —

Income from joint ventures represents the Company's share of income from unconsolidated entities. The Company acquired an interest in 18 joint venture properties on February 1, 2018 as part of the acquisition of the Care portfolio. The income from joint ventures during the three and twelve months ended December 31, 2018 is primarily related to income from operations and the impact of changes in fair value of interest rate swaps and investment properties.

Income Tax Expense/Recovery

For the Canadian and U.S. corporate subsidiaries of the Company, income tax expense/recovery is comprised of current and deferred tax. Certain of the Company's subsidiaries are limited partnerships and, accordingly, are not subject to income tax. Taxable income or loss of the partnerships is allocated to their partners.

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 measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The Company anticipates that future current income tax expense will result from distributions from its U.S. subsidiaries to the Canadian corporation, which will be subject to a 5% withholding tax. No such distributions were made during the periods presented.

Other Comprehensive Income (Loss): Unrealized Gain (Loss) on Translation of Foreign Operations

Unrealized gain (loss) on translation of foreign operations for the three and twelve months ended December 31, 2018 of $(3,680) and $(4,276), respectively (for the three and twelve months ended December 31, 2017 - $(167) and $1,258, respectively) was due to the change in value of the Canadian dollar as compared to the U.S. dollar during the period.

Cash Flow Analysis

	Years ended December 31,	
	2018	2017
Cash provided by operating activities	$ 24,972	$ 40,814
Cash provided by financing activities	132,250	40,032
Cash used in investing activities	(143,202)	(75,539)
Increase in cash and cash equivalents	$ 14,020	$ 5,307

Cash Provided by Operating Activities

Cash provided by operating activities for the twelve months ended December 31, 2018 decreased over the comparable prior year period primarily due to $6,444 of transaction costs for business combination incurred in connection with the acquisition of the Care portfolio and $2,041 of diligence costs for transactions not pursued. In addition, for the Care transaction, the Company incurred $2,073 of transaction costs for business combination which were expensed in the consolidated statements of income and comprehensive income for the three months ended December 31, 2017 but paid during the twelve months ended December 31, 2018. The Company also paid $2,250 in cash interest on its 2016 Convertible Debentures during the twelve months ended December 31, 2018; comparatively, only $1,125 was paid during the twelve months ended December 31, 2017.

Cash Provided by Financing Activities

Cash provided by financing activities for the twelve month period ended December 31, 2018 was $132,250 as compared to $40,032 in the prior year period. The current period cash provided by financing activities was primarily driven by net proceeds from the credit facilities and mortgage activity, proceeds from the issuance of the Series 2 Preferred Shares in February of 2018 and Series 3 Preferred Shares in March of 2018 and proceeds from the issuance of the 2018 Convertible Debentures in August 2018. These proceeds were offset by debt issuance costs incurred in association with new and refinanced mortgages, new credit facilities and the 2018 Convertible Debentures. In addition, the Company paid dividends of $34,952 during the period.

Cash provided by financing activities in the twelve month period ended December 31, 2017 included net proceeds from credit facilities and mortgages payable of $40,897 and proceeds of $26,500 from the issuance of the Series 1 Preferred Shares were received in December 2017 offset by debt issuances costs of $3,951 and dividends paid of $23,414.

Cash Used in Investing Activities

Cash used in investing activities for the twelve months ended December 31, 2018 was $143,202. This was primarily due to $186,632 used for property acquisitions and capital expenditures made during the twelve month period. The Company also issued loans receivable for $29,288 and paid construction payables of $4,600. These uses of cash in investing activities were offset by the receipt of $20,091 as repayment of mezzanine loans receivable, proceeds from the sale of investment properties of $49,671, and net distributions from investments in joint ventures.

For the twelve months ended December 31, 2017, the Company used $77,359 for the acquisition of properties and capital expenditures. In addition, the Company issued loans receivable for $20,925, received 9,629 as repayment of mezzanine loans receivable and paid construction payables of $9,214.

Reconciliation of Consolidated Statements of Income

Consolidated income, as adjusted for IFRIC 21, is a non-IFRS measure representing the adjustment of property tax expense on all investment properties located in the United States, based on the period of ownership throughout the period presented. Consolidated income adjusted for IFRIC 21 does not have any standardized meaning prescribed by IFRS.

The following tables provide a reconciliation from the Company's consolidated statements of income and comprehensive income prepared in accordance with IFRS to consolidated income adjusted for IFRIC 21, as described above, for the affected reporting periods presented.

Year ended December 31, 2018	Consolidated statements of income and comprehensive income	IFRIC 21 property tax adjustment	Consolidated income adjusted for IFRIC 21
Revenue:			
Cash rentals received	$ 82,192	$ —	$ 82,192
Straight-line rent adjustments	10,831	—	10,831
Property tax recoveries	14,327	—	14,327
CAM recoveries	2,038	—	2,038
Lease revenue from joint ventures	2,991	—	2,991
Other income	1,548	—	1,548
	113,927	—	113,927
Expenses (income):			
Finance costs from operations	38,264	—	38,264
Real estate tax expense	11,796	2,801	14,597
General and administrative expenses	13,412	—	13,412
Direct property operating expenses	3,126	—	3,126
Transaction costs for business combination	6,444	—	6,444
Diligence costs for transactions not pursued	2,041	—	2,041
Allowance for credit losses for loans and interest receivable	11,336	—	11,336
Changes in non-controlling interest liability	17,927	—	17,927
Change in fair value of investment properties - IFRIC 21	2,801	(2,801)	—
Change in fair value of investment properties	14,385	—	14,385
Change in fair value of financial instruments	2,325	—	2,325
Change in fair value of contingent consideration	10,676	—	10,676
	134,533	—	134,533
Income from joint ventures	5,450	—	5,450
Income before income taxes	(15,156)	—	(15,156)
Income tax expense (recovery):			
Deferred	(2,881)	—	(2,881)
Net income (loss)	$ (12,275)	$ —	$ (12,275)

