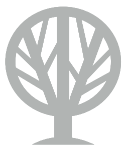


Invesque

ANNUAL REPORT 2023

PUBLISHED MAY 2024

From the CEO

On behalf of the Invesque team and our Board of Directors, I would like to thank you for your support over the last few years. It has continued to be a challenging operating and financing environment, but we have made significant progress simplifying our company story over the last 36 months. In 2023 and into 2024, we have taken a number of steps to further streamline our portfolio, improve our balance sheet, and right-size our company G&A costs, ultimately creating a cleaner, simpler company.

Since 2021, we have sold more than US$600 million of assets, which were primarily skilled nursing facilities and non-strategic seniors housing communities. These sales were the result of a clearly defined strategy to exit the skilled nursing business due to challenging reimbursement environments in certain US states, increased regulatory oversight of operations, and rising operating costs, specifically related to labor and insurance. At this time, we only own four skilled nursing facilities and will look to divest them in the near-term.

Our seniors housing portfolio, while smaller now than it was two years ago, is made up of a solid, income generating portfolio. We continue to have a mix of triple-net leased, joint venture, and wholly owned assets providing a steady rental stream (via triple-net leases), as well as upside potential as it relates to our joint ventures and wholly owned communities. Invesque's two largest joint venture/wholly owned operating partners saw occupancy increase 360 basis points from 2022 to 2023 and successfully increased resident rates year over year by 6.4 percent. We are optimistic that this trend in our seniors housing portfolio will continue over the next several years.

One highlight of 2023 for Invesque was the opening of a brand-new, Class A, seniors housing asset in Parker, Colorado, an affluent suburb of Denver. The multi-year efforts of our team, our development partner, Ellipsis, and our operating partner, Health Dimensions Group, came to fruition in creating a truly impressive assisted living and memory care community. The property welcomed its first residents in November 2023, and we have seen good traction in the first six months of operation and have high hopes for the future of this project.

During 2023, we successfully navigated several refinancings despite a challenging interest rate and financing environment. Over the course of the year, Invesque refinanced more than US$300 million of debt. We will continue to look for ways to extend debt maturities and pay down property-level debt as the opportunities present themselves.

As we look at 2024 and beyond, you can expect more efforts to strengthen our balance sheet through dispositions that allow us to reduce leverage while maintaining a solid portfolio of income generating properties.

Thank you for your continued support.

Best Regards.

Adlai Chester

INVESQUE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2023

March 15, 2024

Basis of presentation

Financial data in this Management's Discussion and Analysis of Results of Operations and Financial Condition (this "MD&A") is for the year ended December 31, 2023. Financial data has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

This MD&A is intended to provide readers with an assessment of the performance of Invesque Inc. (the "Company") for the year ended December 31, 2023. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2023 and 2022.

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2023 (the "2023 AIF"), can be found on SEDAR at www.sedar.com.

All financial information is in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted.

