

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

# **INVESQUE INC.**

Year ended December 31, 2023 and 2022



**KPMG LLP**  
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## INDEPENDENT AUDITOR'S 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, 2023 and December 31, 2022
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(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 at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### *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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

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

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



## ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

### ***Evaluation of liquidity assessment***

#### ***Description of the matter***

We draw attention to Note 1(a) and 1(h)(v) of the financial statements. While there are uncertainties in assessing future liquidity requirements under normal operating conditions, changes in interest rates and cost inflation in the recent past have introduced increased uncertainty. The Entity monitors forecasts of liquidity requirements to ensure it has the ability to meet operational needs by maintaining sufficient availability of the combination of cash and debt capacity, and to ensure the Entity will meet its financial covenants, which include minimum cash requirements, related to various debt agreements. Such forecasting involves a significant degree of judgment which takes into consideration current and projected macroeconomic conditions, the Entity's cash collection efforts, debt financing and refinancing plans, and covenant compliance required under the terms of various debt agreements.

The Entity believes that it has sufficient available liquidity to meet its minimum obligations as they come due and to comply with financial covenants required under its credit facilities for a period of at least 12 months from December 31, 2023. Further, the Entity has assessed that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern. In making this significant judgment, the Entity has prepared a cash flow forecast with the most significant assumptions in the preparation of such forecast being the ability of its tenants to meet projected rental obligations to the Entity, the ability of the Entity to complete strategic sales of assets, and the continued availability of financing.

#### ***Why the matter is a key audit matter***

We identified the evaluation of liquidity assessment as a key audit matter. This evaluation required significant auditor judgment in assessing the Entity's cash flow forecast due to the degree of uncertainty in the most significant assumptions resulting from the impact changes in interest rates and cost inflation.



***How the matter was addressed in the audit***

The primary procedures we performed to address this key audit matter included the following:

We compared the projected rental obligations of the Entity's most significant tenants included in the cash flow forecast to recent payment history and contractual lease agreement terms and assessed the sensitivity of possible changes in the assumptions on the cash flow forecast.

We evaluated the Entity's ability to complete strategic sales of assets by comparing the forecasted net sales proceeds to the estimated fair value of the underlying properties and agreements with third-party purchasers where applicable.

We evaluated the continued availability of financing by:

- assessing the Entity's plans for debt refinancings by considering the ratio of forecasted debt financing to the estimated fair value of the underlying properties based on our understanding of the underlying properties and the industry and agreements with third-party lenders where applicable.
- analyzing the Entity's forecasted compliance with significant financial covenants contained in loan agreements, including the ability to meet debt service requirements, using information contained in the cash flow forecast and the terms of the loan agreements.

We evaluated the impact of changes in the projected rental obligations of the Entity's most significant tenants, the completion of strategic sales of assets, and the continued availability of financing on management's conclusion that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

We also assessed the disclosures related to the Entity's significant judgment about whether there are material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

***Evaluation of the fair value of investment properties***

***Description of the matter***

We draw attention to Notes 1(g)(i), 2(b), and 6 of the financial statements. The Entity uses the fair value model to account for investment properties, using primarily a direct capitalization income approach or a discounted cash flow approach. The estimated fair value of investment properties is \$369,932 thousand. Significant assumptions used when determining the fair value of investment properties include:

- overall capitalization rates and stabilized future cash flows for each property valued using the direct capitalization income approach.
- future cash flows over the holding period, terminal capitalization rates and discount rates for each property valued using the discounted cash flow approach.



***Why the matter is a key audit matter***

We identified the evaluation of the fair value of investment properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of investment properties and the high degree of estimation uncertainty in determining the fair value of investment properties. Additionally, significant auditor judgment and involvement of those with specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value of investment properties to minor changes in significant assumptions.

***How the matter was addressed in the audit***

The primary procedures we performed to address this key audit matter included the following:

For a selection of investment properties valued using the direct capitalization approach:

- We compared stabilized future cash flows to the actual historical cash flows for each investment property. We took into account the changes in conditions and events affecting the investment properties to assess the adjustments, or lack of adjustments, made by the Entity in arriving at those stabilized future cash flows.
- We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating overall capitalization rates. These rates were evaluated by comparing them to published reports of real estate industry commentators taking into consideration the features of the specific investment property.

For a selection of investment properties valued using the discounted cash flow approach:

- We compared future cash flows over the holding period to the actual historical cash flows for each investment property. We took into account the changes in conditions and events affecting the investment properties to assess the adjustments, or lack of adjustments, made by the Entity in arriving at those future cash flows over the holding period.
- We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating terminal capitalization rates and discount rates. These rates were evaluated by comparing them to published reports of real estate industry commentators taking into consideration the features of the specific investment property.

***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.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2023 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 of the date of the auditor's 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 auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2023 Annual Report" is expected to be made available to us after the date of this auditor's 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

### ***Auditor's 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 auditor's 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 auditor's 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 auditor's 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.



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- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Michael Kavanagh.

Toronto, Canada

March 15, 2024



# INVESQUE INC.

Consolidated Statements of Financial Position

(Expressed in thousands of U.S. dollars)

As at

	December 31, 2023		December 31, 2022	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$	10,745	\$	27,579
Tenant and other receivables (note 3)		7,860		6,311
Property tax receivables		6,382		11,834
Derivative instruments (note 11)		1,023		5,645
Loans receivable (note 4)		965		—
Assets held for sale (notes 6, 7 and 16)		10,337		20,224
Other (note 5)		9,588		10,171
		<u>46,900</u>		<u>81,764</u>
Non-current assets:				
Loans receivable (note 4)		11,887		19,654
Derivative instruments (note 11)		3,004		10,412
Investment in joint ventures (note 8)		45,023		49,077
Investment properties (note 6)		369,932		538,591
Property, plant and equipment, net (note 7)		349,323		396,266
Other non-current assets (note 5)		2,214		1,576
		<u>781,383</u>		<u>1,015,576</u>
Total assets	\$	828,283	\$	1,097,340
<b>Liabilities and Shareholders' Equity</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$	17,296	\$	13,085
Accrued real estate taxes		7,086		17,891
Credit facilities (note 9)		216,015		337,474
Mortgages payable (note 10)		63,830		58,949
Convertible debentures (note 12)		—		47,869
Other current liabilities (note 14)		3,712		6,972
Liabilities related to assets held for sale (note 16)		457		894
		<u>308,396</u>		<u>483,134</u>
Non-current liabilities:				
Credit facilities (note 9)		120,000		176,527
Mortgages payable (note 10)		152,789		127,999
Convertible debentures (note 12)		35,611		16,639
Commonwealth preferred unit liability (note 13)		58,348		57,906
Derivative instruments (note 11)		927		—
Deferred tax liability (note 25)		1,605		—
Other non-current liabilities (note 14)		3,504		3,277
Non-controlling interest liability		517		211
		<u>373,301</u>		<u>382,559</u>
Total liabilities		681,697		865,693
Shareholders' equity:				
Common share capital (note 17)		518,370		508,961
Equity settled deferred shares		—		862
Preferred share capital (note 17)		85,389		85,389
Contributed surplus		400		400
Equity component of convertible instruments		9,826		5,243
Exchangeable units		2,049		2,049
Cumulative deficit		(469,317)		(370,077)
Accumulated other comprehensive loss		(131)		(1,180)
Total shareholders' equity		<u>146,586</u>		<u>231,647</u>
Total liabilities and shareholders' equity	\$	828,283	\$	1,097,340

See accompanying notes to these consolidated financial statements.

# INVESQUE INC.

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

	Year ended December 31, 2023	Year ended December 31, 2022
Revenue:		
Tenant rental revenue (note 19)	\$ 44,868	\$ 58,646
Resident rental and related revenue (note 19)	140,371	132,534
Lease revenue from joint ventures (note 8)	3,511	3,519
Other revenue	4,079	3,336
	<u>192,829</u>	<u>198,035</u>
Other income	1,745	695
Interest income from loans receivable	1,396	1,539
Expenses (income) and fair value adjustments:		
Direct property operating expenses (note 20)	105,713	102,642
Depreciation and amortization expense (note 7)	15,584	16,516
Net finance costs from operations (note 21)	55,134	43,948
Real estate property tax expense	10,194	12,093
General and administrative expenses (note 22)	19,610	20,285
Transaction costs	787	2,081
Allowance for expected credit losses (note 21)	15,732	16,461
Change in non-controlling interest liability	242	446
Change in fair value of investment properties - IFRIC 21	46	(26)
Change in fair value of investment properties (note 6)	64,670	50,962
Impairment of property, plant and equipment (note 7)	8,783	4,513
Change in fair value of financial instruments (note 21)	(14,214)	(23,129)
Gain (loss) on sale of property, plant and equipment	(22)	3,009
	<u>282,259</u>	<u>249,801</u>
Share of income (loss) from joint ventures (note 8)	(4,133)	6,395
Loss before income taxes	<u>(90,422)</u>	<u>(43,137)</u>
Income tax recovery:		
Deferred income tax recovery (note 25)	312	1,127
Net loss from continuing operations	\$ (90,110)	\$ (42,010)
Net loss from discontinued operations, net of tax (note 16)	(9,130)	(6,800)
Net loss	<u>(99,240)</u>	<u>(48,810)</u>
Other comprehensive income (loss):		
Items to be reclassified to net income (loss) in subsequent periods		
Unrealized gain (loss) on translation of foreign operations	1,049	(2,758)
	<u>1,049</u>	<u>(2,758)</u>
Total comprehensive loss	\$ (98,191)	\$ (51,568)
Loss from continuing operations per share (note 18):		
Basic and diluted	\$ (1.59)	\$ (0.74)
Loss per share (note 18):		
Basic and diluted	\$ (1.75)	\$ (0.86)

See accompanying notes to these consolidated financial statements.

# INVESQUE INC.

## Consolidated Statements of Changes in Shareholders' Equity

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

	Common share capital	Equity settled deferred shares	Preferred share capital	Contributed surplus	Equity component of convertible instruments	Exchangeable units	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2023	\$ 508,961	\$ 862	\$ 85,389	\$ 400	\$ 5,243	\$ 2,049	\$ (370,077)	\$ (1,180)	\$ 231,647
Net loss	—	—	—	—	—	—	(99,240)	—	(99,240)
Other comprehensive income	—	—	—	—	—	—	—	1,049	1,049
Common shares purchased and cancelled under NCIB (note 17)	(161)	—	—	—	—	—	—	—	(161)
Common shares issued on settlement of deferred share incentive plan (note 17)	117	—	—	—	—	—	—	—	117
Amortization of equity settled deferred shares	—	197	—	—	—	—	—	—	197
Reversal of obligation for purchase of units under automatic share purchase plan	4,038	—	—	—	—	—	—	—	4,038
Common shares issued for equity settled deferred shares (notes 17 and 23)	1,059	(1,059)	—	—	—	—	—	—	—
Equity component of convertible debentures (note 12)	4,356	—	—	—	4,583	—	—	—	8,939
Balance, December 31, 2023	\$ 518,370	\$ —	\$ 85,389	\$ 400	\$ 9,826	\$ 2,049	\$ (469,317)	\$ (131)	\$ 146,586

	Common share capital	Equity settled deferred shares	Preferred share capital	Contributed surplus	Equity component of convertible instruments	Exchangeable units	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2022	\$ 512,004	\$ 1,781	\$ 85,389	\$ 400	\$ 6,370	\$ 2,049	\$ (321,267)	\$ 1,580	\$ 288,306
Net loss	—	—	—	—	—	—	(48,810)	—	(48,810)
Other comprehensive loss	—	—	—	—	—	—	—	(2,760)	(2,760)
Equity component of Commonwealth preferred units	—	—	—	—	(1,127)	—	—	—	(1,127)
Common shares purchased and cancelled under NCIB (note 17)	(783)	—	—	—	—	—	—	—	(783)
Common shares issued on settlement of deferred share incentive plan (note 17)	383	—	—	—	—	—	—	—	383
Amortization of equity settled deferred shares	—	351	—	—	—	—	—	—	351
Obligation for purchase of units under automatic share purchase plan	(4,038)	—	—	—	—	—	—	—	(4,038)
Common shares issued for equity settled deferred shares (notes 17 and 23)	1,270	(1,270)	—	—	—	—	—	—	—
Common shares issued through conversion of convertible debentures (notes 12 and 17)	125	—	—	—	—	—	—	—	125
Balance, December 31, 2022	\$ 508,961	\$ 862	\$ 85,389	\$ 400	\$ 5,243	\$ 2,049	\$ (370,077)	\$ (1,180)	\$ 231,647

See accompanying notes to these consolidated financial statements.

# INVESQUE INC.

Consolidated Statements of Cash Flows  
(Expressed in thousands of U.S. dollars)  
Years ended December 31, 2023 and 2022

	Year ended December 31, 2023		Year ended December 31, 2022	
<b>Cash flows from operating activities:</b>				
Net loss	\$	(99,240)	\$	(48,810)
Items not involving cash:				
Fair value adjustment of investment properties (notes 6 and 16)		71,164		61,334
Fair value adjustment of financial instruments (notes 11 and 12)		(14,214)		(24,706)
Impairment of property, plant and equipment (note 7)		8,783		4,513
Transaction costs arising from dispositions		799		—
Depreciation and amortization expense (note 7)		15,584		16,516
Allowance for expected credit losses (notes 16 and 21)		16,135		16,461
Straight-line rent		(2,856)		(3,818)
Amortization of tenant inducements		260		331
Net finance costs from operations (notes 16 and 21)		56,070		46,670
Interest income on loans receivable		(1,396)		(1,540)
Change in non-controlling interest liability		242		446
(Gain) loss on sale of property, plant and equipment		(22)		3,009
Share of loss (income) from joint ventures (note 8)		4,133		(6,395)
Deferred income tax recovery (note 25)		(312)		(1,127)
Interest paid		(37,385)		(40,293)
Interest income received		774		549
Debt extinguishment costs paid		(3,482)		(337)
Change in non-cash operating working capital:				
Tenant and other receivables		(9,824)		(8,593)
Accounts payable and accrued liabilities		1,137		(2,463)
Deferred revenue		430		114
Other assets		(780)		(4,645)
Other liabilities		1,218		275
Accrued real estate taxes		(1,187)		4,421
<b>Net cash provided by operating activities</b>	<b>\$</b>	<b>6,031</b>	<b>\$</b>	<b>11,912</b>
<b>Cash flows (used in) from financing activities:</b>				
Proceeds from credit facilities (note 15)	\$	2,660	\$	107,245
Payments on credit facilities (note 15)		(181,886)		(190,754)
Debt issuance costs paid		(1,471)		(1,172)
Proceeds from mortgages (note 15)		98,276		17,214
Payments of mortgages (note 15)		(68,607)		(41,809)
Repayment of lease liabilities (note 22)		(431)		(351)
Redemption of convertible debentures (note 15)		(4,828)		(20,000)
Repayment of preferred shares		—		(9,818)
Payment for interest rate swap contract		(6,369)		—
Proceeds from settlement of interest rate swap contract		8,003		698
Payment for repurchase of common shares (note 17)		(163)		(783)
Payment for repurchase of convertible debentures (note 15)		(100)		(1,657)
<b>Cash used in financing activities</b>	<b>\$</b>	<b>(154,916)</b>	<b>\$</b>	<b>(141,187)</b>
<b>Cash flows from investing activities:</b>				
Additions to investment properties	\$	(8,517)	\$	(14,511)
Proceeds from dispositions of investment properties (note 6)		92,300		22,081
Additions to property, plant and equipment (note 7)		(5,814)		(6,516)
Proceeds from dispositions of property, plant and equipment		23		13,225
Proceeds from dispositions of assets held for sale		49,872		105,189
Acquisition of interest in joint venture		—		(475)
Proceeds from sale of minority interest in investment property		210		—
Proceeds from sale of joint ventures		—		7,734
Distributions from joint ventures (note 8)		2,442		13,727
Contributions to joint ventures (note 8)		(2,500)		(286)
Distributions to non-controlling interest partners		(492)		(607)
Contributions from non-controlling interest partners		346		79
Issuance of loans receivable		(7,457)		(2,300)
Receipts from loans receivable		11,638		1,098
Earnout payment pursuant to Commonwealth purchase agreement		—		(953)
<b>Cash provided by investing activities</b>	<b>\$</b>	<b>132,051</b>	<b>\$</b>	<b>137,485</b>
Increase (decrease) in cash and cash equivalents		(16,834)		8,210
Cash and cash equivalents, beginning of year		27,579		19,369
<b>Cash and cash equivalents, end of year</b>	<b>\$</b>	<b>10,745</b>	<b>\$</b>	<b>27,579</b>

See accompanying notes to these consolidated financial statements.