Three months ended December 31, 2018		Consolidated statements of income and comprehensive income		IFRIC 21 property tax adjustment		Consolidated income adjusted for IFRIC 21
Revenue:						
Cash rentals received	$	21,631	$	—	$	21,631
Straight-line rent adjustments		2,564		—		2,564
Property tax recoveries		3,643		—		3,643
CAM recoveries		772		—		772
Lease revenue from joint ventures		732		—		732
Other income		611		—		611
		29,953		—		29,953
Expenses (income):						
Finance costs from operations		13,537		—		13,537
Real estate tax expense		535		3,186		3,721
General and administrative expenses		3,786		—		3,786
Direct property operating expenses		1,184		—		1,184
Allowance for credit losses for loans and interest receivable		8,807		—		8,807
Changes in non-controlling interest liability		120		—		120
Change in fair value of investment properties - IFRIC 21		3,186		(3,186)		—
Change in fair value of investment properties		43,256		—		43,256
Change in fair value of financial instruments		4,150		—		4,150
Change in fair value of contingent consideration		(495)		—		(495)
		78,066		—		78,066
Income (loss) from joint ventures		2,077		—		2,077
Income (loss) before income taxes		(46,036)		—		(46,036)
Income tax expense (recovery):						
Deferred		(12,243)		—		(12,243)
Current		(18)		—		(18)
Net income (loss)	$	(33,775)	$	—	$	(33,775)

Year ended December 31, 2017	Consolidated statements of income and comprehensive income	IFRIC 21 property tax adjustment	Consolidated income adjusted for IFRIC 21
Revenue:			
Cash rentals received	$ 45,372	$ —	$ 45,372
Straight-line rent adjustments	5,982	—	5,982
Property tax recoveries	8,834	—	8,834
Lease revenue from joint ventures	2,887	—	2,887
Other income	929	—	929
	64,004	—	64,004
Expenses (income):			
Finance costs from operations	16,055	—	16,055
Real estate tax expense	8,763	309	9,072
General and administrative expenses	8,074	—	8,074
Transaction costs for business combination	2,073	—	2,073
Diligence costs for transactions not pursued	491	—	491
Change in fair value of investment properties - IFRIC 21	309	(309)	—
Change in fair value of investment properties	8,846	—	8,846
Change in fair value of financial instruments	(2,292)	—	(2,292)
	42,319	—	42,319
Income before income taxes	21,685	—	21,685
Income tax expense:			
Deferred	5,371	—	5,371
Current	51	—	51
Net income	$ 16,263	$ —	$ 16,263

Three months ended December 31, 2017	Consolidated statements of income and comprehensive income	IFRIC 21 property tax adjustment	Consolidated income adjusted for IFRIC 21
Revenue:			
Cash rentals received	$ 12,170	$ —	$ 12,170
Straight-line rent adjustments	1,666	—	1,666
Property tax recoveries	2,252	—	2,252
Lease revenue from joint ventures	737	—	737
Other income	50	—	50
	16,875	—	16,875
Expenses (income):			
Finance costs from operations	4,600	—	4,600
Real estate tax expense	(11)	2,255	2,244
General and administrative expenses	1,928	—	1,928
Transaction costs for business combination	2,073	—	2,073
Change in fair value of investment properties - IFRIC 21	2,255	(2,255)	—
Change in fair value of investment properties	10,111	—	10,111
Change in fair value of financial instruments	(1,201)	—	(1,201)
	19,755	—	19,755
Income (loss) before income taxes	(2,880)	—	(2,880)
Income tax expense (recovery):			
Deferred	(4,906)	—	(4,906)
Current	23	—	23
Net income	$ 2,003	$ —	$ 2,003

Financial Position

Total assets of $1,283,959 are comprised primarily of $1,115,530 of investment properties, which represents the estimated fair market value of the Company's portfolio of properties, including capital expenditures, as at December 31, 2018. Cash on hand at December 31, 2018 was $26,978, total loans receivable were $32,422, and other assets were $7,105. Total loans receivable includes $14,763 of loans to the tenant operator Symcare. Other assets primarily consisted of $648 of prepaid asset management fees, $1,048 of security deposits and costs related to potential acquisitions, $2,565 of escrows held by lenders, $337 of income support receivable, $519 of prepaid expense, $507 of furniture, fixtures, and equipment, and $1,481 of other costs. Tenant and other receivables of $15,544 is primarily comprised of real estate tax and rent receivables. The loans receivable balance related mainly to the issuance of loans for the development and operation of seniors housing and care properties in the United States and Canada. The Company's derivative asset balance of $1,722 represented the fair market value of interest rate swap agreements that are assets to the Company.

Total liabilities of $790,491 includes current liabilities of $97,973 (see "Liquidity and Capital Resources" for additional information) and non-current liabilities of $692,518. The current liabilities included $11,052 of real estate taxes payable. Of the real estate taxes payable, $309 related to the period prior to the Company's ownership of the respective properties, and the seller provided cash consideration at closing for this amount. Accounts payable and accrued liabilities represented $9,871 of the balance in current liabilities. In addition, current liabilities included $49,444 representing the current portion of mortgages payable, net of loan fees; $12,647 representing the current balance outstanding on the credit facilities, net of loan fees; $10,676 of contingent consideration liability and $3,253 of dividends payable. Non-current liabilities included $253,886 representing the non-current portion of mortgages payable, net of loan fees; $325,493 representing the non-current balance outstanding on the credit facilities, net of loan fees; $89,745 of the convertible debentures, net of fees; $7,011 of deferred tax liability; and $2,947 of non-controlling interest liability. Other non-current liabilities of $12,785 primarily consisted of security deposits received from tenants and a liability related to deferred shares granted under the Company's deferred share incentive plan.

