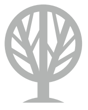

Invesque

2019 ANNUAL REPORT

PUBLISHED APRIL 2020

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Our most precious investments are our people and the environment we collectively create each day.

Our culture is built on principles that honor our employees and encourage them to be their best, and give their best, at all times.

Family

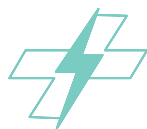
Family truly matters. Possessing a life balance is crucial to our success as a fast growing company. As we work hard (very hard) and take care of our responsibilities, we emphasize a culture of flexibility, balance and quality time away from the office.

Teamwork

It takes a team to achieve greatness and success. We firmly believe that everyone in the company plays an important role in our success. At Invesque, no one is more important than anyone else. We attract and retain talented professionals who understand the importance of succeeding as a team, not just individually.

Excellence

Everything we do demands our very best. We must insist on excellence in all things, constantly seeking to do better and focusing on each detail. We must commit to the highest standard no matter the task. We continue to raise the bar and hold ourselves accountable for excellence always.



Positive Energy

At Invesque, high energy and a positive attitude are mandatory. We work with a sense of urgency, accomplishing as much as we can today. We find the good in all we do. We find solutions. We are direct, efficient and swift, while never compromising quality or details. We have a team ready to go, ready to win the day! Every day.

Fun

Every day is a journey. Along the way, we genuinely want to enjoy our work and those we work with. We're committed to finding the fun in all we do, never taking ourselves too seriously. We will celebrate our hard earned successes, affirming our team on wins, big and small. Every day won't be perfect, but we will seek to find fun in what we do. If it's not fun, it's not worth doing.

OUR WORLD CLASS TEAM & AMAZING CULTURE MAKE Invesque Unique

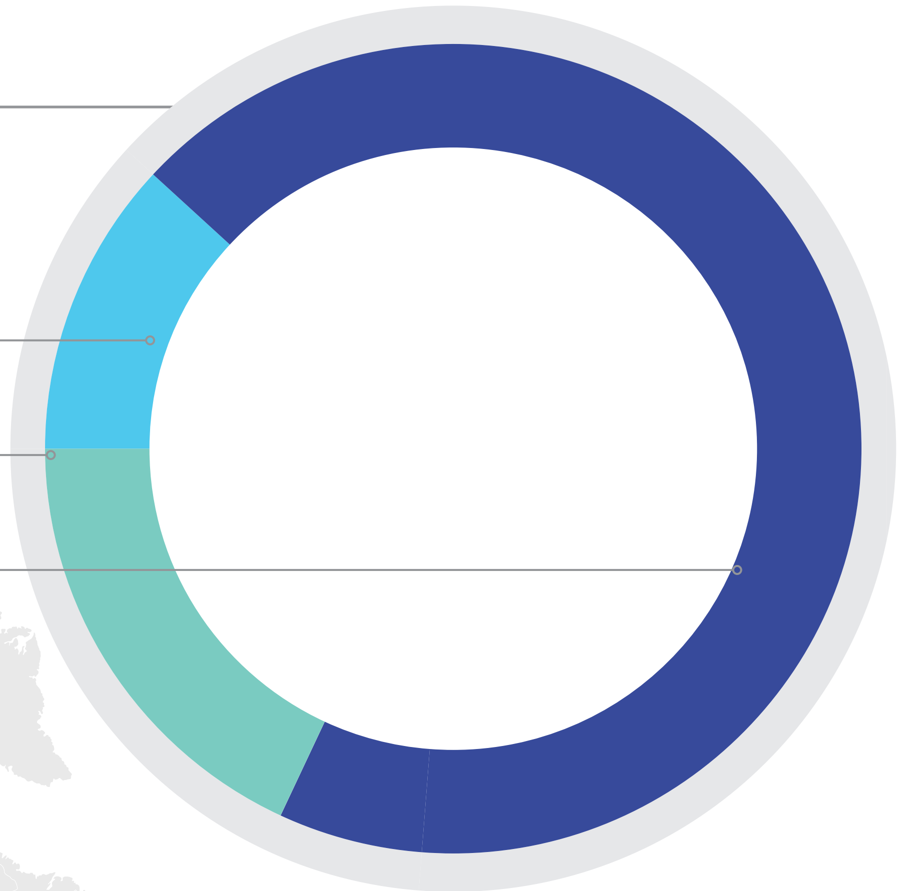
Our investment philosophy is focused on the premise that an aging demographic in North America will continue to utilize health care services in growing proportion to the overall economy. At Invesque, we believe that health care real estate generates long-term, out-paced risk-adjusted returns. While any 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 12/31/2019

Investment Properties

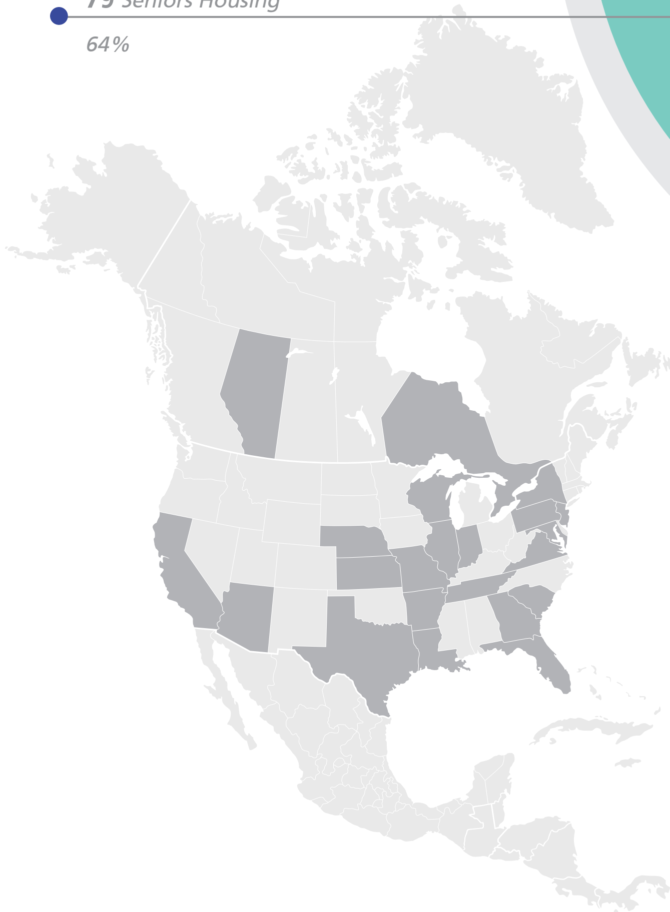
124



15 *Medical Office Building*
12%

30 *Skilled Nursing Facility*
24%

79 *Seniors Housing*
64%



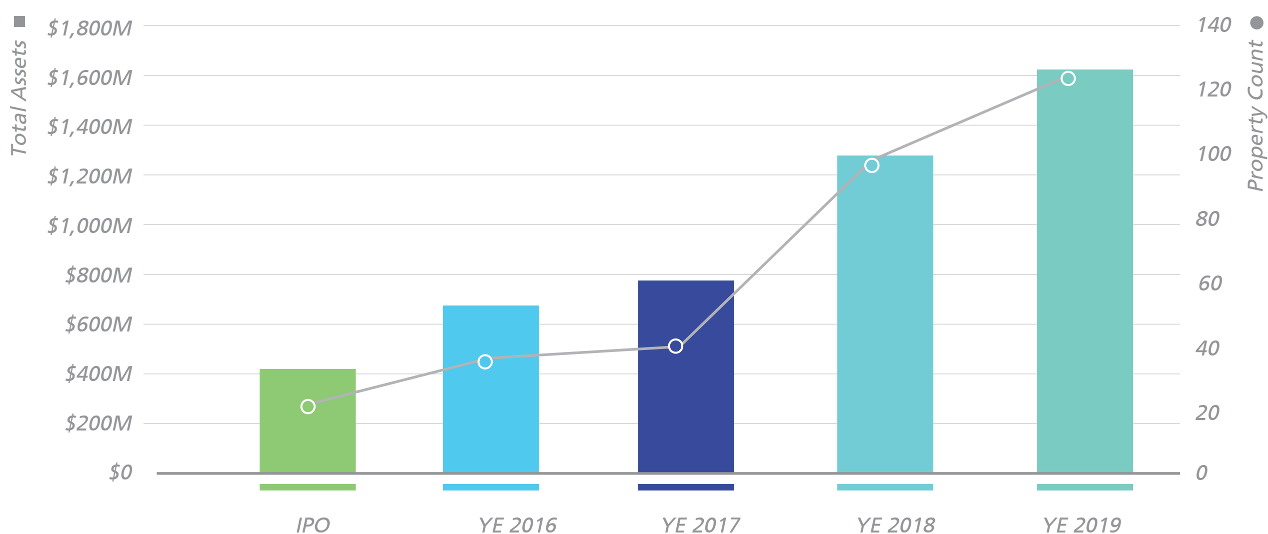
Average Age
~10 years

Beds
11,000+

Number of Operators
21

U.S. States / Canadian Provinces
20 / 2

Growth Trends



		IPO	YE 2016	YE 2017	YE 2018	YE 2019
	Total Assets (000s)	$418,882	$677,719	$785,005	$1,283,959	**$1,630,738**
	Property Count	21	35	40	98	**124**
	Beds / Suites	~3,300	~4,500	~4,900	~8,000	**~11,000**
Occupancy	Triple Net Lease	- %	87%	85%	85%	**85%**
Occupancy	Joint Venture	- %	- %	- %	89%	**84%**
Occupancy	Medical Office Building	- %	- %	- %	90%	**92%**
	Operators	4	7	9	20	**21**
	States / Provinces	4 / 0	9 / 1	11 / 1	19 / 2	**20 / 2**
	Payout Ratio	- %	60%	77%	86%	**96%**
	FFO	- $	$14,736	$28,188	$48,219	**$46,122**
	AFFO	- $	$19,571	$30,920	$43,105	**$41,223**
	Debt to Total Assets	- %	53%	55%	57%	**62%**

FROM THE

Chairman & CEO

April 2020

Dear Shareholders:

And just like that, here we are in year four of the Invesque build! Wow, how quickly we have grown and evolved to be the company we are today. An industry-leading company with an exceptional team and portfolio.

I look forward to this time of the year and writing this annual letter to you. It is my chance to provide a fulsome update about our many accomplishments in the prior year. I also like to take the opportunity to reflect on the challenges we face and share with you my thoughts on the opportunities ahead for Invesque. Finally, it gives me a chance to talk about our team and our culture, two defining characteristics of who we are and what sets us apart.

I am truly proud of what we have built over the last four years. We set out to build a world-class, diversified health care real estate company we can be proud of. I strongly believe we have accomplished this goal and now must raise the bar. I am excited about what we have achieved and what the future holds for Invesque and its shareholders.

2019 – Achieving Scale and Enhanced Diversification

The strategic activity in 2019 allowed us to achieve our goal of building a scalable, high-quality portfolio of real estate across the health care continuum. Our ability to use our equity and equity-linked securities as an acquisition currency continues to drive our asset growth. Our operating partners are the life-blood of our business and we believe the proper alignment of interests we have created will continue to maximize profitability for Invesque's stakeholders. This alignment will also provide our partners the opportunity to participate in the future upside of our sizeable health care real estate platform.

Highlights from 2019 include the following:

- Completed approximately $440 million of total acquisitions
- Closed on the acquisition of Commonwealth Senior Living and 20 of its private-pay senior housing communities for approximately $340 million, funded in part through the issuance of convertible preferred interests exchangeable for Invesque equity at $9.75 per share
- Transitioned our Greenfield operated assets to our preferred operating partners, Commonwealth Senior Living and Heritage Senior Living
- Expanded our strategic partnership with Ellipsis Real Estate Partners by deploying approximately $40 million across mezzanine loan investments and property acquisitions, funded in part through the issuance of Invesque equity at $9.00 per share
- Acquired $52 million of properties operated by Symphony, funded in part through the issuance of Invesque equity at $9.00 per share
- Formed a joint venture with an institutional partner by contributing an approximately 35% stake in eight Invesque owned properties into the joint venture in exchange for $23 million of cash proceeds
- Introduced a Canadian dollar listing of Invesque's common shares on the Toronto Stock Exchange under the ticker symbol "IVQ" which has led to an approximate 50% increase in the aggregate trading volume across both listings
- Completed a private placement of convertible preferred equity for $15 million of gross proceeds
- Executed on a new $176 million credit facility collateralized by the Commonwealth properties
- Executed on a new $80 million credit facility collateralized by the properties operated by Heritage Senior Living
- Reduced our borrowing costs by approximately 35 basis points, while reducing our total debt maturing over the next three years to approximately 15%

As a result of our acquisition and strategic portfolio management efforts, our portfolio at the end of 2019 featured the following key attributes:

- $1.8 billion of gross book value, inclusive of joint ventures
- 124 properties
- Approximately 11,000 beds
- Approximately 578,000 SF of multi-tenant medical office buildings
- Approximately 10 years average effective property age
- 20 U.S. states and 2 Canadian provinces
- 92% of contractual rent in our triple-net lease portfolio from assets included in master leases, or single leases where Invesque can consolidate the assets into a master lease structure

I'd like to take one moment to reflect on this portfolio snapshot. We have a very young portfolio of assets with significant scale and diversification by geography, property type and operator. Invesque has an exceptional portfolio with many of the attributes we aspired to create as we envisioned the company we wanted to build.

Commonwealth Senior Living – Fusing High-Quality Real Estate Value with Operational Upside

The Commonwealth transaction marked the pinnacle of our investment activity in 2019. Along with the 20 private-pay communities, we acquired the Commonwealth management company. We have added in-house operational expertise with Richard Brewer, CEO of Commonwealth, and his team's 20+ years of experience. Richard and his senior management team remained with Commonwealth and continue to manage the communities. Richard and the Commonwealth team have a very impressive track record of creating value and we anticipate that to continue going forward.

The Commonwealth transaction allows us to provide a very differentiated, vertically integrated operating and property management model. We are so excited to welcome the Commonwealth team to the Invesque family and we expect they will work closely with some of our other best-in-class operators to share insights and best practices. We believe this collaboration will drive performance across our over $1 billion seniors housing portfolio and maximize profitably for our stakeholders.

Today, Invesque is a predominately private-pay health care real estate investment company with approximately 56% of our pro forma NOI coming from seniors housing and over 40% of our pro forma NOI coming from our seniors housing operating portfolio. Commonwealth represents Invesque's largest source of pro forma NOI at approximately 25%. Symphony represents roughly 23% of pro forma NOI at the end of 2019, down from approximately 70% at the time of our IPO. This shift in portfolio mix provides us both greater diversification and operational upside. This enhanced mix also significantly reduces the government payor source exposure of Invesque's nearly $2 billion health care real estate portfolio.

The Commonwealth transaction was unique for us in that it is the first time we acquired a seniors housing management company. We believe this is a key differentiator for us in the market and one of the ways we will drive shareholder value creation in 2020 and beyond.

Portfolio Management and Partnering with Invesque's Preferred Operators

Since our IPO in 2016, we have grown the portfolio over four-fold to achieve significant scale. Invesque is one of the fastest growing publicly traded real estate companies in North America. That growth requires that we constantly monitor and assess the performance of our existing portfolio. This process ensures we are achieving our long-term goal of building a world-class portfolio with a stable of preferred operators who can maximize the performance of each one of our assets.

We will continue to utilize our high-quality partners to reposition certain assets where we can create synergies in markets where we have existing assets with our preferred operators. The ability to strengthen our existing portfolio by transitioning operators was a key strategic reason for acquiring our new management company, Commonwealth Senior Living. The Greenfield transition is just one example of our relationship-driven approach to investing and our objective to scale our portfolio with the right operator for each asset and submarket. Commonwealth, a subsidiary of Invesque, is now the largest seniors housing operator in Virginia and a premier operator in the Mid-Atlantic.

For the last four years we have been very focused on growth. We fundamentally believe scale is a prerequisite for success in our industry. We also focused on growth to enhance diversification and mitigate risks. Growth has been our mantra. Currently, we believe it makes sense to selectively prune the portfolio. A key focus area in our portfolio management initiative in 2020 will be opportunistically divesting non-core assets at attractive pricing to redeploy capital with our preferred partners.

Focus on Talent and Culture

Every chance I get, I like to talk about our team and our culture. To build a world-class organization we can be proud of, we must first and foremost focus on building the right team. Having the right team in place is a prerequisite to our success as a company. And in order to attract and retain the very best talent in the industry, we focus on providing an environment that fosters success.

Culture matters and it matters in a big way. I am proud to share with you that we were just recently named one of the **Best Places to Work in Indiana**. While this is an exceptional accomplishment, I will tell you I believe we are among the Best Places to Work in the United States. We have invested significant time and resources to foster the right culture and this recent acknowledgment is a powerful indicator of our success. The Invesque team and culture are unique and special in so many ways. I take every chance I can get to brag about it.

2020 and Beyond

Our investment thesis has always been predicated on the aging demographic in North America and the increasing spend on medical related services. We believe that our society will continue to focus more and more resources and talent on health care related services. We expect to live longer and better-quality lives. Advances in medicine help us to achieve this. At Invesque, we want to be the owner of assets where health care services are provided.

The industry and the portfolio continue to face headwinds. We often talk about the aging demographic. However, as it relates specifically to the oldest Americans, that cohort is still aging into the time they will need many of the services provided by facilities we own. The 80+-year-old demographic is still relatively small and will grow in the coming years. Facilities have been built in anticipation, but there remains a supply/demand imbalance in many parts of the country. Our portfolio has been relatively insulated given the markets we are in, but we have certainly faced headwinds and performance issues related to this imbalance. This will correct, but it will take time.

Labor costs are another significant headwind facing many industries, including health care related services. Our operators battle for the best talent every day. This is a cost and impacts the profitability of the operations. This too will correct, but it will take time.

Affordability remains an area of focus for the industry. With high labor and real estate costs, it is challenging for the industry to provide products suitable for the middle-market consumer. There continues to be a focus on innovation to solve this issue. But this too will take time to correct.

The bottom line is that we are building a long-term portfolio. Real estate is a long-term asset class. There will be cycles and headwinds at various times along the journey. Our journey is just beginning. We remain focused on building our company, our team and our portfolio. We are excited about what we have created in four short years. We are even more excited about the opportunity ahead. We are grateful you have joined us on our journey as we continue to write the Invesque story.

In continued appreciation of your support,

Scott White
Chairman and CEO
Invesque

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

INVESQUE INC.

Years ended December 31, 2019 and 2018

KPMG LLP
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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, 2019 and December 31, 2018
- the consolidated statements of income (loss) and comprehensive income (loss) for the years ended December 31, 2019 and December 31, 2018
- the consolidated statements of changes in shareholders' equity for the years ended December 31, 2019 and December 31, 2018
- the consolidated statements of cash flows for the years ended December 31, 2019 and December 31, 2018
- 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, 2019 and December 31, 2018, 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.

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.

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.

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 "2019 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 "2019 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.
- 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 11, 2020

INVESQUE INC.