# 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, 2023 and 2022

Invesque Inc. (the "Company") was incorporated on May 31, 2007 under the Business Corporations Act (Ontario). The Company's registered office is 2500 - 700 W Georgia Street, Vancouver, British Columbia V7Y 1B3.

The Company currently owns a portfolio of North American income generating properties across the health care spectrum. The Company's investment property 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 or joint venture arrangements with operating partners. The Company's consolidated portfolio also includes investments in owner occupied seniors housing properties in which Invesque Inc. owns the real estate and provides management services exclusively through its majority-owned subsidiary management company, Commonwealth Senior Living LLC ("Commonwealth").

At December 31, 2023, the Company owned interests in a portfolio of 69 health care and senior living properties of the type noted above comprised of 30 consolidated investment properties, 28 consolidated owner-occupied properties, partial interests in 8 properties held through joint arrangements, 2 investment properties presented as assets held for sale and 1 owner-occupied properties accounted as property, plant and equipment presented as assets held for sale.

## 1. Basis of preparation:

### (a) Liquidity Assessment

Liquidity risk is the risk that an entity is unable to fund its assets or meet its financial obligations as they come due. Liquidity risk is managed in part through cash flow forecasting by the Company. While there are uncertainties in assessing future liquidity requirements under normal operating conditions, interest rates and cost inflation have introduced increased uncertainty. The Company monitors forecasts of liquidity requirements to ensure it has the ability to meet operational needs by maintaining sufficient availability of the combination of cash and debt capacity, and to ensure the Company will meet its financial covenants, which include minimum cash requirements, related to various debt agreements. Such forecasting involves a significant degree of judgment which takes into consideration current and projected macroeconomic conditions, the Company's cash collection efforts, debt financing and refinancing plans, and covenant compliance required under the terms of various debt agreements. There is a risk that such liquidity forecasts may not be achieved and that currently available debt financing that matures in the next 12 months may no longer be available to the Company at terms and conditions that are forecasted, or at all.

The Company believes that it has sufficient available liquidity to meet its minimum obligations as they come due and to comply with financial covenants required under its credit facilities for a period of at least 12 months from December 31, 2023. Further, the Company has assessed that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. In making this significant judgment, the Company has prepared a cash flow forecast with the most significant assumptions in the preparation of such forecast being the ability of its tenants to meet projected rental obligations to the Company, the ability of the Company to complete strategic sales of assets and the continued availability of financing. In response to a downside scenario, the Company has the ability to take the following mitigating actions to reduce costs, optimize the Company's cash flows and preserve liquidity:

- i. utilize available cash above minimum covenant requirements to pay down debts,
- ii. pursue sales transactions to dispose of certain properties and use the net proceeds to pay down and reduce debts,
- iii. exercise the Company's right to convert its convertible debentures into common shares,
- iv. offer discounts to current loans receivable in exchange for early repayment,
- v. reduce non-essential capital expenditures, and
- vi. extend or refinance debt with near-term maturities.

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## *Corporate Credit Facility Requirements*

On November 8, 2023, the Company executed an amended credit agreement replacing the existing credit facility and revolver with the same lending syndicate, which resulted in the maturity date being extended to March 31, 2025. Material terms of the amended credit agreement are as follows:

- i. The interest rate on the amended credit facility is initially Secured Overnight Financing Rate Date ("SOFR") + SOFR index adjustment of 10 basis points + 250 basis points and will increase to SOFR + SOFR index adjustment of 10 basis points + 280 basis points during the term.
- ii. The Company is prohibited from repaying subordinated debt or making common distributions.
- iii. The Company is permitted to make all required interest payments on both senior and subordinated debt.
- iv. The amended credit agreement has a declining maximum commitment balance. In addition to a \$15,000 revolving commitment over the term of the agreement, the term commitment must be reduced over the term of the loan. However, missing a first required curtailment amount at the below-noted dates does not result in an event of default and instead a fee is added to the principal amounts of the credit facility. The occurrence of two or more required curtailment amounts during the term of the agreement will result in an event of default. Maximum term commitment amounts are as follows:
  1. \$125,000 by March 31, 2024
  2. \$115,000 by June 30, 2024
  3. \$110,000 by September 30, 2024
  4. \$105,000 by December 31, 2024, and
  5. \$20,000 by March 31, 2025 (maturity date of the facility).
- v. The amended credit agreement requires the Company to maintain a consolidated fixed charge coverage ratio of 1.45x, which can be reduced to 1.35x upon achieving specific targets.
- vi. The amended credit agreement requires the Company to maintain a consolidated leverage ratio not to exceed 62.5% through March 31, 2024, which will be reduced to 60.0% for the quarter ending June 30, 2024, and as of each quarter end thereafter.

While uncertainty exists surrounding the Company's ability to achieve the above noted curtailments associated with the maximum term commitment amounts, the Company believes it will be able to satisfy all conditions over its term to maturity, which is contingent on executing the following:

- i. Selling certain properties, at or close to their estimated fair value, and using the net sale proceeds to meet the loan paydown requirements.
- ii. Refinancing certain properties, at a reasonable loan-to-value based on the underlying value of the property, and using the net refinancing proceeds to meet the loan curtailment requirements.
- iii. Entering into fixed rate swaps, at market terms, in order to reduce the exposure to variable interest rate fluctuations and manage debt service costs to meet the fixed charge coverage ratio requirements.
- iv. Refinancing or extending the remaining debt balance at maturity utilizing residual assets as collateral.

On March 5, 2024, the Company executed a consent and first amendment to the amended credit agreement ("first amendment") referenced above, in which the parties agreed to the completion of a series of asset sale transactions and debt refinancings in order to achieve further paydowns on the credit facility in exchange for a reduction in the minimum requirements for certain covenants. The changes to specified covenants are effective March 5, 2024, which are applicable as long as a) the Company executes on the completion of the sale of three skilled nursing buildings, then

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b) the term commitment does not exceed \$75,700 and the borrowing base leverage ratio does not exceed 70.0% as of August 1, 2024. Material amendments to the credit facility were as follows:

- i. The minimum consolidated fixed charge coverage ratio shall be reduced to 1.35x from January 1, 2024 until March 31, 2024, and thereafter reduced to 1.25x.
- ii. The minimum liquidity requirement shall be reduced to \$10,000 once the term commitment is reduced below \$75,700 and the borrowing base leverage does not exceed 70.0%.
- iii. The minimum assumed debt service coverage ratio shall not be less than 1.30x from March 5, 2024 to September 30, 2024, and 1.50x thereafter.

Failure to meet these consent conditions by August 1, 2024 shall not constitute a default or event of default, but shall result in adjusted covenants consistent with those covenants in place prior to the first amendment. A failure to meet the adjusted covenants shall result in an event of default subject to the terms of the credit agreement.

The Company believe it will be able to satisfy all conditions per the amendments noted above, specifically with respect to the asset sales and property-level debt refinancings, which will results in additional headroom on key financial covenants for the remaining term of the credit facility.

The outstanding principal balance of the credit facility as of March 15, 2024 is \$121,487 after principal payments of \$316 on February 2, 2024, \$12,880 on February 29, 2024 and \$24,341 on March 5, 2024 in conjunction with dispositions of one property held for sale and five investment properties.

## *Working Capital Requirements and Near-Term Debt Maturities*

The Company expects to meet its working capital requirements with respect to accounts payable and accrued liabilities through cash on hand and operating cash flows. As at December 31, 2023, current liabilities totaled \$308,396, and current assets totaled \$46,900, resulting in a working capital deficit of \$261,496 (December 31, 2022 - \$483,134, \$81,764 and \$401,370, respectively). 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 on hand in excess of lender requirements (ii) cash flows generated from operations, (iii) property-specific mortgages and refinancings and (iv) strategic sale of assets. The Company also has the ability to raise additional liquidity through issuance of common shares, subject to market conditions, and alternative financing sources. With respect to near-term debt maturities, the Company believes it will be successful in either refinancing each of the near term debt instruments or settling the debt instruments through sales of the underlying assets securing such debts. However, the Company will be exposed to increased interest expense while pursuing refinancings and new interest rate swaps in 2024 due to the current interest rate environment. The Company is negotiating a refinancing arrangement related to the renewal of the Commonwealth Facility, at market terms similar to the existing facility.

The COVID-19 pandemic resulted in a significant economic downturn in the United States, Canada and globally, and also led to disruptions and volatility in capital markets. Certain trends and impacts, such as decreased occupancy, delays in collections from tenants, increased operating expenses and increased interest rates were felt from 2020 through 2022. For the year ended December 31, 2023, the Company recognized \$34 of other income related to government grants funded through programs designed to assist seniors housing operators who have experienced both lost revenue and increased expenses during the COVID-19 pandemic (year ended December 31, 2022 - \$695). For the year ended December 31, 2023, the Company recognized \$1,742 of income from joint ventures related to the Company's share of government grants recognized by certain of the Company's joint venture properties in respect of COVID-19 pandemic relief (year ended December 31, 2022 - \$290). The Company does not believe such grant programs will be available in the future.

## (b) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board. All of the Company's subsidiaries and joint ventures adhere to the same accounting policies.

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Certain comparative information for the year ended December 31, 2022, has been corrected to ensure consistent accounting treatment of transaction costs for the periods presented. A change in the fair value of investment properties totaling \$2,081 was adjusted to transaction costs for the year ended December 31, 2022.

These consolidated financial statements were approved by the Board of Directors of the Company and authorized for issuance on March 15, 2024.

(c) Discontinued operations:

The results of operations of the Company's medical office building segment are classified as discontinued operations in these financial statements (note 16). A discontinued operation is a component of the Company's business that either has been disposed of, or is classified as held for sale, and either 1) represents a separate major line of business or geographic area of operations, 2) is part of a coordinated single plan to dispose of a separate major line of business or geographic area of operations or 3) is a subsidiary acquired exclusively with a view to resale. Based on the Company's assessment, the segment has been classified as a discontinued operation. Accordingly, the comparative consolidated statement of net loss and comprehensive loss is presented as if the operations had been discontinued from the start of the comparative period. As of December 31, 2023, all but two properties have been sold and the remaining are expected to be disposed of in the next twelve months.

(d) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments and deferred shares, which are measured at fair value through profit and loss ("FVTPL").

(e) Principles of consolidation:

(i) Transactions eliminated on consolidation:

The consolidated financial statements comprise the financial statements of the Company and its significant subsidiaries as of December 31, 2023, 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 specific 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 under the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition changes in the net assets of the joint venture. The Company's share of joint venture profit or loss is included in the consolidated statements of loss and comprehensive loss.

(f) Functional and presentation currency:

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



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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 transactions are used. Gains or losses on translating a foreign operation are included in other comprehensive loss ("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 as general and administrative expenses in the consolidated statements of loss and comprehensive loss.

(g) Use of estimation and measurement 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. Measurement uncertainty arising from estimates and assumptions that have a significant risk of resulting in a material adjustment in the year ended December 31, 2023 and 2022 are as follows:

(i) Investment properties:

The significant assumptions used when determining the fair value of investment properties are overall capitalization rates and stabilized future cash flows for each property valued using the direct capitalization income approach, and future cash flows over the holding period, terminal capitalization rates and discount rates for each property valued using the discounted cash flow approach. The overall capitalization rates, terminal capitalization rates and discount rates applied are reflective of the characteristics, location and market of each investment property. The stabilized future cash flows, or future cash flows over the holding period, 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. As part of Management's internal valuation program, the Company also considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations across the Company's portfolio and updates, as deemed necessary, the valuation models to reflect current market data.

(ii) Loans receivable:

In determining the amount of expected credit losses ("ECLs"), the Company's significant assumptions include the assessment of probability of default and loss given default. The determination takes into account different factors and varies by nature of investment.

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.

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The estimation of expected credit losses 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.

(iii) 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 underlying assets' recoverable amount based on future cash flows and capitalization and discount rates in order to determine whether an impairment loss should be recognized.

(iv) Equity component of convertible debentures:

The Company estimates the equity component of convertible debentures upon issuance and subsequent amendments of terms. The estimation takes into account the option value of the shares, the market price of the debentures at the time of issuance or amendment, and assumptions relating to market volatility and credit spread. These assumptions are based in part by information provided by third party financial institutions. The Company then accretes the equity component throughout the length of the convertible debenture terms.

(v) Property taxes receivable:

In determining the amount of expected credit losses on property taxes receivable, the Company's significant assumptions include the assessment of probability of payment, creditworthiness of the tenant, estimated future cash flows of the tenant, anticipated results of pending litigation, the nature of anticipated property disposition transactions, risk of tenant bankruptcy, and various other factors.

(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.

(h) Critical judgments:

Significant judgments made in applying the Company's 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 implications associated with 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 impact includes the accounting treatment of transaction costs and whether or not goodwill should be recognized.

(iii) Componentization of property, plant and equipment:

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

(iv) Loans receivable:

The Company uses judgment in the evaluation of changes in credit risk to determine the staging of the loans receivable. 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 for ECLs.

(v) Liquidity and going concern:

Assessing whether events or conditions represent the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, including the judgements and estimation involved with replacement financing, sales of assets, budgeted future operating cash flows and impact on compliance with applicable loan and mortgage covenants and requirements.