Summary of Quarterly Results

The following table summarizes the Company's quarterly unaudited financial information from January 1, 2017 through December 31, 2018:

	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended June 30, 2018	Three months ended March 31, 2018	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended June 30, 2017	Three months ended March 31, 2017
Revenue	$ 29,953	$ 31,581	$ 29,354	$ 23,039	$ 16,875	$ 16,605	$ 16,092	$ 14,432
Finance costs	13,537	9,540	8,685	6,502	4,600	4,418	3,776	3,261
Real estate tax expense (income)	535	1,810	251	9,200	(11)	430	485	7,859
General and administrative expenses	3,786	3,732	3,231	2,733	1,928	1,763	2,040	2,343
Direct property operating	1,184	1,256	686	—	—	—	—	—
Transaction costs for business combination	—	6	322	6,116	2,073	—	—	—
Diligence costs for transactions not pursued	—	1,971	70	—	—	403	44	44
Allowance for credit losses on loans and interest receivable	8,807	555	724	1,250	—	—	—	—
Changes in non-controlling interest liability	120	17,028	738	41	—	—	—	—
Change in fair value of investment properties - IFRIC 21	3,186	2,741	3,212	(6,338)	2,255	1,865	2,043	(5,854)
Change in fair value of investment properties	43,256	(29,082)	(2,110)	2,321	10,111	374	(1,692)	53
Change in fair value of financial instruments	4,150	(334)	(94)	(1,397)	(1,201)	(155)	1,249	(2,185)
Change in fair value of contingent consideration	(495)	11,171	—	—	—	—	—	—
Income from joint ventures	2,077	974	1,593	806	—	—	—	—
Deferred income tax expense (recovery)	(12,243)	3,507	4,757	1,098	(4,906)	2,936	3,408	3,933
Current income tax expense	(18)	—	18	—	23	—	28	—
Net income (loss)	(33,775)	8,654	10,527	2,319	2,003	4,571	4,706	4,983
Income (loss) per share: Basic	$ (0.64)	$ 0.16	$ 0.20	$ 0.05	$ 0.06	$ 0.14	$ 0.15	$ 0.15
Income (loss) per share: Diluted	$ (0.64)	$ 0.14	$ 0.18	$ 0.05	$ 0.06	$ 0.14	$ 0.15	$ 0.15
Funds from operations [(1)]	8,596	12,401	15,042	5,591	6,007	7,726	7,671	6,784
Funds from operations per share: Basic [(1)]	$ 0.16	$ 0.23	$ 0.29	$ 0.27	$ 0.19	$ 0.24	$ 0.24	$ 0.21
Funds from operations per share: Diluted [(1)]	$ 0.15	$ 0.20	$ 0.25	$ 0.24	$ 0.18	$ 0.23	$ 0.23	$ 0.20
Adjusted funds from operations [(1)]	10,300	10,541	12,953	10,092	7,509	7,062	8,278	8,071
Adjusted funds from operations per share: Basic [(1)]	$ 0.19	$ 0.20	$ 0.25	$ 0.23	$ 0.23	$ 0.22	$ 0.26	$ 0.25
Adjusted funds from operations per share: Diluted [(1)]	$ 0.17	$ 0.17	$ 0.21	$ 0.20	$ 0.22	$ 0.21	$ 0.24	$ 0.24

(1) Funds from operations and adjusted funds from operations, and related per share amounts, are supplemental measures which are not defined by IFRS. See "*Financial Measures not Defined Under IFRS*".

The Company's results for the past eight quarters have primarily been affected by the timing of additional property acquisitions and changes in the fair value of investment properties and financial instruments. Refer to the "Recent Activities" section of this MD&A for details of the timing of property acquisitions.

Liquidity and Capital Resources

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 levels of risk while preserving the ability to meet financial obligations.

The capital of the Company consists of mortgages payable, credit facilities, convertible debentures, and shareholders' equity.

The Company expects to meet its working capital requirements with respect to accounts payable and accrued liabilities and dividends payable through cash on hand and operating cash flows. The majority of accrued real estate taxes will be paid by the Company's tenants under the triple net lease structures. As at December 31, 2018, current liabilities totaled $97,973, exceeding current assets of $60,361 and resulting in a working capital deficiency of $37,612. The Company expects to be able to meet all of its obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from operations, (ii) credit facilities, under which $65,375 was available as at December 31, 2018, (iii) property specific mortgages and refinancings, (iv) issuance of preferred shares, (v) issuance of convertible debentures, and (vi) issuance of common shares, subject to market conditions.

The Company, while considering externally imposed capital requirements, sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. 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 response to 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. 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 with the intention of gaining quicker access to capital when market opportunities permit.

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.

Preferred Equity

On December 22, 2017, the Company entered into subscription agreements with respect to the issuance of Class A convertible preferred shares to Magnetar 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 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, among other things, 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. On March 29, 2018, the third and final series was funded, resulting 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.

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 Series 1 Preferred Shares are also convertible at the option of the Company in certain circumstances, and the Company has delivered an undertaking to the Toronto Stock Exchange not to convert the Series 1 Preferred Shares at a conversion price below $6.00. The Preferred Shares were issued at a price per share equal to the initial liquidation preference of $9.75, subject to a 3% discount. The liquidation preference of the Preferred Shares accrues 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.

As at December 31, 2018, the Preferred Shares are convertible into 7,945,285 common shares of the Company.