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

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash	$ 11,838	$ 26,978
Tenant and other receivables	7,073	5,371
Property tax receivables	11,020	10,173
Loans receivable (note 3)	4,113	12,241
Assets held for sale (note 6)	12,201	—
Other (note 4)	6,184	5,598
	52,429	60,361
Non-current assets:		
Loans receivable (note 3)	44,789	20,181
Derivative instruments (note 10)	64	1,722
Investment in joint ventures (note 7)	99,321	84,658
Investment properties (note 5)	969,634	1,115,530
Property, plant and equipment, net (note 6)	459,942	507
Other non-current assets (note 4)	4,559	1,000
	1,578,309	1,223,598
Total assets	$ 1,630,738	$ 1,283,959
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 18,885	$ 9,871
Accrued real estate taxes	13,066	11,052
Dividends payable	3,354	3,253
Liability to previous owner of Care	—	9,676
Credit facilities (note 8)	14,569	12,647
Mortgages payable (note 9)	43,024	49,444
Other current liabilities (note 13)	3,015	2,030
	95,913	97,973
Non-current liabilities:		
Credit facilities (note 8)	632,390	325,493
Mortgages payable (note 9)	232,443	253,886
Convertible debentures (note 11)	91,049	89,745
Commonwealth preferred unit liability (note 12)	63,654	—
Derivative instruments (note 10)	7,966	651
Deferred tax liability (note 23)	6,944	7,011
Other non-current liabilities (note 13)	16,736	12,785
Non-controlling interest liability	3,499	2,947
	1,054,681	692,518
Total liabilities	1,150,594	790,491
Shareholders' equity:		
Common share capital (note 15)	504,561	493,165
Equity settled deferred shares	733	—
Preferred share capital (note 15)	85,389	71,106
Contributed surplus	400	400
Equity component of convertible instruments	3,764	1,671
Cumulative deficit	(114,908)	(69,785)
Accumulated other comprehensive income	205	(3,089)
Total shareholders' equity	480,144	493,468
Commitments and contingencies (note 24)		
Subsequent events (note 6)		
Total liabilities and shareholders' equity	$ 1,630,738	$ 1,283,959

See accompanying notes to consolidated financial statements.

INVESQUE INC.

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

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue:		
Rental (note 17)	$ 103,198	$ 109,388
Resident rental and related revenue (note 17)	38,467	—
Lease revenue from joint ventures (note 7)	3,024	2,991
Other income	3,718	1,548
	148,407	113,927
Expenses (income):		
Direct property operating expenses (note 18)	33,533	3,126
Depreciation and amortization expense	14,440	—
Finance costs from operations (note 19)	41,633	38,264
Real estate tax expense	15,844	11,796
General and administrative expenses (note 20)	18,092	13,412
Transaction costs for business combination	5,898	6,444
Diligence costs for transactions not pursued	633	2,041
Allowance for credit losses on loans and interest receivable (note 19)	1,003	11,336
Change in non-controlling interest liability (note 19)	504	17,927
Change in fair value of investment properties - IFRIC 21	29	2,801
Change in fair value of investment properties (note 5)	6,046	14,385
Change in fair value of financial instruments (note 19)	9,379	2,325
Change in fair value of contingent consideration	—	10,676
	147,034	134,533
Income (loss) from joint ventures (note 7)	(6,799)	5,450
Loss before income taxes	(5,426)	(15,156)
Income tax recovery:		
Deferred (note 23)	(67)	(2,881)
Net Loss	$ (5,359)	$ (12,275)
Other comprehensive income (loss):		
Items to be reclassified to net income (loss) in subsequent periods		
Unrealized gain (loss) on translation of foreign operations	3,294	(4,276)
Total comprehensive loss	$ (2,065)	$ (16,551)
Loss per share (note 16):		
Basic and diluted	$ (0.10)	$ (0.24)

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, 2019 and 2018

	Common share capital	Equity settled deferred shares	Preferred share capital	Contributed surplus	Equity component of convertible instruments	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2019	$ 493,165	$ —	$ 71,106	$ 400	$ 1,671	$ (69,785)	$ (3,089)	$ 493,468
Net loss	—	—	—	—	—	(5,359)	—	(5,359)
Other comprehensive income	—	—	—	—	—	—	3,294	3,294
Common shares issued, net of issuance costs (note 15)	4,878	—	—	—	—	—	—	4,878
Preferred shares issued, net of issuance costs (note 15)	—		14,283	—	—	—	—	14,283
Equity component of Commonwealth preferred units	—	—	—	—	2,093	—	—	2,093
Common shares issued under the Company's dividend reinvestment plan (note 15)	7,023	—	—	—	—	—	—	7,023
Dividends declared on common shares	—	—	—	—	—	(39,764)	—	(39,764)
Common shares purchased under NCIB (note 15)	(530)	—	—	—	—	—	—	(530)
Amortization of equity settled deferred shares (note 21)	—	733	—	—	—	—	—	733
Common shares issued through conversion of convertible debentures (note 15)	25	—	—	—	—	—	—	25
Balance, December 31, 2019	$ 504,561	$ 733	$ 85,389	$ 400	$ 3,764	$ (114,908)	$ 205	$ 480,144

	Common share capital	Preferred share capital	Contributed surplus	Equity component of convertible instruments	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	—	—	—	—	(364)	—	(364)
Adjusted balance, January 1, 2018	$ 310,459	$ 26,353	$ 400	$ 1,130	$ (20,509)	$ 1,187	$ 319,020
Net income	—	—	—	—	(12,275)	—	(12,275)
Other comprehensive loss	—	—	—	—	—	(4,276)	(4,276)
Common shares issued, net of issuance costs (note 15)	182,332	—	—	—	—	—	182,332
Preferred shares issued, net of issuance costs (note 15)	—	44,753	—	—	—	—	44,753
Common shares issued under the Company's dividend reinvestment plan (note 15)	782	—	—	—	—	—	782
Equity component of convertible debentures, net of tax	—	—	—	541	—	—	541
Dividends declared on common shares	—	—	—	—	(37,001)	—	(37,001)
Common Shares purchased under NCIB (note 15)	(408)	—	—	—	—	—	(408)
Balance, December 31, 2018	$ 493,165	$ 71,106	$ 400	$ 1,671	$ (69,785)	$ (3,089)	$ 493,468

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, 2019 and 2018

		Year ended December 31, 2019		Year ended December 31, 2018
Cash flows from operating activities:				
Net loss	$	(5,359)	$	(12,275)
Items not involving cash:				
Fair value adjustment of investment properties		6,046		14,385
Fair value adjustment of financial instruments		9,379		2,325
Fair value adjustment of contingent consideration		—		10,676
Depreciation and amortization expense		14,440		—
Allowance for credit losses on loans and interest receivable		1,003		11,336
Straight-line rent		(8,964)		(10,831)
Amortization of tenant inducements		158		—
Finance costs from operations		41,633		38,264
Change in non-controlling interest liability		504		17,927
Loss (income) from joint ventures		6,799		(5,450)
Change in fair value of investment in MS-SW Development Fund Holdings, LLC		—		(214)
Deferred income tax		(67)		(2,881)
Interest paid		(39,411)		(34,313)
Interest income received		694		1,554
Change in non-cash operating working capital:				
Tenant and other receivables		(16,066)		(6,256)
Accounts payable and accrued liabilities		268		(2,491)
Unearned revenue		(227)		(551)
Other assets		702		(2,690)
Other liabilities		3,390		3,030
Accrued real estate taxes		1,248		3,427
Net cash provided by operating activities	$	16,170	$	24,972
Cash flows from financing activities:				
Proceeds from credit facilities (note 14)	$	370,350	$	437,459
Payments on credit facilities (note 14)		(63,990)		(313,300)
Debt issuance costs paid (note 14)		(3,206)		(7,516)
Proceeds from mortgages payable (note 14)		39,489		25,186
Payments of mortgages payable (note 14)		(45,594)		(68,972)
Proceeds from settlement of interest rate swap		104		—
Dividends paid to common shareholders		(32,509)		(34,952)
Payment for repurchase of common shares		(530)		(408)
Proceeds from issuance of preferred share capital		14,550		44,753
Proceeds from issuance of 2018 Convertible Debentures (note 11)		—		50,000
Cash provided by financing activities	$	278,664	$	132,250
Cash flows used in investing activities:				
Additions to investment properties	$	(93,002)	$	(186,632)
Dispositions of investment properties		9,887		49,671
Additions to property, plant, and equipment		(235,433)		—
Distributions from joint ventures		5,897		8,164
Contributions to joint ventures		(2,497)		(1,655)
Distributions to non-controlling interest partners		(152)		(128)
Proceeds from return of equity investment in MS-SW Development Fund Holdings, LLC		—		848
Proceeds from income support agreement		283		327
Construction costs		—		(4,600)
Payments to previous owner of Care		(9,676)		—
Issuance of loans receivable		(13,116)		(29,288)
Repayment of loans receivable		4,835		20,091
Proceeds from sale of interest in assets to joint venture partner (note 7)		23,000		—
Cash used in investing activities	$	(309,974)	$	(143,202)
Increase (decrease) in cash and cash equivalents		(15,140)		14,020
Cash and cash equivalents, beginning of year		26,978		12,958
Cash and cash equivalents, end of year	$	11,838	$	26,978

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.". 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. The Company's current portfolio also includes investments in owner occupied seniors housing properties, in which the Company owns the real estate and also provides management services through its subsidiary management company.

At December 31, 2019, the Company owns interests in a portfolio of 124 health care and senior living properties comprised of 69 consolidated investment properties, 33 consolidated owner occupied properties and an interest in 22 properties held through joint arrangements.

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 Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors of the Company and authorized for issuance on March 11, 2020.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments, deferred shares and loan commitment liability, 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, 2019, including Invesque International Holdings Inc., Invesque US Holdings Inc., Invesque Holdings, LP, Foxhound Holdings, LLC 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 (loss) and comprehensive income (loss).

(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, 2019 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) Accounting for Commonwealth preferred unit liability

Management estimates the allocation of the debt and equity components of Commonwealth preferred unit liability. 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.

(iv) 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.

(v) Impairment of property, plant and equipment:

The Company makes a determination at each reporting date if any events have occurred that would indicate property, plant and equipment may be impaired. If impairment indicators exist, management estimates the assets' recoverable amount in order to determine whether an impairment loss should be recognized.

(vi) 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, 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 as lessor:

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.

(iii) Componentization of property, plant and equipment:

The Company uses judgment regarding the value allocated to various components of property, plant and equipment upon acquisition.

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, 2019 and 2018, 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. 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 statement of financial position 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) Property, plant, and equipment:

Property, plant, and equipment includes land; buildings; and furniture, fixtures and equipment ("FFE"), which are measured at cost less accumulated depreciation and accumulated impairment losses.

Significant parts of the buildings are accounted for as separate components of the property, based on management's judgment of what components constitute a significant cost in relation to the total cost of an asset and whether these components have similar or dissimilar patterns of consumption and useful lives for purposes of calculating depreciation and amortization. Significant components include structure, roof, electrical/HVAC systems, windows and doors, and exterior landscaping. The cost of replacing a major component of a building is recognized in the carrying amount of the building if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of ongoing repairs and maintenance of the properties are recognized in profit or loss as incurred.

Depreciation is recorded in profit or loss on a straight-line basis over the useful lives of the assets. Estimated useful lives were determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset and current and forecasted demand. The rates and methods used are reviewed annually at year end to ensure they continue to be appropriate, and are also reviewed in conjunction with impairment testing. The following are the estimated maximum useful lives of existing property, plant, and equipment:

Components:	
Building - Structure	39 years
Building - Roof	25 years
Building - Electrical/HVAC systems	25 years
Building - Windows and doors	15 years
Building - Exterior landscaping	15 years
Furniture, fixtures, and equipment	5 years

Gains/losses on disposition of property, plant, and equipment are recognized in profit or loss in accordance with the requirements for determining when a performance obligation is satisfied under IFRS 15, Revenue from Contracts with Customers ("IFRS 15").

The value associated with in-place resident contracts, which represents the avoided cost of originating the acquired resident contracts plus the value of the avoided loss of net resident revenue over the estimated lease-up period of the property, is amortized over the expected term of the resident occupancy. Resident contracts are recorded as a component of buildings.

(d) Impairment of property, plant, and equipment:

The carrying amount of the Company's property, plant, and equipment is assessed at each reporting date to determine if any events have occurred that would indicate the assets may be impaired. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss is recognized immediately in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of (a) fair value less costs to sell, and (b) value in use. The determination of recoverable amounts can be significantly impacted by estimates related to current market valuations, current and future economic conditions in the geographical markets of the assets, and management's strategic plans within each of its markets.

(e) Assets held for sale:

Assets, or disposal groups comprising assets and liabilities, are categorized as held-for-sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to dispose of the assets of the disposal group; the asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. Immediately before classification as held-for-sale, the assets, or components of the disposal group are remeasured in accordance with the Company's accounting policies, and are subsequently measured at the lower of their carrying amount and fair value less costs of disposal. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss until the completion of sale.

(f) 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.

(g) Financial instruments:

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) 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
Bond assets	Amortized cost
Loans receivable	Amortized cost/FVTPL
Derivative instruments	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Accrued real estate taxes	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
Loan commitment liability	FVTPL
Exchangeable Units liability	Amortized cost
Contingent consideration liabilities	FVTPL
Mortgages payable	Amortized cost
Credit facilities	Amortized cost
Convertible debentures	Amortized cost
Commonwealth preferred unit liability	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, canceled 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 (loss) and comprehensive income (loss) 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) Commonwealth preferred unit liability

The Commonwealth preferred unit liability is a compound financial instrument as it contains both a liability and an equity component.

At the date of issuance, the liability component of Commonwealth preferred unit liability 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 Commonwealth preferred unit liability 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.

(iii) Impairment of financial assets:

The Company recognizes loss allowances for 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.

(iv) 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.

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.

(h) 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 (loss) and comprehensive income (loss).

(i) Revenue recognition:

The Company accounts for its leases as operating leases given that it has retained substantially all of the risk and benefits of ownership

(i) Lease revenue from third party operators and commercial tenants:

The Company 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. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are deferred.

Revenue related to the services component of the Company's leases is accounted for in accordance with IFRS 15. 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) Resident Leases

The Company charges for the rental of accommodation and care services provided to residents. Base rent amounts are allocated to lease components based on relative stand-alone selling prices. The stand-alone selling prices of the rental component is determined using an adjusted market assessment approach and the stand-alone selling price of the care services components are determined using both adjusted market assessment and expected cost plus a margin approaches.

Revenue from rental components is recognized on a straight-line basis over the lease term. Revenue recognition commences when a resident has the right to use the property and revenue is recognized pursuant to the terms of the lease agreement. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are deferred.

Revenue related to the care service components of the Company's leases is accounted for in accordance with IFRS 15. These services consist primarily of the provision of meals, nursing services, housekeeping and laundry services, programs, amenities and the recovery of utilities and property maintenance costs and are recognized over time, typically on a monthly basis, which is when the services are provided. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are recorded as contract liabilities.

(iii) 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 7). 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.

(j) Leases

The Company has applied IFRS 16, Leases, using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17, Leases, and International Financial Reporting Interpretations Committee ("IFRIC") 4, Determining Whether an Arrangement Contains a Lease.

Policy applicable from January 1, 2019:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after January 1, 2019.

(i) As a lessee:

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term and is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized costs using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents the right-of-use assets in property, plant and equipment and lease liabilities are recorded separately on the balance sheet as "lease obligations".

(ii) Short-term leases and leases of low value assets:

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. the Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor:

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. The Company has determined that when it acts as a lessor, its leases do not transfer substantially all of the risks and rewards incidental to ownership of the underlying assets and as a result they are classified as operating leases.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on straight-line basis over the lease term.

Policy applicable before January 1, 2019.

(i) As a lessee:

The Company classified its leases as operating leases which were not recognized in the consolidated balance sheets as substantially all of the risks and rewards of ownership are not transferred to the Company. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor:

The Company determined that when it acts as a lessor, its leases do not transfer substantially all of the risks and rewards incidental to ownership of the underlying assets and as a result they were classified as operating leases. Lease payments received under operating leases were recognized on a straight-line basis over the lease term as part of resident revenue.

(k) 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 (note 21) for its employees and directors. Cash-settled shares are fair-valued and 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.

Equity-settled shares are amortized as share-based compensation expense with a corresponding change in equity. The awards are valued based on the grant date fair value.

(l) 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.

(m) 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.

If it is not probable that the uncertain tax treatment will be accepted, the tax uncertainty is measured based on the most likely amount of expected value, depending on whichever method better predicts the resolution of the uncertainty.

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.

(n) IFRS amendments adopted in 2019:

(i) IFRS 16 Leases

The Company adopted IFRS 16, which replaced IAS 17 using the modified retrospective approach, beginning on January 1, 2019, the mandatory effective date. The new standard requires a lessee to recognize in the statement of financial position: a liability for future lease payments (the "lease liabilities") and an asset for the right to use the underlying leased asset during the lease term ("right-of-use assets").

The Company recognized the initial effect of applying IFRS 16 as an adjustment to the balance sheet at January 1, 2019 (the date of initial application). There was no impact on unitholders' equity at the date of initial application. Comparative information has not been restated and continues to be reported in accordance with the standards and accounting policies in effect prior to January 1, 2019.

The adoption of IFRS 16 at January 1, 2019, resulted in the recognition of both a right-of-use asset and lease liability of $1,490 related to one office lease.

For leases previously classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate at January 1, 2019, which was a weighted average rate of 7.5%.

At the date of initial application, the Company did not reassess whether a contract contained a lease, instead applying IFRS 16 only to contracts that were previously identified as leases. The Company has elected not to recognize right-of-use assets and liabilities for short term leases that have a lease term of twelve months or shorter and low value leases with a value lower than five thousand dollars. Payments associated with these leases are recognized as expense on a straight-line basis over the term of the lease.

The Company relied on its assessment of whether leases were onerous as at January 1, 2019 and did not test right-of-use assets for impairment at the date of initial application and excluded initial direct costs when measuring right-of-use assets at January 1, 2019. The Company did not separate the non-lease components from the lease components for office leases and certain equipment leases.

(ii) IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The Company adopted IFRIC 23, beginning on January 1, 2019, the mandatory effective date with no material impact to the financial statements.

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 or expected value, depending on whichever method better predicts the resolution of the uncertainty.

(iii) Annual Improvements to IFRS Standards (2015-2017) Cycle:

The Company adopted the following amendments to three standards on January 1, 2019, the mandatory effective date with no material impact on the financial statements:

- IFRS 3, Business Combinations ("IFRS 3"), and IFRS 11, Joint Arrangements ("IFRS 11") - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;

- IAS 12, Income Taxes - to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits - i.e. in profit or loss, other comprehensive or equity; and

- IAS 23, Borrowing Costs - to clarify that specific borrowings - i.e. funds borrowed specifically to finance the construction of a qualifying asset - should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed. The amendments also clarify that an entity includes funds borrowed specifically to obtain an asset other than a qualifying asset as part of general borrowings.

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

On October 22, 2018, the IASB issued amendments to IFRS 3 that seek to clarify whether a transaction is to be accounted for as an asset acquisition or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The Company intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2020, when the standard becomes effective. The Company expects no material impact of this standard on its consolidated financial statements.