## 2. Material accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents consist 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, 2023 and 2022, 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 profit or loss 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.

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 within 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. Prior to its disposal, the carrying value of the investment property is adjusted to reflect its fair value. This adjustment is recorded as a fair value gain (loss). Any remaining gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(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

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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 and residual values were determined based on current facts and 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:

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Components:	
Building - Structure	25-39 years
Building - Roof	15-25 years
Building - Electrical/HVAC systems	15-25 years
Building - Windows and doors	10-15 years
Building - Exterior landscaping	10-15 years
Furniture, fixtures, and equipment	2-5 years

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

(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 when 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.

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(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 the fair value disclosures included herein, 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 associated 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 statements of loss and comprehensive loss. Financial assets classified as FVTOCI are measured at fair value with gains or losses recognized through other comprehensive income (loss), 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 statements of loss and comprehensive loss.

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

<b>Financial assets and liabilities</b>	<b>Measurement</b>
Cash and cash equivalents	Amortized cost
Tenant and other receivables	Amortized cost
Property tax receivables	Amortized cost
Derivative instruments	FVTPL
Loans receivable	Amortized cost/FVTPL
Accounts payable and accrued liabilities	Amortized cost
Accrued real estate taxes	Amortized cost
Credit facilities	Amortized cost
Mortgages payable	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 ECLs 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 loss and comprehensive 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

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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 loss allowance for performing loans which have not experienced a significant increase in credit risk since initial recognition (Stage 1) is equal to a year of expected credit losses. The loss allowance for loans which have experienced a significant increase in credit risk since initial recognition (Stage 2) or are credit impaired (Stage 3) equals lifetime expected credit losses.

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. 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.

Loss allowances for ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive) and incorporate significant assumptions including the probability of default as well as the estimated loss given default. ECLs are discounted at the effective interest rate of the financial asset.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The determination of ECLs 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.

When determining the allowance for ECLs, 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

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consistent with management's view of the financial asset. In considering the lifetime of a loan, the contractual period of the loan options is generally used.

The estimation of ECLs 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.

(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 profit or loss.

(h) 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



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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 that hold underlying properties which are jointly owned with Autumnwood Lifestyles Inc. ("Autumnwood") (note 8) and reported on a proportionately consolidated basis. 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.

(i) Leases

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.

(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 "other assets" and lease liabilities are recorded separately presented on the statement of financial position as "other liabilities".

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

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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.

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

(j) Employee benefits:

(iv) 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 accrued liabilities.

(v) Share-based payment plans:

The Company maintains a Deferred Share Incentive Plan (note 23) 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.

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

(k) 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 and recognizes property tax recoveries at the time the tax obligation is satisfied.

(l) 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

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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.

(m) IFRS amendments adopted in 2023:

- (i) Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors ("IAS 8") regarding the definition of Accounting Estimates.

On February 12, 2021, the IASB issued amendments to IAS 8 to assist entities to distinguish between accounting policies and accounting estimates. The amendments applied to annual periods beginning on or after January 1, 2023. The amendments introduced a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarified the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments were adopted by the Company when they became effective on January 1, 2023. The adoption amendments did not result in any material changes to the accounting policies presented in the Company's consolidated financial statements.

- (ii) Amendments to IAS 1, Disclosure of Accounting Policies

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On February 12, 2021, the IASB issued Disclosure Initiative of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments helped entities provide useful accounting policy disclosures. The key amendments included requiring entities to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments were adopted by the Company when they became effective on January 1, 2023. The adoption of the amendments did not have a material impact on the Company's consolidated financial statements.

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

(i) Amendments to IAS 1, Presentation of financial statements

On January 23, 2020, the IASB issued amendments to IAS 1, Presentation of financial statements ("IAS 1") to clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted.

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least a year to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

The Company intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2024, when the standard becomes effective, and is currently assessing the impact of adoption.

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### 3. Tenant and other receivables:

Tenant and other receivables and corresponding allowance balances are as follows:

		December 31, 2023		December 31, 2022
Tenant and other receivables, gross	\$	12,012	\$	10,527
Allowance for uncollectible receivables		(4,152)		(4,216)
Tenant and other receivables, net	\$	7,860	\$	6,311

The movement in the allowance in respect of tenant and other receivables during the year ended December 31, 2023 was as follows:

Balance, December 31, 2022	\$	4,216
Allowance		1,144
Collections — recoveries		(1,208)
Balance December 31, 2023	\$	4,152

The Company determines estimated allowances on a tenant-by-tenant basis and considers tenant payment history, past default experiences, actual and expected insolvency filings, tenant abandonment and certain tenant disputes. The change in allowance for the year ended December 31, 2023 is primarily due to individual tenant recoveries at owner-occupied properties, partially offset by the addition of new tenants balances arising from considerations noted above.

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### 4. Loans receivable:

Loans receivable issued and outstanding as at December 31, 2023 and December 31, 2022 are detailed in the table below:

Debtor	Loan Type	December 31, 2023	December 31, 2022	Issued Date	Maturity Date	Current Annual Interest Rate	Payment -in-kind Annual Interest Rate
Autumnwood Lifestyles Inc.	Revolving credit facility	\$ 585	\$ 1,107	November 1, 2016	December 31, 2024	8.6% <sup>(1)</sup>	— %
Ellipsis Real Estate Partners	Loan receivable	1,035	1,040	September 14, 2018	September 14, 2028	7.5 %	— %
Hillcrest Millard, LLC	Loan receivable	361	459	January 1, 2019	January 1, 2028	5.0 %	— %
Hillcrest Firethorn, LLC	Loan receivable	339	456	January 1, 2019	November 1, 2027	5.0 %	— %
HML-RE LLC	Loan receivable	—	1,439	August 30, 2022	August 29, 2025	8.0 %	— %
HFT-RE LLC	Loan receivable	—	1,364	August 30, 2022	August 29, 2025	8.0 %	— %
Winyan Investment Ltd (Brantford)	Loan receivable	3,437	3,151	November 28, 2022	November 28, 2025	4.0 %	— %
RHS Propco Mooresville, LLC	Loan receivable	—	5,000	June 28, 2019	July 1, 2024	8.5 %	— %
Blue Bell Senior Holdings, LLC	Loan receivable	601	490	February 21, 2020	March 1, 2025 <sup>(2)</sup>	5.9 %	— %
PSL Care GP, LLC	Loan receivable	450	450	May 6, 2020		3.5 % <sup>(3)</sup>	— %
Symcare ML, LLC	Loan receivable	7,955	7,940	June 1, 2021	December 31, 2035	— %	1.0 %
Symcare ML, LLC	Loan receivable	3,648	—	June 1, 2023	February 29, 2024	— %	10.0 %
Memory Care America, LLC	Loan receivable	3,016	—	March 31, 2023	July 31, 2025	10.0 %	— %
4 Pack Master Tenant, LLC	Loan receivable	715	—	June 1, 2023	May 31, 2038	— %	10.0 %
	Accrued current and non-current interest	425	228				
	Allowance for expected credit losses on loans receivable	(12,199)	(8,111)				
Carrying value of loans recorded at amortized cost		\$ 10,368	\$ 15,013				
Carrollton Autumn Leaves LP	Loan receivable - FVTPL	—	2,277	December 6, 2022	January 1, 2049	4.4 %	— %
Javelina Ventures, LLC	Loan receivable - FVTPL	2,484	2,364	December 31, 2018		5.0 % <sup>(4)</sup>	— %
Carrying value of loans receivable		\$ 12,852	\$ 19,654				
Less current portion		965	—				
Non-current portion		\$ 11,887	\$ 19,654				

(1) This loan will bear interest rates of 8.6% and 8.9% on the outstanding balance as of January 1, 2023 and January 1, 2024, respectively. As of December 31, 2023 there is no longer any additional drawing capacity on this loan.

(2) Maturity date is the earlier of March 1, 2025, the date at which the existing debt secured by the property is refinanced, or upon termination of the management agreement.

(3) No stated maturity date for loan receivable. Principal of loan is repaid when distributions are made from the Limited Partnership operated by Phoenix Senior Living.

(4) The repayment of this loan is pursuant to the Javelina Ventures Operating Agreement in which net available cash from operations and proceeds from property recapitalization will be used to repay the principal and accrued interest on this loan with no fixed maturity date.

\$715 of the loans outstanding and \$6 of the accrued current and non-current interest as at December 31, 2023 included in the table above are due from current third party tenant operators (\$7,940 and \$15, respectively as at December 31, 2022). Of these amounts, \$7 has been reserved as uncollectible since issuance of these loans and included as part of the allowance for the loan losses (\$7,955 - December 31, 2022).

Loans receivable and associated allowance for losses on loans receivable accounted for at amortized cost as at December 31, 2023 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	\$ 7,770	\$ 6,842	\$ 7,955	\$ 22,567
Allowance for losses on loans receivable	(133)	(4,111)	(7,955)	(12,199)
Loans receivable, net of allowances	\$ 7,637	\$ 2,731	\$ —	\$ 10,368

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Loans receivable and associated allowance for losses on loans receivable accounted for at amortized cost as at December 31, 2022 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	\$ 15,169	\$ —	\$ 7,955	\$ 23,124
Allowance for losses on loans receivable	(156)	—	(7,955)	(8,111)
Loans receivable, net of allowances	\$ 15,013	\$ —	\$ —	\$ 15,013

The changes in the gross loans receivable balance during the year ended December 31, 2023 are shown in the following table:

	Stage 1	Stage 2	Stage 3	Total
Total loans receivable as at December 31, 2022	\$ 15,169	\$ —	\$ 7,955	\$ 23,124
Loans receivable				
Transfer to/(from)				
Stage 1	(3,121)	—	—	(3,121)
Stage 2	—	3,121	—	3,121
	\$ 12,048	\$ 3,121	\$ 7,955	\$ 23,124
Issuances	4,591	3,721	—	8,312
Repayments	(9,185)	—	—	(9,185)
PIK interest	16	—	—	16
Currency translation	90	—	—	90
Amortization of mark-to-market adjustment	210	—	—	210
Total loans receivable as at December 31, 2023	\$ 7,770	\$ 6,842	\$ 7,955	\$ 22,567

The changes in the allowance for credit losses during the year ended December 31, 2023 are shown in the following table:

	Stage 1	Stage 2	Stage 3	Total
Total allowance for credit losses as at December 31, 2022	\$ 156	\$ —	\$ 7,955	\$ 8,111
Allowance for credit losses				
Remeasurement	(21)	4,081	—	4,060
Transfer to/(from)				
Stage 1	(30)	—	—	(30)
Stage 2	—	30	—	30
	\$ 105	\$ 4,111	\$ 7,955	\$ 12,171
Repayments	27	—	—	27
Currency translation	1	—	—	1
Total allowance for credit losses as at December 31, 2023	\$ 133	\$ 4,111	\$ 7,955	\$ 12,199

For the year ended December 31, 2023, a loss of \$4,111 (year ended December 31, 2022 - \$8,273 loss) was recorded as part of the remeasurement in the allowance for credit losses on loans and interest receivable in the consolidated statements of loss and comprehensive loss. The increase in allowance for credit losses is primarily due to the allowance against the

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Symcare loans, which have a carrying value of \$136 as of December 31, 2023 driven by increased risk associated with the collection of the loans, including the counterparty performance and assessment of its credit worthiness.

On November 21, 2022, the Company received notice that it was the winning bidder and was bound into a Loan Sale Agreement with the U.S. Department of Housing and Urban Development ("HUD") for the purchase of a note encumbering a memory care facility located in Carrollton, Texas ("Carrollton Autumn Leaves LP"). On April 10, 2023, the Company acquired ownership of the memory care facility as part of a deed in lieu of foreclosure agreement with the debtor or borrower under the note. The Company's assumption of ownership of the memory care facility was exchanged for forgiveness of the note receivable by the Company (note 6). In conjunction with the acquisition of the facility, the Company, as landlord, entered into a triple-net lease with a third party operator, being an affiliate of Constant Care Management Company.

In the first quarter of 2023, the Company entered into a lease transition agreement with the previous tenant, Memory Care America ("MCA"), which provides for the dissolving of the rental agreement. The parties agreed to transition the three memory care communities operated by MCA to a replacement operator, and MCA agreed to pay the Company for past due rent and real estate tax obligations, a portion of the rent differential between the MCA leases and the replacement operator rent for the first year of their new lease, and other transition related costs that the Company is required to incur in order to effectuate a smooth transition of the portfolio. On March 31, 2023, a promissory note totaling \$2,995 was signed by MCA in favor of the Company. The parties agreed that this note will be revised and replaced during the first quarter of 2024, to capture costs incurred by the Company that were not yet identified as of December 31, 2023. The note will earn interest at an annual rate of 10% and matures on July 31, 2025. As of December 31, 2023, the loan included \$20 of net loan fees. The promissory note is guaranteed individually by executives and related parties of MCA, and a corporate guaranty from MCA's parent company was also provided.

On June 1, 2023, the Company sold seven skilled nursing buildings in Chicago Illinois. As part of the sale, the Company issued a loan receivable of \$3,648 in settlement of obligations due from Symcare ML, LLC, the prior tenant of the buildings. In addition, the Company issued an operating capital line of credit for a total amount of \$2,200 to the buyer, of which \$708 was drawn and \$16 of interest was accrued and paid in kind as of December 31, 2023.



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## 5. Other assets:

	December 31, 2023		December 31, 2022	
Prepaid expenses	\$	2,667	\$	2,259
Security deposits and costs related to pending transactions		52		36
Escrow deposits held by lenders		5,709		6,255
Right-of-use assets		1,710		941
Bond assets		504		635
Other		1,160		1,621
	\$	11,802	\$	11,747
Current	\$	9,588	\$	10,171
Non-current		2,214		1,576
	\$	11,802	\$	11,747

Escrow deposits held by lenders includes amounts held for use in payment and settlement of real estate taxes, property insurance and replacement reserves. The movement in right-of-use assets during the year ended December 31, 2023 was as follows:

	Office leases	
Balance, December 31, 2022	\$	941
Addition of right-of-use asset		1,318
Amortization		(549)
Balance, December 31, 2023	\$	1,710

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## 6. Investment properties:

(a) *Investment properties:*

	Number of Properties	Amount
Balance, December 31, 2021	53	\$ 716,344
Acquisitions of income property	1	12,564
Capital expenditures	—	3,751
Increase attributable to straight-line rents	—	3,816
Fair value adjustment	—	(61,334)
Amortization of tenant inducements	—	(331)
Transferred to held for sale	(3)	(18,184)
Sale of income properties	(14)	(111,805)
Foreign currency translation	—	(6,230)
Balance, December 31, 2022	37	\$ 538,591
Acquisition of income property	1	4,351
Capital expenditures	—	7,654
Increase attributable to straight-line rents	—	2,873
Fair value adjustment	—	(64,670)
Amortization of tenant inducements	—	(243)
Sale of income properties	(8)	(121,000)
Foreign currency translation	—	2,376
Balance, December 31, 2023	30	\$ 369,932

At December 31, 2023, 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. Management considers the external valuations for a cross-section of investment properties that represent different geographical locations across the Company's portfolio and updates, as deemed necessary, the Company's internal valuation models to reflect current market data.