Debt Strategy and Indebtedness

Debt Strategy

The Company, taking into account availability of financing, market conditions, and the financial characteristics of the properties, seeks to maintain a combination of short, medium, and long-term debt maturities that are appropriate for the overall debt level of its portfolio. The Company utilizes conventional property-specific secured mortgages and secured floating rate bank financing, as well as unsecured and non-recourse financing. Management's objectives are to access the lowest cost debt with flexible terms, to diversify the Company's lender base, to have a large portion of debt with a fixed rate, and to have a debt maturity schedule spread over a time horizon which allows the Company to effectively manage interest rate risk and to be in a position to finance within the Company's target debt levels when investment opportunities become available. Management monitors the Company's debt by reviewing the debt to total assets ratio, interest coverage ratio, debt maturity schedule, and ratio of fixed versus floating rate debt. Over the long-term, the Company strives to have a portfolio with an average years to maturity of 5-8 years. The Company targets a long-term debt level of 50-55% of total assets, a fixed rate debt level of 70-85% of its total debt, and a minimum fixed charge coverage ratio of 1.75.

To manage interest rate risk, the Company may enter into interest rate swap agreements from time to time. The Company does not designate its interest rate swaps as hedges, and they are marked to fair value each reporting period through finance costs in the consolidated statements of income and other comprehensive income.

Indebtedness

	Principal Amount	Weighted Average Interest Rate	Years to Maturity
Fixed Rate Indebtedness			
Unsecured Term loan	$ 200,000	4.3% [(1)]	5.0
Unsecured Revolver	25,000	4.8% [(1)]	4.0
Mohawk Facility	62,461	4.5% [(1)]	4.3
Mortgages payable	228,925	4.6% [(1)]	7.1
2016 Convertible Debentures	45,000	5.0%	3.1
2018 Convertible Debentures	50,000	6.0%	4.8
	611,386	4.7%	5.5
Variable Rate Indebtedness			
Unsecured Revolver	$ 19,900	4.7%	4.0
Mohawk Facility	21,286	4.7%	4.3
Secured Revolving Facility	12,740	6.3%	0.5
Mortgages payable	77,245	5.6%	1.6
	131,171	5.4%	2.3
Total Indebtedness	$ 742,557	4.8%	4.9
Less loan fees and issue costs, net of amortization and accretion	(8,075)		
Equity component of convertible debentures, excluding issue costs and taxes	(2,384)		
Mark-to-market adjustment, net	(883)		
Carrying amount	$ 731,215		

(1) Weighted average interest rates as at December 31, 2018 included debt that is fixed with interest rate swaps.

Joint Venture Indebtedness

	Principal Amount	Weighted Average Interest Rate	Years to Maturity
Fixed rate mortgages payable	$ 100,028	4.3% [1]	3.2
Variable rate mortgages payable	76,874	5.4%	1.5
Total Indebtedness	$ 176,902	4.8%	2.5
Less loan fees, net of amortization	(160)		
Carrying amount	176,742		

(1) Weighted average interest rates as at December 31, 2018 included debt that is fixed with interest rate swaps.

Weighted Average Interest Rate

During the period from December 31, 2016 to December 31, 2018, the one-month LIBOR rate has increased 227% while the Company's weighted average interest rate for the comparable period has increased only 14%. This highlights that the Company has successfully maintained stable rates in rising a interest rate environment through effective use of interest rate swaps and debt refinancings.

2016 Convertible Debentures

On December 16, 2016, the Company issued an aggregate principal amount of $45,000 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 and commencing on July 31, 2017.

2018 Convertible Debentures

On August 24, 2018, the Company issued $50,000 aggregate principal amount of 2018 Convertible Debentures. The 2018 Convertible Debentures are due on September 30, 2023 and bear interest at an annual rate of 6.00% payable semi-annually in arrears on March 31 and September 30 of each year commencing on March 31, 2019.

Debt to Total Assets

Debt to total assets is calculated by dividing the total indebtedness, net of loan costs, by the total assets of the Company. At December 31, 2018, the Company's total consolidated indebtedness was approximately $731,215, which represents 57.0% of total assets. Excluding the convertible debentures, total consolidated indebtedness was approximately $641,470, which was 50.0% of total assets. Fixed rate debt represented approximately 82.3% of the Company's gross total indebtedness.

Fixed Charge Coverage Ratio

The Company's fixed charge coverage ratio is calculated by dividing earnings before interest, taxes, depreciation and amortization by certain fixed charges, which are comprised of interest expense payable in cash, regularly scheduled principal payments, and preferred dividends paid. For the period ended December 31, 2018, the fixed charge coverage ratio of the Company was 2.05.

Repayment Summary

Management attempts to stagger the maturity of the Company's fixed rate debt in order to achieve a distribution of maturities over a time horizon. This strategy reduces the Company's exposure to interest rate fluctuations on its fixed rate debt in any one period and reduces liquidity risk. From time to time, the Company will assume existing debt upon the acquisition of income properties, and the maturity of such debt may not fit within the overall target debt maturity profile of the Company.