3. Loans receivable:

Loans receivable issued as at December 31, 2019 and December 31, 2018 are detailed in the table below:

Debtor	Loan Type	December 31, 2019	December 31, 2018	Issued Date	Maturity Date [1]	Current Interest Rate	PIK Interest Rate
MS-SW Mezzanine Fund, LLC	Mezzanine loan	$ 1,267	$ 1,271	September 1, 2016	September 1, 2020	10.5%	4.0%
MS Surprise, LLC	Mezzanine loan	—	2,965	November 1, 2016	October 1, 2021	10.5%	3.0%
MS Parker Holdings II, LLC	Mezzanine loan	—	3,725	November 1, 2016	September 1, 2021	12.0%	4.0%
Mainstreet Investment Company, LLC	Interest-only loan	3,932	3,932	December 22, 2016	December 22, 2018	8.5%	1.5%
Autumnwood Lifestyles Inc.	Revolving credit facility	1,155	1,100	November 1, 2016	October 31, 2018 [3]	8.0%	—%
Autumnwood Lifestyles Inc.	Loan receivable	—	367	June 29, 2017	On Demand	8.0%	—%
Symcare ML, LLC	Loan receivable	7,295	7,206	October 20, 2017	December 31, 2033	2.5%	2.5%
MCA Memory Care America, LLC	Loan receivable	—	300	November 6, 2017	April 1, 2019	10.0%	—%
Mainstreet Development Fund III, LP	Loan receivable	—	652	November 28, 2017	On Demand	6.5%	—%
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%	—%
Premier Senior Living, LLC [6]	Loan receivable	700	700	August 16, 2013 [2]	August 16, 2025	9.2%	—%
Ellipsis Real Estate Partners	Loan receivable	951	1,643	May 4, 2018	May 4, 2028	—%	10.0%
Ellipsis Real Estate Partners	Loan receivable	1,341	2,400	September 14, 2018	September 14, 2028	—%	10.0%
Symcare ML, LLC	Loan receivable	13,530	7,557	December 26, 2018	December 31, 2033	—%	10.0%
PAIF-MS, LLC	Loan receivable	—	1,900	December 31, 2018	January 25, 2019	5.0%	—%
YAL Borrower LLC	Interest-only loan	1,000	2,000	December 31, 2018	December 30, 2020	5.0%	—%
YAL Borrower LLC	Loan receivable	2,000	2,000	December 31, 2018	December 30, 2020	5.0%	—%
Hillcrest Millard, LLC	Loan receivable	480	—	January 1, 2019	January 1, 2028	—%	5.0%
Hillcrest Firethorn, LLC	Loan receivable	449	—	January 1, 2019	November 1, 2027	—%	5.0%
Bridgemoor Transitional Care Operations, LLC [5]	Loan receivable	1,738	—	June 5, 2019	June 5, 2035	—%	—%
MOC Webster, LLC	Loan receivable	189	—	June 5, 2019	June 5, 2035	—%	—%
RHS Propco Mooresville, LLC	Loan receivable	5,000	—	June 28, 2019	July 1, 2024	8.5%	—%
Jaguarundi Ventures, LP [7]	Loan receivable	8,673	—	June 5, 2019	June 5, 2029	—%	—%
Memory Care America LLC	Loan receivable	1,526	—	July 31, 2019	January 1, 2024	8.5%	—%
Ellipsis Real Estate Partners LLC	Loan receivable	1,223	—	October 25, 2019	October 1, 2022	7.5%	7.5%
Allowance for losses on loans receivable		(5,915)	(10,341)				
Carrying value of loans recorded at amortized cost		$ 46,534	$ 30,281				
Javelina Ventures, LLC	Loan receivable - FVTPL	2,368	2,141	December 31, 2018	[4]	—%	5.0%
Carrying value of loans receivable		48,902	32,422				
Less current portion		4,113	12,241				
Long-term portion		$ 44,789	$ 20,181				

(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 through acquisition 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.

(5) This loan was issued to MOC Fort Worth, LLC; MOC Round Rock, LLC; MOC San Antonio II, LLC; MOC Webster, LLC; and Bridgemoor Transitional Care Operations, LLC.

(6) This loan was issued to Park Terrace Operating, LLC; Seneca Lake Terrace Operating, LLC; and Premier Senior Living, LLC.

(7) Jaguarundi Ventures, LP is a joint venture in which the Company owns a 60.51% interest.

$25,907 of the loans outstanding as at December 31, 2019 in the table above are made to current tenant operators.

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 June 21, 2019 the loan was amended and the maturity date was extended to December 31, 2033.

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, 2019, Symcare had drawn $13,530 on this loan (December 31, 2018 - $7,557). 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 July 31, 2019, the Company received the deed to the land held by MS Parker, LLC in satisfaction of the mezzanine loan to MS Parker II Holdings, LLC. The development project associated with the loan has been terminated. The Company received the deed in lieu in satisfaction of the loan receivable and recorded the value of the land in property, plant and equipment in the consolidated statements of financial position (note 6).

On July 31, 2019, the Company entered into a new loan with MCA Memory Care America, LLC ("MCA") in the amount of $2,934. The loan balance represented outstanding rents owed, the remaining balance of a previously issued loan receivable and outstanding interest thereon. Through December 31, 2019, the Company has received repayment on this loan receivable of $1,500 consistent with the terms outlined in the loan agreement.

Loans receivable and associated allowance for losses on loans receivable accounted for at amortized cost as at December 31, 2019 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	$ 45,724	$ —	$ 6,725	$ 52,449
Allowance for losses on loans receivable	(421)	—	(5,494)	(5,915)
Loans receivable, net of allowances	$ 45,303	$ —	$ 1,231	$ 46,534

The changes in the gross loans receivable balance during the year ended December 31, 2019 are shown in the following table:

	Stage 1	Stage 2	Stage 3	Total
Total loans receivable as at December 31, 2017	$ 36,431	$ —	$ —	$ 36,431
Loans receivable				
Transfer to/(from)				
Stage 1	(11,893)	—	11,893	—
Stage 2	(1,556)	1,556	—	—
Stage 3	—	—	—	—
	$ 22,982	$ 1,556	$ 11,893	$ 36,431
Issuances	18,800	—	—	18,800
Repayments	(15,309)	—	—	(15,309)
Assumption through acquisition	700	—	—	700
Total loans receivable as at December 31, 2018	$ 27,173	$ 1,556	$ 11,893	$ 40,622
Loans receivable				
Transfer to/(from)				
Stage 1	(300)	—	300	—
Stage 2	—	(1,556)	1,556	—
Stage 3	—	—	—	—
	$ 26,873	$ —	$ 13,749	$ 40,622
Issuances	23,881	—	2,824	26,705
Repayments	(3,282)	—	(1,500)	(4,782)
Non-cash settlement	(1,748)	—	(2,913)	(4,661)
Write off of loans receivable	—	—	(5,435)	(5,435)
Total loans receivable as at December 31, 2019	$ 45,724	$ —	$ 6,725	$ 52,449

The changes in the allowance for credit losses during the year ended December 31, 2019 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
Allowance for credit losses				
Remeasurement	—	—	998	998
Transfer to/(from)				
Stage 1	(3)	—	3	—
Stage 2	—	(76)	76	—
Stage 3	—	—	—	—
	$ 290	$ 2	$ 11,047	$ 11,339
Issuances	181	—	—	181
Repayments/settlements	(50)	(2)	(1,952)	(2,004)
Write off of loan receivable and allowance	—	—	(3,601)	(3,601)
Total allowance for credit losses	$ 421	$ —	$ 5,494	$ 5,915

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

For the year ended December 31, 2019, a loss of $998 was recorded in the consolidated statements of income (loss) and comprehensive income (loss) due to the increased allowance on the Stage 3 loans and general allowance recorded on new loans issued. For the year ended December 31, 2019, the Company recorded a loss of $5 in the consolidated statements of income (loss) and comprehensive income (loss) due to an allowance on uncollectible interest receivable.

The Company recognized a loss of $491 for the year ended December 31, 2019 in the consolidated statements of income (loss) and comprehensive income (loss) related to the impairment of the loan receivable to the Mainstreet Development Funds II and III. On July 31, 2019, the Company was signed over rights to the bond that secured the loans receivable. The Company recorded the bond asset and wrote off the remaining portion of the loans receivable and related allowance for credit losses.

4. Other assets:

Other assets are as follows:

	December 31, 2019	December 31, 2018
Prepaid expense	$ 1,906	$ 519
Prepaid management fees	160	648
Security deposits and costs related to future acquisitions	159	1,048
Income support receivable	63	337
Escrow deposits held by lenders	3,038	2,565
Right-of-use assets	2,199	—
Bond assets	1,071	—
Other	2,147	1,481
	$ 10,743	$ 6,598
Current	$ 6,184	$ 5,598
Non-current	4,559	1,000
	$ 10,743	$ 6,598

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

The Company adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach resulting in the capitalization of its office lease which is included in other non-current assets. As at December 31, 2019, the Company has a right-of-use asset in respect to its office lease totaling $1,315 with a 7 year lease term which began in 2018. The Company acquired a right-of-use asset related to the office lease of the Commonwealth management company of $935. During the year ended December 31, 2019, amortization of right-of-use assets of $266 was recorded in the consolidated statements of income (loss) (2018 - NIL).

5. Investment properties:

(a) Investment properties:

	Number of Properties		Amount
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
Acquisitions of income properties	7		89,421
Sale of income property	(1)		(14,991)
Acquisition of control over a property previously owned through a joint venture	1		13,082
Contribution of investment properties to joint venture (note 7)	(8)		(161,047)
Transfer to property, plant and equipment (note 6)	(10)		(100,232)
Capital expenditures	—		9,122
Increase in straight-line rents	—		8,964
Fair value adjustment	—		(6,046)
Tenant inducements	—		8,337
Amortization of tenant inducements	—		(158)
Translation of foreign operations	—		7,652
Balance, December 31, 2019	69	$	969,634

At December 31, 2019, 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 or discounted cash flow projections (Level 3 inputs). 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. When a loan is arranged with a tenant at a below market rate, the estimated fair value of the discount is recognized as a tenant inducement at the time the loan commitment is made.

On April 1, 2019, the Company exchanged its majority ownership interest in the operations of a property previously owned through a joint venture located in Lansdale, PA for the partner's minority ownership interest in the real estate of the property resulting in the acquisition of control over the real estate. The transaction resulted in the consolidation of investment property of $13,082 and assumption of mortgages payable of $9,743. On October 1, 2019, the Company acquired the operations pursuant to the transaction described below. As of the date of the acquisition of the property's operations it met the criteria of owner occupied property, and its corresponding assets were reclassified as property, plant and equipment.

The Company entered an agreement with Greenfield Senior Living ("Greenfield") whereby the Company has acquired 100% of Greenfield's interests in 13 properties in which the Company previously had an ownership interest. Ten of these properties were previously triple-net leased to Greenfield and the Company has acquired Greenfield's interest in the operations at each property. Three of these properties were previously held in a joint arrangement in which the Company owned an 80% interest in both the real estate and the operations of each property. As of the date of each property's transition, it met the criteria of owner occupied property, and its corresponding assets were reclassified as property, plant and equipment.

The significant unobservable assumptions used in determining fair value of investment properties measured as at December 31, 2019 and December 31, 2018 are set out in the following table:

	December 31, 2019	December 31, 2018
Capitalization rate - range	6.50% - 8.75%	6.50% - 8.25%
Capitalization rate - weighted average	7.89%	7.89%
Terminal capitalization rate - range	5.70% - 9.25%	5.70% - 9.25%
Terminal capitalization rate - weighted average	6.72%	7.04%
Discount rate - range	6.70% - 9.00%	6.70% - 9.00%
Discount rate - weighted average	7.56%	7.74%

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, 2019		December 31, 2018	
Investment property valued using direct capitalization income approach	$	793,724	$	925,895
Investment property valued using discounted cash flow projection	$	162,501	$	183,582
Investment property valued using other methods	$	13,409	$	6,053
Capitalization rate:				
25-basis point increase	$	(24,519)	$	(28,559)
25-basis point decrease	$	26,146	$	30,448
Terminal capitalization rate:				
25-basis point increase	$	(4,252)	$	(4,281)
25-basis point decrease	$	4,601	$	4,629
Discount rate:				
25-basis point increase	$	(1,968)	$	(2,479)
25-basis point decrease	$	2,005	$	2,535

(b) Asset acquisitions and dispositions - year ended December 31, 2019

	Allen, TX	Symcare Properties	Mooresville, IN	Constant Care	Total
Number of consolidated properties acquired (disposed):	1	3	(1)	3	6
Net assets acquired (disposed):					
Investment properties	$ 8,136	$ 51,323	$ (14,991)	$ 29,962	$ 74,430
Working capital balances	—	(586)	104	—	(482)
	$ 8,136	$ 50,737	$ (14,887)	$ 29,962	$ 73,948
Consideration paid/funded (received):					
Cash	2,445	46,937	(9,887)	25,613	65,108
Proceeds from mortgage payable, net of fees	5,591	—	—	—	5,591
Deposit applied against purchase price	100	—	—	—	100
Common shares issued	—	3,800	—	—	3,800
Loans issued to buyer	—	—	(5,000)	—	(5,000)
Issuance of Exchangeable Units	—	—	—	2,049	2,049
Repayment of loan receivable principal and accrued interest	—	—	—	2,300	2,300
	$ 8,136	$ 50,737	$ (14,887)	$ 29,962	$ 73,948

i) On January 16, 2019, the Company acquired a memory care facility leased to an operator located in Allen, TX for a contractual 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.

ii) On March 15, 2019, the Company acquired a skilled nursing property located in Oswego, IL from Symcare for a contractual purchase price of $22,000 plus transaction costs funded with cash on hand. The original master lease with the Symcare operator was amended to include this new building.

iii) On April 30, 2019, the Company acquired two skilled nursing properties located in Chicago, IL and Glendale, WI from Symcare for a total contractual purchase price of $30,000 plus transaction costs. The transaction was funded by the issuance of 555,556 common shares and cash on hand. The original master lease with the Symcare operator was amended to include these new buildings.

iv) On June 28, 2019, the Company sold its interest in a property located in Mooresville, IN for total consideration of $15,000, less transaction costs. The consideration was paid in the form of cash and a $5,000 loan receivable issued to the buyer of the property. The loan receivable earns annual interest of 8.5% and matures on July 1, 2024.

v) On August 30, 2019, the Company purchased three memory care facilities located in Fishers, IN; Greenwood, IN; and Zionsville, IN for a total contractual purchase price of $30,786, plus transaction costs. The transaction was funded by the repayment of $2,300 of outstanding loans receivable principal and accrued interest, issuance of $2,049 in Class B LP units with the right to exchange units into common shares of the Company at the option of the unit holder ("Exchangeable Units"), and cash on hand.

(c) Asset 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, NE 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, TX 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, TX; Grapevine, TX and McKinney, TX (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, TX and Webster, TX 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, TX 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.

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, NY ("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, NY 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.

6. Property, plant and equipment, net:

(a) Property, plant and equipment, net:

Property, plant and equipment consists of the following as at December 31, 2019:

	Land	Buildings	In-place leases	Furniture, fixtures and equipment	Properties under development	Total
Cost						
Balance, December 31, 2018	$ —	$ —	$ —	$ 585	$ —	$ 585
Additions through business combinations - Commonwealth	18,034	276,461	45,030	5,221	893	345,639
Additions through business combinations - Greenfield	5,024	28,228	—	3,178	—	36,430
Additions through settlement of loans receivable	2,500	—	—	—	—	2,500
Additions	—	640	—	591	44	1,275
Transfers from investment property	6,004	93,782	—	446	—	100,232
Held for sale assets	(3,560)	(8,183)	—	(458)	—	(12,201)
Balance, December 31, 2019	28,002	390,928	45,030	9,563	937	474,460
Accumulated depreciation						
Balance, December 31, 2018	—	—	—	78	—	78
Depreciation and amortization	—	3,509	10,421	510	—	14,440
Balance, December 31, 2019	$ —	$ 3,509	$ 10,421	$ 588	$ —	$ 14,518

On June 29, 2019, the Company entered into an agreement with Greenfield Senior Living ("Greenfield") whereby the Company would acquire 100% of Greenfield's interests in 13 properties in which the Company already has an ownership interest ("Greenfield Transition"). Ten of these properties were previously triple-net leased to Greenfield and the Company acquired Greenfield's interest in the operations at each property. The remaining three properties were previously held in a joint venture and were managed by Greenfield.

On September 3, 2019, three properties that were previously triple-net leased to Greenfield transitioned operations to a subsidiary of the Company. During October of 2019, seven properties that were previously triple-net leased to Greenfield transitioned operations. As of the date of these transitions, the assets were determined to be owner occupied property, and the corresponding assets are classified as property, plant and equipment.

On August 2, 2019, a property that was previously held in a joint venture and managed by Greenfield transitioned operations to the management of Commonwealth, a subsidiary of the Company. On October 1, 2019, a property that was previously held in a joint venture and managed by Greenfield transitioned operations to the management of Commonwealth. As of the date of this transition, the assets were determined to be owner occupied property, and the corresponding assets are classified as property, plant and equipment.

On December 31, 2019, the remaining property from the joint venture transitioned full ownership to a subsidiary of the Company and still remained under the operations of Greenfield. The assets are currently classified as held for sale on the consolidated statements of financial position. The community, located in Arlington, TX, was sold on February 28, 2020 for total consideration of $12,450, less estimated transaction costs. The consideration was paid in the form of cash and an $8,000 repayment of the mortgage secured by the property.

(b) Acquisitions - year ended December 31, 2019

The following table summarizes the preliminary allocation of the purchase price to each major category of assets acquired and liabilities assumed at the date of acquisition and the major categories of consideration transferred for acquisitions which were accounted for as business combinations under IFRS 3. The fair value allocations are based on preliminary purchase allocations conducted by management. As the acquisition is within the measurement period under IFRS 3, it continues to be refined. The Company is gathering information to finalize fair value of the property, plant and equipment, embedded derivatives and mortgages.

	Commonwealth Tranche I	Commonwealth Tranche II	Greenfield Transition	Total
Properties Acquired	17	3	13	33
Property, plant and equipment	$ 286,695	$ 58,051	$ 36,430	$ 381,176
Construction in progress	893	—	—	893
Assumption of mortgages payable	(9,523)	(34,475)	(22,522)	(66,520)
Mark to market debt adjustments	(278)	(2,876)	—	(3,154)
Working capital balances	(2,964)	1,010	559	(1,395)
Previous interest in joint venture	—	—	(9,863)	(9,863)
	$ 274,823	$ 21,710	$ 4,604	$ 301,137
Consideration paid:				
Issuance of preferred units	53,587	12,093	—	65,680
Proceeds from Commonwealth Facility	174,069	—	—	174,069
Satisfaction of rent receivable	—	—	1,522	1,522
Cash on hand	47,167	9,617	3,082	59,866
	$ 274,823	$ 21,710	$ 4,604	$ 301,137

On August 1, 2019, a wholly owned subsidiary of the Company closed on the first tranche of the purchase of Commonwealth Senior Living, LLC ("Commonwealth"). The first tranche of the acquisition includes 17 private pay seniors housing properties in addition to the Commonwealth management company (collectively, "Commonwealth Tranche I"). The Commonwealth management company operates all 17 properties purchased.

The total contractual purchase price for Commonwealth Tranche I was $285,357 for property, plant and equipment and $893 for construction in progress related to development projects ongoing at certain properties in the portfolio, subject to working capital adjustments and transaction costs. The acquisition was funded through $176,000 in new debt secured by 16 of the properties, the assumption of $9,523 in debt secured by one of the properties, the issuance of $53,587 of preferred interests in the Company's acquiring subsidiary entity and cash on hand.

On December 23, 2019, a wholly owned subsidiary of the Company closed on the second tranche of the purchase of Commonwealth which included the acquisition of 3 private pay seniors housing properties (collectively, "Commonwealth Tranche II"). The 3 properties are operated by the Commonwealth management company. The total contractual purchase price of Commonwealth Tranche II was $55,000. The acquisition was funded through the assumption of $34,475 in debt secured by the properties, the issuance of $12,093 of preferred interests in the Company's acquiring subsidiary entity and cash on hand. For the year ended December 31, 2019, the consolidated statement of income (loss) and comprehensive income (loss) includes transaction costs of $4,556 related to the acquisition of Commonwealth.

For the year ended December 31, 2019, the Commonwealth portfolio has contributed revenue of $29,180 and net loss of $12,092. Had the acquisition of the Commonwealth portfolio taken place on January 1, 2019, revenue for the Company for the year ended December 31, 2019 would have been $199,220 and net loss for the Company would have been $19,409.

As of December 31, 2019, the Company completed the Greenfield Transition and acquired Greenfield's ownership interest in 13 properties which included Greenfield's 100% interest in operations at 10 properties as well as Greenfield's 20% interest in both the real estate and operations at 3 additional properties. The Company previously owned the real estate of the 10 properties in which it acquired operations and had leased the properties to Greenfield under a triple net lease. The Company previously owned 80% of the other 3 properties and accounted for its interests in these as investments in joint ventures (note 7). Upon completion of this transaction, the Company owns a 100% interest in both the real estate and operations of the 3 properties. Since these acquisitions were completed in steps, the Company remeasured its original interests to fair value. The total contractual purchase price of the Greenfield Transition was $4,708 which was funded through satisfaction of outstanding rent receivable of $1,522 owed by Greenfield and cash on hand. For the year ended December 31, 2019, the consolidated statement of income (loss) and comprehensive income (loss) includes transaction costs of $1,342 related to the Greenfield Transition.

For the year ended December 31, 2019, the Greenfield transitioned ownership has contributed revenue of $6,542 and net loss of $942. Had the Greenfield transition taken place on January 1, 2019, revenue for the Company for the year ended December 31, 2019 would have been $165,186 and net loss for the Company would have been $8,403.

