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

INVESQUE INC.

Three months ended March 31, 2019 and 2018
(Unaudited)

INVESQUE INC.

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

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash	$ 25,677	$ 26,978
Tenant and other receivables	14,616	15,544
Loans receivable (note 2)	10,579	12,241
Other (note 3)	5,514	5,598
	56,386	60,361
Non-current assets:		
Loans receivable (note 2)	25,625	20,181
Derivative instruments (note 8)	497	1,722
Investment in joint ventures (note 5)	81,464	84,658
Investment properties (note 4)	1,157,477	1,115,530
Other non-current assets (note 3)	2,585	1,507
	1,267,648	1,223,598
Total assets	$ 1,324,034	$ 1,283,959
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 7,810	$ 9,871
Accrued real estate taxes	10,040	11,052
Dividends payable	3,268	3,253
Liability to previous owner of Care	—	9,676
Credit facilities (note 6)	12,700	12,647
Mortgages payable (note 7)	48,928	49,444
Other current liabilities (note 10)	1,676	2,030
	84,422	97,973
Non-current liabilities:		
Credit facilities (note 6)	382,027	325,493
Mortgages payable (note 7)	244,687	253,886
Convertible debentures (note 9)	90,073	89,745
Derivative instruments (note 8)	1,342	651
Deferred tax liability (note 20)	9,859	7,011
Other non-current liabilities (note 10)	14,137	12,785
Non-controlling interest liability	2,978	2,947
	745,103	692,518
Total liabilities	829,525	790,491
Shareholders' equity:		
Common share capital (note 12)	495,320	493,165
Preferred share capital (note 12)	71,106	71,106
Contributed surplus	400	400
Equity component of convertible debentures	1,671	1,671
Cumulative deficit	(72,354)	(69,785)
Accumulated other comprehensive income	(1,634)	(3,089)
Total shareholders' equity	494,509	493,468
Commitments and contingencies (note 21)		
Subsequent events (note 21 and 24)		
Total liabilities and shareholders' equity	$ 1,324,034	$ 1,283,959

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

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

		Three months ended March 31, 2019		Three months ended March 31, 2018
Revenue:				
Rental (note 14)	$	28,017	$	22,195
Lease revenue from joint ventures (note 5)		751		766
Other income		456		78
		29,224		23,039
Expenses (income):				
Finance costs from operations (note 15)		9,070		6,502
Real estate tax expense		14,428		9,200
General and administrative expenses (note 16)		3,481		2,733
Direct property operating expenses (note 17)		1,302		—
Transaction costs for business combination		—		6,116
Allowance for credit losses on loans and interest receivable (note 2)		491		1,251
Change in non-controlling interest liability		56		41
Change in fair value of investment properties - IFRIC 21		(10,424)		(6,338)
Change in fair value of investment properties (note 4)		(4,857)		2,321
Change in fair value of financial instruments (notes 8)		1,811		(1,398)
		15,358		20,428
Income (loss) from joint ventures (note 5)		(3,813)		806
Income before income taxes		10,053		3,417
Income tax expense:				
Deferred (note 20)		2,848		1,098
Net income	$	7,205	$	2,319
Other comprehensive income:				
Items to be reclassified to net income (loss) in subsequent periods				
Unrealized gain (loss) on translation of foreign operations		1,455		(506)
Total comprehensive income	$	8,660	$	1,813
Income per share (note 13):				
Basic	$	0.14	$	0.05
Diluted	$	0.12	$	0.05

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in thousands of U.S. dollars)
Three months ended March 31, 2019 and 2018
(Unaudited)

	Common share capital	Preferred share capital	Contributed surplus	Equity component of convertible debentures	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 income	—	—	—	—	7,205	—	7,205
Other comprehensive loss	—	—	—	—	—	1,455	1,455
Common shares issued, net of issuance costs (note 12)	817	—	—	—	—	—	817
Common shares issued under the Company's dividend reinvestment plan	1,340	—	—	—	—	—	1,340
Dividends declared on common shares	—	—	—	—	(9,774)	—	(9,774)
Common shares purchased under NCIB (note 12)	(2)	—	—	—	—	—	(2)
Balance, March 31, 2019	$ 495,320	$ 71,106	$ 400	$ 1,671	$ (72,354)	$ (1,634)	$ 494,509

	Common share capital	Preferred share capital	Contributed surplus	Equity component of convertible debentures	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2018 as previously reported	$ 310,459	$ 26,353	$ 400	$ 1,130	$ (20,145)	$ 1,187	$ 319,384
Impact of adopting IFRS 9	—	—	—	—	(364)	—	(364)
Adjusted balance, January 1, 2018	$ 310,459	$ 26,353	$ 400	$ 1,130	$ (20,509)	$ 1,187	$ 319,020
Net income	—	—	—	—	2,319	—	2,319
Other comprehensive loss	—	—	—	—	—	(506)	(506)
Common shares issued, net of issuance costs (note 12)	147,167	—	—	—	—	—	147,167
Preferred shares issued, net of issuance costs (note 12)	—	44,877	—	—	—	—	44,877
Common shares issued under the Company's dividend reinvestment plan	138	—	—	—	—	—	138
Dividends declared on common shares	—	—	—	—	(8,012)	—	(8,012)
Balance, March 31, 2018	$ 457,764	$ 71,230	$ 400	$ 1,130	$ (26,202)	$ 681	$ 505,003