A breakdown of the aggregate fair value of investment properties independently appraised during each year, in accordance with the Company's policy, is as follows:

Year ended December 31, 2023		Year ended December 31, 2022	
Number of investment properties <sup>(1)</sup>	Fair value	Number of investment properties <sup>(2)</sup>	Fair Value
24	\$ 258,862	4	\$ 63,811

(1) The Company also appraised 2 joint ventures valued at \$21,727 as part of the Company's internal appraisal policy.

(2) The Company also appraised 5 joint ventures valued at \$103,273 as part of the Company's internal appraisal policy.

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

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value, determined based on available market evidence. The Company uses alternative valuation methods such as the direct capitalization income approach or the discounted cash flow approach (Level 3 inputs). The estimated 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.

Capital expenditures include costs related to expansion projects (\$6,426 total for the year ended December 31, 2023) at two buildings in Canada that are jointly owned, and therefore proportionately consolidated.

The Company continues to review market overall capitalization rates, terminal capitalization rates and discount rates as well as its stabilized future cash flows and future cash flows over the holding period, in light of the present interest rate and general economic environments. The carrying value for the Company's investment properties reflects its best estimate for the highest and best use as at December 31, 2023.

The following table summarizes the significant unobservable inputs in determining fair value:

Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
<b>Direct capitalization income approach:</b>	
Overall capitalization rates ("OCR")	There is an inverse relationship between the overall capitalization rates and the fair value; in other words, the higher the overall capitalization rate, the lower the estimated fair value.
Stabilized future cash flows	There is a direct relationship between the stabilized future cash flows and the fair value; in other words, the higher the stabilized future cash flows, the higher the estimated fair value.
<b>Discounted cash flow approach:</b>	
Terminal capitalization rates ("TCR")	There is an inverse relationship between the terminal capitalization rates and the fair value; in other words, the higher the terminal capitalization rate, the lower the estimated fair value.
Discount rates ("IRR")	There is an inverse relationship between the discount rates and the fair value; in other words, the higher the discount rate, the lower the estimated fair value.
Future cash flows over the holding period	There is a direct relationship between the future cash flows over the holding period and the fair value; in other words, the higher the future cash flows over the holding period, the higher the estimated fair value.

A summary of the significant unobservable inputs and ranges for each approach used as at December 31, 2023 and December 31, 2022 are set out in the following table:

<u>Year ended December 31, 2023</u>					
<b>Approach</b>	<b>Fair Value</b>	<b>Input</b>	<b>Min</b>	<b>Max</b>	<b>Weighted Average</b>
Direct capitalization income	\$ 94,844	OCR	7.70 %	7.95 %	7.92 %
Discounted cash flow	168,553	TCR	6.50 %	10.00 %	7.92 %
		IRR	8.00 %	11.50 %	9.44 %
Anticipated sale price	<u>106,535</u>	N/A	N/A	N/A	N/A
Total	<u>\$ 369,932</u>				

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## Year ended December 31, 2022

<b>Approach</b>	<b>Fair Value</b>	<b>Input</b>	<b>Min</b>	<b>Max</b>	<b>Weighted Average</b>
Direct capitalization income	\$ 353,836	OCR	6.05 %	9.00 %	7.48 %
Discounted cash flow	184,755	TCR	6.50 %	9.00 %	7.62 %
		IRR	8.00 %	10.50 %	8.86 %
Anticipated sale price	—	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$ 538,591</b>				

The estimated fair value of investment properties valued using the direct capitalization income approach is most sensitive to changes in overall capitalization rates and stabilized future cash flows. Changes in the overall capitalization rates and stabilized future cash flows would result in the following changes in the fair value of the Company's investment properties as of December 31, 2023, valued using this approach:

		<u>Change in stabilized future cash flows</u>		
		<u>(1.00)%</u>	<u>— %</u>	<u>1.00 %</u>
Change in overall capitalization rate ("OCR")	(0.25)%	\$ 2,112	\$ 3,091	\$ 4,071
	— %	\$ (948)	\$ —	\$ 948
	0.25 %	\$ (3,822)	\$ (2,902)	\$ (1,983)

The estimated fair value of investment properties valued using the discounted cash flow approach is most sensitive to changes in terminal capitalization rates and discount rates. Changes in the terminal capitalization rates and discount rates would result in the following changes in the fair value of the Company's investment properties as of December 31, 2023, valued using this approach:

		<u>Change in discount rate ("IRR")</u>		
		<u>(0.25)%</u>	<u>— %</u>	<u>0.25 %</u>
Change in terminal capitalization rate ("TCR")	(0.25)%	\$ 5,859	\$ 3,559	\$ 1,303
	— %	\$ 2,248	\$ —	\$ (2,205)
	0.25 %	\$ (1,118)	\$ (3,317)	\$ (5,474)

# 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, 2023 and 2022

*(b) Asset acquisitions - year ended December 31, 2023*

	Carrollton, TX
Number of consolidated properties acquired:	1
Net assets acquired:	
Investment properties	\$ 4,351
Working capital balances	(40)
	\$ 4,311
Consideration paid/funded:	
Cash	621
Forgiveness of note receivable	3,690
	\$ 4,311

On April 10, 2023, the Company acquired ownership of the memory care facility in Carrollton, Texas as part of a deed in lieu of foreclosure agreement with the debtor or borrower under the Carrollton Autumn Leaves LP note. The Company's assumption of ownership of the memory care facility was exchanged for forgiveness of the note receivable. In conjunction with the acquisition of the property, the Company, as landlord, entered into a triple-net lease with an affiliate of Constant Care Management Company ("Constant Care"). On August 7, 2023, the Company entered into a limited partnership agreement with Constant Care, selling a 20% interest in the property.

*(c) Assets dispositions - year ended December 31, 2023*

	Illinois	Illinois
Properties sold:	7	1
Net assets disposed:		
Investment properties	\$ 101,317	\$ 19,683
Closing costs	(655)	(89)
Working capital	2,981	—
	\$ 103,643	\$ 19,594
Consideration received/funded:		
Cash	\$ 92,300	\$ 17,785
Issuance of loan receivable	3,648	—
Settlement of real estate taxes	7,695	1,809
	\$ 103,643	\$ 19,594

On June 1, 2023, the Company sold seven properties in Illinois for total consideration of \$101,317. Cash in excess of closing costs was used to partially pay down the Company's corporate credit facility. On July 1, 2023, the Company sold a skilled nursing facility in Chicago, Illinois for \$19,683. Cash in excess of closing costs was used to partially pay down the Company's corporate credit facility.

# 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, 2023 and 2022

*(d) Assets acquisitions - year ended December 31, 2022*

	Grand Rapids, MI
Number of consolidated properties acquired:	1
Net assets acquired:	
Investment properties	\$ 12,564
	\$ 12,564
Consideration paid/funded:	
Cash	10,765
Repayment of mezzanine and loans receivable principal and accrued interest	1,799
	\$ 12,564

On February 1, 2022, The Company purchased a memory care facility located in Grand Rapids, MI for a contractual purchase price of \$12,470 plus transaction costs. The transaction was funded by the repayment of \$1,799 of outstanding mezzanine and loans receivable principal and accrued interest as of the date of acquisition and cash on hand.

*(e) Assets dispositions - year ended December 31, 2022*

	Nebraska
Properties sold:	2
Net assets disposed:	
Investment properties	\$ 24,931
	\$ 24,931
Consideration received:	
Cash	22,081
Issuance of loan receivable (note 4)	2,850
	\$ 24,931

On August 30, 2022, the Company sold two properties in Nebraska for \$25,000, excluding transaction costs. Cash in excess of closing costs was used to partially pay down the Company's corporate credit facility.

For dispositions of investment properties classified as discontinued operations, see note 16.

# 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, 2023 and 2022

*(f) Assets held for sale*

The following table summarizes the investment properties held for sale as at December 31, 2023 and December 31, 2022:

	December 31, 2023		December 31, 2022	
Assets:				
Investment properties <sup>(1)</sup>	\$	5,521	\$	18,184
	\$	5,521	\$	18,184

(1) As of December 31, 2023, total assets held for sale reflect the two remaining medical office buildings, whereby the activities are accounted for as discontinued operations (note 16). As of December 31, 2022, total assets held for sale reflect three medical office buildings accounted for as discontinued operations.

# 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, 2023 and 2022

## 7. Property, plant and equipment, net:

(a) *Property, plant and equipment, net:*

Property, plant and equipment consists of the following as at December 31, 2023:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Total
<b>Cost</b>					
Balance, December 31, 2021	\$ 26,121	\$ 474,494	\$ 16,345	\$ 400	\$ 517,360
Additions	—	3,392	3,001	622	7,015
De-recognition	(100)	(547)	(2,727)	—	(3,374)
Transfers	—	682	—	(682)	—
Transfer to joint venture	(600)	(16,096)	(759)	—	(17,455)
Sale of Harrisburg property	(384)	(5,195)	(714)	(2)	(6,295)
Balance, December 31, 2022	\$ 25,037	\$ 456,730	\$ 15,146	\$ 338	\$ 497,251
Additions	—	2,588	2,964	262	5,814
De-recognition	—	(847)	(649)	—	(1,496)
Transfers	—	143	—	(143)	—
Assets transferred to held for sale	(505)	(4,774)	(203)	—	(5,482)
Sale of 4 Phoenix properties	(1,503)	(33,721)	(1,727)	(36)	(36,987)
Balance, December 31, 2023	\$ 23,029	\$ 420,119	\$ 15,531	\$ 421	\$ 459,100
<b>Accumulated depreciation</b>					
Balance, December 31, 2021	\$ —	\$ 81,065	\$ 4,294	\$ —	\$ 85,359
Depreciation and amortization	—	13,859	2,657	—	16,516
De-recognition	—	(537)	(2,705)	—	(3,242)
Impairment loss	—	4,513	—	—	4,513
Transfer of Lansdale property to joint venture	—	(1,272)	(249)	—	(1,521)
Sale of Harrisburg property	—	(442)	(198)	—	(640)
Balance, December 31, 2022	\$ —	\$ 97,186	\$ 3,799	\$ —	\$ 100,985
Depreciation and amortization	—	12,530	3,054	—	15,584
De-recognition	—	(847)	(649)	—	(1,496)
Impairment loss	—	8,783	—	—	8,783
Assets transferred to held for sale	—	(1,448)	(72)	—	(1,520)
Sale of 4 Phoenix properties	—	(11,552)	(1,007)	—	(12,559)
Balance, December 31, 2023	\$ —	\$ 104,652	\$ 5,125	\$ —	\$ 109,777
Property, plant and equipment, net balance, December 31, 2022	\$ 25,037	\$ 359,544	\$ 11,347	\$ 338	\$ 396,266
Property, plant and equipment, net balance, December 31, 2023	\$ 23,029	\$ 315,467	\$ 10,406	\$ 421	\$ 349,323



# 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, 2023 and 2022

*(b) Dispositions of assets held for sale - year ended December 31, 2023*

	Georgia (2) and South Carolina (2)
Properties sold:	4
Net assets disposed:	
Property, plant and equipment sales proceeds	\$ 25,097
	<u>\$ 25,097</u>
Consideration received (paid):	
Cash	(262)
Transaction costs	350
Mortgage settlement	25,009
	<u>\$ 25,097</u>

On November 1, 2023, the Company sold 2 properties in Georgia and 2 properties in South Carolina for a total sale price of \$25,097 before closing costs. Proceeds were used to pay down the debt affiliated with the properties.

*(c) Dispositions and transfers - year ended December 31, 2022*

	Port Royal, SC <sup>(1)</sup>	Harrisburg, PA	New York <sup>(1)</sup>	Lansdale	Total
Properties	(1)	(1)	(2)	(1)	(5)
Gross sale price <sup>(2)</sup>	\$ 3,525	\$ 5,500	\$ 19,650	\$ 15,934	\$ 44,609
Closing costs	(196)	155	(40)	—	(81)
Working capital balances	51	55	142	(59)	189
Equity contributed to joint venture	—	—	—	(3,704)	(3,704)
Loss on extinguishment of debt	—	(347)	—	—	(347)
Mortgage/credit facility redemption	(3,315)	(5,026)	—	(8,273)	(16,614)
Cash proceeds received, net	(1,679)	(12)	(18,823)	(529)	(21,043)
(Gain) loss on sale of property, plant and equipment	\$ (1,614)	\$ 325	\$ 929	\$ 3,369	\$ 3,009

(1) Properties were held for sale as at December 31, 2021.

(2) Amount for Lansdale reflects value of property, plant and equipment at time of transfer to a joint venture arrangement.

In June 2021 the Company ceased operations in and listed for sale a property located in Port Royal, SC. The Company transitioned all residents from this property into new locations in order to prepare the building for sale and classified the property that was previously classified as held for sale. On March 31, 2022, the Company sold the property for total consideration of \$3,525 before closing costs. Cash in excess of closing costs was used to repay mortgage debt.

On March 1, 2022, the Company sold a property in Harrisburg, PA for total consideration of \$5,500 before closing costs. Cash in excess of closing costs was primarily used to repay \$5,026 of mortgage debt and a \$347 prepayment penalty.

# INVESQUE INC.

Notes to Consolidated Financial Statements

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Years ended December 31, 2023 and 2022

On April 1, 2022, the Company sold two properties in New York for a total consideration of \$19,650 before closing costs. Cash in excess of closing costs was used to partially pay down the Company's corporate credit facility.

On July 8, 2022, the Company entered into a joint venture agreement with an affiliate of the operator Heritage Senior Living ("Heritage") for a property in Lansdale, PA. As part of the joint venture agreement, the Company sold 10% of its equity interest in the property and operations for a cash payment of \$529. In this joint arrangement, the Company owns a 90% interest in the real estate and operations through separate legal entities and the property has management agreements in place with Heritage to provide for the day-to-day operations. An affiliate entity of Heritage owns the remaining 10% of the real estate and operations. As part of the joint ownership agreements, and the required unanimous approval by both partners for material decisions in the joint arrangement, the Company determined that joint control of the interests in the joint arrangement exists.