(c) Assets Held for Sale

On November 27, 2019, the Company entered into a definitive agreement to sell a seniors housing property located in Arlington, TX. The sale price is $12,450 before closing costs and will be settled in cash. On February 28, 2020 the transaction was completed.

The following table summarizes the significant assets held for sale on December 31, 2019:

	December 31, 2019
Assets:	
Property, plant and equipment	12,201
	12,201

7. Joint arrangements:

As at December 31, 2019, 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	—	Canada	50%	Joint venture (2)
Calamar	2	United States	75%	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)
Jaguarundi	8	United States	61%	Joint venture (4)

(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.
(4) The joint venture owns an interest in separate legal entities which own the real estate and leases the properties to third party operators.

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.

On April 1, 2019, the Company exchanged its majority ownership interest in the operations of a property previously owned through a joint venture located in Lansdale, PA for the partner's minority ownership interest in the real estate of the property resulting in the acquisition of control over the real estate.

During the year ended December 31, 2019, the Company acquired the joint venture partner's ownership of the three properties previously held in the Greenfield JV. Through the Greenfield Transition transaction, the wholly owned assets were determined to be owner occupied property, and the corresponding assets are classified as property, plant and equipment.

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, $3,024 for the year ended December 31, 2019 (2018 - $2,991), 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 (loss) and comprehensive income (loss).

The Company has an interest in 14 seniors housing and care properties in the United States in which it also owns an interest in the operations at those properties through 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 (loss) and comprehensive income (loss).

On June 5, 2019, the Company contributed eight investment properties to a newly formed joint venture, Jaguarundi Ventures, LP. The Company received $23,000 from its joint venture partner in the arrangement in exchange for a 39.49% interest in the joint venture. The properties contributed had an investment property value of $161,047 and total mortgage indebtedness of $102,692. The Company provides a guarantee on the outstanding mortgage balances of the joint venture in exchange for a fee equal to 15 basis points on the amount guaranteed. The Company earns an asset management fee of 25 basis points based on gross asset value. For the year ended December 31, 2019, the Company has earned guaranty fees of $39 and management fees of $229 from Jaguarundi Ventures included in other income in the consolidated statements of income (loss) and comprehensive income (loss).

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, 2019		Year ended December 31, 2018
Cash contributions to joint ventures	$	2,497	$	1,655
Distributions received from joint ventures	$	5,897	$	8,164

	December 31, 2019		December 31, 2018	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	$ 8,288	$ 5,959	$ 4,965	$ 4,047
Tenant and other receivables	5,192	3,374	2,443	1,591
Other	1,032	793	1,349	1,021
Current assets	14,512	10,126	8,757	6,659
Investment properties	361,970	256,945	256,184	202,972
Property, plant and equipment	26,878	19,567	28,012	20,498
Loans receivable	13,978	9,010	3,864	39
Derivative instruments	—	—	2,024	1,726
Other non-current assets	1,107	927	445	325
Total assets	$ 418,445	$ 296,575	$ 299,286	$ 232,219
Accounts payable and accrued liabilities	$ 7,578	$ 5,441	$ 6,511	$ 4,945
Unearned revenue	724	560	1,066	873
Mortgages payable - current	29,424	21,207	32,323	25,382
Current liabilities	37,726	27,208	39,900	31,200
Mortgages payable - non-current	217,627	156,853	144,419	116,263
Loan payable to Invesque (note 3)	9,559	8,673	—	—
Loan commitment liability	2,359	1,478	—	—
Derivative instruments	2,627	2,012	—	—
Other non-current liabilities	1,702	1,030	104	98
Total liabilities	$ 271,600	$ 197,254	$ 184,423	$ 147,561
Net assets	$ 146,845	$ 99,321	$ 114,863	$ 84,658

Loan commitment liability represents the fair value of commitments made by the Company to issue loans at rates below market value.

	Year ended December 31, 2019		Year ended December 31, 2018	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 78,954	$ 52,564	$ 84,234	$ 59,153
Property operating expense	(57,549)	(37,067)	(68,782)	(46,889)
Finance costs	(10,762)	(8,048)	(7,597)	(6,065)
Depreciation expense	(1,326)	(995)	(1,586)	(1,189)
Change in fair value of financial instruments	(3,010)	(2,465)	(434)	(373)
Change in fair value of investment properties	(16,272)	(10,788)	849	813
Net income (loss), prior to distributions to owners	$ (9,965)	$ (6,799)	$ 6,684	$ 5,450

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, other receivables, loans receivable, and lease revenue from joint ventures.

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

	December 31, 2019	December 31, 2018
Mortgages at fixed rates:		
Mortgages (principal) [1]	$ 163,307	$ 100,028
Interest rates	3.99% to 4.98%	3.24% to 5.68%
Weighted average interest rate	4.33%	4.26%
Mortgages at variable rates:		
Mortgages (principal)	$ 84,745	$ 76,874
Interest rates	LIBOR plus 2.40% to LIBOR plus 3.00%	LIBOR plus 2.75% to LIBOR plus 3.20%
Weighted average interest rate	4.56%	5.43%
Blended weighted average rate	4.41%	4.76%

(1) Includes $115,280 of variable rate mortgages that are fixed with interest rate swaps.

The following tables summarize the information about the Company's investment in Jaguarundi Ventures, which have been accounted for under the equity method. The joint venture was formed on June 5, 2019.

	December 31, 2019	
	Net assets	Company share of net assets
Cash	$ 3,936	$ 2,382
Tenant and other receivables	1,620	980
Current assets	5,556	3,362
Investment properties	162,660	98,420
Loans receivable	10,120	8,972
Total assets	$ 178,336	$ 110,754
Accounts payable and accrued liabilities	$ 2,154	$ 1,303
Unearned revenue	82	50
Mortgages payable - current	2,122	1,284
Current liabilities	4,358	2,637
Mortgages payable - non-current	99,542	60,229
Loan payable to Invesque (note 3)	9,559	8,673
Loan commitment liability	2,359	1,428
Derivative instruments	659	399
Other non-current liabilities	1,700	1,029
Total liabilities	$ 118,177	$ 74,395
Net assets	$ 60,159	$ 36,359

	Year ended December 31, 2019	
	Net income (loss)	Company share of net income (loss)
Revenue	$ 8,417	$ 5,048
Property operating expense	(1,536)	(970)
Finance costs	(2,847)	(1,723)
Change in fair value of financial instruments	(126)	(76)
Change in fair value of investment properties	(5,621)	(4,219)
Net income (loss), prior to distributions to owners	$ (1,713)	$ (1,940)

8. 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, 2019	Borrowing rate at December 31, 2019		December 31, 2018	Borrowing rate at December 31, 2018
Unsecured Facility Term [1]	$	200,000	4.51%	$	200,000	4.33%
Unsecured Facility Revolver [3]		173,750	4.43%		44,900	4.75%
Secured Revolving Facility		—	—%		12,740	6.31%
Mohawk Facility USD denominated portion		21,286	3.96%		21,286	4.72%
Mohawk Facility CAD denominated portion [1] [2]		65,589	4.32%		62,461	4.53%
Magnetar Facility		15,000	8.50%		—	—%
Commonwealth Facility [1]		176,000	3.84%		—	—%
Finance costs, net		(4,666)	—		(3,247)	—
Carrying value	$	646,959	4.36%	$	338,140	4.52%
Less current portion		14,569			12,647	
Long-term portion	$	632,390		$	325,493	

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

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

(3) $75,000 of this facility is fixed with interest rate swaps.

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 November 7, 2019, the Company amended the terms of the Unsecured Facility to extend the surge provision period following a material acquisition for both

the maximum consolidated total leverage ratio covenant and unencumbered pool leverage covenant. The maximum consolidated total leverage ratio covenant can increase to 65% for four quarters starting with the third quarter of 2019. The unencumbered pool leverage ratio may increase to 65% for two quarters starting with the third quarter of 2019, reducing to 62.5% for two quarters after that, and reducing back to 60% thereafter. The Company's acquisition of Commonwealth is considered a material acquisition under the terms of the Unsecured Facility.

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 had a maximum capacity of $25,000 and had an original maturity date of February 24, 2018. Interest on the Secured Revolving Facility was variable in nature and is dependent on the security provided to the lender. The Secured Revolving Facility provided 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 June 7, 2019, the Company repaid in full the remaining balance of the Secured Revolving Facility.

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.

On July 26, 2019, the Company entered into a credit agreement with Magnetar for a principal amount of $30,000, annual interest rate of 8.5%, and an initial maturity of one year with a one year extension option. On December 5, 2019, the Company repaid $15,000 on the facility.

On August 1, 2019, a wholly owned subsidiary of the Company entered into a secured credit facility ("Commonwealth Facility") for the purpose of funding the acquisition of Commonwealth Tranche I. The $176,000 new debt secured by 16 properties has a maturity date of August 1, 2024, with 2 available extension options. It bears interest at a rate of LIBOR plus 215 basis points. The agreement also provides for an accordion feature that would extend the capacity of the loan by an additional $50,000 subject to certain terms and conditions provided for in the agreement.

Future principal repayments of the credit facilities are as follows:

	Aggregate principal payments
2020	$ 15,000
2021	—
2022	173,750
2023	286,875
2024	176,000
Thereafter	—
Total	$ 651,625

9. Mortgages payable:

Mortgages payable consist of the following as at December 31, 2019:

	December 31, 2019	December 31, 2018
Mortgages payable	$ 275,083	$ 306,170
Mark-to-market adjustment, net	2,297	(883)
Finance costs, net	(1,913)	(1,957)
Carrying value	$ 275,467	$ 303,330
Less current portion	43,024	49,444
Long-term portion	$ 232,443	$ 253,886

Mortgages payable are collateralized by investment properties and property, plant and equipment with a value of $436,838 at December 31, 2019. Maturity dates on mortgages payable range from 2020 to 2054, and the weighted average years to maturity is 8.92 years at December 31, 2019.

Future principal payments on the mortgages payable as at December 31, 2019 are as follows:

	Regular principal payments	Principal due on maturity	Total principal payments	% of total principal payments
2020	$ 5,223	$ 30,952	$ 36,175	13.15%
2021	5,951	17,406	23,357	8.49%
2022	5,651	27,336	32,987	11.99%
2023	5,220	41,102	46,322	16.84%
2024	3,697	20,443	24,140	8.78%
Thereafter	49,162	62,940	112,102	40.75%
	$ 74,904	$ 200,179	$ 275,083	100.00%

	December 31, 2019	December 31, 2018
Mortgages at fixed rates:		
Mortgages (principal) (1)	$ 241,451	$ 228,925
Interest rates	2.55% to 6.96%	3.08% to 5.98%
Weighted average interest rate	4.76%	4.58%
Mortgages at variable rates:		
Mortgages (principal)	$ 33,632	$ 77,245
Interest rates	LIBOR plus 3.20% to Canada Prime Rate plus 1.25%	LIBOR plus 2.5% to US Prime plus 0.5%
Weighted average interest rate	5.02%	5.56%
Blended weighted average rate	4.79%	4.82%

(1) Includes $53,640 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, 2019 and 2018

10. Derivative financial instruments:

Derivative financial instruments as at December 31, 2019 are detailed in the table below:

Swap	Maturity date	Fixed rate	Notional amount	Asset (liability) balance December 31, 2019	Asset (liability) balance December 31, 2018	Income (loss) for the year ended December 31, 2019	Income (loss) for the year ended December 31, 2018
The Secured Facility Term Swap	October 30, 2019	LIBOR fixed at 1.16%	$ —	$ —	$ —	$ —	$ (2,827)
The Unsecured Term	December 19, 2023	LIBOR fixed at 2.11%	200,000	(4,466)	1,189	(5,655)	1,189
The Unsecured Revolver	January 2, 2024	LIBOR fixed at 2.57%	25,000	(1,019)	(163)	(856)	(163)
The Unsecured Revolver	December 1, 2022	LIBOR fixed at 2.11%	50,000	(861)	—	(861)	—
Leawood Swap [3]	March 15, 2024	Interest rate fixed at 4.55%	13,221	—	134	(407)	185
Topeka Swap [3]	March 15, 2024	Interest rate fixed at 4.55%	12,558	—	128	(387)	176
Red Oak Swap [1]	January 18, 2021	Interest rate fixed at 3.77%	4,141	(27)	(17)	(10)	(17)
Park Terrace Swap	December 18, 2020	LIBOR fixed at 2.42%	—	—	4	(4)	12
Seneca Lake Swap	December 18, 2020	LIBOR fixed at 2.42%	—	—	4	(4)	14
Winchester Swap	November 1, 2021	Interest rate fixed at 4.54%	6,496	(2)	157	(159)	(41)
Calhoun Swap	May 31, 2019	LIBOR fixed at 1.75%	—	—	106	(3)	(6)
Mohawk Credit Facility Swap [2]	May 1, 2023	Banker's Acceptance fixed at 2.12%	65,589	(276)	(126)	(127)	(126)
Grand Brook Swap	October 2, 2021	Interest rate fixed at 5.98%	15,731	(475)	(345)	(130)	(345)
Commonwealth Swap	August 1, 2024	LIBOR fixed at 1.69%	176,000	(840)	—	(840)	—
Constant Care Swap	October 1, 2022	LIBOR fixed at 4.21%	27,272	64	—	64	—
			Carrying value	$ (7,902)	$ 1,071	$ (9,379)	$ (1,949)
			Derivative instruments (Asset)	$ 64	$ 1,722		
			Derivative instruments (Liability)	(7,966)	(651)		
				$ (7,902)	$ 1,071		

1) The swap has a notional amount of CAD$5,371.

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

3) These properties were contributed to a joint venture on June 5, 2019.

11. 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 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 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, 2019 the 2016 Convertible Debentures are comprised of the following:

	December 31, 2019	December 31, 2018
Issued	$ 44,975	$ 45,000
Issue costs, net of amortization and accretion of equity component	45	(694)
Equity component, excluding issue costs and taxes	(1,648)	(1,648)
2016 Convertible Debentures	$ 43,372	$ 42,658

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

On May 6, 2019, $25 of 2016 Convertible Debentures were converted into 2,272 common shares.

(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, 2019 the 2018 Convertible Debentures are comprised of the following:

	December 31, 2019		December 31, 2018	
Issued	$	50,000	$	50,000
Issue costs, net of amortization and accretion of equity component		(1,587)		(2,177)
Equity component, excluding issue costs and taxes		(736)		(736)
2018 Convertible Debentures	$	47,677	$	47,087

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

12. Commonwealth preferred unit liability:

On August 1, 2019, the Company issued $53,587 in preferred interests of the acquiring subsidiary to fund the purchase of Commonwealth Tranche I. The preferred interests are exchangeable by holders into common shares of the Company at a fixed exchange price of $9.75 per common share. The preferred interests have an initial dividend rate of 6.50% per annum, with annual escalators beginning August 1, 2024, and a liquidation value equal to their unreturned initial capital contribution and any accrued and unpaid dividends. These dividends are included in finance costs from operations in the consolidated statement of income and comprehensive income. Under certain circumstances, the Company will have the right to redeem the preferred interests at its discretion for an amount specified in the operating agreement.

On December 23, 2019, the Company issued $12,093 in preferred interests of the acquiring subsidiary to fund the purchase of the Commonwealth Tranche II.

As at December 31, 2019 the Commonwealth preferred unit liability is comprised of the following:

	December 31, 2019		December 31, 2018	
Issued	$	65,680	$	—
Equity component, net of accretion		(2,026)		—
Commonwealth preferred unit liability	$	63,654	$	—

13. Other liabilities:

Other liabilities are as follows:

	December 31, 2019	December 31, 2018
Deferred shares liability (note 21)	$ 2,597	$ 1,756
Security deposits received from tenants	8,573	10,029
Escrows collected from tenant	944	1,575
Unearned revenue	1,426	303
Liability to previous owner of Care	632	1,000
Lease liability	2,199	—
Loan commitment liability (note 24)	979	—
Exchangeable Units liability (note 5)	2,049	—
Other	352	152
	$ 19,751	$ 14,815
Current	$ 3,015	$ 2,030
Non-current	16,736	12,785
	$ 19,751	$ 14,815

Loan commitment liability represents the fair value of commitments made by the Company to issue loans at rates below market value.

On August 30, 2019, the Company issued 327,869 Class B LP units with the right to exchange units into common shares at the option of the unit holder ("Exchangeable Units"). The shares were issued to fund $2,049 of the consideration paid for the three purchased properties located in Indiana. The Exchangeable Units are entitled to receive distributions equal to those provided to common share holders. These distributions are included in finance costs from operations in the consolidated statement of income (loss) and comprehensive income (loss).

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

	Credit facilities	Mortgages payable	Convertible debentures	Commonwealth preferred unit liability	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
Proceeds from financing	370,350	39,489	—	—	409,839
Repayments	(63,990)	(40,635)	—	—	(104,625)
Scheduled principal payments	—	(4,959)	—	—	(4,959)
Mortgages contributed to joint venture (note 7)	—	(102,692)	—	—	(102,692)
Mortgages assumed on acquisition of control over properties previously owned through a joint venture	—	32,265	—	—	32,265
Mortgages assumed through acquisition of property, plant, and equipment (note 6)	—	47,152	—	—	47,152
Commonwealth preferred units issued	—	—	—	65,680	65,680
Equity component of Commonwealth preferred unit liability	—	—	—	(2,093)	(2,093)
Financing costs paid	(1,952)	(979)	—	—	(2,931)
Amortizing of financing costs and mark to market adjustments	1,311	1,259	1,329	67	3,966
Changes in foreign currency rates	3,100	1,237	—	—	4,337
Conversion of convertible debentures into common shares	—	—	(25)	—	(25)
Balance, December 31, 2019	$ 646,959	$ 275,467	$ 91,049	$ 63,654	$ 1,077,129

15. Share capital:

(a) Common shares:

The following number and value of common shares were issued and outstanding as at December 31, 2019:

	Common shares		Value
Balance, December 31, 2017	32,358,754	$	310,459
Issued as consideration for acquisition of Care	16,855,890		148,406
Issued as consideration for acquisition of Mohawk	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
Issued as consideration for acquisition of Symcare properties	555,556		3,800
Issued on settlement of Deferred Share Incentive Plan	150,912		1,078
Issued pursuant to the Company's dividend reinvestment plan	1,070,518		7,023
Shares acquired under NCIB	(79,627)		(530)
Issued through conversion of convertible debentures	2,272		25
Balance, December 31, 2019	54,633,482	$	504,561

(i) On November 9, 2018 the Toronto Stock Exchange ("TSX") 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 common shares, or approximately 5% of the Company’s 52,959,070 outstanding common shares as of November 1, 2018, for cancellation over the following 12 months. Purchases under the NCIB will be made through the facilities of the TSX 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.

(ii) On November 15, 2019 the Toronto Stock Exchange approved the Company's notice of intention to renew its NCIB for a portion of its common shares. Pursuant to the notice, the Company is authorized to acquire up to a maximum of 2,723,835 of its common shares, or approximately 5% of the Company’s 54,476,694 outstanding common shares as of November 1, 2019, for cancellation over the following 12 months. Purchases under the NCIB will be made through the facilities of the TSX 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 10,927 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.

(iii) For the year ended December 31, 2019, the Company declared dividends payable on common shares of $39,764, respectively (2018 - $37,001). Of the $39,764 dividends declared in the year ended December 31, 2019, $7,687 is satisfied in the form of shares issued through the dividend reinvestment plan (2018 - $838).

(b) Preferred shares:

The following number and value of preferred shares were issued and outstanding as at December 31, 2019:

		Preferred shares		Value
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
Issued Series 4 preferred shares		1,538,461		14,283
Balance, December 31, 2019		9,098,598	$	85,389

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 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 issued during series 1, 2, and 3 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.

On July 23, 2019, the Company entered into subscription agreements in respect of the issuance of Class A convertible preferred shares to Magnetar for aggregate gross proceeds of $14,550. On August 27, 2019 the fourth series funded resulted in the issuance of 1,538,461 Class A Series 4 Preferred Shares.