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of U.S. dollars)
Three months ended March 31, 2019 and 2018
(Unaudited)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Cash flows from operating activities:		
Net income	$ 7,205	$ 2,319
Items not involving cash:		
Fair value adjustment of investment properties	(4,857)	2,321
Fair value adjustment of financial instruments	1,811	(1,398)
Allowance for credit losses on loans and interest receivable	491	1,251
Straight-line rent	(2,354)	(2,693)
Finance costs from operations	9,070	6,502
Change in non-controlling interest liability	56	41
Loss (income) from joint ventures	3,813	(806)
Change in fair value of investment in MS-SW Development Fund Holdings, LLC	—	(50)
Deferred income tax	2,848	1,098
Interest paid	(8,293)	(6,914)
Interest income received	59	859
Change in non-cash operating working capital:		
Tenant and other receivables	(4,637)	(2,745)
Accounts payable and accrued liabilities	(2,889)	(1,940)
Unearned revenue	(107)	(814)
Other assets	(795)	663
Other liabilities	1,897	1,904
Accrued real estate taxes	(1,033)	2,385
Net cash provided by operating activities	$ 2,285	$ 1,983
Cash flows from financing activities:		
Proceeds from credit facilities	$ 55,000	$ 40,024
Payments on credit facilities	—	(21,000)
Debt issuance costs paid	(146)	(1,097)
Proceeds from mortgages payable	6,468	2,243
Payments of mortgages payable	(16,701)	(696)
Proceeds from settlement of interest rate swap	104	—
Dividends paid to common shareholders	(8,417)	(6,849)
Payment for repurchase of common shares	(2)	—
Proceeds from issuance of preferred share capital	—	45,000
Cash provided by financing activities	$ 36,306	$ 57,625
Cash flows from investing activities:		
Additions to investment properties	$ (31,367)	$ (57,272)
Distributions from joint ventures	463	3,963
Contributions to joint ventures	(1,062)	—
Distributions to non-controlling interest partners	(25)	—
Proceeds from income support agreement	120	—
Construction costs	—	(2,945)
Payments to previous owner of Care	(9,676)	—
Issuance of loans receivable	(470)	(6,696)
Repayment of loans receivable	2,125	5,276
Cash used in investing activities	$ (39,892)	$ (57,674)
(Decrease) increase in cash and cash equivalents	(1,301)	1,934
Cash and cash equivalents, beginning of period	26,978	12,958
Cash and cash equivalents, end of period	$ 25,677	$ 14,892

See accompanying notes to condensed consolidated interim financial statements.

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

The Company is a North American health care real estate company with a growing portfolio of high quality properties located in the United States and Canada. The Company partners with industry leaders to invest across the health care spectrum. Specifically, the Company will look to acquire and invest in predominately transitional care, long-term care, memory care, assisted living, independent living and medical office properties. At March 31, 2019, the Company owns interests in a portfolio of 100 health care and senior living properties.

1. Basis of preparation:

Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2018 issued on March 13, 2019, and which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company and authorized for issuance on May 14, 2019.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2018. The following IFRS amendments were adopted in 2019:

(i) On January 13, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). IFRS 16 replaces IAS 17, Leases ("IAS 17"). The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset and a lease liability, representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The Company adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach. On January 1, 2019 the Company recognized both a right-of-use asset and lease liability of $1,490. There was no impact to equity as a result of the adoption of IFRS 16.