Contractual Commitments

A summary of future contractual commitments as at December 31, 2018, including expected interest payments, is as follows:

	Total	2019	2020	2021	2022	2023	Thereafter
Credit facilities	$ 410,556	$ 27,929	$ 14,830	$ 14,790	$ 59,614	$ 293,393	$ —
Mortgages payable	372,584	62,135	30,941	23,580	73,383	42,628	139,917
Convertible debentures	118,192	5,567	5,250	5,250	49,125	53,000	—
Accounts payable and accrued liabilities	9,871	9,871	—	—	—	—	—
Accrued real estate taxes	11,052	11,052	—	—	—	—	—
Dividends payable	3,253	3,253	—	—	—	—	—
Liability to previous owner of Care	9,676	9,676	—	—	—	—	—
Other current liabilities	2,030	2,030	—	—	—	—	—
Other non-current liabilities	12,785	1,151	1,380	225	—	—	10,029
Purchase commitments	8,100	8,100	—	—	—	—	—
Total Commitments	$ 958,099	$ 140,764	$ 52,401	$ 43,845	$ 182,122	$ 389,021	$ 149,946

Credit facilities are comprised of the Company's Unsecured Facility entered into on December 20, 2018, Secured Revolving Facility entered into on February 24, 2017, as amended on February 9, 2018 and October 26, 2018, and the Mohawk Facility entered into on May 1, 2018, as amended on June 28, 2018. The credit facilities combined have an outstanding balance of $338,140 as of December 31, 2018.

Mortgages payable are comprised of mortgages secured by individual investment properties.

Accounts payable consisted primarily of professional fees, other general and administrative costs payable, accrued interest, and other accrued costs.

Dividends payable relate to the December 2018 dividend declared.

Other non-current liabilities primarily relate to the issuance of deferred shares under the Company's deferred share incentive plan and security deposits received from tenant operators.

On August 31, 2018, the Company entered into a purchase and sale agreement to sell the Traditions Portfolio located in Georgia. The Traditions Portfolio was acquired as part of the acquisition of Care, at which time the Company and the prior owners of Care entered into an agreement whereby the two parties will evenly share net proceeds from the sale of the Traditions Portfolio in the event of a sale. Liability to previous owner of Care represents the fair value of the estimated amounts due to the former owner upon sale of the Traditions Portfolio. On January 7, 2019, the Company paid the previous owner $9,676 of this outstanding liability.

On November 14, 2018, the Company entered into a purchase and sale agreement to purchase a property located in Allen, TX for a purchase price of $8,100 plus transaction costs. The transaction was completed on January 16, 2019 and funded by a new mortgage secured by the property of $5,693 and cash on hand.

Financial Instruments and Other Instruments

To manage interest rate risk, the Company may enter into interest rate swap agreements from time to time. Please refer to the "Debt Strategy and Indebtedness" section of this MD&A.

Off-Balance Sheet Items

There were no off-balance sheet items as of December 31, 2018.

Transactions Between Related Parties

On December 22, 2017, the Company entered into subscription agreements with respect to the issuance of Class A convertible preferred shares to Magnetar to be funded in multiple series. The purpose of the transaction was to raise proceeds to be used for the repayment of debt, general working capital purposes, and funding of 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. 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. On March 29, 2018, the third and final series was funded, resulting 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.

A member of the Board of Directors of the Company has an ownership interest in a marketing firm ("JDA Worldwide"). For the year ended December 31, 2018, the Company incurred $307 of marketing costs in the consolidated statements of income and comprehensive income related to services performed by JDA Worldwide.

Significant Areas of Estimation

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses throughout the period. Actual results could differ from those 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. Information about assumptions and estimation uncertainties that may have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Change in fair value of investment properties:

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, or recent transaction prices (Level 3 inputs). The fair value of investment properties reflects rental income from current leases and assumptions about rental income from future leases based on current market conditions. The valuation of investment properties is one of the principal estimates and uncertainties of the Company. Refer to note 5 of the consolidated financial statements of the Company for the period ended December 31, 2018 for further information on estimates and assumptions made in determination of the fair value of investment properties.

Impairment of loans receivable:

The Company reviews loans receivable on an ongoing basis to assess whether any loans should be classified as impaired and whether an allowance or write-off should be recorded. Allowances for impaired loans are recorded for individually identified impaired loans to reduce their carrying value to the expected recoverable amount. To determine the amount, the Company expects to recover from an individually significant impaired loan, the Company uses the value of the estimated future cash flows discounted at the loan's original effective interest rate. The determination of estimated future cash flows of a collateralized impaired loan reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower. Refer to note 3 of the consolidated financial statements of the Company for the period ended December 31, 2018 for further information on estimates and assumptions made in determination of the impairment recorded on loans receivable.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies is set forth in notes 1 and 2, respectively, of the consolidated financial statements for the period ended December 31, 2018.

Risks and Uncertainties

See "Risk Factors" in the Company's 2018 AIF for a discussion of risks that could materially affect the Company, which risk factors are incorporated herein by reference.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that its objectives are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances and (ii) the impact of isolated errors. Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people, or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified under Canadian securities laws and to include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Internal Controls Over Financial Reporting

We are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision of the design of our internal controls over financial reporting as at December 31, 2018, and based on that assessment, they determined that the Company's internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the 2013 COSO framework as published by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no changes in internal controls over financial reporting that occurred during the year ended December 31, 2018 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Outstanding Shares

As of March 13, 2019, 53,058,043 common shares in the capital of the Company were issued and outstanding.

Each 2016 Convertible Debenture is convertible into freely tradable common 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. If all outstanding 2016 Convertible Debenture were converted into common shares of the Company, it would result in the issuance of 4,090,909 additional common shares.

As of March 13, 2019, there were 2,802,009 Series 1 Preferred Shares outstanding, 3,172,086 Series 2 Preferred Shares outstanding and 1,586,042 Series 3 Preferred Shares outstanding. The Series 1 Preferred Shares, Series 2 Preferred Shares, and Series 3 Preferred Shares are convertible into freely tradable common shares of the Company. As of March 13, 2019, assuming the voluntary conversion of all of the Series 1 Preferred Shares, Series 2 Preferred Shares, and Series 3 Preferred Shares then outstanding, a total of 7,945,285 common shares would be issued.