The Series 4 Preferred Shares will be convertible into common shares at a conversion price of $9.75. The other terms of the Series 4 Preferred Shares will be substantially similar to the terms of the Company's Class A convertible preferred shares that are currently outstanding, except that the liquidation preference of the Series 4 Preferred Shares will accrete at a rate of 9.80% for the first 24 months following the issuance of the Series 4 Preferred Shares and 12.25% thereafter; the prepayment penalty on liquidation, mandatory conversion and redemption will be 1% of the initial liquidation amount if the applicable event occurs within the first six months after issuance and 0.5% of the initial liquidation amount if the applicable event occurs between 6 months and one year following the issuance; and the Series 4 Preferred Shares will contain a limitation on converting to common shares, without prior approval of the Toronto Stock Exchange, if such conversion would result in the issuance of common shares equal to or exceeding 10% of the common shares outstanding on the date the Series 4 Preferred Shares are issued.

As at December 31, 2019, the preferred shares are convertible into 10,006,860 common shares of the Company.

16. Earnings per share:

Basic income per share is calculated using the weighted average number of shares outstanding during the period. The calculation of diluted income per share, is calculated using the "if-converted" method and to the extent the conversion is dilutive, assumes all convertible securities have been converted at the beginning of the period, or at the time of issuance, if later, and any charges or returns on the convertible securities, on an after-tax basis, are removed from net earnings. The after-tax interest on 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, unvested deferred shares, Exchangeable Units, and Commonwealth preferred units, 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 loss:

	Year ended December 31, 2019	Year ended December 31, 2018
Net loss for basic and diluted net loss per share	$ (5,359)	$ (12,275)

Denominator for basic and diluted net loss per share:

	Year ended December 31, 2019	Year ended December 31, 2018
Weighted average number of shares, including fully vested deferred shares: Basic	53,989,904	50,273,295
Weighted average shares issued if all preferred shares were converted	8,661,804	6,975,227
Weighted average number of shares: Diluted	62,651,708	57,248,522

Net loss per share:

	Year ended December 31, 2019	Year ended December 31, 2018
Basic and diluted	$ (0.10)	$ (0.24)

17. Revenue:

(a) Rental Revenue:

Rental revenue consists of the following:

		Year ended December 31, 2019		Year ended December 31, 2018
Contractual rental revenue	$	75,950	$	82,192
Straight-line rent adjustments		8,964		10,831
Amortization of tenant inducements		(158)		—
Property tax recoveries		15,243		14,327
Revenue from services - CAM recoveries (1)		3,199		2,038
	$	103,198	$	109,388

(1) Represents property services element in accordance with IFRS 15

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 Symcare operates a portfolio of 15 properties and pays rent pursuant to a master lease. For the year ended December 31, 2019, rental revenue from this tenant comprised approximately 38% (2018 - 32%), of the Company's consolidated rental revenue for the period.

Future minimum rentals to be received as of December 31, 2019 are as follows:

Less than 1 year	$	68,545
Between 1 and 5 years		273,684
More than 5 years		579,450
	$	921,679

Future minimum rentals in the above table attributable to Symcare represent approximately 49% of the total.

(b) Resident rental and related revenue:

		Year ended December 31, 2019		Year ended December 31, 2018
Resident revenue	$	16,210	$	—
Service revenue (1)		22,257		—
	$	38,467	$	—

(1) Represents property services element in accordance with IFRS 15

18. Direct property operating expenses:

Direct property operating expenses consist of the following:

	Year ended December 31, 2019			Year ended December 31, 2018		
	Owner occupied properties	Medical office buildings	Total	Owner occupied properties	Medical office buildings	Total
Repairs and maintenance	$ 763	$ 1,539	$ 2,302	$ —	$ 744	$ 744
Utilities	1,163	1,369	2,532	—	829	829
Property management fees	—	574	574	—	380	380
Compensation and benefits	19,226	—	19,226	—	—	—
Other services and supplies	2,562	1,022	3,584	—	642	642
Real estate taxes	715	—	715	—	—	—
Other	3,782	818	4,600	—	531	531
	$ 28,211	$ 5,322	$ 33,533	$ —	$ 3,126	$ 3,126

19. Finance costs:

Finance costs consist of the following:

	Year ended December 31, 2019	Year ended December 31, 2018
Interest expense on credit facilities	$ 22,665	$ 15,778
Interest expense on mortgages payable	11,922	17,096
Interest expense on convertible debentures	5,249	3,317
Distributions on Exchangeable Units	80	—
Dividends on Commonwealth preferred units	1,475	—
Amortization and accretion expense	3,882	2,819
Interest rate swap receipts	(86)	(1,226)
Write-off of deferred financing costs from refinancing	82	3,708
Amortization of mark-to-market debt adjustments	25	79
Interest income from loans receivable (note 3)	(3,661)	(3,307)
Finance costs from operations	$ 41,633	$ 38,264
Allowance for credit losses on loans and interest receivable (note 3)	1,003	11,336
Change in non-controlling interest liability	504	17,927
Change in fair value of financial instruments	9,379	2,325
Change in fair value of contingent consideration	—	10,676
Total finance costs	$ 52,519	$ 80,528

20. General and administrative:

General and administrative costs consist of the following:

	Year ended December 31, 2019	Year ended December 31, 2018
Compensation and benefits	$ 9,067	$ 6,273
Asset management and administrative fees	499	421
Professional fees	3,090	2,544
Deferred share compensation	2,653	1,283
Other	2,783	2,891
	$ 18,092	$ 13,412

For the year ended December 31, 2019, $2,843 (2018 - NIL) of general and administrative costs were incurred at the Commonwealth management company.

21. 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. Directors who elect to participate shall receive a portion of their 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 16, 2018, 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 4,000,000.

At December 31, 2019, the number of deferred shares granted and outstanding and vested are as follows:

	Granted/ Outstanding	Fully Vested
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
Discretionary Deferred Shares granted	621,917	95,526
Individual Contributed Deferred Shares (vested immediately)	41,289	41,289
Company Contributed Deferred Shares	28,995	30,039
Shares forfeited	(18,842)	—
Shares issued upon vesting of deferred shares	(150,912)	(150,912)
As at December 31, 2019	897,726	108,186

For the year ended December 31, 2019, the expense recognized in the consolidated statements of income (loss) and comprehensive income (loss) related to deferred shares was $2,653 (2018 - $1,283). A deferred share liability of $2,597 (2018 - $1,756) is included in other non-current liabilities in the consolidated statements of financial position as at December 31, 2019.

On May 14, 2019, the Company granted 292,825 deferred shares that are considered to be equity settled, as the participants of this grant have waived their rights to receive settlement in cash pursuant to the plan. During the year ended December 31, 2019, the Company amortized $733 of equity settled deferred shares.

The table above includes dividends granted during the year ended December 31, 2019 of 72,585 shares (2018 - 27,767 shares).

22. Related party transactions:

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

A member of the Board of Directors has an ownership interest in a marketing firm ("JDA Worldwide"). For the year ended December 31, 2019, the Company incurred $48 (2018 - $307) of marketing costs in the consolidated statements of income (loss) and comprehensive income (loss) related to services performed by JDA Worldwide.

The Company entered into subscription agreements in 2017 and 2018 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, 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 Company issued 7,560,137 preferred shares for aggregate gross proceeds of $71,500.

On June 5, 2019, the Company formed a joint venture, Jaguarundi Ventures, LP, with Magnetar (note 7). The Company contributed 8 properties to a newly formed joint venture and received $23,000 from Magnetar in exchange for a 39.49% interest in the joint venture.

On July 23, 2019, the Company entered subscription agreements in respect of the issuance of Class A convertible preferred shares to Magnetar for aggregate proceeds of $14,550. On August 27, 2019 the fourth series funded resulted in the issuance of 1,538,461 Class A Series 4 Preferred Shares.

On July 26, 2019, the Company entered into a credit agreement with Magnetar for a principal amount of $30,000, annual interest rate of 8.5%, and an initial maturity of one year with a one year extension option. On December 5, 2019, the Company repaid $15,000 on the facility.

23. Income taxes:

The income tax expense (recovery) in the consolidated statements of income (loss) and comprehensive income (loss) differs from that expected by applying the combined federal, provincial and state income tax rates of 26.5% (2018 - 26.5%). The differences for the year ended December 31, 2019 and 2018 are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Net loss before income taxes	$ (5,426)	$ (15,156)
Income tax recovery at Canadian tax rate	(1,438)	(4,016)
Non-deductible expenses	1,443	1,291
Difference in tax rate in foreign jurisdiction	(19)	(152)
Other	(53)	(4)
Income tax recovery	$ (67)	$ (2,881)

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, 2019	December 31, 2018
Deferred tax assets:		
Tax losses	$ 19,756	$ 18,704
Financing costs	952	1,622
Derivative instruments	2,378	—
Other	2,703	—
	$ 25,789	$ 20,326
Deferred tax liabilities:		
Investment properties and property, plant and equipment	$ 30,691	$ 26,511
Derivative instruments	—	257
Convertible debentures	343	461
Other	1,699	108
Deferred tax liabilities	$ 32,733	$ 27,337
Net deferred tax liability	$ (6,944)	$ (7,011)

The gross movement in deferred tax is as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Deferred tax liability, beginning balance	$ 7,011	$ 10,291
Deferred tax recovery	(67)	(2,881)
Deferred tax resulting from business combination	—	1,699
Deferred tax liability charged to equity	—	(2,098)
Deferred tax liability, ending balance	$ 6,944	$ 7,011

At December 31, 2019, U.S. subsidiaries had accumulated net operating losses available for carryforward for U.S. income tax purposes of $51,965 (2018 - $51,316). The pre-2019 accumulated net operating losses of $51,316 will expire in 2037. The state net operating losses will expire in 2028. The Company and its Canadian subsidiary have losses in Canada for income tax purposes amounting to $16,915 that expire between 2036 and 2038.

The Company has non-capital losses amounting to $2,129 in Canada at December 31, 2019 (2018 - $2,110) 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.

24. 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 consolidated 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.

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 June 5, 2019, the Company entered into agreements to fund future loans to tenants of the Jaguarundi Ventures, LP joint venture. On October 1, 2019, the Company amended the agreements to increase the future loan commitments to the tenants. As at December 31, 2019, the Company is committed to fund an additional $2,402 pursuant to these agreements. The Company has recorded an associated loan commitment liability representing the fair value of these commitments, which were made at interest rates below market value. The Company provides a guarantee on the outstanding mortgage balances of the Jaguarundi Ventures, LP in exchange for a fee equal to 15 basis points on the amount guaranteed.

25. 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, Commonwealth preferred unit liability, 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.

26. 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, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative asset	$ —	$ 64	$ —	$ —	$ 1,722	$ —
Investment properties	—	—	969,634	—	—	1,115,530
Loans receivable	—	—	2,368	—	—	2,141
Loan commitment liability	—	979	—	—	—	—
Derivative liability	—	7,966	—	—	651	—
Deferred share liability	—	2,597	—	—	1,756	—

For the assets and liabilities measured at fair value as at December 31, 2019, 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 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. Fair value of deferred share liability represents the value of the units if converted using the market price of the Company's common shares.

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, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans receivable	$ 48,902	$ 48,947	$ 32,422	$ 32,361
Derivative instruments	64	64	1,722	1,722
Bond assets	1,071	1,071	—	—
Financial liabilities:				
Mortgages payable	275,467	275,083	303,330	306,170
Credit facilities	646,959	651,625	338,140	341,387
Derivative instruments	7,966	7,966	651	651
Convertible debentures	91,049	86,441	89,745	72,500
Commonwealth preferred unit liability	63,654	63,654	—	—
Loan commitment liability	979	979	—	—
Exchangeable Units liability	2,049	2,207	—	—

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) 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.

(ii) 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.

(iii) Bond assets

The fair value of bond assets is determined by the discounted cash flow method using applicable inputs such as discount rates and fixed payment schedules. Fair value measurements of these instruments were estimated using Level 3 inputs. The carrying values of bond assets approximate their fair values.

(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.

(vi) Commonwealth preferred unit liability

The fair value of the Commonwealth preferred unit liability is determined by the discounted cash flow method using applicable inputs such as market interest rates and contractual rates. Fair value measurements of these instruments were estimated using Level 3 inputs.

(vii) Loan commitment liability

The fair value of the loan commitment liability is determined by the discounted cash flow method using applicable inputs such as market interest rates and contractual rates. Fair value measurements of these instruments were estimated using Level 3 inputs.

(viii) Exchangeable Unit liability

The Company determined the fair value of the Exchangeable Unit liability using quoted market prices of the Company's common shares which are considered Level 2 inputs.

27. 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, 2018.

(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, 2019, 85.0% 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, 2019, the Company's interest-bearing financial instruments were as follows:

	Carrying Amount			
	December 31, 2019		December 31, 2018	
Fixed-rate financial liabilities	$	860,650	$	601,435
Variable-rate financial liabilities	$	152,825	$	129,780

As at December 31, 2019, an increase/decrease of 100-basis-points in interest rates, assuming all other variables are constant, would result in a $1,537 (2018 - $1,312) 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, 2019, including expected interest payments where applicable:

	Total	2020	2021	2022	2023	2024	Thereafter
Credit facilities principal	$ 651,625	$ 15,000	$ —	$ 173,750	$ 286,875	$ 176,000	$ —
Credit facilities interest	105,261	27,878	27,078	26,827	16,701	6,777	—
Mortgages payable principal	275,083	36,175	23,357	32,987	46,322	24,140	112,102
Mortgages payable interest	75,061	11,228	10,527	8,998	7,767	5,183	31,358
Convertible debentures principal	94,975	—	—	44,975	50,000	—	—
Convertible debentures interest	17,622	5,249	5,249	4,124	3,000	—	—
Commonwealth preferred unit liability principal [(1)]	65,680	—	—	—	—	65,680	—
Commonwealth preferred unit liability interest	20,982	4,257	4,293	4,293	4,459	3,680	—
Accounts payable and accrued liabilities	18,885	18,885	—	—	—	—	—
Accrued real estate taxes	13,066	13,066	—	—	—	—	—
Dividends payable	3,354	3,354	—	—	—	—	—
Other current liabilities	3,015	3,015	—	—	—	—	—
Other non-current liabilities	16,736	3,052	1,299	763	488	386	10,748
Loan commitments	2,402	2,022	380	—	—	—	—
Total Commitments	$1,363,747	$ 143,181	$ 72,183	$ 296,717	$ 415,612	$ 281,846	$ 154,208

(1) The liability has no stated maturity date. It is the Company's expectation that the liability will be repaid in 2024.

28. Key management personnel compensation:

The remuneration of key management personnel of the Company for years ended December 31, 2019 and 2018 is set forth in the table below.

	Year ended December 31, 2019	Year ended December 31, 2018
Officers and directors compensation	$ 2,684	$ 2,510
Share based compensation	2,490	987
	$ 5,174	$ 3,497

29. 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 has investments in 15 medical office buildings ("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. Through the acquisition of Commonwealth and the transition of the Greenfield assets, the Company has investments in 33 properties and a management company that operates 30 of those properties ("Owner occupied property"). Management considers this another reportable operating segment.

The following tables show net income (loss) by reportable segment for the years ended December 31, 2019 and 2018:

	Year ended December 31, 2019				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 89,944	$ —	$ 13,254	$ —	$ 103,198
Resident rental and related revenue	—	38,467	—	—	38,467
Lease revenue from joint ventures	3,024	—	—	—	3,024
Other income	14	874	1,792	1,038	3,718
Direct property operating expenses	—	(28,211)	(5,322)	—	(33,533)
Depreciation and amortization expense	—	(14,349)	—	(91)	(14,440)
Finance cost from operations	(28,793)	(5,836)	(4,066)	(2,938)	(41,633)
Real estate tax expense	(13,637)	—	(2,207)	—	(15,844)
General and administrative expenses	(423)	(2,840)	(535)	(14,294)	(18,092)
Transaction costs for business combination	—	—	—	(5,898)	(5,898)
Diligence costs for transactions not pursued	—	—	—	(633)	(633)
Allowance for credit losses on loans and interest receivable	(55)	—	—	(948)	(1,003)
Changes in non-controlling interest liability	(378)	(126)	—	—	(504)
Change in fair value of investment properties - IFRIC 21	(29)	—	—	—	(29)
Change in fair value of investment properties	(1,179)	—	(4,867)	—	(6,046)
Change in fair value of financial instruments	(1,040)	(840)	(127)	(7,372)	(9,379)
Loss from joint ventures	(6,799)	—	—	—	(6,799)
Income tax recovery	—	—	—	67	67
Net income (loss)	$ 40,649	$ (12,861)	$ (2,078)	$ (31,069)	$ (5,359)
Expenditures for non-current assets:					
Acquisition of properties	$ 89,421	$ 347,870	$ —	$ —	$ 437,291
Capital additions	7,546	1,275	1,576	—	10,397

	Year ended December 31, 2018			
	Seniors housing and care investment properties	Medical office buildings	Corporate/ 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
Direct property operating expenses	—	(3,126)	—	(3,126)
Finance cost from operations	(34,442)	(2,770)	(1,052)	(38,264)
Real estate tax expense	(10,864)	(932)	—	(11,796)
General and administrative expenses	(547)	(342)	(12,523)	(13,412)
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 value of contingent consideration	(10,676)	—	—	(10,676)
Income from joint ventures	5,450	—	—	5,450
Income tax recovery	—	—	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

The following tables show assets and liabilities by reportable segment as at December 31, 2019 and 2018:

	As at December 31, 2019				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Investment properties	$ 828,150	$ —	$ 141,484	$ —	$ 969,634
Property, plant and equipment, net	—	456,936	—	3,006	459,942
Investment in joint ventures	99,321	—	—	—	99,321
Loans receivable	8,247	—	—	40,655	48,902
Other assets	19,653	24,381	1,726	7,179	52,939
Total assets	$ 955,371	$ 481,317	$ 143,210	$ 50,840	$ 1,630,738
Mortgages payable	$ 151,279	$ 124,188	$ —	$ —	$ 275,467
Credit facilities	386,778	174,230	85,951	—	646,959
Convertible debentures	—	—	—	91,049	91,049
Commonwealth preferred unit liability	—	63,654	—	—	63,654
Non-controlling interest liability	3,376	123	—	—	3,499
Other liabilities	25,875	12,839	2,465	28,787	69,966
Total liabilities	$ 567,308	$ 375,034	$ 88,416	$ 119,836	$ 1,150,594

	As at December 31, 2018			
	Seniors housing and care investment properties	Medical office buildings	Corporate/ 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
Liability to previous owner of Care	$ 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

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 three 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, 2019, $1,371,173 of the Company's non-current assets, excluding financial instruments, are located in the United States (2018 - $1,051,527) and $162,283 are located in Canada (2018 - $150,168). During the year ended December 31, 2019, the Company generated $133,104 (2018 - $103,080), of its revenues, excluding other income, from properties located in the United States and $11,585 (2018 - $9,299) of its revenues from properties located in Canada.

INVESQUE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2019

March 11, 2020

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, 2019. 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, 2019. 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, 2019 and 2018.

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2019 (the "2019 AIF"), can be found 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 2019 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 11, 2020 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"), fixed charge coverage ratio, payout ratio, effective 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. Please refer to the "Financial Measures not Defined Under IFRS" section of this MD&A.

Business Overview

Invesque Inc. is a corporation continued under the *Business Corporations Act* (British Columbia). 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 an investment thesis focused on the premise that an aging demographic in North America will continue to utilize health care services in growing proportion to the overall economy. The Company currently capitalizes on this opportunity by investing in a highly diversified portfolio of income generating properties across the health care spectrum. The Company's portfolio includes investments in independent living, assisted living, memory care, skilled nursing, transitional care and medical office properties, which are operated primarily under long-term leases and joint venture arrangements with industry leading operating partners. The Company's portfolio also includes investments in owner-occupied seniors housing properties in which it owns the real estate and provides management services through its subsidiary management company.