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

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

2. Loans receivable:

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

Debtor	Loan Type	March 31, 2019	December 31, 2018	Issued Date	Maturity Date (1)	Current Interest Rate	PIK Interest Rate
MS-SW Mezzanine Fund, LLC	Mezzanine loan	$ 1,271	$ 1,271	September 1, 2016	September 1, 2020	10.5%	4.0%
MS Surprise, LLC	Mezzanine loan	2,965	2,965	November 1, 2016	October 1, 2021	10.5%	3.0%
MS Parker Holdings II, LLC	Mezzanine loan	3,762	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	1,123	1,100	November 1, 2016	October 31, 2018 (3)	8.0%	—%
Autumnwood Lifestyles Inc.	Loan receivable	375	367	June 29, 2017	On Demand	8.0%	—%
Symcare ML, LLC	Loan receivable	7,250	7,206	October 20, 2017	June 30, 2019	2.5%	2.5%
MCA Memory Care America, LLC	Loan receivable	300	300	November 6, 2017	April 1, 2019	10.0%	—%
Mainstreet Development Fund III, LP	Loan receivable	652	652	November 28, 2017	On Demand	6.5%	—%
Mainstreet Development Fund II, LP	Loan receivable	412	397	January 31, 2018	On Demand	15.0%	—%
Mainstreet Development Fund II, LP	Loan receivable	466	507	February 23, 2018	On Demand	15.0%	—%
Park Terrace Operating, LLC, Seneca Lake Terrace Operating, LLC, Premier Senior Living, LLC	Loan receivable	700	700	August 16, 2013 (2)	August 16, 2025	8.7%	—%
Ellipsis Real Estate Partners	Loan receivable	4,043	4,043	May 4, 2018	May 4, 2028	—%	14.5%
Symcare ML, LLC	Loan receivable	9,580	7,557	December 26, 2018	January 1, 2033	—%	10.0%
PAIF-MS, LLC	Loan receivable	—	1,900	December 31, 2018	January 25, 2019	5.0%	—%
YAL Borrower LLC	Interest-only loan	1,833	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	233	—	January 1, 2019	January 1, 2028	—%	5.0%
Hillcrest Firethorn, LLC	Loan receivable	218	—	January 1, 2019	November 1, 2027	—%	5.0%
MOC Fort Worth, LLC; MOC Round Rock, LLC; MOC San Antonio II, LLC; MOC Webster, LLC; Rapid Recovery Center of Texas, LLC	Loan receivable	370	—	March 6, 2019	April 30, 2019	5.5%	—%
MOC Fort Worth, LLC; MOC Round Rock, LLC; MOC San Antonio II, LLC; MOC Webster, LLC; Rapid Recovery Center of Texas, LLC	Loan receivable	100	—	March 19, 2019	April 30, 2019	5.5%	—%
MOC Fort Worth, LLC	Loan receivable	801	—	March 31, 2019	April 1, 2021	5.5%	—%
MOC Round Rock, LLC	Loan receivable	768	—	March 31, 2019	April 1, 2021	5.5%	—%
MOC San Antonio II, LLC	Loan receivable	1,028	—	March 31, 2019	April 1, 2021	5.5%	—%
MOC Webster, LLC	Loan receivable	713	—	March 31, 2019	April 1, 2021	5.5%	—%
Allowance for losses on loans receivable		(10,832)	(10,341)				
Carrying value of loans recorded at amortized cost		$ 34,063	$ 30,281				
Javelina Ventures, LLC	Loan receivable - FVTPL	2,141	2,141	December 31, 2018	(4)	—%	5.0%
Carrying value of loans receivable		36,204	32,422				
Less current portion		10,579	12,241				
Long-term portion		$ 25,625	$ 20,181				

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

(1) Mezzanine loans are due at the time of sale of the property if sale occurs earlier than the stated maturity date.
(2) Loan assumed during the acquisition of Care (defined below) on February 1, 2018. Loan was originally issued by Care PSL Holdings LLC on August 16, 2013.
(3) Maturity date is the later of October 31, 2018 and the completion of the expansion projects at the Marina Point and Red Oak Facilities. The projects are not yet complete.
(4) The repayment of this loan is pursuant to Javelina Ventures Operating Agreement in which net available cash from operations will be used to repay the principal and accrued interest on this loan.

On December 26, 2018, a subsidiary of the Company entered into a loan agreement with the tenant operator of the Symphony Portfolio ("Symcare") with a total capacity of $15,000 and a maturity date of January 1, 2033. As at March 31, 2019, Symcare had drawn $9,580 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.

Loans receivable and associated allowance for losses on loans receivable as at March 31, 2019 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	$ 33,276	$ 1,530	$ 12,230	$ 47,036
Allowance for losses on loans receivable	(333)	(76)	(10,423)	(10,832)
Loans receivable, net of allowances	$ 32,943	$ 1,454	$ 1,807	$ 36,204

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

The changes in the allowance for credit losses during the three months ended March 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	—	—	450	450
Transfer to/(from)				
Stage 1	(3)	—	3	—
Stage 2	—	—	—	—
Stage 3	—	—	—	—
Total allowance for credit losses	$ 290	$ 78	$ 10,423	$ 10,791
Fundings	64	—	—	64
Repayments	(21)	(2)	—	(23)
Balance as at March 31, 2019	$ 333	$ 76	$ 10,423	$ 10,832

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

During the three months ended March 31, 2019, $300 of loans receivable were transferred from Stage 1 to Stage 3 due to an increase in credit risk. As at March 31, 2019, $12,230 of loans receivable are categorized as Stage 3. For the three months ended March 31, 2019, a loss of $491 was recorded in the condensed consolidated interim statements of income and comprehensive income due to the increased allowance on the Stage 3 loans and general allowance recorded on new loans issued.

The Company recognized a loss of $153 for the three months ended March 31, 2019 in the condensed consolidated interim statement of income and comprehensive income related to the impairment associated with the mezzanine loan to MS Parker II Holdings, LLC. The development project associated with the loan has been terminated, and certain loan guarantees have been assessed to have decreased in value. The Company recorded an allowance to reduce the recoverable value of the loan to the value of the land held by the project, for which the Company has a first mortgage position.

The Company recognized a loss of $297 for the three months ended March 31, 2019 in the condensed consolidated interim statement of income and comprehensive income related to the impairment of the loan receivable to MCA Memory Care America, LLC. The loan receivable was due April 1, 2019 and is in default as the borrower has not repaid principal or interest. The Company has moved the balance of this loan to Stage 3 and has recorded a full allowance against this loan to reflect the increased credit risk.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

3. Other assets:

Other assets are as follows:

	March 31, 2019	December 31, 2018
Prepaid expense	$ 775	$ 519
Prepaid management fees	545	648
Security deposits and costs related to future acquisitions	1,668	1,048
Income support receivable	225	337
Escrow deposits held by lenders	1,808	2,565
Furniture, fixtures, and equipment	505	507
Right-of-use asset	1,447	—
Other	1,126	1,481
	$ 8,099	$ 7,105
Current	$ 5,514	$ 5,598
Non-current	2,585	1,507
	$ 8,099	$ 7,105