*(d) Assets held for sale*

The following table summarizes the property, plant and equipment held for sale on December 31, 2023 (one property in South Carolina and one parcel of land in Georgia) and December 31, 2022:

	December 31, 2023		December 31, 2022	
Assets:				
Property, plant and equipment, net	\$	3,962	\$	—
	\$	3,962	\$	—

# 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, 2023 and 2022

## 8. Joint arrangements:

As at December 31, 2023, the following are the Company's joint arrangements:

Joint arrangement	Number of properties	Location	Company ownership	Investment
Invesque-Autumnwood Landlord	4	Canada	29 %	Joint operation <sup>(1)(2)</sup>
Invesque-Autumnwood Operator	—	Canada	29 %	Joint venture <sup>(2)(3)</sup>
Heritage JV	3	United States	80 %	Joint venture <sup>(4)</sup>
Heritage Newtown	1	United States	80 %	Joint venture <sup>(4)</sup>
Heritage Harleysville	1	United States	90 %	Joint venture <sup>(4)</sup>
Heritage Glassboro	1	United States	90 %	Joint venture <sup>(4)</sup>
Heritage Lansdale	1	United States	90 %	Joint venture <sup>(4)</sup>
Jaguarundi	—	United States	66 %	Joint venture <sup>(5)</sup>
Terra Bluffs	1	United States	80 %	Joint venture <sup>(4)</sup>

(1) The Company directly holds its interest in the assets and liabilities of the real estate joint operation and therefore is proportionately consolidated.

(2) The Company has contractual preferred interest in the buildings based on the equity contributed to the buildings.

(3) These joint venture arrangements have been structured through separate legal entities and the operators lease the properties from the joint operation landlord, being Invesque-Autumnwood Landlord.

(4) 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.

(5) The joint venture has sold all if its interests in investment properties. Remaining assets include cash, escrows and receivables resulting from the sale of Bridgemoor properties.

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 own a 50% direct beneficial interest in the investment properties of the Invesque-Autumnwood Landlord entities ("landlords") and are jointly obligated for the related mortgages for a portfolio of four properties, which are classified as joint controlled 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 classified as joint ventures and are accounted for 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 proportionate share of the landlords' lease receipts totaling \$3,511 for the year ended December 31, 2023 (year ended December 31, 2022 - \$3,519), were reported as lease revenue from joint ventures in the statements of income (loss) and comprehensive income (loss). Invesque-Autumnwood Operators' lease expense in connection with these properties is included in the share of loss from joint ventures in the consolidated statements of loss and comprehensive loss.

The Company has an interest in eight 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 in both the real estate and operations. Each of these joint arrangements are accounted for as joint ventures using the equity method and the Company's share of net income (loss) is included in income (loss) from joint ventures in the consolidated statements of loss and comprehensive loss.

# 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, 2023 and 2022

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,	
	2023	2022
Cash contributions to joint ventures	\$ 2,500	\$ 286
Distributions received from joint ventures	\$ 2,442	\$ 13,727

	December 31, 2023		December 31, 2022	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash and cash equivalents	\$ 1,181	\$ 881	\$ 3,726	\$ 3,116
Tenant and other receivables	2,676	2,087	2,629	1,854
Other	5,518	4,541	4,921	3,981
Current assets	9,375	7,509	11,276	8,951
Investment properties	190,353	150,592	185,177	146,578
Property, plant and equipment, net	1,417	708	1,436	718
Derivative instruments	1,085	896	3,057	2,522
Other non-current assets	11	10	9	8
Total assets	\$ 202,241	\$ 159,715	\$ 200,955	\$ 158,777
Accounts payable and accrued liabilities	\$ 10,916	\$ 8,898	\$ 10,438	\$ 8,558
Deferred revenue	645	530	754	635
Mortgages payable - current	9,146	7,345	9,876	7,928
Current liabilities	20,707	16,773	21,068	17,121
Mortgages payable - non-current	91,079	76,344	92,693	77,659
Construction loans	25,207	20,227	16,912	13,570
Other non-current liabilities	1,889	1,348	1,892	1,350
Total liabilities	\$ 138,882	\$ 114,692	\$ 132,565	\$ 109,700
Net assets	\$ 63,359	\$ 45,023	\$ 68,390	\$ 49,077

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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, 2023 and 2022

	Year ended December 31, 2023		Year ended December 31, 2022	
	Net loss at 100%	Company share of net income (loss)	Net income at 100%	Company share of net income
Revenue	\$ 61,515	\$ 36,757	\$ 53,598	\$ 32,444
Other income	2,086	1,742	322	290
Property operating expense	55,565	31,629	45,083	26,427
Depreciation expense	2	1	332	249
Net finance costs	4,842	4,053	5,625	4,509
Real estate tax expense	—	—	300	197
General and administrative expenses	43	28	2,923	1,924
Change in fair value of financial instruments	1,971	1,626	(3,836)	(3,407)
Change in fair value of investment properties	6,196	5,295	3,173	734
Gain on sale of interest in joint venture	—	—	(4,294)	(4,294)
Net income (loss) prior to distributions to owners	\$ (5,018)	\$ (4,133)	\$ 4,614	\$ 6,395

Related party transactions occur between the Company and its interests in 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 other assets and lease revenue from joint ventures.

The following table summarizes information about the 100% balance of mortgages payable accounted for by the Company's joint ventures:

	December 31, 2023	December 31, 2022
Mortgages at fixed rates:		
Mortgages (principal) <sup>(1)</sup>	\$ 82,573	\$ 94,955
Interest rates (inclusive of swap impact)	3.99% to 4.25%	3.99% to 5.23%
Weighted average interest rate	4.01 %	4.13 %
Mortgages at variable rates:		
Mortgages (principal)	\$ 18,814	\$ 8,763
Interest rates	SOFR plus 3.50% with a 4.50% floor to SOFR plus 4.00%	LIBOR plus 2.75% with a 3.75%-floor; transition to SOFR plus 3.50% with a 4.50% floor
Weighted average interest rate	9.09 %	7.76 %
Blended weighted average rate	4.95 %	4.43 %

(1) Includes \$76,221 of variable rate mortgages that are fixed with interest rate swaps (December 31, 2022 - \$87,264). The interest rate swap of 3.99% (7.40% stated rate) on the \$76,221 mortgage matures on May 31, 2024 while the underlying mortgage matures on May 31, 2026.

# INVESQUE INC.

Notes to Consolidated Financial Statements

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Years ended December 31, 2023 and 2022

## 9. Credit facilities:

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

	Borrowing rate at		Borrowing rate at	
	December 31, 2023	December 31, 2023	December 31, 2022	December 31, 2022
Credit Facility Term <sup>(1)</sup>	\$ —	— %	\$ 200,000	4.26 %
Credit Facility Revolver <sup>(1)</sup>	—	— %	135,836	5.42 %
Credit Facility <sup>(1)</sup>	159,000	7.67 %	—	— %
Credit Facility <sup>(1)</sup>	24	7.95 %	—	— %
Commonwealth Facility <sup>(2)</sup>	177,262	5.76 %	179,677	3.91 %
Finance costs, net	(271)	—	(1,512)	—
Carrying value	\$ 336,015	6.66 %	\$ 514,001	4.44 %
Less current portion	216,015		337,474	
Non-current portion	\$ 120,000		\$ 176,527	

(1) The separate term and revolver credit facilities were refinanced into one credit facility on November 8, 2023. An interest rate swaps was contracted on November 28, 2023 for a notional amount of \$159,000, being the total capacity of the credit facility, resulting in the fixed interest rate of 7.67%. The stated rate as of December 31, 2023 is 7.95%. \$15,000 of the Credit Facility is a revolver instrument with identical terms.

(2) The interest rate on this facility is fixed with an interest rate swap, which is included in the borrowing rate noted (note 11) and matures on March 1, 2024 while the underlying credit facility matures on August 1, 2024. The stated rate of this facility as of December 31, 2023 is 7.62%

Future principal repayments of the credit facilities are as follows:

	Aggregate principal payments
2024	\$ 216,286
2025	120,000
2026 and thereafter	—
Total	\$ 336,286

On July 11, 2023, the Company received a reservation of rights letter from its primary facility lender. The notice related to the Company's compliance calculation that was provided in connection with the sale of the final Symcare asset in July 2023, under the credit agreement between the lender and the Company. The notice stated the Company failed to maintain the minimum aggregate unencumbered pool value as required under the agreement. The breach was waived on August 4, 2023 as part of a loan modification agreement. In addition, on November 8, 2023, the Company executed an amended credit agreement for the corporate credit facility, extending the maturity date to March 31, 2025 and amending various terms including interest rates, debt service coverage ratio, and restrictions on subordinated debt and other payments, among others. The Company determined the amendment constituted a debt extinguishment in accordance with IFRS 9. Therefore, the prior credit facility was derecognized and the new credit facility was recorded at fair value. The Company recorded \$2,749 of amendment fees as loss on debt extinguishment in the consolidated statements of loss and comprehensive loss.

The Company is negotiating a refinancing arrangement related to the renewal of the Commonwealth Facility.

# INVESQUE INC.

Notes to Consolidated Financial Statements

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Years ended December 31, 2023 and 2022

## 10. Mortgages payable:

Mortgages payable consist of the following as at:

	December 31, 2023		December 31, 2022	
Mortgages payable	\$	214,017	\$	183,440
Mark-to-market adjustment, net		4,823		4,753
Finance costs, net		(2,221)		(1,245)
Carrying value	\$	216,619	\$	186,948
Less current portion		63,830		58,949
Non-current portion	\$	152,789	\$	127,999

Mortgages payable are first charge mortgages secured and collateralized by investment properties and property, plant and equipment with a carrying value of \$300,815 at December 31, 2023. Maturity dates on mortgages payable range from 2024 to 2054, and the weighted average years to maturity is 5.16 years at December 31, 2023.

Future principal payments on the mortgages payable as at December 31, 2023 are as follows:

	Regular principal payments		Principal due on maturity		Total principal payments		% of total principal payments	
2024	\$	1,772	\$	62,206	\$	63,978		30 %
2025		1,348		30,470		31,818		15 %
2026		1,401		57,500		58,901		28 %
2027		1,008		17,161		18,169		8 %
2028		1,018		2,857		3,875		2 %
Thereafter		24,916		12,361		37,277		17 %
	\$	31,463	\$	182,555	\$	214,018		100 %

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Notes to Consolidated Financial Statements

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Years ended December 31, 2023 and 2022

	December 31, 2023		December 31, 2022	
Mortgages at fixed interest rates <sup>(1)</sup> :				
Mortgages (principal)	\$	135,498	\$	104,003
Interest rates (inclusive of interest rate swap impact)		2.55% to 8.12%		2.55% to 6.15%
Weighted average interest rate		4.95 %		3.98 %
Mortgages at variable rates:				
Mortgages (principal)	\$	78,519	\$	79,437
Interest rates		SOFR plus 2.40% to SOFR plus 3.50% with a 1% SOFR Floor		LIBOR plus 2.45% with a 2% LIBOR Ceiling to AMERIBOR plus 2.925%
Weighted average interest rate		8.38 %		6.97 %
Blended weighted average rate		6.14 %		5.28 %

(1) Weighted average interest rates include debt of \$74,182 that is fixed with interest rate swaps and interest rate caps. Details of fixed rate swaps and cap rates are as follows:

Balance and swapped or capped rate at December 31, 2023	Stated interest rate	Swapped rate / cap maturity	Debt maturity
\$3,000 fixed swap at 8.1%	9.0 %	August 5, 2026	August 5, 2026
\$3,568 fixed swap at 5.9%	7.0 %	July 31, 2024	July 31, 2024
\$10,114 SOFR cap at 2.0% plus 2.45%	7.8 %	July 1, 2024	August 1, 2030
\$57,500 rate cap at 5.5%	8.9 %	June 10, 2025	January 10, 2026



# 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, 2023 and 2022

## 11. Derivative financial instruments:

(a) *Derivative swaps and interest rate caps:*

Derivative swaps and interest rate caps as at December 31, 2023, and fair value adjustments during the year then ended, are detailed in the table below:

Swaps and Caps	Maturity date	Fixed rate	Notional amount	Asset (liability) balance		Income (loss) for the year ended	
				December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Credit Facility Term <sup>(1)</sup>	December 19, 2023	SOFR fixed at 2.05%	\$ —	\$ —	\$ 5,645	\$ (4,198)	\$ 11,120
Credit Facility Revolver <sup>(1)</sup>	January 2, 2024	SOFR fixed at 2.50%	—	—	602	(427)	1,529
Credit Facility Revolver	December 1, 2022	LIBOR fixed at 2.11%	—	—	—	—	870
Credit Facility Term and Revolver <sup>(2)</sup>	May 31, 2025	SOFR fixed at 5.07%	159,000	(837)	—	(2,459)	—
Red Oak Swap <sup>(3)</sup>	July 31, 2024	Canadian BA fixed at 2.17%	3,568	7	7	—	(7)
MOB facility Swap	May 1, 2023	Banker's Acceptance fixed at 2.12%	—	—	—	—	1,580
Commonwealth Swap <sup>(4)</sup>	August 1, 2024	SOFR fixed at 1.62%	—	—	7,936	(1,554)	11,238
Commonwealth Swap <sup>(4)</sup>	March 1, 2024	SOFR fixed at 3.50%	177,262	822	—	(950)	—
Oak Ridge Swap	April 1, 2022	LIBOR fixed at 0.66%	—	—	—	—	25
Charlottesville Swap <sup>(5)</sup>	March 31, 2024	SOFR fixed at 2.96%	—	—	934	(677)	807
Christiansburg Rate Cap <sup>(6)</sup>	July 1, 2024	SOFR fixed at 2.00%	10,197	194	—	194	—
Merchants Bank of Indiana Rate Cap <sup>(7)</sup>	June 10, 2025	SOFR capped at 2.00%	57,500	2,156	—	(819)	—
Carrollton Swap	August 5, 2026	SOFR fixed at 5.02%	3,000	(90)	—	(90)	—
Net carrying value				\$ 2,252	\$ 15,124	\$ (10,980)	\$ 27,162
Less current portion				1,023	5,645		
Non-current portion				\$ 1,229	\$ 9,479		
Derivative instruments Asset				\$ 3,179	\$ 15,124		
Derivative instruments (Liability)				(927)	—		
				\$ 2,252	\$ 15,124		

(1) The swaps were terminated or matured on December 19, 2023.

(2) The swap was contracted effective December 29, 2023.

(3) The swap has a notional amount of CAD\$4,727

(4) The original swap was terminated on June 29, 2023 and re-contracted, with new terms, with an effective date of September 1, 2023.

(5) The swap was terminated on December 29, 2023.

(6) The interest cap consists of an interest rate spread ceiling of 2.00% and a base rate of 2.45%.

(7) The interest cap was purchased in conjunction with a mortgage refinance and consists of an interest rate spread ceiling of 2.00% and a base rate of 3.50%.

# INVESQUE INC.

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*(b) Prepayment embedded derivatives:*

Certain mortgages payable contain prepayment options that represent embedded derivatives that require bifurcation from the host contract. The prepayment options are measured at fair value, with changes in the fair value being recognized as change in fair value of financial instruments in the consolidated statements of loss and comprehensive loss.

The fair value of the prepayment embedded derivatives has been determined using a LIBOR based interest rate swap options ("swaptions") as a proxy. The swaptions were structured to mirror the financial conventions of the respective loans, including payment periods, accrual basis, principal amortization, prepayment dates and prepayment premiums. The swaptions were structured as fixed receiver with a strike rate set on market as of the date of the loan agreement with exercise premiums to match the underlying loans plus a cost of refinancing upon exercise. The resulting swaption price would represent a proxy for the value of the prepayment rights embedded in the underlying loans. The fair values determined are based on significant other observable inputs (Level 2). As at December 31, 2023, the prepayment embedded derivative assets have a fair value of \$848 (December 31, 2022 - \$933). For the year ended December 31, 2023, a fair value loss of \$85 (year ended December 31, 2022 - \$2,455 loss), was recorded in the consolidated statements of loss and comprehensive loss.