Financial Measures

Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO") are supplemental measures used by management to track the Company's performance. Management believes these terms reflect the operating performance and cash flow of the Company. The Company believes that AFFO and AFFO per share provide the most effective metric by which to evaluate the performance of the Company and to most accurately identify the cash flows available for distribution to shareholders.

Funds From Operations

FFO means net income in accordance with IFRS, (i) plus or minus fair value adjustments of investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus certain other fair value adjustments; (iv) plus transaction costs expensed as a result of the purchase of property being accounted for as a business combination; (v) plus property taxes accounted for under IFRIC 21; (vi) plus allowance for credit losses on loans and interest receivable; (vii) plus deferred income tax expense, after adjustments for equity accounted entities calculated to reflect FFO on the same basis as consolidated properties and adjustments for non-controlling interests. The use of FFO, a non-IFRS measure, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of the Company. FFO presents an operating performance measure that provides a perspective on the financial performance that is not immediately apparent from net income determined in accordance with IFRS.

To the extent the Company's 2016 Convertible Debentures and 2018 Convertible Debentures were dilutive to FFO per share, the related interest, amortization, and accretion expense has been added back to calculate a diluted FFO for purposes of calculating diluted FFO per share.

The Company's FFO is calculated as follows (in thousands of U.S. dollars):

	Three months ended December 31,		Years ended December 31,	
	2018	2017	2018	2017
Net income (loss) for the period	$ (33,775)	$ 2,003	$ (12,275)	$ 16,263
Add/(deduct):				
Change in fair value of investment properties	46,442	12,366	17,186	9,155
Property taxes accounted for under IFRIC 21	(3,186)	(2,255)	(2,801)	(309)
Change in fair value of financial instruments	4,150	(1,201)	2,325	(2,292)
Change in fair value of contingent consideration	(495)	—	10,676	—
Deferred income tax expense	(12,243)	(4,906)	(2,881)	5,371
Transaction costs for business combination	—	—	6,444	—
Allowance for credit losses on loans and interest receivable	8,807	—	11,336	—
Change in non-controlling interest liability in respect of the above	(86)	—	17,459	—
Adjustments for equity accounted entities	(1,018)	—	750	—
Funds from operations	$ 8,596	$ 6,007	$ 48,219	$ 28,188
Interest, amortization and accretion expense on 2016 Convertible Debentures	742	740	2,967	2,965
Interest, amortization and accretion expense on 2018 Convertible Debentures	899	—	1,277	—
Total diluted funds from operations	$ 10,237	$ 6,747	$ 52,463	$ 31,153
Weighted average number of shares, including fully vested deferred shares: Basic	53,046,230	32,377,271	50,273,295	32,323,269
Weighted average shares issued if all 2016 Convertible Debentures were converted	4,090,909	4,090,909	4,090,909	4,090,909
Weighted average shares issued if all 2018 Convertible Debentures were converted	4,672,897	—	1,664,320	—
Weighted average shares issued if all Preferred Shares were converted	7,838,949	304,566	6,975,227	76,558
Weighted average number of shares: Diluted	69,648,985	36,772,746	63,003,751	36,490,736
Funds from operations per share	$ 0.16	$ 0.19	$ 0.96	$ 0.87
Diluted funds from operations per share	$ 0.15	$ 0.18	$ 0.83	$ 0.85

Adjusted Funds From Operations

The Company maintains the view that AFFO is an effective measure of cash generated from operations, after providing for certain adjustments. AFFO means cash provided by operating activities, subject to certain adjustments, which include: (i) adjustments for certain non-cash working capital items that are not considered indicative of sustainable economic cash flow available for distribution; (ii) adjustments for interest expense on the credit facilities and mortgages payable that is included in finance costs; (iii) adjustments for cash paid for interest; (iv) add backs for compensation expense related to the Company's deferred share incentive plan; (v) add backs for payments received under the Company's income support agreements and development lease arrangements; (vi) add backs for the write-off of deferred financing costs from refinancing; and (vii) other adjustments as determined by the directors of the Company in their sole discretion.

AFFO is a financial measure not defined under IFRS, and AFFO, as presented herein, may not be comparable to similar measures presented by other real estate investment trusts or real estate enterprises.

To the extent the Company's 2016 Convertible Debentures and 2018 Convertible Debentures were dilutive to AFFO per share, the related interest has been added back to calculate a diluted AFFO for purposes of calculating diluted AFFO per share.

The Company's AFFO is calculated as follows (in thousands of U.S. dollars):

	Three months ended December 31,		Years ended December 31,	
	2018	2017	2018	2017
Cash flows provided by operating activities	$ 8,822	$ 16,384	$ 24,972	$ 40,814
Change in non-cash working capital	1,191	(10,815)	5,531	(15,207)
Less: interest expense (1)	(12,681)	(4,042)	(35,366)	(13,721)
Less: change in non-controlling interest liability	(120)	—	(17,927)	—
Plus: income from joint ventures	2,077	—	5,450	—
Plus: change in fair value of investment in MS-SW Development Fund Holdings, LLC	60	50	214	178
Plus: interest paid	9,125	4,253	34,313	16,538
Less: interest received	(482)	(931)	(1,554)	(4,062)
Plus: transaction costs for business combination	—	2,073	6,444	2,073
Plus: non-cash portion of non-controlling interest expense	(86)	—	17,459	—
Plus: adjustments for equity accounted entities	(985)	—	783	—
Plus: deferred share incentive plan compensation	241	315	1,283	1,614
Plus: income support and development lease payments received	122	222	327	2,693
Plus: write-off of deferred financing costs from refinancing	3,708	—	3,708	—
Less: allowance for interest receivable	(292)	—	(1,065)	—
Less: capital maintenance reserve	(400)	—	(1,467)	—
Adjusted funds from operations	$ 10,300	$ 7,509	$ 43,105	$ 30,920
Interest expense on 2016 Convertible Debentures	563	562	2,251	2,250
Interest expense on 2018 Convertible Debentures	750	—	1,067	—
Total diluted adjusted funds from operations	$ 11,613	$ 8,071	$ 46,423	$ 33,170
Weighted average number of shares, including fully vested deferred shares: Basic	53,046,230	32,377,271	50,273,295	32,323,269
Weighted average shares issued if all 2016 Convertible Debentures were converted	4,090,909	4,090,909	4,090,909	4,090,909
Weighted average shares issued if all 2018 Convertible Debentures were converted	4,672,897	—	1,664,320	—
Weighted average shares issued if all Preferred Shares were converted	7,838,949	304,566	6,975,227	76,558
Weighted average number of shares: Diluted	69,648,985	36,772,746	63,003,751	36,490,736
Adjusted funds from operations per share	$ 0.19	$ 0.23	$ 0.86	$ 0.96
Diluted adjusted funds from operations per share	$ 0.17	$ 0.22	$ 0.74	$ 0.91
Dividends declared	$ 9,756	$ 5,957	$ 37,001	$ 23,791
AFFO payout ratio	95%	79%	86%	77%