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 March 31, 2019, the Company has a right-of-use asset in respect to its office lease totaling $1,447 with a 7 year lease term which began in 2018. During the three months ended March 31, 2019, amortization of right-of-use assets of $42 was recorded in the financial statements.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

4. 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	2		30,249
Capital expenditures	—		1,239
Increase in straight-line rents	—		2,354
Fair value adjustment	—		4,857
Translation of foreign operations	—		3,248
Balance, March 31, 2019	82	$	1,157,477
Property tax liability under IFRIC 21			(10,714)
Fair value adjustment to investment properties - IFRIC 21			10,714
		$	1,157,477

At March 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, discounted cash flow projections (Level 3 inputs) or recent transaction prices. The fair value of investment properties reflects rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

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

	March 31, 2019	December 31, 2018
Capitalization rate - range	6.50% - 8.25%	6.50% - 8.25%
Capitalization rate - weighted average	7.88%	7.89%
Terminal capitalization rate - range	5.70% - 9.25%	5.70% - 9.25%
Terminal capitalization rate - weighted average	6.71%	7.04%
Discount rate - range	6.70% - 9.00%	6.70% - 9.00%
Discount rate - weighted average	7.55%	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:

		March 31, 2019		December 31, 2018
Investment property valued using direct capitalization income approach	$	987,766	$	925,895
Investment property valued using discounted cash flow projection	$	162,855	$	183,582
Investment property valued using other methods	$	6,856	$	6,053
Capitalization rate:				
25-basis point increase	$	(30,542)	$	(28,559)
25-basis point decrease	$	32,568	$	30,448
Terminal capitalization rate:				
25-basis point increase	$	(4,191)	$	(4,281)
25-basis point decrease	$	4,536	$	4,629
Discount rate:				
25-basis point increase	$	(1,972)	$	(2,479)
25-basis point decrease	$	2,009	$	2,535

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

(b) Acquisitions - three months ended March 31, 2019

	Allen, TX	Oswego, IL	Total
Number of consolidated properties acquired:	1	1	2
Net assets acquired:			
Investment properties	$ 8,136	$ 22,113	$ 30,249
Working capital balances	—	(21)	(21)
	$ 8,136	$ 22,092	$ 30,228
Consideration paid/funded:			
Cash	2,445	22,092	24,537
Proceeds from mortgage payable, net of fees	5,591	—	5,591
Deposit applied against purchase price	100	—	100
	$ 8,136	$ 22,092	$ 30,228

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

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

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

5. Joint arrangements:

As at March 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)
Greenfield JV	3	United States	80%	Joint venture (3)
Greenfield Lansdale	1	United States	80%	Joint venture (3)
Heritage JV	3	United States	80%	Joint venture (3)
Heritage Newtown	1	United States	80%	Joint venture (3)
Heritage Harleysville	1	United States	90%	Joint venture (3)
Phoenix Fayetteville	1	United States	90%	Joint venture (3)
Royal JV	5	United States	80%	Joint venture (3)
Royal Eatonton	1	United States	65%	Joint venture (3)

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

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

The Company and Autumnwood each owns a 50% direct beneficial interest in the real estate assets of the Invesque-Autumnwood Landlord entity and are jointly obligated for the related mortgages for a portfolio of four properties which are accounted for as joint operations and are accounted for under the proportionate consolidation method. The Company's 50% interest in the operations of these properties is held through separate legal entities (collectively referred to as "Invesque-Autumnwood Operators"), which under IFRS 11, Joint Arrangements, are accounted for as joint ventures using the equity method. Invesque-Autumnwood Operators have leased the real estate from the landlords under their respective lease agreements. These leases are for three-year periods, with six automatic renewals every third anniversary for a total of 21 years. The Company's share of the landlords' lease receipts, $751 for the three months ended March 31, 2019 (2018 - $766), is reported as lease revenue from joint ventures. Invesque-Autumnwood Operators lease expense is included in the share of income from joint ventures in the consolidated statements of income and comprehensive income.

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

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

The following tables summarize the information about the Company's investment in joint ventures, which have been accounted for under the equity method:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Contributions to joint ventures	$ 1,062	$ —
Distributions received from joint ventures	$ 463	$ 3,963

	March 31, 2019		December 31, 2018	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	$ 6,169	$ 5,033	$ 4,965	$ 4,047
Tenant and other receivables	2,297	1,469	2,443	1,591
Other	1,946	1,501	1,349	1,021
Current assets	10,412	8,003	8,757	6,659
Investment properties	251,819	199,037	256,184	202,972
Property, plant and equipment	27,594	20,183	28,012	20,498
Loans receivable	3,858	39	3,864	39
Derivative instruments	1,270	1,094	2,024	1,726
Other non-current assets	965	845	445	325
Total assets	$ 295,918	$ 229,201	$ 299,286	$ 232,219
Accounts payable and accrued liabilities	$ 7,442	$ 5,723	$ 6,511	$ 4,945
Unearned revenue	1,016	833	1,066	873
Mortgages payable - current	71,704	56,555	32,323	25,382
Current liabilities	80,162	63,111	39,900	31,200
Mortgages payable - non-current	104,219	84,434	144,419	116,263
Other non-current liabilities	215	192	104	98
Total liabilities	$ 184,596	$ 147,737	$ 184,423	$ 147,561
Net assets	$ 111,322	$ 81,464	$ 114,863	$ 84,658