Forward-looking disclaimer

This MD&A contains certain forward-looking information and/or statements ("forward-looking statements"), that reflect and are provided for the purpose of presenting information about management's current expectations and plans relating to the future, including, without limitation, statements regarding the impact of COVID-19 on the business, operations and financial performance of the Company, the expected seniors housing and care industry and demographic trends, acquisitions, dispositions, development activities, future maintenance and leasing expenditures, financing, the availability of financing sources and income taxes. Forward-looking information is typically identified by terms such as "anticipate," "believe," "continue," "estimate," "expect," "expectations," "intend," "may," "plan," "project," "should," "will," and other similar expressions that do not relate solely to historical matters and suggest future outcomes or events. Readers should not place undue reliance on forward-looking statements and are cautioned that forward-looking statements may not be appropriate for other purposes. Forward-looking statements in this MD&A are based on current beliefs, expectations, and certain assumptions of the Company's management, including without limitation that any conditions relating to the sale of the Company's medical office buildings will be satisfied or waived and any such transactions will be completed when currently expected, that the Company will not be able to refinance or extend the maturity on its existing debt facility or be permitted, that the Company's lender will agree to a waiver or an amendment to the definition of net worth in the current credit agreement for future reporting periods and are subject to significant known and unknown risks, uncertainties, and other factors that are beyond the Company's ability to predict or control and may cause actual results or events to differ materially from those expressed or implied by such statements and, accordingly, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. The Company's actual results may differ as a result of various factors, including without limitation, the status of capital markets, including, without limitation, availability and cost of capital; issues facing the healthcare industry, including, without limitation, compliance with, and changes to, regulations and payment policies, responding to government investigations and settlements and operators'/tenants' ability to cost effectively obtaining and maintaining adequate liability and other insurance; the risk that the Company's operators/tenants and borrowers may become subject to bankruptcy or insolvency proceedings; changes in financing terms; competition throughout the healthcare and seniors housing industries; the operating results or financial condition of operators/tenants, including, without limitation, their ability to pay rent and repay loans, the Company's ability to transition, buy, or sell properties with profitable results as and when anticipated, and occupancy levels; the effect of other factors affecting the Company's business and facilities outside of the Company's or operators'/tenants control, including without limitation, natural disasters, other health crises or pandemics, governmental action, particularly in the healthcare industry, protests, strikes, and shortages in supply chains; and those factors set forth under the heading "Risks and Uncertainties" in this MD&A and the 2023 AIF, as well as the risks described in the Company's current annual information form and other documents, available on SEDAR at www.sedar.com, which risks may be dependent on market factors and not entirely within the Company's control. Although management believes that it has a reasonable basis for the expectations reflected in these forward-looking statements, actual results may differ from those suggested by the forward-looking statements for various reasons.

These forward-looking statements reflect current expectations of the Company and are made as of March 15, 2024, being the date of this MD&A. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as may be required by applicable law.

Financial Measures not Defined Under IFRS

In this document we use a number of performance measures that are not defined by IFRS which follow the disclosure requirements established by National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosures, to measure, compare and explain the operating results and financial performance of the Company (collectively, the “non-IFRS Financial Measures”).

Certain non-IFRS Financial Measures such as Funds From Operations ("FFO"), Adjusted Funds From Operations ("AFFO"), and revenue per resident and related per share amounts are used by the Company to measure, compare and explain the operating results and financial performance of the Company. Such performance measures do not have standardized meanings under IFRS and therefore may not be comparable to similar measures presented by other issuers. Such performance measures should not be construed as alternatives to loss and comprehensive loss or cash flows from operating activities calculated in accordance with IFRS. Further, the supplemental measures used by management may not be comparable to similar measures presented by other real estate enterprises. Management believes that these terms are relevant measures in comparing the Company's performance to industry data and assessing its ability to meet its ongoing obligations. Please refer to the "Financial Measures" section of this MD&A for a more detailed description of FFO and AFFO and a reconciliation to IFRS measures.

Business Overview

Invesque Inc. is a corporation continued under the *Business Corporations Act* (British Columbia). The registered office of the Company is located at 700 W Georgia Street, 25th Floor, Vancouver, British Columbia V7Y 1B3 and the head office of the Company is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7.

The Company is a North American healthcare real estate company with an investment thesis focused on the premise that an aging demographic in North America will continue to utilize healthcare services in growing proportion to the overall economy. The Company currently capitalizes on this opportunity by investing in a portfolio of income generating properties with a focus on seniors housing. The Company's portfolio includes investments in independent living, assisted living, memory care, skilled nursing and medical office properties. The Company's skilled nursing facilities and a portion of its assisted living and memory care portfolios are operated under long-term leases and joint venture arrangements with industry leading operating partners. The Company's portfolio also includes investments in owner occupied seniors housing properties in which it owns the real estate and operations. The majority of the operations are managed through its subsidiary management company ("Commonwealth"). The Company made a strategic decision to exit the medical office building segment in 2022 and therefore reports results of this segment as discontinued operations in the Company's consolidated financial statements.