Description of the Company's asset types are as follows:

- **Independent Living ("IL") Communities:** IL communities are the least medically-intensive type of seniors housing and care properties. Unlike AL (defined below) communities and SNFs/LTCs (defined below), IL communities generally do not offer nursing, rehabilitative care or therapy services and typically do not provide assistance with daily living activities. Rather, IL communities are designed as a seniors housing and care option for those who are able to perform their own basic activities of daily living and need little or no medical assistance. IL communities come in many forms ranging from age-restricted apartment communities to villa homes which are on a retirement village campus or part of a continuing care retirement community. IL communities in North America are generally unregulated and unlicensed, with some exceptions for IL communities providing more extensive care services. Most IL communities receive revenue through private pay sources, such as residents paying directly out of pocket and private insurance, rather than government sources.

- **Assisted Living ("AL") and Memory Care ("MC") Communities**: AL and MC communities play a key role in the continuum of seniors housing and care, as they bridge the gap between IL communities and SNFs/LTCs (defined below). AL communities provide relatively independent elderly persons with typical amenities associated with less medically-intensive seniors housing and care as well as assistance with activities of daily living and some healthcare services. Services provided at AL communities typically include 24-hour care for resident protection, an emergency response system, supervision for persons with disabilities, housekeeping, maintenance and transportation. MC communities are substantially similar to AL communities because they also focus on elderly persons who need assistance with activities of daily living and healthcare services but differ from AL communities because MC residents need to be cared for in a secured environment to prevent seniors from leaving the community in a confused state. AL and MC communities in the United States are typically licensed and regulated by state and local governments rather than the federal government. In Canada, AL communities are licensed or certified and regulated in most jurisdictions but are typically less regulated than LTCs (defined below). Licensure for MC communities is generally identical to AL licensure except for specific building requirements including locked exterior doors secured by keys or an access code. AL communities receive most of their revenues through private pay sources and may also receive revenue from third-party pay sources, including federal, state and provincial governments.

- **Skilled Nursing Facilities ("SNFs") and Long-Term Care Facilities ("LTCs"):** SNFs, as referred to in the United States, and LTCs, as referred to in Canada, are senior care facilities that provide a room, meals and assistance with daily life activities and have licensed nursing staff on duty 24 hours per day. These facilities provide the most intensive level of medical and nursing care in a residential setting for seniors, typically treating residents with physical or mental impairments that prevent them from living in IL or AL communities. In many cases, these facilities supplement hospital care by providing care to patients who require medical and therapeutic services but are stable enough to have these services provided in a facility that is less expensive than a hospital or other post-acute care setting. The SNF and LTC segment includes services to patients requiring medical and/or nursing care and rehabilitation services for post-operative procedures including hip or knee replacements and cardiac surgeries, among others. SNFs and LTCs also provide transitional care services, and facilities that specialize in this type of care are often referred to as Transitional Care Centers ("TCCs"). TCCs are designed for patients transitioning from the hospital to their home after a surgery or an acute health episode. TCCs, a sub-segment of SNFs and LTCs, are the most common destination for post-acute care patients requiring short-term, physician-ordered intense rehabilitation for post-operative procedures. They are staffed by registered nurses, therapists, pharmacists and social workers. SNFs and LTCs in North America are subject to extensive federal, state and provincial regulation, including licensing requirements and

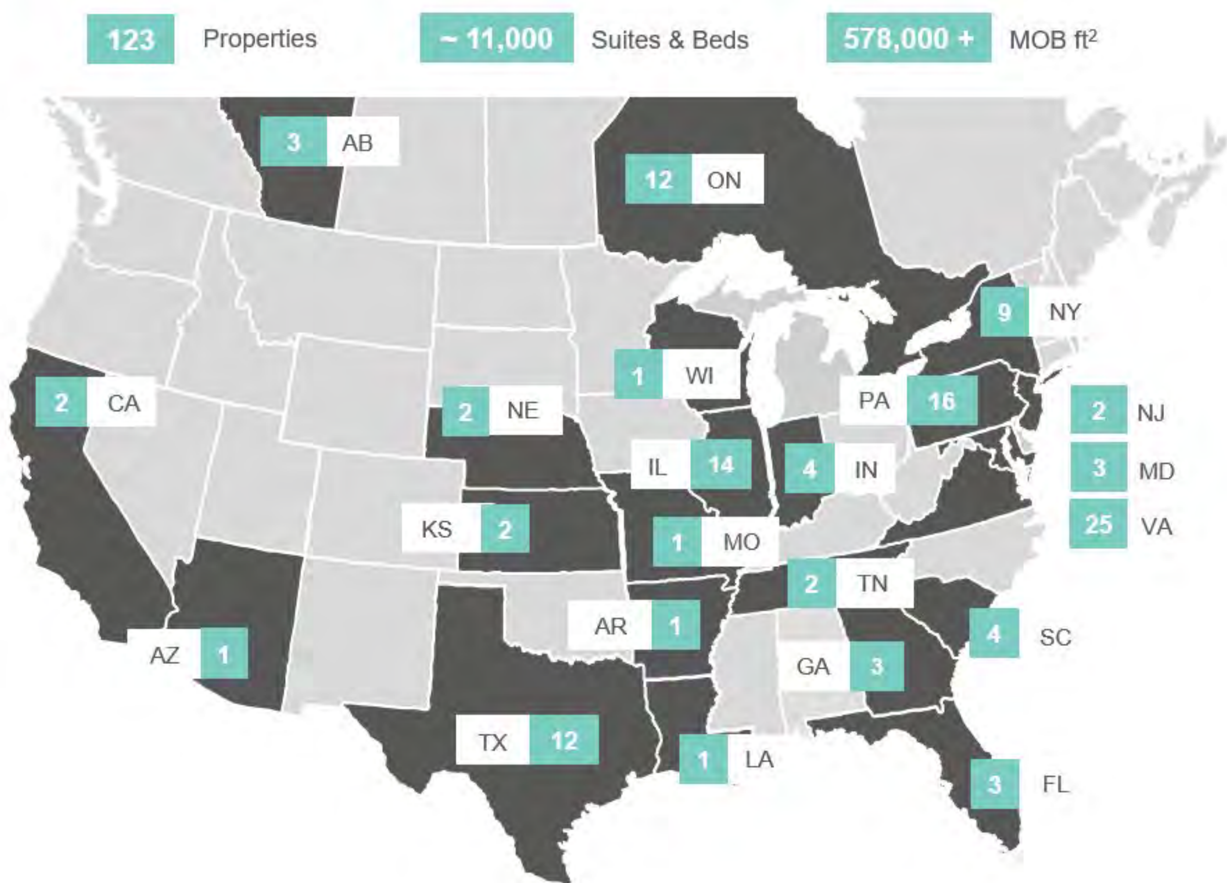
regulations relating to government funding. SNFs and LTCs receive revenue from private pay sources and third-party pay sources, including federal, state and provincial governments and insurance companies.

For the Company's SNF and TCC properties, it generally owns the land and buildings and leases them to third party operators on a long-term, triple-net lease basis. For its IL and AL properties, it either owns the land and buildings and leases them to third party operators on a long-term, triple-net basis, has an interest in both the property and operations in joint ventures and joint arrangements with the operating partner at the facility, or wholly owns and operates the property. For the triple-net lease structured assets, 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 third party property and asset management contracts with Mohawk Realty Advisors Ltd ("Mohawk").

As of March 11, 2020, the Company owns or has a majority interest in a portfolio of 108 properties in the United States, comprised of 74 assisted living and memory care facilities, 17 skilled nursing facilities, 13 transitional care properties, and 4 medical office buildings. In Canada, the Company owns an interest in 15 properties comprised of 11 medical office buildings and 4 seniors housing and care facilities.

The Company's geographic footprint as of March 11, 2020:



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 health care facilities further enforces the growing demand for health care 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 disposition

The following asset acquisitions and dispositions were completed during the year ended December 31, 2019:

	Allen, TX	Symcare Properties	Mooresville, IN	Constant Care	Total
Number of consolidated properties acquired (disposed):	1	3	(1)	3	6
Net assets acquired (disposed):					
Investment properties	$ 8,136	$ 51,323	$ (14,991)	$ 29,962	$ 74,430
Working capital balances	—	(586)	104	—	(482)
	$ 8,136	$ 50,737	$ (14,887)	$ 29,962	$ 73,948
Consideration paid/funded (received):					
Cash	2,445	46,937	(9,887)	25,613	65,108
Proceeds from mortgage payable, net of fees	5,591	—	—	—	5,591
Deposit applied against purchase price	100	—	—	—	100
Common shares issued	—	3,800	—	—	3,800
Loans issued to buyer	—	—	(5,000)	—	(5,000)
Issuance of Exchangeable Units	—	—	—	2,049	2,049
Repayment of loan receivable principal and accrued interest	—	—	—	2,300	2,300
	$ 8,136	$ 50,737	$ (14,887)	$ 29,962	$ 73,948

On January 16, 2019, the Company acquired a memory care facility leased to an operator located in Allen, TX for a contractual 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 March 15, 2019, the Company acquired a skilled nursing property located in Oswego, IL for a contractual purchase price of $22,000 plus transaction costs funded with cash on hand. The building is operated by an affiliate of the tenant operator of the Symphony Portfolio ("Symcare"). The original master lease with Symcare was amended to include this new building.

On April 30, 2019, the Company purchased two buildings located in Chicago, IL and Glendale, WI from affiliates of Symcare for a contractual purchase price of $30,000 plus transaction costs. The transaction was funded by the issuance of 555,556 common shares and cash on hand. The original master lease with the Symcare operator was amended to include these new buildings.

On June 28, 2019, the Company sold its interest in a property located in Mooresville, IN for total consideration of $15,000, less transaction costs. This was the only property in the portfolio being leased by this operator, and the Company believes its resources can be better utilized in other relationships with more growth opportunity. The consideration was paid in the form of cash and a $5,000 loan receivable issued to the buyer of the property. The loan receivable is interest only at an annual rate of 8.5% and matures July 1, 2024.

On August 30, 2019, the Company purchased three memory care facilities located in Fishers, IN; Greenwood, IN; and Zionsville, IN for a total contractual purchase price of $30,786, plus transaction costs. The transaction was funded by the repayment of $2,300 of outstanding loans receivable principal and accrued interest, issuance of $2,049 in Class B LP units with the right to exchange units into common shares of the Company at the option of the unit holder ("Exchangeable Units"), and cash on hand.

Recent business combination

The following table summarizes the preliminary allocation of the purchase price to each major category of assets acquired and liabilities assumed at the date of acquisition and the major categories of consideration transferred for acquisitions which were accounted for as business combinations under IFRS 3. The fair value allocations are based on preliminary purchase allocations conducted by management. As the acquisition is within the measurement period under IFRS 3, it continues to be refined. The Company is gathering information to finalize fair value of the property, plant and equipment, embedded derivatives and mortgages.

	Commonwealth Tranche I	Commonwealth Tranche II	Greenfield Transition	Total
Properties Acquired	17	3	13	33
Property, plant and equipment	$ 286,695	$ 58,051	$ 36,430	$ 381,176
Construction in progress	893	—	—	893
Assumption of mortgages payable	(9,523)	(34,475)	(22,522)	(66,520)
Mark to market debt adjustments	(278)	(2,876)	—	(3,154)
Working capital balances	(2,964)	1,010	559	(1,395)
Previous interest in joint venture	—	—	(9,863)	(9,863)
	$ 274,823	$ 21,710	$ 4,604	$ 301,137
Consideration paid:				
Issuance of preferred units	53,587	12,093	—	65,680
Proceeds from Commonwealth Facility	174,069	—	—	174,069
Satisfaction of rent receivable	—	—	1,522	1,522
Cash on hand	47,167	9,617	3,082	59,866
	$ 274,823	$ 21,710	$ 4,604	$ 301,137

Commonwealth Acquisition

On August 1, 2019, a wholly owned subsidiary of the Company closed on the first tranche of the purchase of Commonwealth Senior Living, LLC ("Commonwealth"). The first tranche of the acquisition includes 17 private pay seniors housing properties in addition to the Commonwealth management company (collectively, "Commonwealth Tranche I"). The Commonwealth management company operates all 17 properties purchased.

The total contractual purchase price for Commonwealth Tranche I was $285,357 for property, plant and equipment and $893 for construction in progress related to development projects ongoing at certain properties in the portfolio, subject to working capital adjustments and transaction costs. The acquisition was funded through $176,000 in new debt secured by 16 of the properties, the assumption of $9,537 in debt secured by one of the properties, the issuance of $53,587 of preferred interests in the Company's acquiring subsidiary entity and cash on hand.

On December 23, 2019, a wholly owned subsidiary of the Company closed on the second tranche of the purchase of Commonwealth which included the acquisition of 3 private pay seniors housing properties (collectively, "Commonwealth Tranche II"). The 3 properties are operating by the Commonwealth management company. The total contractual purchase price of Commonwealth Tranche II was $55,000. The acquisition was funded through the assumption of $34,475 in debt secured by the properties, the issuance of $12,093 of preferred interests in the Company's acquiring subsidiary entity and cash on hand. For the year ended December 31, 2019, the consolidated statement of income (loss) and comprehensive income (loss) includes transaction costs of $4,556 related to the acquisition of Commonwealth.

Greenfield Transition

On June 29, 2019, the Company entered into an agreement with Greenfield Senior Living ("Greenfield") whereby the Company would acquire 100% of Greenfield's interests in 13 properties in which the Company already has an ownership interest

("Greenfield Transition"). Ten of these properties were previously triple-net leased to Greenfield and the Company acquired Greenfield's interest in the operations at each property. The remaining three properties were previously held in a joint arrangement and were managed by Greenfield. The Company acquired Greenfield's 20% interest in both the property and the operations in the three previously held in a joint venture.

On September 3, 2019, three properties that were previously triple-net leased to Greenfield transitioned operations to a subsidiary of the Company. During October of 2019, seven properties that were previously triple-net leased to Greenfield transitioned operations. As of the date of this transition, the assets were determined to be owner occupied property, and the corresponding assets are classified as property, plant and equipment.

On August 2, 2019, a property that was previously held in a joint arrangement and managed by Greenfield transitioned operations to the management of Commonwealth. On October 1, 2019, a property that was previously held in a joint arrangement and managed by Greenfield transitioned operations to the management of Commonwealth. As of the date of this transition, the assets were determined to be owner occupied property, and the corresponding assets are classified as property, plant and equipment.

As of December 31, 2019, the Company completed the Greenfield Transition and acquired Greenfield's ownership interest in 13 properties. The total contractual purchase price was $4,708 which was funded through satisfaction of outstanding rent receivable of $1,522 owed by Greenfield and cash on hand. For the year ended December 31, 2019, the consolidated statement of income (loss) and comprehensive income (loss) includes transaction costs of $1,342 related to the Greenfield Transition.

On December 31, 2019, the remaining property from the joint arrangement transitioned full ownership to a subsidiary of the Company and still remained under the operations of Greenfield. The assets are currently classified as held for sale on the consolidated statements of financial position. The community, located in Arlington, TX, was sold on February 28, 2020 for total consideration of $12,450, less transaction costs. The consideration was paid in the form of cash and an $8,000 repayment of the mortgage secured by the property.

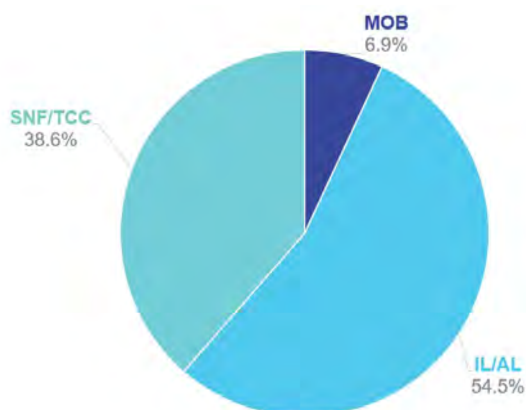
Other Recent Activity

On June 5, 2019, the Company contributed 8 properties to a newly formed joint venture, Jaguarundi Ventures, LP. The Company received $23,000 from its joint venture partner in the arrangement in exchange for a 39.49% interest in the joint venture. The properties contributed had an investment property value of $161,047 and total mortgage indebtedness of $102,692.

On July 23, 2019, the Company entered subscription agreements with certain funds managed by Magnetar Financial LLC (collectively, "Magnetar"), a significant shareholder of the Company, in respect of the issuance of Class A Series 4 convertible preferred shares (the "Series 4 Preferred Shares") for aggregate proceeds of $14,550. On August 27, 2019, the fourth series funded and resulted in the issuance of 1,538,461 Series 4 Preferred Shares.

On July 26, 2019, the Company entered into a credit agreement with affiliates of Magnetar for a principal amount of $30,000, annual interest rate of 8.5%, and an initial maturity of one-year with a one year extension option. On December 5, 2019, the Company repaid $15,000 on the facility.

As of March 11, 2020, the Company's portfolio composition by asset type based on forward looking net operating income projections is as follows:



Selected Financial Information

(dollar amounts in thousands of U.S. Dollars, except per share amounts)	As at December 31,		
	2019	2018	2017
Consolidated investment properties	69	80	40
Consolidated owner occupied properties	33	—	
Weighted average lease term to maturity (excludes renewal options)[4]	13.2 years	11.8 years	13.3 years
Average facility age	10.2 years	10.2 years	11.5 years
Total assets	$ 1,630,738	$ 1,283,959	$ 785,005
Total indebtedness	$ 1,013,475	$ 731,215	$ 428,377
Debt to total assets %	62.1%	57.0%	54.6%
Weighted average interest rate [1]	4.6%	4.8%	4.6%
Joint venture properties	22	18	—
Joint venture total assets	$ 418,445	$ 299,286	$ 4,152
Joint venture indebtedness	$ 247,051	$ 176,742	$ —
Joint venture debt to total assets %	59.0%	59.1%	n/a
Joint venture weighted average interest rate [5]	4.4%	4.8%	n/a

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Revenue	$ 148,407	$ 113,927	$ 64,004
Direct property operating expenses	$ 33,533	$ 3,126	$ —
Finance costs	$ 41,633	$ 38,264	$ 16,055
General and administrative expenses	$ 18,092	$ 13,412	$ 8,074
Income (loss) from joint ventures	$ (6,799)	$ 5,450	$ —
Net income (loss)	$ (5,359)	$ (12,275)	$ 16,263
Net income (loss) per share	$ (0.10)	$ (0.24)	$ 0.50
Diluted net income per share	$ (0.10)	$ (0.21)	$ 0.50
Funds from operations (FFO) [3]	$ 46,122	$ 48,219	$ 28,188
FFO per share [3]	$ 0.85	$ 0.96	$ 0.87
Diluted FFO per share [3]	$ 0.73	$ 0.83	$ 0.85
Adjusted funds from operations (AFFO) [3]	$ 41,223	$ 43,105	$ 30,920
AFFO per share [3]	$ 0.76	$ 0.86	$ 0.96
Diluted AFFO per share [3]	$ 0.65	$ 0.74	$ 0.91
Common share dividends declared	$ 39,764	$ 37,001	$ 23,791
Dividends declared per share	$ 0.73668	$ 0.73668	$ 0.73668
Payout ratio [2]	96%	86%	77%
Effective payout ratio [2]	78%	84%	77%

(1) The Company's weighted average interest rates at December 31, 2019, 2018 and 2017 included $570,229, $348,287, and $227,070, respectively, of the Company's debt that is fixed with interest rate swaps.

(2) Payout ratio and effective payout ratio are financial measures not defined under IFRS. Payout ratio is calculated by dividing the common share dividends declared by AFFO. Effective payout ratio is calculated by dividing common share dividends payable in cash, as adjusted for DRIP participation, 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 nor owner occupied properties.

(5) The Company's joint venture weighted average interest rate at December 31, 2019 and 2018 included $115,280 and $83,769, respectively, of the joint ventures debt that is fixed with interest rate swaps.