## 12. 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.

On November 15, 2021, a meeting of holders of the 2016 Convertible Debentures was held whereby the holders of 2016 Convertible Debentures ("2016 Debentureholders") approved proposed amendments to the 2016 Convertible Debentures. The approved amendments include the following changes to the 2016 Convertible Debentures:

1. Increase the interest rate from 5.00% to 7.00%, effective January 31, 2022.
2. Decrease the conversion price from \$11.00 to \$5.00 per share.
3. Extension of the maturity date from January 31, 2022 to January 31, 2025.
4. Approval of the redemption of \$20,000 of the principal amount of the 2016 Convertible Debentures as of the close of business on January 31, 2022.

As a result of the substantive modification of the terms of the 2016 Convertible Debentures, on the date of modification the amortized cost of the previously recorded liability was derecognized and extinguished for accounting purposes for an amount equal to its fair value, resulting in a gain of \$7,200. The previously recorded equity component of the 2016 Convertible Debentures was transferred to share capital, and the fair value of the liability and equity components of the modified convertible debentures were recorded.

In January 2022, \$125 of 2016 Convertible Debentures were converted into 25,000 common shares.

On January 31, 2022 (the "Redemption Date"), the Company redeemed \$20,000 of the principal amount of the 2016 Convertible Debentures outstanding plus accrued and unpaid interest (at 5.00%) thereon. In accordance with the Debenture Amendments, the interest rate on the remaining 2016 Convertible Debentures was increased to 7.00% effective January 31, 2022.

Upon redemption or maturity, the Company may satisfy its obligations with respect to the convertible debentures in cash or the issuance of common shares based on 95% of the Current Market Price on the Redemption Date or Maturity Date, respectively.

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The 2016 Convertible Debentures are comprised of the following as at:

	December 31, 2023	December 31, 2022
Issued	\$ 24,850	\$ 24,850
Issue costs, net of amortization and accretion of equity component	2,202	745
Fair value adjustment, net	(2,768)	(4,702)
Equity component, excluding issue costs and taxes	(4,254)	(4,254)
2016 Convertible Debentures	\$ 20,030	\$ 16,639
Current	\$ —	\$ —
Non-current	20,030	16,639
2016 Convertible Debentures	\$ 20,030	\$ 16,639

Interest costs of \$1,740 related to the 2016 Convertible Debentures are recorded in financing costs for the year ended December 31, 2023 (December 31, 2022- \$1,779) using the effective interest rate method (note 21).

## *(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 were due on September 30, 2023 and bear interest at an annual rate of 6.00% payable semi-annually in arrears on March 31 and September 30 of each year commencing on March 31, 2019.

On May 23, 2023, a meeting of holders of the 2018 Convertible Debentures was held whereby the holders of 2018 Convertible Debentures ("2018 Debentureholders") approved proposed amendments to the 2018 Convertible Debentures. The approved amendments include the following changes to the 2018 Convertible Debentures:

1. Increase the interest rate from 6.00% to 8.75%, effective September 30, 2023.
2. Decrease the conversion price from \$10.70 to \$2.75 per share.
3. Extension of the maturity date from September 30, 2023 to September 30, 2026.
4. Approval of the redemption of \$22,000 of the principal amount of the 2018 Convertible Debentures as of the close of business on September 30, 2023.

On September 26, 2023, a meeting of holders of the 2018 Convertible Debentures was held whereby the 2018 Debentureholders approved additional amendments to the 2018 Convertible Debentures. The approved amendments include the following changes to the 2018 Convertible Debentures:

1. Decrease the amount to be redeemed to \$4,828, which took place on October 5, 2023.
2. Decrease the conversion price from \$2.75 to \$1.10 per share.
3. Add a covenant that the Corporation shall not make any cash repayment or redemption of principal on the Corporation's outstanding 2016 Convertible Debentures whether before, on or after the maturity date of the 2016 Convertible Debentures unless, prior to or contemporaneously with the repayment or redemption of 2016 Convertible Debentures, it redeems or repays for cash an equal principal amount of the amended debentures of the maturity date from September 30, 2023 to September 30, 2026.
4. Adding a covenant that the Corporation shall not issue (i) a new class or series of unsecured convertible debentures unless the maturity date for such debentures is at least 18 months after September 30, 2026 or (ii) senior notes in exchange for, or to fund the cash repayment of, all or a portion of the 2016 Convertible Debentures.

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As a result of the substantive modification of the terms of the 2018 Convertible Debentures, on the date of modification the amortized cost of the previously recorded liability was derecognized for an amount equal to its fair value, resulting in a gain of \$15,200 recorded within the "Change in fair value of financial instruments" financial statement caption. The previously recorded equity component of the 2018 Convertible Debentures was transferred to share capital, and the fair value of the liability and equity components of the modified convertible debentures were recorded.

Upon redemption or maturity, the Company may satisfy its obligations with respect to the convertible debentures in cash or the issuance of common shares based on 95% of the current market price on the redemption date or maturity date, respectively.

The 2018 Convertible Debentures are comprised of the following as at:

	December 31, 2023		December 31, 2022	
Issued	\$	50,000	\$	50,000
Redemptions		(4,828)		—
NCIB purchases		(1,757)		(1,657)
Issue costs, net of amortization and accretion of equity component		278		262
Fair value adjustment, net		(20,876)		—
Equity component, excluding issue costs and taxes		(7,236)		(736)
<b>2018 Convertible Debentures</b>	<b>\$</b>	<b>15,581</b>	<b>\$</b>	<b>47,869</b>
Current	\$	—	\$	47,869
Non-current portion		15,581		—
<b>2018 Convertible Debentures</b>	<b>\$</b>	<b>15,581</b>	<b>\$</b>	<b>47,869</b>

Interest costs of \$3,110 related to the 2018 Convertible Debentures are recorded in financing costs for the year ended December 31, 2023 (December 31, 2022- \$2,997) using the effective interest rate method (note 21).

### 13. Commonwealth preferred unit liability:

On August 1, 2019, the Company issued \$53,587 in preferred interests of a subsidiary of the Company to the seller to fund the purchase of Commonwealth. 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, 2023, 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 statements of loss and comprehensive loss. 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. The preferred interests have no stated maturity date as of December 31, 2023 and the Company does not intend to redeem them in the next twelve months.

On December 23, 2019, the Company issued \$12,093 in preferred interests of the acquiring subsidiary to the seller to fund the purchase of additional Commonwealth properties.

On October 1, 2020, the Company issued \$1,701 in preferred interests to the seller to fund the earnout payment pursuant to the Commonwealth purchase agreement (note 26).

On January 4, 2022, the Company redeemed \$9,818 of the outstanding Commonwealth preferred interests.

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Notes to Consolidated Financial Statements

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On April 19, 2022, the Company issued \$1,043 in preferred interests to the seller to fund the earnout payment pursuant to the Commonwealth purchase agreement (note 26).

The Commonwealth preferred unit liability is comprised of the following as at:

	December 31, 2023		December 31, 2022	
Issued	\$	68,424	\$	68,424
Cumulative redemptions		(9,818)		(9,818)
Equity component, net of accretion		(258)		(700)
Commonwealth preferred unit liability	\$	58,348	\$	57,906

## 14. Other liabilities:

Other liabilities are as follows:

	December 31, 2023		December 31, 2022	
Deferred shares liability (note 23)	\$	118	\$	363
Security deposits received from tenants		730		1,080
Escrows collected from tenant		699		829
Deferred revenue		2,454		2,025
Lease liability		2,183		1,612
Obligation for purchase of units under automatic share purchase plan (note 17)		—		4,038
Other		1,032		302
	\$	7,216	\$	10,249
Current	\$	3,712	\$	6,972
Non-current		3,504		3,277
	\$	7,216	\$	10,249

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## 15. Reconciliation of changes in liabilities arising from financing activities:

	Credit facilities	Mortgages payable	Convertible debentures	Commonwealth preferred unit liability	Total
Balance, December 31, 2021	\$ 597,266	\$ 213,823	\$ 82,657	\$ 66,239	\$ 959,985
Proceeds from financing	107,245	17,214	—	—	124,459
Repayments and refinancings	(190,754)	(38,274)	(21,657)	(9,818)	(260,503)
Preferred units issued to satisfy earnout	—	—	—	1,043	1,043
Scheduled principal payments	—	(3,535)	—	—	(3,535)
Financing costs paid	(778)	(674)	(57)	—	(1,509)
Amortizing of financing costs, mark to market adjustments, and accretion of equity components	1,860	745	3,687	442	6,734
Conversion of convertible debentures into common shares	—	—	(125)	—	(125)
Changes in foreign currency rates	(838)	(2,351)	3	—	(3,186)
Balance December, 31, 2022	\$ 514,001	\$ 186,948	\$ 64,508	\$ 57,906	\$ 823,363
Proceeds from financing activities	2,660	98,276	—	—	100,936
Repayments and refinancings	(179,472)	(65,512)	(4,928)	—	(249,912)
Scheduled principal payments	(2,414)	(3,095)	—	—	(5,509)
Financing costs paid	(5)	(1,432)	—	—	(1,437)
Amortizing of financing costs, mark to market adjustments, and accretion of equity components as applicable	1,245	535	(13,125)	442	(10,903)
Equity component of convertible debentures	—	—	(10,856)	—	(10,856)
Changes in foreign currency rates	—	899	12	—	911
Balance, December 31, 2023	\$ 336,015	\$ 216,619	\$ 35,611	\$ 58,348	\$ 646,593

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## 16. Discontinued operations:

A strategic decision has been made to exit the medical office building segment, and the sale of the remaining two buildings is expected to be completed in the next twelve months. On July 26, 2022, the Company sold a medical office building in Orlando, Florida, and on July 28, 2022, it sold ten medical office buildings in Canada. On November 28, 2022, the Company sold a medical office building in Brantford, Ontario. On April 7, 2023, the Company sold a medical office Building in Orlando, Florida. As of December 31, 2023, the Company owns two remaining medical office buildings in the United States.

The medical office building segment has been classified as discontinued operations for a period greater than one year from the date of classification, however the Company remains committed to selling the buildings. The Company has sold 12 of the original 14 buildings and multiple buyers have approached the Company with offers on the remaining two buildings. Due to circumstances beyond the Company's control, such as the inability to obtain financings and the economic environment within the medical office building industry, no deals have closed on the remaining two buildings to date. The Company remains steadfast in its commitment to sell the assets at a reasonable fair market value, which is reflected in change in fair value of investment properties.

The assets and liabilities of the discontinued operations as at December 31, 2023 are as follows:

	December 31, 2023	December 31, 2022
Investment properties	\$ 5,521	\$ 18,184
Other assets	854	2,040
<b>Total assets of discontinued operations classified as held for sale</b>	<b>\$ 6,375</b>	<b>\$ 20,224</b>
Other liabilities	\$ 457	\$ 894
<b>Total liabilities related to assets held for sale</b>	<b>\$ 457</b>	<b>\$ 894</b>

The following is a summary of the results of discontinued operations:

	Year ended December 31,	
	2023	2022
Rental revenue	\$ 2,286	\$ 8,747
Other revenue	62	759
Direct property operating expense	2,136	4,868
Net finance costs from operations	936	2,722
Real estate tax expense	661	1,446
General and administrative expense	34	158
Transaction costs	93	—
Allowance for expected credit losses	403	—
Change in fair value of investment properties - IFRIC 21	(74)	(50)
Change in fair value of investment properties	6,494	8,330
Change in fair value of financial instruments	—	(1,577)
Foreign exchange loss reclassified from other comprehensive income	(21)	409
Current income tax expense	816	—
<b>Net loss from discontinued operations</b>	<b>\$ (9,130)</b>	<b>\$ (6,800)</b>

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Cash flows from discontinued operations, as included in the applicable activities reported in the consolidated statement of cash flows:

	Year ended December 31,	
	2023	2022
Net cash provided by (used in) provided by operating activities	\$ (2,395)	\$ 1,295
Net cash (used in) financing activities	(4,830)	(87,635)
Net cash provided by provided by investing activities	5,895	84,023

Asset dispositions for the year ended December 31, 2023:

	Orlando, FL
Properties sold:	1
Investment properties	\$ 6,375
Transaction costs	(172)
Working capital balances	(74)
	\$ 6,129
Use of proceeds:	
Repayment of mortgage principal and interest	4,851
Cash proceeds	1,278
	\$ 6,129

On April 7, 2023, the Company sold a medical office building in Orlando, Florida for cash consideration of \$6,375 before closing costs, \$4,830 of which was used to pay off and settle the related mortgage debt.

Asset dispositions for the year ended December 31, 2022:

	Orlando, FL	Canada	Canada
Properties sold:	1	10	1
Investment properties	\$ 9,258	\$ 72,062	\$ 5,551
Working capital balances	(81)	1,116	(8)
	\$ 9,177	\$ 73,178	\$ 5,543
Use of proceeds:			
Repayment of MOB facility	9,177	66,526	—
Cash proceeds	—	8,417	1,754
Issuance of loan receivable (note 4)	—	—	3,790
Foreign currency adjustment	—	(1,765)	(1)
	\$ 9,177	\$ 73,178	\$ 5,543



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On July 26, 2022, the Company sold a medical office building in Orlando, Florida to a tenant for cash consideration of \$9,850 before closing costs, \$9,177 of which was used to partially pay off the US dollar-denominated portion of the MOB Facility.

On July 28, 2022, the Company sold ten medical office buildings in Canada for \$73,629 before closing costs. Proceeds were used to fully pay off the Canadian dollar-denominated portion of the MOB Facility and the remainder was received in cash.

On November 28, 2022, the Company sold a medical office building in Brantford, Ontario for cash consideration of \$5,780 before closing costs. \$3,790 was financed by the Company and the remaining proceeds were held in cash.