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

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

- **Assisted Living ("AL") and Memory Care ("MC") Communities**: AL and MC communities play a key role in the continuum of seniors housing and care, as they bridge the gap between IL communities and SNFs/LTCs (defined below). AL communities provide relatively independent elderly persons with typical amenities associated with less medically-intensive seniors housing and care as well as assistance with activities of daily living and some healthcare services. Services provided at AL communities typically include 24-hour care for resident protection, an emergency response system, supervision for persons with disabilities, housekeeping, maintenance and transportation. MC communities are substantially similar to AL communities because they also focus on elderly persons who need assistance with activities of daily living and healthcare services but differ from AL communities because MC residents need to be cared for in a secured environment to prevent seniors from leaving

the community in a confused state. AL and MC communities in the United States are typically licensed and regulated by state and local governments rather than the federal government. In Canada, AL communities are licensed or certified and regulated in most jurisdictions but are typically less regulated than LTCs (defined below). Licensure for MC communities is generally identical to AL licensure except for specific building requirements including locked exterior doors secured by keys or an access code. AL communities receive most of their revenues through private pay sources and may also receive revenue from third-party pay sources, including federal, state and provincial governments.

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

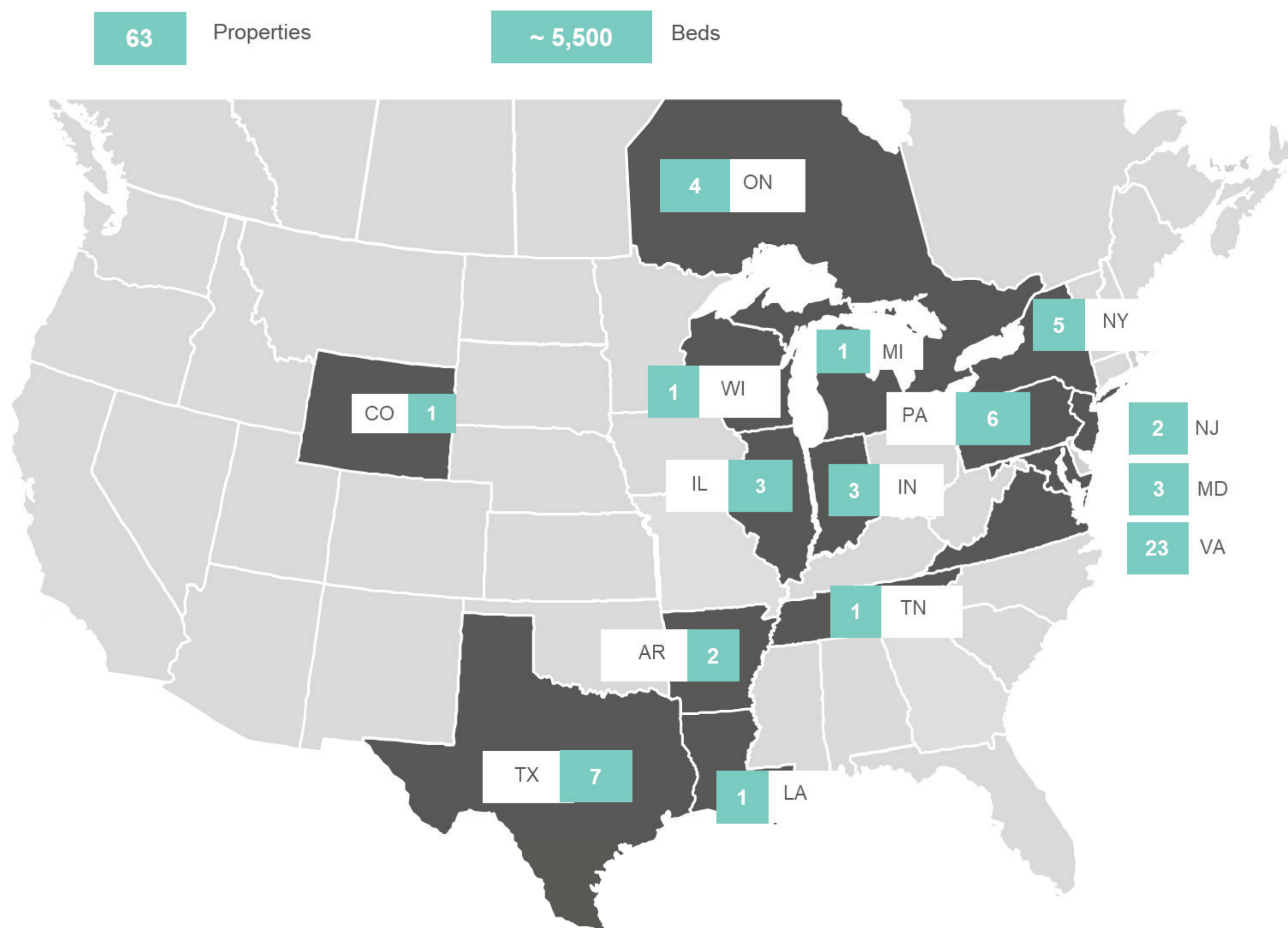
- **Medical Office Buildings ("MOBs"):** MOBs represent a segment of healthcare real estate comprised of various outpatient healthcare settings. Outpatient care, sometimes referred to as ambulatory care, is defined as medical care or treatment that does not require an overnight stay in a hospital or medical facility. Unlike seniors housing and care properties, the utilization of outpatient care settings and MOBs is generally not age-restricted and is available to all segments of the population. In the United States, MOBs can house service providers that provide a wide variety of healthcare services, ranging from family medicine and geriatric care to plastic surgery, and those providers can each accept a wide variety of reimbursements for services, including private pay, Medicare, Medicaid and insurance and managed care plans. 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 2024. Accordingly, this segment has been classified as discontinued operations in the condensed consolidated interim financial statements dated December 31, 2023.