Results of Operations - Three and Twelve Months Ended December 31, 2019
(unless otherwise stated, amounts are in thousands of U.S. dollars)

Revenue

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Contractual rental revenue	$ 16,787	$ 21,631	$ 75,950	$ 82,192
Straight-line rent adjustments	2,169	2,564	8,964	10,831
Amortization of tenant inducements	(101)	—	(158)	—
Property tax recoveries	3,709	3,643	15,243	14,327
CAM recoveries	847	772	3,199	2,038
Total rental revenue	23,411	28,610	103,198	109,388
Resident rental and related revenue	25,828	—	38,467	—
Lease revenue from joint ventures	771	732	3,024	2,991
Other income	1,799	611	3,718	1,548
Total revenue	$ 51,809	$ 29,953	$ 148,407	$ 113,927

Contractual rentals received and straight-line rent adjustments relate to lease agreements under which the Company leases its investment 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 represent 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. The decrease in rental revenue was primarily driven by eight properties that were contributed to a joint venture on June 5, 2019 and are no longer consolidated offset by the timing of the prior year acquisition of the medical office building portfolio on May 1, 2018. It was also impacted by 10 properties that were previously triple-net leased to Greenfield for which management was transitioned to Commonwealth and Heritage, an operator in which the Company has a previous relationship. For these 10 transitioned properties, the Company no longer recognizes contractual rental revenue but instead receives resident rental and related revenue. In addition, for the twelve month period ended December 31, 2019, the year over year changes were impacted by the prior year timing of the acquisition of Care Investment Trust, LLC ("Care"), which closed on February 1, 2018.

Resident rental and related revenue relates to operating revenue at the wholly owned properties managed by Commonwealth and Heritage. This revenue primarily consists of rental revenue paid by residents in the Company's owner occupied properties.

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, 2019 related primarily to parking income earned at the medical office buildings and management fee income earned from communities managed by Commonwealth but that are not owned by the Company. Commonwealth currently manages four properties that are not owned by the Company. The increase for the three month period was due to $455 of a tax recovery from a local municipality related to taxes paid in a prior year. Other income for the three and twelve months ended December 31, 2018 primarily related to parking income earned from the medical office building portfolio purchased on May 1, 2018 and the equity return earned on the investment in MS-SW Development Fund Holdings, LLC. The increase for the twelve month period was due to the timing of the acquisition of the medical office building portfolio which closed May 1, 2018 and the management fee income earned by the Commonwealth management company.

Direct Property Operating Expenses

Direct property operating expenses consist of the following:

	Three months ended December 31, 2019			Three months ended December 31, 2018		
	Owner occupied property	Medical office buildings	Total	Owner occupied property	Medical office buildings	Total
Repairs and maintenance	$ 552	$ 438	$ 990	$ —	$ 284	$ 284
Utilities	792	385	1,177	—	283	283
Property management fees	—	144	144	—	144	144
Compensation and benefits	13,224	—	13,224	—	—	—
Other services and supplies	1,708	287	1,995	—	251	251
Real estate taxes	533	—	533	—	—	—
Other	2,752	239	2,991	—	222	222
	$ 19,561	$ 1,493	$ 21,054	$ —	$ 1,184	$ 1,184

	Year ended December 31, 2019			Year ended December 31, 2018		
	Owner occupied properties	Medical office buildings	Total	Owner occupied properties	Medical office buildings	Total
Repairs and maintenance	$ 763	$ 1,539	$ 2,302	$ —	$ 744	$ 744
Utilities	1,163	1,369	2,532	—	829	829
Property management fees	—	574	574	—	380	380
Compensation and benefits	19,226	—	19,226	—	—	—
Other services and supplies	2,562	1,022	3,584	—	642	642
Real estate taxes	715	—	715	—	—	—
Other	3,782	818	4,600	—	531	531
	$ 28,211	$ 5,322	$ 33,533	$ —	$ 3,126	$ 3,126

The direct property operating expenses relate to expenses at the 15 multi-tenant medical office buildings the Company acquired on May 1, 2018 and the Company's 33 owner occupied properties. The owner occupied properties include the 17 Commonwealth properties acquired on August 1, 2019, 3 Commonwealth properties acquired on December 23, 2019, 10 properties that have been transitioned from Greenfield management to Commonwealth at various dates during the third and fourth quarter of 2019, and 2 properties that have been transitioned from Greenfield management to Heritage. Increases in both the three and twelve month periods ended December 31, 2019 are due to the timing of the acquisitions.

Depreciation and amortization expense

For the three and twelve months ended December 31, 2019, depreciation and amortization expense was $9,032 and $14,440 (three and twelve months ended December 31, 2018 - NIL), which relates to the straight-line depreciation over the useful life of the Company's owner occupied property, plant and equipment. The Company amortizes the value of in place leases over the average lease life.

Finance Costs from Operations

Finance costs from operations consist of the following:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Interest expense on credit facilities	$ 6,947	$ 4,237	$ 22,665	$ 15,778
Interest expense on mortgages payable	2,683	4,697	11,922	17,096
Interest expense on convertible debentures	1,313	1,313	5,249	3,317
Distributions on Exchangeable Units	60	—	80	—
Dividends on Commonwealth preferred units	902	—	1,475	—
Amortization and accretion expense	1,022	834	3,882	2,819
Interest rate swap receipts	218	(350)	(86)	(1,226)
Write-off of deferred financing costs from refinancing	—	3,708	82	3,708
Amortization of mark-to-market debt adjustments	(41)	22	25	79
Interest income from loans receivable	(1,080)	(924)	(3,661)	(3,307)
	$ 12,024	$ 13,537	$ 41,633	$ 38,264

Finance costs are primarily related to interest and amortization on the Company's credit facilities and mortgages payable. Interest expense on credit facilities increased in the year ended December 31, 2019 as compared to the prior year primarily due to additional borrowings, including the Commonwealth Facility, used to fund new property acquisitions and to repay individual property mortgage debt. Interest expense on mortgages payable decreased due to the impact of repaying individual property mortgage debt with funds from the credit facilities, as well as the impact of eight properties contributed to a joint venture which are no longer consolidated effective June 5, 2019. Interest expense on convertible debentures increased over the comparable prior year due to the 2018 Convertible Debentures issued August 24, 2018. The Commonwealth preferred units issued to fund the Commonwealth transactions earn an initial dividend rate of 6.50% per annum.

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

For the three and twelve months ended December 31, 2019, real estate tax expense was $339 and $15,844 (three and twelve months ended December 31, 2018 - $535 and $11,796), 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 triple-net leases. The increase in real estate tax expense as compared to the prior year period is primarily due to additional properties acquired in the prior year. Real estate tax expense on the Company's owner occupied properties is included in direct property operating expense in the consolidated statements of income (loss) and comprehensive income (loss).

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 (loss) and comprehensive income (loss) 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,		Year ended December 31,	
	2019	2018	2019	2018
Property tax recoveries	$ 3,709	$ 3,643	$ 15,243	$ 14,327
Real estate tax expense	(339)	(535)	(15,844)	(11,796)
Change in fair value of investment properties - IFRIC 21	(3,551)	(3,186)	(29)	(2,801)
	$ (181)	$ (78)	$ (630)	$ (270)

General and Administrative Expense

General and administrative expense consists of the following:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Compensation and benefits	$ 3,711	$ 1,809	$ 9,067	$ 6,273
Asset management and administrative fees	125	125	499	421
Professional fees	790	490	3,090	2,544
Deferred share compensation	849	241	2,653	1,283
Other	750	1,121	2,783	2,891
	$ 6,225	$ 3,786	$ 18,092	$ 13,412

Compensation and benefits expense includes the cost of salaries, bonuses, and benefits during the period. The increase in compensation and benefits expense for the three and twelve months periods ended December 31, 2019 is due to the compensation related to employees of the Commonwealth management company and an adjustment to the Company's bonus accrual.

Asset management fees relate to the contractual fee due under an asset management agreement with Mohawk to manage the Company's portfolio of medical office buildings. The asset management agreement has 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, 2019 as compared to the prior year period is primarily due to an increase in services provided due to growth in the Company.

Deferred share compensation expense for the three and twelve months ended December 31, 2019 increased over the prior year primarily due to increased amount of discretionary shares issued with respect to officer and director grants.

Other general and administrative expense primarily includes cost of insurance, fees earned by directors of the Company, travel and entertainment expense, franchise and licensure taxes, investor relations, marketing, and foreign exchange loss (gain). The decrease as compared to prior year periods was primarily due to costs in 2018 related to the re-branding of the Company due to the name change effective January 3, 2018 and a legal settlement accrued for in Q4 of 2018 related to a suit the Company was party to with respect to a development investment.

Transaction Costs for Business Combination

For the three and twelve months ended December 31, 2019, the Company incurred transaction costs for business combination of $1,638 and $5,898, respectively, related to the acquisition of Commonwealth and the acquisition of 100% of Greenfield's interests in 13 properties in which the Company already has an ownership interest. Transaction costs for business combination for the prior year comparable periods were $0 and $6,444, respectively, and included transaction costs incurred in relation to the acquisition of Care on February 1, 2018.

Diligence Costs for Transactions Not Pursued

The Company incurred diligence costs for transactions not pursued for the three and twelve months ended December 31, 2019 of $0 and $633, respectively (three and twelve months ended December 31, 2018 - $0 and $2,041, respectively) and included 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, 2019 was $(9) and $1,003, respectively (three and twelve months ended December 31, 2018 - $8,807 and $11,336). The (recoveries) losses are related to a change in collectability estimates with respect to loans receivable and related interest receivables.

Change in Non-controlling Interest Liability

The change in non-controlling interest liability was an increase of $160 and $504 for the three and twelve months ended December 31, 2019, respectively, (three and twelve months ended December 31, 2018 - $120 and $17,927). These costs are the result of the portion of net income attributed to the non-controlling interest partners of the consolidated properties, and the decrease from the prior year periods is primarily due to non-cash fair value adjustments. 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 an increase of $(2,705) and decrease of $6,046 for the three and twelve months ended December 31, 2019, respectively, (three and twelve months ended December 31, 2018 - $43,256 decrease and $14,385 decrease, 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, 2019.

Change in Fair Value of Financial Instruments

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

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Change in fair value of interest rate swaps	$ (4,710)	$ 3,774	$ 9,379	$ 1,949
Change in fair value of equity investment in MS-SW Development Fund Holdings, LLC	—	376	—	376
Total loss (income) from change in fair value of financial instruments	$ (4,710)	$ 4,150	$ 9,379	$ 2,325

The change in fair value of financial instruments for the three and twelve months ended December 31, 2019 and 2018 was primarily due to the change in fair value of interest rate swaps due to changes in variable interest rates that underly the corresponding interest rate swaps. Interest rate swaps are used to manage interest costs on debt. 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.

The change in fair value of financial instruments for the three and twelve months ended December 31, 2018 was also due to the change in fair value of equity investments in MS-SW Development Fund Holdings, LLC caused by a change in fair value of the developments underlying this equity investment.

Change in Fair Value of Contingent Consideration

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, related to the sale of the portfolio of seven properties located in Georgia (collectively, "Traditions Portfolio"). 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.

Income (loss) from Joint Ventures

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Revenue	$ 13,329	$ 23,789	$ 52,564	$ 59,153
Property operating expense	(9,329)	(20,779)	(37,067)	(46,889)
Finance costs	(2,380)	(1,735)	(8,048)	(6,065)
Depreciation expense	338	(324)	(995)	(1,189)
Change in fair value of financial instruments	1,479	(1,008)	(2,465)	(373)
Change in fair value of investment properties	1,908	2,134	(10,788)	813
Income (loss) from joint ventures	$ 5,345	$ 2,077	$ (6,799)	$ 5,450

Income (loss) from joint ventures represents the Company's share of net 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. On June 5, 2019, the Company contributed its interest in eight properties to a joint venture and as a result the Company unconsolidated the properties. The Company has additionally obtained control of three of the Care portfolio properties and consolidated their results. The loss from joint ventures during the three and twelve months ended December 31, 2019 is primarily related to the change in fair value of investment properties offset by income from operations.

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, 2019 of $1,281 and $3,294, respectively, (three and twelve months ended December 31, 2018 - $(3,680) and $(4,276)) was due to the change in value of the Canadian dollar as compared to the U.S. dollar during the period.

Cash Flow Analysis

	Year ended December 31,	
	2019	2018
Cash provided by operating activities	$ 16,170	$ 24,972
Cash provided by financing activities	278,664	132,250
Cash used in investing activities	(309,974)	(143,202)
Increase (decrease) in cash and cash equivalents	$ (15,140)	$ 14,020

Cash Provided by Operating Activities

Cash provided by operating activities decreased during the twelve month period ended December 31, 2019 as compared to the prior year. The changes were primarily due to decreases in non-cash operating working capital, driven by a portion of

accounts receivable from tenants which were satisfied by issuing loans receivable. The Company issued $13,889 of loans receivable in satisfaction of rents due from tenants as part of its efforts to support the tenants with operating capital needs.

Cash Provided by Financing Activities

Cash provided by financing activities for the twelve month period ended December 31, 2019 was $278,664 as compared to $132,250 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. In addition, the Company paid cash dividends of $32,509 during the period.

Cash provided by financing activities in the twelve month period ended December 31, 2018 included net proceeds from credit facilities and mortgages payable of $80,373, proceeds of $44,753 from the issuance of the Series 2 Preferred Shares in February of 2018 and Series 3 Preferred Shares in March of 2018, and proceeds of $50,000 from the issuance of convertible debentures. These proceeds were offset by debt issuance costs incurred in association with new and refinanced mortgages of $7,516 and cash dividends paid of $34,952.

Cash Used in Investing Activities

Cash used in investing activities for the twelve months ended December 31, 2019 was $309,974. This was primarily due to $235,433 used for acquisitions of property, plant and equipment and $93,002 used for acquisitions of investment property and capital expenditures made during the twelve month period. The Company also issued loans receivable for $13,116, made a payment of $9,676 to the previous owner of Care for its portion of the proceeds of the sale of the Traditions portfolio in December of 2018 and made cash contributions to investments in joint ventures. These uses of cash in investing activities were offset by the receipt of $23,000 for the sale of an interest in the net assets contributed to the Jaguarundi joint venture and $4,835 as repayment of loans receivable.

For the twelve months ended December 31, 2018, the Company used $186,632 for the acquisition of properties and capital expenditures. In addition, the Company issued loans receivable for $29,288, received $20,091 as repayment of mezzanine loans receivable and paid construction payables of $4,600.

Financial Position

Total assets of $1,630,738 are comprised primarily of $969,634 of investment properties, which represents the estimated fair market value of the Company's portfolio of properties, including capital expenditures, and $459,942 of property, plant and equipment, net as at December 31, 2019. Cash on hand at December 31, 2019 was $11,838, total loans receivable were $48,902, investments in joint ventures were $99,321, and other assets were $10,743. Total loans receivable includes $20,825 of loans to the tenant operator Symcare. Other assets primarily consisted of $160 of prepaid asset management fees, $159 of security deposits and costs related to potential acquisitions, $3,038 of escrows held by lenders, $63 of income support receivable, $1,906 of prepaid expense, $2,199 of right-of-use asset, $1,071 of bond assets and $2,147 of other costs. Tenant and other receivables of $7,073 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.

Total liabilities of $1,150,594 includes current liabilities of $95,913 (see "Liquidity and Capital Resources" for additional information) and non-current liabilities of $1,054,681. The current liabilities included $13,066 of real estate taxes payable. Of the real estate taxes payable, $863 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 $18,885 of the balance in current liabilities. In addition, current liabilities included $43,024 representing the current portion of mortgages payable, net of loan fees and $3,354 of dividends payable. Non-current liabilities included $232,443 representing the non-current portion of mortgages payable, net of loan fees; $632,390 representing the non-current balance outstanding on the credit facilities, net of loan fees; $91,049 of the convertible debentures, net of fees; $63,654 of Commonwealth preferred unit liability; $7,966 of derivative liability; $6,944 of deferred tax liability; and $3,499 of non-controlling interest liability. Other non-current liabilities of $16,736 primarily consisted of security deposits received from tenants, lease liability, loan commitment liability 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, 2018 through December 31, 2019:

	Three months ended December 31, 2019	Three months ended September 30, 2019	Three months ended June 30, 2019	Three months ended March 31, 2019	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended June 30, 2018	Three months ended March 31, 2018
Revenue	$ 51,809	$ 38,550	$ 28,824	$ 29,224	$ 29,953	$ 31,581	$ 29,354	$ 23,039
Finance costs	12,024	10,702	9,837	9,070	13,537	9,540	8,685	6,502
Real estate tax expense	339	527	550	14,428	535	1,810	251	9,200
General and administrative expenses	6,225	4,305	4,124	3,481	3,786	3,732	3,231	2,733
Direct property operating expenses	21,054	9,934	1,243	1,302	1,184	1,256	686	—
Depreciation and amortization expense	9,032	5,365	—	—	—	—	—	—
Transaction costs for business combination	1,638	2,564	1,696	—	—	6	322	6,116
Diligence costs for transactions not pursued	—	—	633	—	—	1,971	70	—
Allowance for credit losses on loans and interest receivable	(9)	(152)	673	491	8,807	555	724	1,250
Changes in non-controlling interest liability	160	189	99	56	120	17,028	738	41
Change in fair value of investment properties - IFRIC 21	3,551	3,285	3,617	(10,424)	3,186	2,741	3,212	(6,338)
Change in fair value of investment properties	(2,705)	(970)	14,578	(4,857)	43,256	(29,082)	(2,110)	2,321
Change in fair value of financial instruments	(4,710)	4,754	7,524	1,811	4,150	(334)	(94)	(1,397)
Change in fair value of contingent consideration	—	—	—	—	(495)	11,171	—	—
Income (loss) from joint ventures	5,345	(1,093)	(7,238)	(3,813)	2,077	974	1,593	806
Deferred income tax expense (recovery)	3,871	(700)	(6,086)	2,848	(12,243)	3,507	4,757	1,098
Current income tax expense	—	—	—	—	(18)	—	18	—
Net income (loss)	6,684	(2,346)	(16,902)	7,205	(33,775)	8,654	10,527	2,319
Income (loss) per share: Basic	$ 0.12	$ (0.04)	$ (0.31)	$ 0.14	$ (0.64)	$ 0.16	$ 0.20	$ 0.05
Income (loss) per share: Diluted	$ 0.12	$ (0.04)	$ (0.31)	$ 0.12	$ (0.64)	$ 0.14	$ 0.18	$ 0.05
Funds from operations [1]	10,547	12,507	10,445	12,623	8,596	12,401	15,042	5,591
Funds from operations per share: Basic [1]	$ 0.19	$ 0.23	$ 0.19	$ 0.24	$ 0.16	$ 0.23	$ 0.29	$ 0.27
Funds from operations per share: Diluted [1]	$ 0.17	$ 0.20	$ 0.17	$ 0.20	$ 0.15	$ 0.20	$ 0.25	$ 0.24
Adjusted funds from operations [1]	9,603	10,711	9,918	10,976	10,300	10,541	12,953	10,092
Adjusted funds from operations per share: Basic [1]	$ 0.18	$ 0.20	$ 0.18	$ 0.21	$ 0.19	$ 0.20	$ 0.25	$ 0.23
Adjusted funds from operations per share: Diluted [1]	$ 0.15	$ 0.17	$ 0.16	$ 0.18	$ 0.17	$ 0.17	$ 0.21	$ 0.20

(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, business combinations, dispositions, transfers, changes in the fair value of investment properties and financial instruments and change in non-controlling interest liability. 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. As at December 31, 2019, current liabilities totaled $95,913, exceeding current assets of $52,429, resulting in a working capital deficiency of $43,484. Of the working capital deficiency of $43,484, $22,447 was refinanced subsequent to year end into a new, longer term financing. 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 $23,085 was available as at December 31, 2019, (iii) property specific mortgages and refinancings, (iv) issuance of preferred shares, (v) issuance of convertible debentures, (vi) issuance of common shares, subject to market conditions, and (vii) alternative financing sources.

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.

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 to best adhere to its corporate strategy.

Preferred Equity

The Company entered into subscription agreements in prior periods with respect to the issuance of class A convertible preferred shares to affiliates of Magnetar for aggregate gross proceeds of $71,500, 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 Company issued 7,560,137 preferred shares.