## 17. Share capital:

### (a) Common shares:

The following number and value of common shares were issued and outstanding as at December 31, 2023:

	Common shares	Carrying value
Balance, December 31, 2021	56,236,292	\$ 512,004
Issued on settlement of Deferred Share Incentive Plan	251,097	383
Issued on settlement of equity settled Deferred Shares	186,359	1,270
Shares acquired under NCIB	(587,400)	(783)
Obligation for purchase of units under automatic share purchase plan	—	(4,038)
Issued through conversion of convertible debentures	25,000	125
Balance, December 31, 2022	56,111,348	\$ 508,961
Issued on settlement of Deferred Share Incentive Plan	134,221	117
Issued on settlement of equity settled Deferred Shares	160,025	1,059
Shares acquired under NCIB	(194,300)	(161)
Reversal of obligation for purchase of units under automatic share purchase plan	—	4,038
Shares forfeited by shareholders	(5,000)	—
Equity component of convertible debentures	—	4,356
Balance, December 31, 2023	56,206,294	\$ 518,370

- (i) Effective December 20, 2022, the Company renewed its normal course issuer bid ("NCIB"). Pursuant to the notices filed with the TSX, The Company was authorized to acquire up to a maximum of 2,806,947 of its Shares, or approximately 5% of The Company's 56,138,948 outstanding Shares as of December 9, 2022, and up to a maximum of \$4,867 aggregate principal amount of Debentures, or approximately 10% of the public float of \$48,672 aggregate principal amount of Debentures outstanding as of December 9, 2022, in each case for cancellation over a twelve-month period. The number of Shares that could be purchased pursuant to the NCIB was subject to a current daily maximum of 3,944 Shares (which is equal to 25% of 15,779 Shares, being the average daily trading volume during the six months ended November 30, 2022), and the aggregate principal amount of Debentures that could be purchased pursuant to the NCIB was subject to a daily maximum of \$8,187 aggregate principal amount of Debentures (which is equal to 25% of \$32,750 aggregate principal amount of Debentures, being the average daily trading volume during the six months ended November 30, 2022), in each case subject to the Company's ability to make one block purchase of the Shares or 2023 Convertible Debentures, as applicable, per calendar week that exceeds such limits. The NCIB expired in December 2023 and the Company elected not to renew the program.

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*(b) Preferred shares:*

The following number and value of preferred shares were issued and outstanding as at December 31, 2023:

	Preferred shares	Carrying value
Balance, December 31, 2022 and December 31, 2023	9,098,598	\$ 85,389

As at December 31, 2023, the preferred shares are convertible into 13,010,732 (December 31, 2022 - 12,154,453) common shares of the Company.

## 18. Earnings (loss) 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 outstanding convertible debentures, unvested deferred shares 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, 2023	Year ended December 31, 2022
Net loss from continuing operations for basic and diluted net loss per share	\$ (90,110)	\$ (42,010)
Net loss for basic and diluted net loss per share	\$ (99,240)	\$ (48,810)

*Denominator for basic and diluted net loss per share:*

	Year ended December 31, 2023	Year ended December 31, 2022
Weighted average number of shares, including fully vested deferred shares: Basic and diluted	56,703,764	56,634,772

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*Net loss per share:*

	Year ended December 31, 2023		Year ended December 31, 2022	
Net loss per share from continuing operations:				
Basic	\$	(1.59)	\$	(0.74)
Diluted	\$	(1.59)	\$	(0.74)
Net loss per share:				
Basic	\$	(1.75)	\$	(0.86)
Diluted	\$	(1.75)	\$	(0.86)

## 19. Revenue:

*(a) Rental Revenue:*

Rental revenue consists of the following:

	Year ended December 31, 2023		Year ended December 31, 2022	
Contractual rental revenue	\$	32,018	\$	43,024
Straight-line rent adjustments		2,873		3,818
Amortization of tenant inducements		(243)		(242)
Amortization of leasing commission		(20)		(19)
Property tax recoveries		10,240		12,065
	\$	44,868	\$	58,646

The Company is scheduled to receive rental income from operators of its seniors housing and care properties under the provisions of 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.

A prior tenant, Symcare, previously operated a portfolio of 15 properties and paid rent to the Company pursuant to a master lease. During 2021, three properties were sold and four were transitioned to a new operator. The remaining eight properties were sold in 2023 and proceeds were used to settle an outstanding loan from Symcare and retire debt on the Company's corporate credit facilities, being term and revolving debt arrangements (note 9). For the year ended December 31, 2023, contractual revenue from this tenant comprised approximately 21% (year ended December 31, 2022 - 33%), of the Company's consolidated contractual rental revenue for the period.

Future minimum rental revenues, excluding renewals and exercise of extension options, to be received subsequent to December 31, 2023 are as follows:

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	As of December 31, 2023	
Less than 1 year	\$	26,918
Between 1 and 5 years		111,125
More than 5 years		167,758
	\$	305,801

(b) Resident rental and related revenue:

	Year ended December 31,		Year ended December 31,	
	2023		2022	
Resident revenue	\$	116,491	\$	109,629
Service revenue <sup>(1)</sup>		23,880		22,905
	\$	140,371	\$	132,534

(1) Represents property services, which are accounted for as services are performed in accordance with IFRS 15.

## 20. Direct property operating expenses:

Direct property operating expenses consist of the following:

	Year ended December 31,		Year ended December 31,	
	2023		2022	
Repairs and maintenance	\$	2,865	\$	2,891
Utilities		3,975		4,131
Compensation and benefits		70,632		66,555
Other services and supplies		8,391		7,358
Administrative and marketing		9,896		9,602
Real estate taxes		2,476		2,402
Insurance		3,012		3,039
Other		4,466		6,664
	\$	105,713	\$	102,642

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Years ended December 31, 2023 and 2022

## 21. Net finance costs:

Net finance costs consist of the following:

	Year ended December 31, 2023	Year ended December 31, 2022
Interest expense on credit facilities	\$ 31,154	\$ 21,039
Interest expense on mortgages payable	11,327	7,156
Interest expense on convertible debentures	4,850	4,769
Dividends on Commonwealth preferred units	3,813	3,827
Amortization and accretion expense	8,675	4,039
Net interest rate swap loss (gain)	(12,349)	1,025
Debt extinguishment costs	3,740	337
Amortization of mark-to-market debt adjustments	3,924	1,756
Net finance costs from operations	\$ 55,134	\$ 43,948
Allowance for credit losses on loans and interest receivable (note 4)	4,111	8,273
Allowance for credit losses on property taxes receivable	11,621	8,188
Change in fair value of loans receivable classified as FVTPL	(1,390)	—
Change in fair value of financial instruments (note 11)	11,065	(23,129)
Change in fair value of convertible debentures (note 12)	(23,644)	—
Change in non-controlling interest liability related to finance costs from operations	(202)	(184)
Total finance costs	\$ 56,695	\$ 37,096

## 22. General and administrative:

General and administrative expenses consist of the following:

	Year ended December 31, 2023	Year ended December 31, 2022
Compensation and benefits	\$ 12,858	\$ 12,698
Professional fees	2,969	3,101
Deferred share compensation expense	71	192
Insurance	706	713
Rent	431	351
Other	2,575	3,230
	\$ 19,610	\$ 20,285

For the year ended December 31, 2023, \$9,089, (year ended December 31, 2022 - \$7,840) of general and administrative expenses noted above were incurred at the Commonwealth Senior Living's management company, which represents the owner-occupied reportable segment.

# INVESQUE INC.

Notes to Consolidated Financial Statements

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## 23. 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, in certain instances, will 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 in three equal installments on the first three anniversaries 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 December 31, 2023, the number of deferred shares granted and outstanding and vested are as follows:

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	Granted/ Outstanding	Fully Vested
As at December 31, 2021	1,023,080	212,140
Discretionary Deferred Shares	—	206,472
Equity Settled Deferred Shares	—	186,359
Individual Contributed Deferred Shares (vested immediately)	126,436	126,436
Company Contributed Deferred Shares	—	18,459
Shares issued upon vesting of deferred shares	(437,455)	(437,455)
Shares forfeited	(127,277)	—
As at December 31, 2022	584,784	312,411
Discretionary Deferred Shares	—	51,165
Equity Settled Deferred Shares	—	160,024
Individual Contributed Deferred Shares (vested immediately)	207,640	207,640
Company Contributed Deferred Shares	—	15,033
Shares issued upon vesting of deferred shares	(294,245)	(294,245)
Shares forfeited	(12,584)	—
As at December 31, 2023	485,595	452,028

For the year ended December 31, 2023, the Company recognized \$71 of expense related to deferred shares in the consolidated statements of loss and comprehensive loss (year ended December 31, 2022 - \$192 loss). A deferred share liability of \$118 is included in other non-current liabilities in the consolidated statements of financial position as at December 31, 2023 (December 31, 2022 - \$363).

The deferred share incentive plan compensation expense is measured on grant at the service commencement date, based on the fair market value of the Company's shares, and amortized over the applicable vesting period. For the year ended December 31, 2023, the Company granted 207,640 deferred shares with a grant-date fair value of \$187 (December 31, 2022 - 126,436 units with a grant-date fair value of \$213).

During 2021, the Board of Directors of the Company created a special, long-term incentive program for fiscal years 2021 and 2022, based upon the Company achieving defined levels of both share price and internally calculated net asset value per share. To be eligible to receive any such compensation, the Company's share price must be at least \$3.00 per share and the Company's internally calculated net asset value per share must be at least \$4.00. No accrual has been made under this program, based on the Company's calculation of probability of achieving the thresholds for eligibility.

## 24. Related party transactions:

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

Magnetar is a significant shareholder of the Company. On June 5, 2019, the Company formed a joint venture, Jaguarundi Ventures, LP, with Magnetar. 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, resulting in the Company retaining a 60.51% interest. On October 29, 2021, the Company contributed an additional investment property located in Webster, Texas to the joint venture resulting in an increase of the Company's interest in the joint venture to 65.83%.

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## *Key management personnel compensation:*

The remuneration of key management personnel of the Company for years ended December 31, 2023 and 2022 is set forth in the table below.

	Year ended December 31, 2023	Year ended December 31, 2022
Officers and directors compensation	\$ 2,392	\$ 2,558
Share based compensation	89	168
	\$ 2,481	\$ 2,726

During 2021, the Company's Board of Directors approved a non-current incentive compensation package for the Company's key management personnel, which includes the Chief Executive Officer, Chief Financial Officer and Chief Investment Officer, aimed at rewarding management for driving shareholder value through a combination of common share price appreciation and net asset value per share growth. This program represents long-term incentive compensation and will be re-measured at December 31, 2024. The Company has recognized \$nil in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2023 (\$nil - 2022), representing the fair value of the program based upon the current relevant metric levels and the likelihood of achieving the targets.

## **25. Income taxes:**

The income tax recovery in the consolidated statements of loss and comprehensive loss differs from that expected by applying the combined federal, provincial and state income tax rates of 26.5% (2022 - 26.5%). The differences for the year ended December 31, 2023 and 2022 are as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Net loss from continuing operations before income taxes	\$ (90,422)	\$ (43,137)
Income tax recovery at Canadian tax rate	(23,961)	(11,431)
Non-deductible expenses	28	56
Difference in tax rate in foreign jurisdiction	(1,253)	(277)
Unrecognized tax losses	24,874	10,525
Income tax recovery	\$ (312)	\$ (1,127)

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.



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Years ended December 31, 2023 and 2022

	December 31, 2023		December 31, 2022	
Deferred tax assets:				
Tax losses	\$	59,337	\$	44,685
Investment properties and property, plant and equipment		7,165		1,939
Loans receivable		15,380		8,991
Equity investments		2,431		1,577
Mark-to-market adjustments		1,337		1,317
Deferred financing costs		239		168
Accrued expenses		2,705		2,705
Other		112		5,217
Deferred tax assets	\$	88,706	\$	66,599
Deferred tax liabilities:				
Convertible debentures	\$	8,602	\$	2,739
Derivative instruments		2,537		5,603
Other		568		1,699
Deferred tax liabilities	\$	11,707	\$	10,041
Deferred tax assets not recognized, net	\$	75,394	\$	56,558
Net deferred tax asset (liability)	\$	(1,605)	\$	—

For the year ended December 31, 2023, U.S. subsidiaries recognized income tax expense related to the gains on disposition of assets of \$816 (year ended December 31, 2022 - \$nil), which represents a tax rate of and 29.5% on the gain. The income tax expense for the current year is included in net income (loss) from discontinued operations (note 16).

## 26. Commitments and contingencies:

There are risks which arise from the Company's 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, for operational shortfalls. Generally, there are not minimum or maximum threshold contribution requirements of the partners contained in these agreements; rather, each partner is required to contribute a pro-rated share of the required amounts, commensurate with its ownership threshold.

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 earns 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 consolidated financial statements associated with this commitment due to the underlying value of the property exceeding the value of the mortgage.

Pursuant to the Commonwealth purchase agreement, the Company may be required to fund one or more earnout payments relating to six communities that had not yet reached stabilization at the time of acquisition by the Company. These earnout payments are only payable in the event specific occupancy and EBITDAR thresholds have been satisfied, and must be met prior to the third anniversary of closing at which time the earnout payment obligation will cease to exist. The earnout payments, when funded, will consist of a combination of cash and additional preferred interests. During the year ended December 31, 2020, given the performance of one of the six communities, the Company recorded an expense related to the increase in the fair value of contingent consideration in the amount of \$3,256, which was paid through the issuance of

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\$1,701 of Commonwealth preferred units and \$1,555 of cash on hand. During the year ended December 31, 2022, the Company satisfied the \$1,996 liability recorded as of December 31, 2021 through the issuance of \$1,043 of Commonwealth preferred units and \$953 of cash on hand. As at December 31, 2023, the Company has recorded a liability of \$nil (December 31, 2022 - \$nil) in the consolidated financial statements associated with this commitment relating to the remaining communities based on the weighted average probability of earnout payments owed using estimated future results at the properties. For the year ended December 31, 2023, the Company has not recognized any adjustment related to the change in fair value of contingent consideration (December 31, 2022 - \$258 gain) related to this liability in the consolidated statements of loss and comprehensive loss.

Pursuant to the Company's sale of an equity interest in the Lansdale investment property and associated issuance of debt on July 8, 2022, the Company entered into an agreement to provide a 100% recourse loan guarantee of up to \$14,273 to the purchaser, applicable throughout the life of the mortgage. The amount of the loan guarantee may be reduced upon the achievement of performance covenants by the purchaser and related operations of the property, which have not been met at year end.

## 27. 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. For both secured and subordinated credit instruments with near term maturities, the Company intends to refinance or repay the obligations. For refinancings, the Company intends to structure similar instruments to those in place currently.

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 and certain mortgages payable, 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.

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## 28. 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, 2023			December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative instruments - asset	\$ —	\$ 4,027	\$ —	\$ —	\$ 16,057	\$ —
Investment properties	—	—	369,932	—	—	538,591
Loans receivable	—	—	2,484	—	—	4,641
Derivative instruments - liability	—	927	—	—	—	—
Deferred share liability	—	118	—	—	363	—

For the assets and liabilities measured at fair value as at December 31, 2023, there were no transfers between levels during the year. For changes in fair value measurements of investment properties included in Level 3 of the fair value hierarchy, refer to note 6 for details. The fair values of the derivative instruments represent 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 statement 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, escrow deposits held by lenders, property tax receivables, accounts payable and accrued liabilities, accrued real estate taxes, security deposits, 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.

	December 31, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans receivable	\$ 12,852	\$ 12,688	\$ 19,654	\$ 19,494
Derivative instruments	4,027	4,027	16,057	16,057
Bond assets	504	504	635	635
Financial liabilities:				
Mortgages payable	216,619	200,662	186,948	175,810
Credit facilities	336,015	335,047	514,001	504,726
Derivative instruments	927	927	—	—
Convertible debentures	35,611	28,608	64,508	59,133
Commonwealth preferred unit liability	58,348	58,348	57,906	57,906

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.