  Throughout 2022, the Company sold 12 medical office buildings. On April 7, 2023, the Company sold a medical office building in Orlando, Florida. Subsequent to these transactions, the Company owns two medical office buildings in the United States and intends to sell them in 2024. 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 commitment to sell the assets at a reasonable fair market value, which is reflected in change in fair value of investment properties.

For the Company's SNF properties, it generally owns the land and buildings and leases them to third party operators on a long-term, triple-net lease basis. For its IL and AL properties, it either owns the land and buildings and leases them to third party operators on a long-term, triple-net basis, has an interest in both the property and operations in joint ventures and joint arrangements with the operating partner at the facility, or wholly owns and operates the property. For the triple-net lease structured assets, the tenant operators assume the operational risks and expenses associated with operating a seniors housing and care facility on the leased premises. The tenant operators provide and manage the service offerings available at the facilities, deliver all care services, and maintain the buildings. For wholly-owned or partially-owned and occupied properties, the Company owns the real estate and provides management services and assumes all or a portion of operating risk within the buildings.

As of March 15, 2024, the Company owns or has a majority interest in a portfolio of 63 properties in the United States, comprised of 53 assisted living and memory care facilities, 4 skilled nursing facilities and 2 medical office buildings. In Canada, the Company owns an interest in 4 seniors housing assets.

The Company's geographic footprint as of March 15, 2024:



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

Liquidity Assessment and COVID-19 Risk

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.

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 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 event of default subject to the terms of the credit agreement, if applicable.

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.

Recent Activities

On April 7, 2023, the Company sold a medical office building in Orlando, Florida for cash consideration of $6,375 before closing costs, of which $4,851 was used to pay down related mortgage debt.

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 a note held by the Company. The Company's assumption of ownership of the 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 a third party affiliate of Constant Care Management Company ("Constant Care"). On August 7, 2023, the Company entered into a joint venture arrangement with Constant Care as operator of the property. Constant Care operates the property pursuant to a management agreement. The Company sold 20% of its interest in the limited partnership that owns the property to Constant Care for $210, satisfied through a cash payment. The operations of the joint venture are included in the consolidated results of the Company.

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.

On October 5, 2023, the Company paid down $4,828 of the 2018 Convertible Debentures per the amendments approved on September 26, 2023.