As at March 31, 2019, the mortgage secured by the Greenfield Lansdale property was in default due to non-compliance with certain debt service coverage metrics. The $9,762 loan balance is included in mortgages payable - current in the table above. The loan balance was repaid in full on April 1, 2019, thereby curing the default.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

	Three months ended March 31, 2019		Three months ended March 31, 2018	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 18,538	$ 12,693	$ 13,460	$ 8,650
Property operating expense	(14,667)	(9,663)	(11,014)	(6,697)
Finance costs	(2,149)	(1,714)	(1,277)	(1,020)
Depreciation expense	(432)	(324)	(289)	(216)
Change in fair value of financial instruments	(791)	(661)	110	89
Change in fair value of investment properties	(4,624)	(4,144)	—	—
Net income (loss), prior to distributions to owners	$ (4,125)	$ (3,813)	$ 990	$ 806

Related party transactions occur between the Company and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the parties. Except as disclosed elsewhere in these consolidated financial statements, the related party balances are included in accounts payable and other receivables and in lease revenue from joint ventures.

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

	March 31, 2019	December 31, 2018
Mortgages at fixed rates:		
Mortgages (principal) [(1)]	$ 99,640	$ 100,028
Interest rates	3.24% to 5.68%	3.24% to 5.68%
Weighted average interest rate	4.26%	4.26%
Mortgages at variable rates:		
Mortgages (principal)	$ 76,431	$ 76,874
Interest rates	LIBOR plus 2.75% to LIBOR plus 3.20%	LIBOR plus 2.75% to LIBOR plus 3.20%
Weighted average interest rate	5.40%	5.43%
Blended weighted average rate	4.75%	4.76%

(1) Includes $83,480 of variable rate mortgages that are fixed with interest rate swaps.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

6. 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.

		March 31, 2019	Borrowing rate at March 31, 2019		December 31, 2018	Borrowing rate at December 31, 2018
Unsecured Facility Term [1]	$	200,000	4.33%	$	200,000	4.33%
Unsecured Facility Revolver [3]		99,900	4.72%		44,900	4.75%
Secured Revolving Facility		12,740	6.30%		12,740	6.31%
Mohawk Facility USD denominated portion		21,286	4.70%		21,286	4.72%
Mohawk Facility CAD denominated portion [1] [2]		63,822	4.53%		62,461	4.53%
Finance costs, net		(3,021)	—		(3,247)	—
Carrying value	$	394,727	4.54%	$	338,140	4.52%
Less current portion		12,700			12,647	
Long-term portion	$	382,027		$	325,493	

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

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

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

Future principal repayments of the credit facilities are as follows:

		Aggregate principal payments
2019	$	12,740
2020		—
2021		—
2022		99,900
2023		285,108
Total	$	397,748

7. Mortgages payable:

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

		March 31, 2019		December 31, 2018
Mortgages payable	$	296,445	$	306,170
Mark-to-market adjustment, net		(860)		(883)
Finance costs, net		(1,970)		(1,957)
Carrying value	$	293,615	$	303,330
Less current portion		48,928		49,444
Long-term portion	$	244,687	$	253,886

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

Mortgages payable are collateralized by investment properties with a fair value of $475,118 at March 31, 2019. Maturity dates on mortgages payable range from 2019 to 2049, and the weighted average years to maturity is 5.68 years at March 31, 2019.

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

	Regular principal payments	Principal due on maturity	Total principal payments	% of total principal payments
2019	$ 3,980	$ 32,301	$ 36,281	12.24%
2020	5,581	11,300	16,881	5.69%
2021	6,036	6,781	12,817	4.32%
2022	5,340	59,464	64,804	21.86%
2023	4,546	36,340	40,886	13.79%
Thereafter	20,413	104,363	124,776	42.10%
	$ 45,896	$ 250,549	$ 296,445	100.00%

	March 31, 2019	December 31, 2018
Mortgages at fixed rates:		
Mortgages (principal) (1)	$ 221,197	$ 228,925
Interest rates	3.08% to 5.98%	3.08% to 5.98%
Weighted average interest rate	4.57%	4.58%
Mortgages at variable rates:		
Mortgages (principal)	$ 75,248	$ 77,245
Interest rates	LIBOR plus 2.5% to US Prime plus 0.5%	LIBOR plus 2.5% to US Prime plus 0.5%
Weighted average interest rate	5.61%	5.56%
Blended weighted average rate	4.83%	4.82%

(1) Includes $53,552 of variable rate mortgages that are fixed with interest rate swaps.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