(1) Includes interest expense on the credit facilities, mortgages payable, convertible debentures, interest rate swaps, write off of deferred financing costs from refinancing and interest income earned on notes receivable included in finance costs.

The reduction in AFFO per share in the current year is the result of the Company incurring significant diligence costs for transactions that were ultimately not pursued. In addition, the Company entered into leases, each with 18 year terms, on two properties in Houston, Texas in which cash rent over the initial 12-18 month term was set to approximate debt service on the corresponding property. After the initial period, the leases will escalate to full yield. The Company expects the lease structure on the first property to transition to full yield in February of 2019. The second of these properties is expected to return to full yield by January of 2020.

Presented below are performance metrics adjusted to exclude the diligence costs for transactions not pursued, these measures are not financial measures defined under IFRS and, as presented herein, may not be comparable to similar measures presented by other real estate investment trusts or real estate enterprises. The Company believes this provides a more comparable basis to evaluate performance period over period, and an indication of future operations.

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
FFO, per above	$ 8,596	$ 6,007	$ 48,219	$ 28,188
Diligence costs for transactions not pursued	—	—	2,041	491
FFO, as adjusted	$ 8,596	$ 6,007	$ 50,260	$ 28,679
Interest, amortization and accretion expense on 2016 Convertible Debentures	742	740	2,967	2,965
Interest, amortization and accretion expense on 2018 Convertible Debentures	899	—	1,277	—
Total diluted FFO, as adjusted	$ 10,237	$ 6,747	$ 54,504	$ 31,644
FFO per share, as adjusted	$ 0.16	$ 0.19	$ 1.00	$ 0.89
Diluted FFO per share, as adjusted	$ 0.15	$ 0.18	$ 0.87	$ 0.87
Adjusted funds from operations, per above	$ 10,300	$ 7,509	$ 43,105	$ 30,920
Diligence costs for transactions not pursued	—	—	2,041	491
AFFO, as adjusted	$ 10,300	$ 7,509	$ 45,146	$ 31,411
Interest expense on 2016 Convertible Debentures	563	562	2,251	2,250
Interest expense on 2018 Convertible Debentures	750	—	1,067	—
Total diluted AFFO, as adjusted	$ 11,613	$ 8,071	$ 48,464	$ 33,661
AFFO per share, as adjusted	$ 0.19	$ 0.23	$ 0.90	$ 0.97
Diluted AFFO per share, as adjusted	$ 0.17	$ 0.22	$ 0.77	$ 0.92
Payout ratio, as adjusted	95%	79%	82%	76%

Cash Dividends

	Three months ended December 31,		Years ended December 31,	
	2018	2017	2018	2017
Cash flows provided by operating activities	$ 8,822	$ 16,384	$ 24,972	$ 40,814
Net income (loss)	(24,968)	4,076	(12,275)	16,263
Total dividends declared	9,756	5,957	37,001	23,791
Cash provided by operating activities in excess (shortfall) of total dividends	(934)	10,427	(12,029)	17,023
Excess (shortfall) of net income over total dividends	(34,724)	(1,881)	(49,276)	(7,528)

Non-cash items relating to fair value adjustments of investment properties and the Company's financial instruments, amortization of financing costs, deferred income tax expense, and non-cash listing expense are deducted from or added to net income and have no impact on cash available to pay current dividends. Total dividends for the twelve months ended December 31, 2018 exceeded cash flows provided by operating activities largely due to diligence costs for transactions not pursued of $2,041, and transaction costs for business combination of $6,444. In addition, for the Care transaction, the Company incurred $2,073 of transaction costs for business combination which were expensed in the consolidated statements of income and comprehensive income for the three months ended December 31, 2017 but paid during the twelve months ended December 31, 2018. Total dividends for the twelve months ended December 31, 2018 exceeded net income primarily due to non-cash items.

The Company believes its current distributions are sustainable.

Operational Measures

The Company reports on certain metrics related to the underlying operations in its stabilized income properties. The Company has defined stabilized income properties as follows:

Long-term care facilities and transitional care properties - stabilized upon the earlier of 80% occupancy at the underlying operating level for two consecutive quarters and 24 months after opening.

Assisted living facilities - stabilized upon the earlier of 90% occupancy for two consecutive quarters and 36 months after opening.

Stabilized properties generally include any triple-net lease property unless it is:

1. A new development that is not yet complete,
2. Not yet stabilized and within 12 months of the above criteria,
3. Newly acquired and/or undergoing a major renovation or otherwise being repositioned or in transition to a new operator, or
4. Held for sale.