On July 23, 2019, the Company entered subscription agreements in respect of the issuance of Class A convertible preferred shares (the "Series 4 Preferred Shares") for aggregate proceeds of $14,550. On August 27, 2019 the fourth series funded resulted in the issuance of 1,538,461 Series 4 Preferred Shares. The purpose of the transaction was to raise proceeds to be used for the second tranche of the Commonwealth transaction.

The Series 4 Preferred Shares are convertible into common shares at a conversion price of $9.75. The other terms of the Series 4 Preferred Shares will be substantially similar to the terms of the Company's Class A convertible preferred shares that are currently outstanding, except that the liquidation preference of the Series 4 Preferred Shares will accrue at a rate of 9.80% for the first 24 months following the issuance of the Series 4 Preferred Shares and 12.25% thereafter; the prepayment penalty on liquidation, mandatory conversion and redemption will be 1% of the initial liquidation amount if the applicable event occurs within the first six months after issuance and 0.5% of the initial liquidation amount if the applicable event occurs between 6 months and one year following the issuance; and the Series 4 Preferred Shares will contain a limitation on converting to common shares, without prior approval of the Toronto Stock Exchange, if such conversion would result in the issuance of common shares equal to or exceeding 10% of the common shares outstanding on the date the Series 4 Preferred Shares are issued.

As at December 31, 2019, the Preferred Shares are convertible into 10,006,860 common shares of the Company. The weighted average accretion rate of the four series of preferred shares is 6.32%.

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 or portfolio-specific secured mortgages, 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 refinancing 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, although from time to time it may carry a higher leverage ratio if market conditions present an opportunity to maximize shareholder value. The Company also targets 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. Management's objectives are to source the lowest cost fixed rate debt within its targeted levels while laddering its fixed rate maturity schedule to effectively manage repricing risk. The Company does not designate its interest rate swaps as hedges, and they are marked to fair value each reporting period through change in fair value of financial instruments in the consolidated statements of income and other comprehensive income.

Indebtedness

	Principal Amount	Weighted Average Interest Rate	Years to Maturity [2]
Fixed Rate Indebtedness			
Unsecured Term loan	$ 200,000	4.5% [1]	4.0
Unsecured Revolver	25,000	5.0% [1]	3.0
Unsecured Revolver	50,000	4.6% [1]	3.0
Mohawk Facility	65,589	4.3% [1]	3.3
Magnetar Facility	15,000	8.5%	0.6
Commonwealth Facility	176,000	3.8% [1]	4.6
Mortgages payable	241,451	4.8% [1]	10.1
2016 Convertible Debentures	44,975	5.0%	2.1
2018 Convertible Debentures	50,000	6.0%	3.8
	868,015	4.6%	5.5
Variable Rate Indebtedness			
Unsecured Revolver	$ 98,750	4.2%	3.0
Mohawk Facility	21,286	4.0%	3.3
Mortgages payable	33,632	5.0%	0.3
	153,668	4.4%	2.4
Total indebtedness	$ 1,021,683	4.6%	5.0
Less loan fees and issue costs, net of amortization and accretion	(8,121)		
Equity component of convertible debentures, excluding issue costs and taxes	(2,384)		
Mark-to-market adjustment, net	2,297		
Carrying amount	$ 1,013,475		

(1) Weighted average interest rates as at December 31, 2019 included debt that is fixed with interest rate swaps.

(2) Years to maturity does not include the exercise of extension options, where available.

Joint Venture Indebtedness

		Principal Amount	Weighted Average Interest Rate	Years to Maturity
Fixed rate mortgages payable	$	163,307	4.3% [1]	5.0
Variable rate mortgages payable		84,745	4.6%	1.5
Total Indebtedness	$	248,052	4.4%	3.8
Less loan fees, net of amortization		(1,001)		
Carrying amount	$	247,051		
Company's share of carrying amount	$	178,060		

(1) Weighted average interest rates as at December 31, 2019 included debt that is fixed with interest rate swaps.

Weighted Average Interest Rate

During the period from December 31, 2018 to December 31, 2019 the Company has decreased its weighted average interest rate for the consolidated portfolio from 4.8% to 4.6%, or 20 basis points. During the period from December 31, 2018 to December 31, 2019 the Company has decreased its weighted average interest rate for the joint venture portfolio from 4.8% to 4.4%, or 40 basis points. This highlights that the Company has been successful over this time at managing interest rates through effective use of interest rate swaps and strategic debt refinacings. The Company has been able to capitalize on a decreasing interest rate environment to reduce interest costs for its shareholders.

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. On May 6, 2019, $25 of the 2016 Convertible Debentures were converted into 2,272 common shares.

2018 Convertible Debentures

On August 24, 2018, the Company issued an aggregate principal amount of $50,000 of convertible unsecured subordinated debentures ("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 consolidated indebtedness, net of loan costs, by the total consolidated assets of the Company. At December 31, 2019, the Company's total consolidated indebtedness was approximately $1,013,475, which represents 62.1% of total assets. Excluding the convertible debentures, total consolidated indebtedness was approximately $922,426, which was 56.6% of total assets. Fixed rate debt represented approximately 85.0% 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, 2019, the fixed charge coverage ratio of the Company was 1.89.

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, 2019, including expected interest payments, is as follows:

	Total	2020	2021	2022	2023	2024	Thereafter
Credit facilities principal	$ 651,625	$ 15,000	$ —	$ 173,750	$ 286,875	$ 176,000	$ —
Credit facilities interest	105,261	27,878	27,078	26,827	16,701	6,777	—
Mortgages payable principal	275,083	36,175	23,357	32,987	46,322	24,140	112,102
Mortgages payable interest	75,061	11,228	10,527	8,998	7,767	5,183	31,358
Convertible debentures principal	94,975	—	—	44,975	50,000	—	—
Convertible debentures interest	17,622	5,249	5,249	4,124	3,000	—	—
Commonwealth preferred unit liability principal (1)	65,680	—	—	—	—	65,680	—
Commonwealth preferred unit liability interest	20,982	4,257	4,293	4,293	4,459	3,680	—
Accounts payable and accrued liabilities	18,885	18,885	—	—	—	—	—
Accrued real estate taxes	13,066	13,066	—	—	—	—	—
Dividends payable	3,354	3,354	—	—	—	—	—
Other current liabilities	3,015	3,015	—	—	—	—	—
Other non-current liabilities	16,736	3,052	1,299	763	488	386	10,748
Loan commitments	2,402	2,022	380	—	—	—	—
Total Commitments	$1,363,747	$ 143,181	$ 72,183	$ 296,717	$ 415,612	$ 281,846	$ 154,208

(1) The liability has no stated maturity date. It is the Company's expectation that the liability will be repaid in 2024.

The credit facilities have an outstanding balance of $646,959 as of December 31, 2019.

Mortgages payable are comprised of mortgages secured by individual investment properties or small portfolios of 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 2019 dividend declared.

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

On June 5, 2019, the Company entered into agreements to fund future loans to tenants of the Jaguarundi Ventures, LP joint venture. On October 1, 2019, the Company amended the agreements to increase the future loan commitments to the tenants. As at December 31, 2019, the Company is committed to fund an additional $2,402 pursuant to these agreements. The Company has recorded an associated loan commitment liability representing the fair value of these commitments, which were made at interest rates below market value.

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, 2019.

Transactions Between Related Parties

The Company entered into subscription agreements in prior periods in respect of the issuance of class A convertible preferred shares to certain funds managed by Magnetar, a significant shareholder of the Company, 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 Company issued 7,560,137 shares for aggregate gross proceeds of $71,500.

On June 5, 2019, the Company formed a joint venture, Jaguarundi Ventures, LP, with Magnetar. The Company contributed eight properties to the newly formed joint venture and received $23,000 from Magnetar in exchange for a 39.49% interest in the joint venture. As at December 31, 2019, the Company has a loan receivable from Jaguarundi Ventures, LP of $8,673 recorded representing the funds owed to the Company from the repayment proceeds of a joint venture credit agreement with a tenant of the joint venture.

On July 23, 2019, the Company entered subscription agreements in respect of the issuance of the Series 4 Preferred Shares to Magnetar for aggregate proceeds of $14,550. On August 27, 2019 the fourth series funded resulted in the issuance of 1,538,461 Series 4 Preferred Shares. The purpose of the transaction was to raise proceeds to be used for the second tranche of the Commonwealth transaction.

On July 26, 2019, the Company entered into a loan agreement with Magnetar for a principal amount of $30,000, annual interest rate of 8.5%, and an initial maturity of one year with a one year extension option. On December 5, 2019, the Company repaid $15,000 on the facility.

Critical Accounting Estimates

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, 2019 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, 2019 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 year ended December 31, 2019.

Risks and Uncertainties

See "Risk Factors" in the Company's 2019 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

The Company's 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.

As of December 31, 2019, an evaluation was carried out, under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as defined under National Instrument 52-109. In making this assessment, the Chief Executive Officer and the Chief Financial Officer used the criteria set forth by the 2013 Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control – Integrated Framework. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective December 31, 2019.

Internal Controls Over Financial Reporting

The Company is 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 and effectiveness of our internal controls over financial reporting as at December 31, 2019, 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.

The Company implemented controls with respect to the operations and assets associated with the Commonwealth transaction, in order to ensure adequate control over financial reporting of that business unit. These controls were included in management's assessment of the design and effectiveness of internal controls. There were no other changes in internal

controls over financial reporting that occurred during the year ended December 31, 2019 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Outstanding Shares

As of March 11, 2020, 54,893,237 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 4,088,637 additional common shares.

Each 2018 Convertible Debenture is convertible into freely tradable common shares of the Company at the option of the holder on or after September 30, 2021, and prior to September 30, 2022 at a conversion price of $10.70 per common share. If all outstanding 2018 Convertible Debenture were converted into common shares of the Company, it would result in the issuance of 4,672,897 additional common shares.

As of March 11, 2020, there were 2,802,009 Series 1 Preferred Shares outstanding, 3,172,086 Series 2 Preferred Shares outstanding, 1,586,042 Series 3 Preferred Shares and 1,538,461 Class A Series 4 Preferred Shares. The Series 1 Preferred Shares, Series 2 Preferred Shares, Series 3 Preferred Shares, and Series 4 Preferred Shares are convertible into freely tradable common shares of the Company. As of March 11, 2020, assuming the voluntary conversion of all of the Series 1 Preferred Shares, Series 2 Preferred Shares, Series 3 Preferred Shares, and Series 4 Preferred Shares then outstanding, a total of 10,006,860 common shares would be issued.

As of March 11, 2020, assuming the voluntary conversion of all of the Exchangeable Units, a total of 327,869 common shares would be issued.

As of March 11, 2020, assuming the voluntary conversion of all of the Commonwealth preferred units, a total of 6,736,410 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.

FFO is a financial measure not defined under IFRS, and FFO, 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 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,		Year ended December 31,	
	2019	2018	2019	2018
Net income for the period	$ 6,684	$ (33,775)	$ (5,359)	$ (12,275)
Add/(deduct):				
Change in fair value of investment properties	846	46,442	6,075	17,186
Property taxes accounted for under IFRIC 21	(3,551)	(3,186)	(29)	(2,801)
Depreciation and amortization expense	9,009	—	14,349	—
Amortization of tenant inducements	101	—	158	—
Change in fair value of financial instruments	(4,710)	4,150	9,379	2,325
Change in fair value of contingent consideration	—	(495)	—	10,676
Deferred income tax expense	3,871	(12,243)	(67)	(2,881)
Transaction costs for business combination	1,638	—	5,898	6,444
Allowance for credit losses on loans and interest receivable	(9)	8,807	1,003	11,336
Change in non-controlling interest liability in respect of the above	1	(86)	(16)	17,459
Adjustments for equity accounted entities	(3,333)	(1,018)	14,731	750
Funds from operations	$ 10,547	$ 8,596	$ 46,122	$ 48,219
Interest, amortization and accretion expense on convertible units [1]	2,612	1,641	8,136	4,244
Total diluted funds from operations	$ 13,159	$ 10,237	$ 54,258	$ 52,463
Weighted average number of shares, including fully vested deferred shares: Basic	54,606,897	53,046,230	53,989,904	50,273,295
Weighted average shares issued if all convertible units were converted [2]	24,559,698	16,602,755	19,869,931	12,730,456
Weighted average number of shares: Diluted	79,166,595	69,648,985	73,859,835	63,003,751
Funds from operations per share	$ 0.19	$ 0.16	$ 0.85	$ 0.96
Diluted funds from operations per share	$ 0.17	$ 0.15	$ 0.73	$ 0.83

(1) Interest, amortization and accretion on convertible units include 2016 Convertible Debentures, 2018 Convertible Debentures, Commonwealth preferred interest, and Exchangeable Units.

(2) Convertible units include 2016 Convertible Debentures, 2018 Convertible Debentures, Preferred Shares, Commonwealth preferred interest, and Exchangeable Units.

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,		Year ended December 31,	
	2019	2018	2019	2018
Cash flows provided by (used in) operating activities	$ 13,279	$ 8,822	$ 16,170	$ 24,972
Change in non-cash working capital	(6,666)	1,191	10,685	5,531
Less: interest expense [(1)]	(11,043)	(12,681)	(37,726)	(35,366)
Less: change in non-controlling interest liability	(160)	(120)	(504)	(17,927)
Plus: income (loss) from joint ventures	5,345	2,077	(6,799)	5,450
Plus: change in fair value of investment in MS-SW Development Fund Holdings, LLC	—	60	—	214
Plus: interest paid	10,553	9,125	39,411	34,313
Less: interest received	(232)	(482)	(694)	(1,554)
Plus: transaction costs for business combination	1,638	—	5,898	6,444
Plus: non-cash portion of non-controlling interest expense	1	(86)	(16)	17,459
Plus: adjustments for equity accounted entities	(3,177)	(985)	14,387	783
Plus: deferred share incentive plan compensation	849	241	2,653	1,283
Plus: income support and development lease payments received	47	122	283	327
Plus: write-off of deferred financing costs from refinancing	—	3,708	82	3,708
Less: allowance for interest receivable	—	(292)	—	(1,065)
Less: capital maintenance reserve	(831)	(400)	(2,607)	(1,467)
Adjusted funds from operations	$ 9,603	$ 10,300	$ 41,223	$ 43,105
Interest expense on convertible units [(3)]	2,275	1,313	6,804	3,317
Total diluted adjusted funds from operations	$ 11,878	$ 11,613	$ 48,027	$ 46,422
Weighted average number of shares, including fully vested deferred shares: Basic	54,606,897	53,046,230	53,989,904	50,273,295
Weighted average shares issued if all convertible unites were converted [(4)]	24,559,698	16,602,755	19,869,931	12,730,456
Weighted average number of shares: Diluted	79,166,595	69,648,985	73,859,835	63,003,751
Adjusted funds from operations per share	$ 0.18	$ 0.19	$ 0.76	$ 0.86
Diluted adjusted funds from operations per share	$ 0.15	$ 0.17	$ 0.65	$ 0.74
Dividends declared	$ 10,046	$ 9,756	$ 39,764	$ 37,001
Payout ratio [(2)]	105%	95%	96%	86%
Effective payout ratio [(2)]	85%	92%	78%	84%

(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.

(2) Payout ratio is calculated by dividing the common share dividends declared by AFFO. Effective payout ratio is calculated by dividing common share dividends payable in cash, as adjusted for Dividend Reinvestment Plan ("DRIP") participation, by AFFO.

(3) Interest on convertible units include 2016 Convertible Debentures, 2018 Convertible Debentures, Commonwealth preferred interest, and Exchangeable Units.

(4) Convertible units include 2016 Convertible Debentures, 2018 Convertible Debentures, Preferred Shares, Commonwealth preferred interest, and Exchangeable Units.

The Company deducts a capital maintenance reserve in its calculation of AFFO based on estimated quarterly expenditures related to sustaining and maintaining existing space. Expenditures that are related to new development or revenue enhancing renovations are excluded from this calculation.

Cash Dividends

		Three months ended September 30,		Year ended December 31,	
		2019	2018	2019	2018
Cash flows provided by operating activities	$	13,279	$ 8,822	$ 16,170	$ 24,972
Net income (loss)		6,684	(33,775)	(5,359)	(12,275)
Total dividends declared		10,046	9,756	39,764	37,001
Excess (shortfall) of cash provided by operating activities over total dividends		3,233	(934)	(23,594)	(12,029)
Shortfall of net income over total dividends		(3,362)	(43,531)	(45,123)	(49,276)

Total dividends for the twelve months ended December 31, 2019 exceeded cash flows provided by operating activities largely due to working capital changes and cash flow from joint arrangements, which may be realized in the form of cash distributions to meet future cash needs. Total dividends for the three and twelve months ended December 31, 2019 exceeded net income primarily due to non-cash items, including fair value. Of the $10,046 dividends declared in the three months ended December 31, 2019, $1,918 was satisfied in the form of shares issued through the Dividend Reinvestment Plan ("DRIP"). The resulting cash provided by operating activities in excess of cash dividends for the three months ended December 31, 2019 is $5,151 and the excess of net income over cash dividends is $(1,444). Of the $39,764 dividends declared in the twelve months ended December 31, 2019, $7,687 was satisfied in the form of shares issued through the DRIP. The resulting cash provided by operating activities in shortfall of cash dividends for the twelve months ended December 31, 2019 is $(15,907) and the shortfall of net income over cash dividends is $(37,436).

The Company believes its current distributions are sustainable, based upon current run rates.

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.

Medical office buildings - stabilized upon the earlier of 90% occupancy, measured in physical occupancy of greater than 90% of the rentable square footage in the building, 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 Company believes relevant metrics for evaluating the performance of the underlying operations in stable, triple-net leased assets 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, 2019 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

The Company's triple net lease portfolio consists of 61 consolidated seniors housing and care properties and 8 seniors housing and care properties held in joint arrangements which are leased to operators on a long-term, triple net basis. Under a triple net lease structure, the tenant operators assume the operational risks and expenses associated with operating the facility. The Company's triple net leased portfolio has an average lease term to maturity, excluding renewal options, of 13.2 years.

Approximately 92% of the Company's forward 12 month rent from unaffiliated tenants in the triple net lease portfolio is currently subject to a master-lease or is subject to a lease where the Company has the right to consolidate multiple leases into a single master-lease.

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, 2019 includes 31 properties. The Company has excluded the Greenfield triple-net lease portfolio from the metrics provided below. As the Greenfield portfolio will transition to a seniors housing operating property ("SHOP") portfolio with Commonwealth, we believe excluding the corresponding portfolio from these metrics provides a more representative view of the go forward portfolio composition and its related performance.

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 (2018 - 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 (2018 - 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, 2019, the Company's stabilized portfolio had an occupancy percentage of 85%.

Seniors Housing Operating Properties

The Company's SHOP portfolio consists of 33 consolidated properties in which the Company wholly owns both the operations and the real estate of each community. The SHOP portfolio also includes 14 properties the Company owns an interest in both the operations and real estate through joint arrangements and where management services are provided to each community by a third party management company.

Based upon the Company's ownership structure in these assets, the Company believes the most relevant operational metrics include occupancy and year over year revenue and net operating income growth metrics. For the period ended September 30, 2019, the occupancy in the stabilized SHOP portfolio was 84%. As comparative and sufficient ownership 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 15 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, 2019 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, 2019, occupancy in the stabilized medical office building portfolio was 92%. As comparative periods become available in the Company's ownership period, the Company anticipates that additional metrics will be included in future filings.

Corporate Information

Directors

Scott White, Chairman and Chief Executive Officer

Brad Benbow, Director[2,3]

Donna Brandin, Director[1]

Shaun Hawkins, Director[1,3]

Charles Herman, Lead Independent Director[2,3]

Randy Maultsby, Director[1]

Adlai Chester, Director and Chief Investment Officer

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

Officers and Senior Management

Scott White
Chief Executive Officer

Adlai Chester
Chief Investment Officer

Scott Higgs
Chief Financial Officer

Vineet Bedi
Chief Strategy Officer

Azin Lotfi
General Counsel

Bryan Hickman
SVP – Investments

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