8. Derivative financial instruments:

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

				Asset (Liability) Balance		Income (Loss) for the three months ended	
Swap	Maturity Date	Fixed Rate	Notional amount	March 31, 2019	December 31, 2018	March 31, 2019	March 31, 2018
The Secured Facility Term Swap	October 30, 2019	LIBOR fixed at 1.16%	$ 200,000	$ —	$ —	$ —	$ 782
The Unsecured Term	November 30, 2020	LIBOR fixed at 2.18%	200,000	394	1,189	(795)	—
The Unsecured Revolver	January 2, 2024	LIBOR fixed at 2.56%	25,000	(472)	(163)	(309)	—
Leawood Swap	March 15, 2024	Interest rate fixed at 4.55%	13,478	(42)	134	(176)	288
Topeka Swap	March 15, 2024	Interest rate fixed at 4.55%	12,802	(39)	128	(167)	274
Currency Rate Swap	April 27, 2018	$1.29 (3)	23,000	—	—	—	32
Red Oak Swap (2)	January 18, 2021	Interest rate fixed at 3.77%	4,104	(37)	(17)	(20)	(17)
Park Terrace Swap	December 18, 2020	LIBOR fixed at 2.42%	3,750	—	4	(4)	10
Seneca Lake Swap	December 18, 2020	LIBOR fixed at 2.42%	4,238	—	4	(4)	11
Winchester Swap	November 1, 2021	Interest rate fixed at 4.54%	6,621	103	157	(54)	9
Calhoun Swap	May 31, 2019	LIBOR fixed at 1.75%	28,800	—	106	(3)	9
Mohawk Credit Facility Swap (1)	July 2, 2020	Banker's Acceptance fixed at 2.33%	63,822	(343)	(126)	(215)	—
Grand Brook Swap	October 2, 2021	Interest rate fixed at 5.98%	15,947	(409)	(345)	(64)	—
			Carrying value	$ (845)	$ 1,071	$ (1,811)	$ 1,398
			Derivative instruments (Asset)	$ 497	$ 1,722		
			Derivative instruments (Liability)	(1,342)	(651)		
				$ (845)	$ 1,071		

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

(2) The swap has a current notional amount of CAD$5,479

(3) The currency exchange rate was fixed to $1.29 CAD per USD on $23,000 CAD.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

9. Convertible debentures:

As at March 31, 2019 the convertible debentures are comprised of the following:

	March 31, 2019	December 31, 2018
Issued	$ 95,000	$ 95,000
Issue costs, net of amortization and accretion of equity component	(2,543)	(2,871)
Equity component, excluding issue costs and taxes	(2,384)	(2,384)
Convertible debentures	$ 90,073	$ 89,745

Interest costs related to the convertible debentures are recorded in financing costs using the effective interest rate method.

10. Other liabilities:

Other liabilities are as follows:

	March 31, 2019	December 31, 2018
Deferred shares liability	$ 1,289	$ 1,756
Security deposits received from tenants	10,389	10,029
Escrows collected from tenant	1,258	1,575
Unearned revenue	197	303
Liability to previous owner of Care	1,012	1,000
Lease liability	1,447	—
Other	221	152
	$ 15,813	$ 14,815
Current	$ 1,676	$ 2,030
Non-current	14,137	12,785
	$ 15,813	$ 14,815

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

	Credit facilities	Mortgages payable	Convertible debentures	Total
Balance, December 31, 2018	$ 338,140	$ 303,330	$ 89,745	$ 731,215
Proceeds from financing	55,000	6,468	—	61,468
Repayments	—	(15,326)	—	(15,326)
Scheduled principal payments	—	(1,375)	—	(1,375)
Financing costs paid	(14)	(132)	—	(146)
Amortizing of financing costs and mark to market adjustments	254	144	328	726
Changes in foreign currency rates	1,347	506	—	1,853
Balance, March 31, 2019	$ 394,727	$ 293,615	$ 90,073	$ 778,415

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

12. Share capital:

(a) Common shares:

The following number and value of common shares were issued and outstanding as at March 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 on settlement of Deferred Share Incentive Plan	112,352		817
Issued pursuant to the Company's dividend reinvestment plan	186,970		1,340
Shares acquired under NCIB	(300)		(2)
Balance, March 31, 2019	53,232,873	$	495,320

(i) On November 9, 2018 the Toronto Stock Exchange approved the Company's notice of intention to make a normal course issuer bid ("NCIB") for a portion of its common shares. Pursuant to the notice, the Company is authorized to acquire up to a maximum of 2,647,954 of its Units, or approximately 5% of the Company's 52,959,070 outstanding Shares as of November 1, 2018, for cancellation over the next 12 months. Purchases under the NCIB will be made through the facilities of the Toronto Stock Exchange or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Share equal to the market at the time of acquisition. The number of Shares that can be purchased pursuant to the NCIB is subject to a daily maximum of 7,918 Shares, subject to the Company's ability to make one block purchase of Shares per calendar week that exceeds such limits. Any Shares purchased under the NCIB will be canceled upon purchase. During the three months ended March 31, 2019, the Company acquired 300 shares.

(ii) For the period ended March 31, 2019, the Company declared dividends payable in cash on common shares of $9,774, respectively (2018 - $8,012).

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

(b) Preferred shares:

The following number and value of preferred shares were issued and outstanding as at March 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 and March 31, 2019	7,560,137		71,106

As at March 31, 2019, the preferred shares are convertible into 8,054,308 common shares of the Company.

13. 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 and unvested deferred shares, if exercised, would be anti-dilutive to net income per share. Accordingly their potential exercise has been ignored in calculating the diluted net income per share.