The majority of the income properties in the Company's portfolio are leased under long-term, triple-net leases. The Company believes relevant metrics for evaluating the performance of the underlying operations include operator lease coverage and occupancy. The Company's operator performance metrics are calculated utilizing data that is one quarter in arrears (i.e. as of and through September 30, 2018 for this reporting period), and, where master leases are in place for portfolios of multiple asset types, using allocated rents pursuant to consistent methodologies.

All operator data is made available solely from information as provided by the operators and has not been independently verified by the Company.

Triple Net Lease Portfolio

Operator Lease Coverage

Operator lease coverage is a measure of a tenant's ability to meet their cash rent and other obligations during its normal course of business. The Company believes that both EBITDAR and EBITDARM (as defined below) provide insight to the core operations at the facility level. Metrics provided below are for the trailing 12 month ("TTM") period for all stabilized assets. The stabilized triple-net lease portfolio through September 30, 2018 includes 36 properties.

For purposes of the TTM calculations, the Company has included only the period for which the stabilized properties have been owned by the Company and, therefore, the TTM metrics shown may include less than 12 months in the calculations. The metrics presented below represent all stabilized income properties, which includes assist living, independent living, long-term care, and transitional care properties.

EBITDAR (earnings before interest, income taxes, depreciation, amortization, and rent) lease coverage is calculated by dividing the TTM EBITDAR generated by corresponding cash rent due over the same period. The Company's stabilized portfolio generated EBITDAR lease coverage of 1.2.

EBITDARM (earnings before interest, income taxes, depreciation, amortization, rent, and management fees) lease coverage is also used by the Company. Together with EBITDAR lease coverage, EBITDARM lease coverage allows the Company to evaluate operations at each property by eliminating management fees, which can vary based on the operator/tenant and its negotiated structure with the Company. The Company believes EBITDARM is valuable because it isolates operational performance to the results of the direct operations within the facility. The Company's stabilized portfolio generated EBITDARM lease coverage of 1.5.

Through certain of its leases with operators, the Company has the ability to claw back the management fees that the operator is able to pay. This provision in the leases is enforceable when certain performance metrics are not met, as defined within the lease agreements. This mechanism further enhances the Company's position relative to the performance and risk mitigation within the portfolio.

Operator Occupancy

The Company also utilizes operator occupancy percentage to evaluate underlying operations within the portfolio. Occupancy percentage is calculated by dividing the actual number of revenue generated days occupied during the period by the maximum available revenue days available for the period. Metrics provided below are for the TTM period for all stabilized assets based on the Company's definition of stabilization.

For the TTM period ended September 30, 2018, the Company's stabilized portfolio had an occupancy percentage of 85%.

Joint Venture/Joint Arrangement Portfolio

The Company’s joint venture/joint arrangement portfolio consists of seniors housing assets in which the Company has ownership of both the property and operations. The Company’s stabilized joint arrangement portfolio consists of 16 properties through September 30, 2018.

Based upon the Company’s ownership structure in these assets, the Company believes the most relevant operational metrics will include occupancy, net operating income and year over year revenue growth metrics. For the period ended September 30, 2018, the occupancy in the stabilized joint arrangement portfolio was 89%. As comparative periods become available in the Company’s ownership period, the Company anticipates that additional metrics will be included in future filings.

Medical Office Building Portfolio

The Company’s medical office building portfolio consists of multi tenant medical office buildings in which the Company has full ownership of the property. The Company’s stabilized medical office building portfolio consists of 11 properties through September 30, 2018 in the United States and Canada.

The Company utilizes occupancy as a percentage of gross leasable area in addition to other financial metrics when evaluating performance in its medical office building portfolio. For the period ended September 30, 2018, occupancy in the stabilized

medical office building portfolio was 90%. As comparative periods become available in the Company's ownership period, the Company anticipates that additional metrics will be included in future filings.

8550

Corporate Information

Directors

Scott White, Chairman

Dan Amadori, Director[3]

Brad Benbow, Director[3,4]

Shaun Hawkins, Director[1,2]

Charles Herman, Lead Director[1,2,3,4]

Randy Maultsby, Director[1]

[1] Audit Committee
[2] Investment Committee
[3] Governance and Nominating Committee
[4] Human Resources and Compensation Committee

Officers and Senior Management

Scott White
Chief Executive Officer

Adlai Chester
Chief Investment Officer

Scott Higgs
Chief Financial Officer

Azin Lotfi
General Counsel

Vineet Bedi
SVP – Head of Capital Markets & Corporate Strategy

Bryan Hickman
SVP – Investments

Adam Zieger
SVP and Chief Relationship Officer

Unitholder Information

Invesque Inc.

211 West Main Street, Suite 400
Carmel, IN 46032
Telephone: 317-643-4017
www.invesque.com

Auditors

KPMG LLP
Toronto, Ontario

Legal Counsel

Goodmans LLP
Toronto, Ontario

Stock Exchange Listing

Toronto Stock Exchange (IVQ.U)

Transfer Agent and Registrar

Computershare Trust Company of Canada
Toronto, ON
Telephone: 800-564-6253

Unitholder and Investor Contact

Vineet Bedi
SVP – Head of Capital Markets & Corporate Strategy
ir@invesque.com

Annual Meeting of Unitholders

11:00 am ET - May 15, 2019

Goodmans LLP

Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON
M5H 2S7

Distribution Reinvestment Plan

Invesque's Distribution Reinvestment Plan ("DRIP") allows unitholders to use their monthly cash distributions to steadily increase ownership in Invesque without incurring any commission or brokerage fees.

Invesque®

211 W Main Street, Suite 400
Carmel, IN 46032

317.643.4017

www.invesque.com