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i. Loans receivable

The fair value of non-current 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.

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## 29. 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.

### (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 economically 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 certain derivative financial instruments, including interest rate swaps and caps, which effectively fix 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, 2023, 87.3% (December 31, 2022 - 81.3%) of the Company's interest was of fixed rate, including the impact of in-place swaps. As the Company renews maturing debt, it is also subject to higher interest rates upon entering new swaps. To limit exposure to the risk of higher interest rates at renewal, the Company intends to spread the maturities of its fixed-rate, long-term debt over time.

The Company's interest-bearing financial instruments were as follows:

	Carrying Amount	
	December 31, 2023	December 31, 2022
Fixed-rate financial liabilities <sup>(1)</sup>	\$ 101,324	\$ 152,043
Variable-rate financial liabilities <sup>(2)</sup>	\$ 486,921	\$ 613,414

(1) Includes \$14,657 of fixed rate mortgages maturing in 2024 with a weighted average interest rate of 4.78%.

(2) Includes \$342,478 of variable rate debt with fixed interest rate swaps over varying terms of maturity (2022 - \$469,375).

As at December 31, 2023, an increase/decrease of 100-basis-points in interest rates as applied to variable interest rate debt that has not been economically hedged, assuming all other variables are constant, would result in a \$887 (2022 - \$1,447) change in the Company's finance costs over the next year. The Company will be exposed to increased interest expense while pursuing refinancings and new interest rate swaps in 2024 due to the current interest rate environment. For details regarding the Company's strategy regarding near term debt maturities, expiring swap contracts and interest rate caps, refer to notes 1, 9, 10 and 11.

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(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 actively monitors its portfolio of loan and interest receivable to ensure its financial position is accurately reported. The Company also manages credit risk related to its cash balances by selection of reputable banking institutions.

(iii) Liquidity risk:

The Company's principal liquidity needs arise from working capital requirements, debt servicing and repayment obligations, planned funding of property improvements, and property development and acquisition funding requirements.

Liquidity risk arises from the possibility of not having sufficient debt, cash and equity capital available to the Company to fund its growth program and refinance or meet its payment obligations as they arise.

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 its covenant requirements as well as its interest payments and principal repayment obligations upon an applicable maturity date. If the Company is unable to meet its covenant requirements, 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 effect on the Company's financial condition and results of operations. The Company manages its liquidity risk through cash and debt management and forecasting. The Company plans to address scheduled interest payments through operating cash flows. The Company plans to address scheduled debt maturities and reduced leverage capacity (note 1) through a combination of refinancings of the underlying properties and asset sales.

The Company is subject to risk that it will not be compliant with certain covenants that underlie its credit obligations. If the Company is unable to meet certain covenants, the Company may be required to obtain other financing, repay some or all of the corresponding obligation, or sell the corresponding property underlying the credit obligation.

The following are the contractual maturities of the Company's financial liabilities as at December 31, 2023, including expected interest payments where applicable:

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	Total	2024	2025	2026	2027	2028	Thereafter
Credit facilities principal	\$336,286	\$216,286	\$120,000	\$ —	\$ —	\$ —	\$ —
Mortgages payable principal	214,017	63,978	89,318	1,401	18,168	3,875	37,277
Convertible debentures principal <sup>(1)</sup>	68,265	—	24,850	43,415	—	—	—
Commonwealth preferred unit liability principal <sup>(2)</sup>	58,606	—	—	—	58,606	—	—
<b>Total principal</b>	<b>\$677,174</b>	<b>\$280,264</b>	<b>\$234,168</b>	<b>\$44,816</b>	<b>\$76,774</b>	<b>\$ 3,875</b>	<b>\$37,277</b>
<b>Percentage of total</b>	<b>100.0 %</b>	<b>41.4 %</b>	<b>34.6 %</b>	<b>6.6 %</b>	<b>11.3 %</b>	<b>0.6 %</b>	<b>5.5 %</b>
Credit facilities interest	\$18,807	\$17,167	\$ 1,640	\$ —	\$ —	\$ —	\$ —
Mortgages payable interest	37,346	9,783	7,655	2,997	1,799	1,521	13,591
Convertible debentures interest	13,056	5,538	4,669	2,849	—	—	—
Commonwealth preferred unit liability interest <sup>(2)</sup>	16,212	4,269	4,565	4,861	2,517	—	—
Accounts payable and accrued liabilities	17,296	17,296	—	—	—	—	—
Accrued real estate taxes	7,086	7,086	—	—	—	—	—
Other current liabilities	3,712	3,712	—	—	—	—	—
Other non-current liabilities	3,504	608	497	417	391	358	1,233
<b>Total other contractual obligations</b>	<b>\$117,019</b>	<b>\$65,459</b>	<b>\$19,026</b>	<b>\$11,124</b>	<b>\$ 4,707</b>	<b>\$ 1,879</b>	<b>\$14,824</b>
<b>Total commitments</b>	<b>\$794,193</b>	<b>\$345,723</b>	<b>\$253,194</b>	<b>\$55,940</b>	<b>\$81,481</b>	<b>\$ 5,754</b>	<b>\$52,101</b>

(1) The 2016 Convertible Debentures mature on January 31, 2025 and the 2018 Convertible Debentures mature on September 30, 2026.

(2) The liability has no stated maturity date. It is the Company's expectation that the liability will be repaid in 2027.

The Company believes it will be able to satisfy all conditions of the corporate credit facility, including debt curtailments and leverage metrics, over its term to maturity. The Company intends to use net proceeds from sales of certain properties and net proceeds from refinancings of certain debt instruments to meet upcoming loan paydown requirements (notes 1, 9 and 31).

## 30. 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 2 medical office buildings ("Medical office buildings") that are classified as part of discontinued operations. 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, a consolidated subsidiary, and the transition of certain other assets, the Company has investments in 29 properties and a management company that operates 28 of those properties ("owner occupied property"). Management considers this a separate reportable segment.

The following tables show net loss by reportable segment for the year ended December 31, 2023 and 2022:

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	Year ended December 31, 2023						Total
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)		
Rental revenue	\$ 44,868	\$ —	\$ —	\$ 44,868	\$ 2,286	\$ 47,154	
Resident rental and related revenue	—	140,371	—	140,371	—	140,371	
Lease revenue from joint ventures	3,511	—	—	3,511	—	3,511	
Other revenue	19	3,542	518	4,079	62	4,141	
Other income	1,711	34	—	1,745	—	1,745	
Interest income from loans receivable	194	—	1,202	1,396	—	1,396	
Direct property operating expenses	—	105,713	—	105,713	2,136	107,849	
Depreciation and amortization expense	—	15,398	186	15,584	—	15,584	
Finance cost from operations	15,068	21,050	19,016	55,134	936	56,070	
Real estate tax expense	10,194	—	—	10,194	661	10,855	
General and administrative expenses	40	9,084	10,486	19,610	34	19,644	
Transaction costs	793	—	(6)	787	93	880	
Allowance for expected credit losses	11,662	—	4,070	15,732	403	16,135	
Changes in non-controlling interest liability	317	(75)	—	242	—	242	
Change in fair value of investment properties - IFRIC 21	46	—	—	46	(74)	(28)	
Change in fair value of investment properties	64,670	—	—	64,670	6,494	71,164	
Change in fair value of financial instruments	(1,300)	3,892	(16,806)	(14,214)	—	(14,214)	
Gain on sale of property, plant and equipment	—	(22)	—	(22)	—	(22)	
Foreign exchange loss reclassified from other comprehensive income	—	—	—	—	(21)	(21)	
Impairment of property, plant and equipment	—	8,783	—	8,783	—	8,783	
Share of income (loss) from joint ventures	(4,133)	—	—	(4,133)	—	(4,133)	
Income tax expense (recovery)	—	—	(312)	(312)	816	504	
<b>Net income (loss)</b>	<b>\$ (55,320)</b>	<b>\$ (19,876)</b>	<b>\$ (14,914)</b>	<b>\$ (90,110)</b>	<b>\$ (9,130)</b>	<b>\$ (99,240)</b>	
Expenditures for non-current assets:							
Acquisition of properties	\$ 621	\$ —	\$ —	\$ 621	\$ —	621	
Capital additions	7,654	5,814	—	13,468	235	13,703	



# 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, 2023 and 2022

	Year ended December 31, 2022						Total
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)		
Rental revenue	\$ 58,646	\$ —	\$ —	\$ 58,646	\$ 8,747	\$ 67,393	
Resident rental and related revenue	—	132,534	—	132,534	—	132,534	
Lease revenue from joint ventures	3,519	—	—	3,519	—	3,519	
Other revenue	30	2,764	542	3,336	759	4,095	
Other income	—	695	—	695	—	695	
Interest income from loans receivable	471	—	1,068	1,539	—	1,539	
Direct property operating expenses	—	102,642	—	102,642	4,868	107,510	
Depreciation and amortization expense	—	16,387	129	16,516	—	16,516	
Finance cost from operations	18,152	17,601	8,195	43,948	2,722	46,670	
Real estate tax expense	12,093	—	—	12,093	1,446	13,539	
General and administrative expenses	(204)	7,840	12,649	20,285	158	20,443	
Transaction costs	2,042	—	39	2,081	—	2,081	
Allowance for credit losses on loans and interest receivable	8,188	—	8,273	16,461	—	16,461	
Changes in non-controlling interest liability	—	446	—	446	—	446	
Change in fair value of investment properties - IFRIC 21	(26)	—	—	(26)	(50)	(76)	
Change in fair value of investment properties	50,962	—	—	50,962	8,330	59,292	
Change in fair value of financial instruments	5	(9,590)	(13,544)	(23,129)	(1,577)	(24,706)	
Gain on sale of property, plant and equipment	—	3,013	(4)	3,009	—	3,009	
Foreign exchange loss reclassified from other comprehensive income	—	—	—	—	409	409	
Impairment of property, plant and equipment	—	4,513	—	4,513	—	4,513	
Share of income (loss) from joint ventures	(6,395)	—	—	(6,395)	—	(6,395)	
Income tax recovery	—	—	(1,127)	(1,127)	—	(1,127)	
<b>Net income (loss)</b>	<b>\$ (22,151)</b>	<b>\$ (6,859)</b>	<b>\$ (13,000)</b>	<b>\$ (42,010)</b>	<b>\$ (6,800)</b>	<b>\$ (48,810)</b>	
Expenditures for non-current assets:							
Capital additions	3,470	7,015	—	10,485	283	10,768	

# 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, 2023 and 2022

The following tables show assets and liabilities by reportable segment as at December 31, 2023 and December 31, 2022:

	As at December 31, 2023					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings	Total
Investment properties	\$ 369,932	\$ —	\$ —	\$ 369,932	\$ —	\$ 369,932
Property, plant and equipment, net	—	348,822	501	349,323	—	349,323
Investment in joint ventures	45,023	—	—	45,023	—	45,023
Loans receivable	871	—	11,981	12,852	—	12,852
Assets held for sale	—	3,962	—	3,962	6,375	10,337
Other assets	9,312	24,381	6,924	40,617	199	40,816
<b>Total assets</b>	<b>\$ 425,138</b>	<b>\$ 377,165</b>	<b>\$ 19,406</b>	<b>\$ 821,709</b>	<b>\$ 6,574</b>	<b>\$ 828,283</b>
Mortgages payable	\$ 101,471	\$ 106,965	\$ —	\$ 208,436	\$ 8,183	\$ 216,619
Credit facilities	159,024	176,991	—	336,015	—	336,015
Convertible debentures	—	—	35,611	35,611	—	35,611
Commonwealth preferred unit liability	—	58,348	—	58,348	—	58,348
Non-controlling interest liability	533	(16)	—	517	—	517
Other liabilities	9,896	14,849	9,385	34,130	—	34,130
Liabilities related to assets held for sale	—	—	—	—	457	457
<b>Total liabilities</b>	<b>\$ 270,924</b>	<b>\$ 357,137</b>	<b>\$ 44,996</b>	<b>\$ 673,057</b>	<b>\$ 8,640</b>	<b>\$ 681,697</b>

# 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, 2023 and 2022

	As at December 31, 2022						
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings	Total	
Investment properties	\$ 538,591	\$ —	\$ —	\$ 538,591	\$ —	\$ 538,591	
Property, plant and equipment, net	—	395,559	707	396,266	—	396,266	
Investment in joint ventures	49,077	—	—	49,077	—	49,077	
Loans receivable	1,553	—	18,101	19,654	—	19,654	
Assets held for sale	—	—	—	—	20,224	20,224	
Other assets	727	22,754	48,518	71,999	1,529	73,528	
<b>Total assets</b>	<b>\$ 589,948</b>	<b>\$ 418,313</b>	<b>\$ 67,326</b>	<b>\$ 1,075,587</b>	<b>\$ 21,753</b>	<b>\$ 1,097,340</b>	
Mortgages payable	\$ 62,149	\$ 111,954	\$ —	\$ 174,103	\$ 12,845	\$ 186,948	
Credit facilities	320,365	193,636	—	514,001	—	514,001	
Convertible debentures	—	—	64,508	64,508	—	64,508	
Commonwealth preferred unit liability	—	57,906	—	57,906	—	57,906	
Non-controlling interest liability	—	211	—	211	—	211	
Other liabilities	19,631	10,933	10,661	41,225	—	41,225	
Liabilities related to assets held for sale	—	—	—	—	894	894	
<b>Total liabilities</b>	<b>\$ 402,145</b>	<b>\$ 374,640</b>	<b>\$ 75,169</b>	<b>\$ 851,954</b>	<b>\$ 13,739</b>	<b>\$ 865,693</b>	

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 four 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, 2023, \$681,312 of the Company's non-current assets, excluding financial instruments, are located in the United States (December 31, 2022 - \$915,401) and \$85,180 are located in Canada (December 31, 2022 - \$70,109). During the year ended December 31, 2023, the Company generated \$185,239 (year ended December 31, 2022 - \$191,180), of its revenues, excluding other revenue, from properties located in the United States and \$3,511 (year ended December 31, 2022 - \$3,519) of its revenues from properties located in Canada.

### 31. Subsequent events:

On January 31, 2024, the Company sold a property in Summerville, South Carolina for a sale price of \$3,975. Sale proceeds in excess of closing costs were received and held by the Company. The property was classified as held for sale as of December 31, 2023.

On February 29, 2024, the Company sold two skilled nursing facilities in Pennsylvania for a total sale price of \$12,935. Sale proceeds in excess of closing costs were used to pay down a portion of the corporate credit facility.

On March 5, 2024, the Company sold two skilled nursing facilities in Texas and one in Missouri for a total sale price of \$55,500. Sale proceeds in excess of closing costs were used to pay down the mortgage affiliated with two of the properties and a portion of the corporate credit facility.