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

Net income:

		Three months ended March 31, 2019		Three months ended March 31, 2018
Net income for basic and diluted net income per share	$	7,205	$	2,319

Denominator for basic and diluted net income per share:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Weighted average number of shares, including fully vested deferred shares: Basic	53,134,791	43,353,208
Weighted average shares issued if all preferred shares were converted	7,946,496	4,653,161
Weighted average number of shares: Diluted	61,081,287	48,006,369

Net income per share:

		Three months ended March 31, 2019		Three months ended March 31, 2018
Basic	$	0.14	$	0.05
Diluted	$	0.12	$	0.05

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

14. Rental revenue:

Rental revenue consists of the following:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Cash rental revenue	$ 21,032	$ 16,640
Straight-line rent adjustments	2,354	2,693
Property tax recoveries	3,838	2,862
Revenue from services - CAM recoveries (1)	793	—
	$ 28,017	$ 22,195

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

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

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

The tenant Symcare operates a portfolio of 13 properties and pays rent pursuant to a master lease. For the three months ended March 31, 2019, rental revenue from this tenant comprised approximately 32% (2018 - 41%), of the Company's consolidated rental revenue for the period.

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

Less than 1 year	$ 85,465
Between 1 and 5 years	342,734
More than 5 years	724,985
	$ 1,153,184

Future minimum rentals in the above table attributable to Symcare represent approximately 40% of the total.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

15. Finance costs:

Finance costs consist of the following:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Interest expense on credit facilities	$ 4,235	$ 3,016
Interest expense on mortgages payable	3,650	3,251
Interest expense on convertible debentures	1,312	563
Amortization and accretion expense	711	598
Interest rate swap receipts	(115)	(167)
Amortization of mark-to-market debt adjustments	22	13
Interest income from loans receivable (note 2)	(745)	(772)
Finance costs from operations	$ 9,070	$ 6,502
Allowance for credit losses on loans and interest receivable	491	1,251
Change in non-controlling interest liability	56	41
Change in fair value of financial instruments	1,811	(1,398)
Total finance costs	$ 11,428	$ 6,396

16. General and administrative:

General and administrative costs consist of the following:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Compensation and benefits	$ 1,750	$ 1,339
Asset management and administrative fees	125	68
Professional fees	769	574
Deferred share compensation	349	254
Other	488	498
	$ 3,481	$ 2,733

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

17. Direct property operating expenses:

Direct property operating expenses consist of the following:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Repairs and maintenance	$ 383	$ —
Utilities	357	—
Property management fees	143	—
Services	235	—
Other	39	—
Non-recoverable operating expenses	145	—
	$ 1,302	$ —

18. Deferred share incentive plan:

At March 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	66,546
Individual Contributed Deferred Shares (vested immediately)	36,873	36,873
Company Contributed Deferred Shares	38,363	13,893
Shares forfeited	(872)	—
Shares issued upon vesting of deferred shares	(72,192)	(72,192)
As at December 31, 2018	375,279	92,244
Discretionary Deferred Shares granted	275,917	95,482
Individual Contributed Deferred Shares (vested immediately)	7,652	7,652
Company Contributed Deferred Shares	7,696	5,020
Shares forfeited	(13,981)	—
Shares issued upon vesting of deferred shares	(112,357)	(112,357)
As at March 31, 2019	540,206	88,041

For the three months ended March 31, 2019, expense recognized in the condensed consolidated interim statements of income and comprehensive income related to deferred shares was $349 (2018 - $254). A deferred share liability of $1,289 (2018 - $1,756) is included in other non-current liabilities in the condensed consolidated interim statements of financial position as at March 31, 2019. The table above includes dividends granted during the three months ended March 31, 2019 of 9,002 shares (2018 - 3,618 shares).

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

19. Related party transactions:

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

The Company entered into subscription agreements in 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.

20. Income taxes:

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Income before income taxes	$ 10,053	$ 3,417
Income tax expense at Canadian tax rate	2,664	938
Non-deductible expenses	55	69
Difference in tax rate in foreign jurisdiction	129	91
Income tax expense	$ 2,848	$ 1,098

The gross movement in deferred tax is as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Deferred tax liability, beginning balance	$ 7,011	$ 10,291
Deferred tax expense	2,848	1,098
Deferred tax resulting from business combination	—	1,699
Deferred tax liability charged to equity	—	(173)
Deferred tax liability, ending balance	$ 9,859	$ 12,915

21. Commitments and contingencies:

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

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

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

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

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

On January 22, 2019, the Company entered into a purchase agreement with Symcare to purchase three buildings. Total consideration is expected to be $52,000 plus transaction costs. On March 15, 2019, the Company acquired a property located in Oswego, IL from Symcare under the purchase agreement for a purchase price of $22,000 plus transaction costs funded with cash on hand. On April 30, 2019, the Company purchased the remaining 2 buildings under the purchase agreement located in Chicago, IL and Glendale, WI from Symcare for total consideration of $30,000 plus transaction costs. The transaction was funded by the issuance of $5,000 in shares and cash on hand. The original master lease with the Symcare operator was amended to include the three new properties.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

22. 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:

	March 31, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative asset	$ —	$ 497	$ —	$ —	$ 1,722	$ —
Investment properties	—	—	1,157,477	—	—	1,115,530
Derivative liability	—	1,342	—	—	651	—
Deferred share liability	1,289	—	—	1,756	—	—

For the assets and liabilities measured at fair value as at March 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 4 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 financial instruments:

The carrying amounts and fair values of financial instruments as shown in the condensed consolidated interim 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.

	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans receivable	$ 36,204	$ 36,262	$ 32,422	$ 32,361
Derivative instruments	497	497	1,722	1,722
Financial liabilities:				
Mortgages payable	293,615	296,445	303,330	306,170
Credit facilities	394,727	397,748	338,140	341,387
Derivative instruments	1,342	1,342	651	651
Convertible debentures	90,073	81,500	89,745	72,500

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.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

23. Segments:

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

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

	Three months ended March 31, 2019			
	Seniors housing and care	Medical office buildings	Other	Total
Rental revenue	$ 24,573	$ 3,444	$ —	$ 28,017
Lease revenue from joint ventures	751	—	—	751
Other income	8	391	57	456
Finance cost	(7,088)	(1,024)	(958)	(9,070)
Real estate tax expense	(13,442)	(986)	—	(14,428)
General and administrative	(35)	(125)	(3,321)	(3,481)
Direct property operating	—	(1,302)	—	(1,302)
Allowance for credit losses on loans and interest receivable	—	—	(491)	(491)
Changes in non-controlling interest liability	(56)	—	—	(56)
Change in fair value of investment properties - IFRIC 21	9,950	474	—	10,424
Change in fair value of investment properties	5,168	(311)	—	4,857
Change in fair value of financial instruments	(1,596)	(215)	—	(1,811)
Loss from joint ventures	(3,813)	—	—	(3,813)
Income tax recovery (expense)	—	357	(3,205)	(2,848)
Net income (loss)	$ 14,420	$ 703	$ (7,918)	$ 7,205
Expenditures for non-current assets:				
Acquisition of properties	$ 30,249	$ —	$ —	$ 30,249
Capital additions	860	379	—	1,239

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

	Three months ended March 31, 2018			
	Seniors housing and care	Medical office buildings	Other	Total
Rental revenue	$ 22,195	$ —	$ —	22,195
Lease revenue from joint ventures	766	—	—	766
Other income	28	—	50	78
Finance cost	(6,511)	—	9	(6,502)
Real estate tax expense	(9,200)	—	—	(9,200)
General and administrative	(150)	—	(2,583)	(2,733)
Transaction costs for business combination	—	—	(6,116)	(6,116)
Allowance for credit losses on loans and interest receivable	—	—	(1,251)	(1,251)
Changes in non-controlling interest liability	(41)	—	—	(41)
Change in fair value of investment properties - IFRIC 21	6,338	—	—	6,338
Change in fair value of investment properties	(2,321)	—	—	(2,321)
Change in fair value of financial instruments	1,398	—	—	1,398
Income from joint ventures	806	—	—	806
Income tax expense	—	—	(1,098)	(1,098)
Net income (loss)	$ 13,308	$ —	$ (10,989)	$ 2,319
Expenditures for non-current assets:				
Acquisition of properties	$ 303,898	$ —	$ —	$ 303,898
Capital additions	2,139	—	—	2,139

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

	As at March 31, 2019			
	Seniors housing and care	Medical office buildings	Other	Total
Investment properties	$ 1,015,555	$ 141,922	$ —	$ 1,157,477
Investment in joint ventures	81,464	—	—	81,464
Loans receivable	—	—	36,204	36,204
Other assets	20,135	1,323	27,431	48,889
Total assets	$ 1,117,154	$ 143,245	$ 63,635	$ 1,324,034
Mortgages payable	$ 293,615	$ —	$ —	$ 293,615
Credit facilities	310,733	83,994	—	394,727
Convertible debentures	—	—	90,073	90,073
Non-controlling interest liability	2,978	—	—	2,978
Other liabilities	24,274	1,521	22,337	48,132
Total liabilities	$ 631,600	$ 85,515	$ 112,410	$ 829,525

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

	As at December 31, 2018			
	Seniors housing and care	Medical office buildings	Other	Total
Investment properties	$ 975,914	$ 139,616	$ —	$ 1,115,530
Investment in joint ventures	84,658	—	—	84,658
Loans receivable	—	—	32,422	32,422
Other assets	22,637	1,790	26,922	51,349
Total assets	$ 1,083,209	$ 141,406	$ 59,344	$ 1,283,959
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 two reportable segments for disclosure purposes. The Company's Chief Executive Officer is the chief decision maker and regularly reviews performance on an individual property basis and on the basis of the Company's reportable operating segments.

At March 31, 2019, $1,086,096 of the Company's non-current assets, excluding financial instruments, are located in the United States (2018 - $1,015,527) and $155,430 are located in Canada (2018 - $150,168). During the three months ended March 31, 2019, the Company generated $25,764 (2018 - $22,195), of its revenues, excluding other income, from properties located in the United States and $3,004 (2018 - $766) of its revenues from properties located in Canada.

24. Subsequent events:

On April 30, 2019, the Company purchased two buildings located in Chicago, IL and Glendale, WI from Symcare for total consideration of $30,000 plus transaction costs. The transaction was funded by the issuance of $5,000 in shares and cash on hand. The original master lease with the Symcare operator was amended to include these new buildings.