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

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 lending capacity and curtailment payments, interest rates, debt service coverage ratio, and restrictions on subordinated debt and other payments, among others.

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.

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 a portion of the corporate credit facility and the mortgage affiliated with two of the properties.

Selected Financial Information

(dollar amounts in thousands of U.S. Dollars, except per share amounts)

	Year Ended December 31,		
	2023	2022	2021
Consolidated investment properties	38	44	53
Consolidated owner occupied properties	28	33	35
Properties held for sale	3	3	3
Weighted average lease term to maturity (excludes renewal options)[1]	9.7 years	11.3 years	11.3 years
Average facility age	9.5 years	9.7 years	10.8 years
Total assets	$ 828,283	$ 1,097,340	$ 1,301,011
Total indebtedness	$ 588,245	$ 765,457	$ 893,746
Weighted average interest rate [2]	6.6 %	4.8 %	4.1 %
Joint venture properties	8	8	12
Joint venture total assets [3]	$ 159,715	$ 158,777	$ 188,681
Joint venture indebtedness [3]	$ 83,689	$ 85,587	$ 116,948
Joint venture weighted average interest rate [4]	5.0 %	4.4 %	4.3 %

	Year ended December 31,		
	2023	2022	2021
Revenue [5]	$ 192,829	$ 198,035	$ 196,147
Direct property operating expenses [5]	$ 105,713	$ 102,642	$ 96,587
Net finance costs [5]	$ 55,134	$ 43,948	$ 47,922
General and administrative expenses [5]	$ 19,610	$ 20,285	$ 20,013
Change in fair value of investment properties [5]	$ 64,670	$ 50,962	$ 12,667
Income (loss) from joint ventures [5]	$ (4,133)	$ 6,395	$ (14,906)
Net loss	$ (99,240)	$ (48,810)	$ (12,235)
Total comprehensive loss	$ (98,191)	$ (51,568)	$ (11,932)
Net loss per share	$ (1.75)	$ (0.86)	$ (0.22)
Diluted net loss per share	$ (1.75)	$ (0.86)	$ (0.22)
Funds from operations (FFO) [6]	$ 18,920	$ 23,940	$ 26,748
FFO per share [6]	$ 0.33	$ 0.42	$ 0.47
Diluted FFO per share [6]	$ 0.27	$ 0.35	$ 0.45
Adjusted funds from operations (AFFO) [6]	$ 17,128	$ 22.071	$ 25,046
AFFO per share [6]	$ 0.30	$ 0.39	$ 0.44
Diluted AFFO per share [6]	$ 0.25	$ 0.32	$ 0.41

(1) The weighted average lease term to maturity does not include the medical office building portfolio accounted for as a discontinued operation, In addition, it does not include owner occupied properties due to the variety and nature of existing leases within the portfolio.

(2) The Company's weighted average interest rates at December 31, 2023, December 31, 2022 and December 31, 2021 included $241,330; $470,963 and $553,546, respectively, of the Company's debt that is fixed with interest rate swaps. As of December 31, 2023, the weighted average term to maturity for the Company's fixed debt with interest rate swaps is 0.96 years while the term to maturity of the fixed rate swaps is 0.65 years.

(3) This total represents the Company's share based on percentage of ownership.

(4) The Company's joint venture weighted average interest rate at December 31, 2023, December 31, 2022 and December 31, 2021 included $76,221; $87,264 and $89,231, respectively, of the joint ventures debt that is fixed with interest rate swaps. As of December 31, 2023, the weighted average term to maturity for the Company's joint venture fixed debt with interest rate swaps is 2.23 years while the term to maturity of the fixed rate swap is 0.42 years.

(5) Represents amounts from continuing operations, and excludes activity from the medical office building segment, which has been classified as discontinued operations.

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

Results of Operations - Three Months and Year Ended December 31, 2023 and 2022
(unless otherwise stated, amounts are in thousands of U.S. dollars)

Revenue from continuing operations

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Contractual rental revenue	$ 6,545	$ 10,325	$ 32,018	$ 43,024
Straight-line rent adjustments	498	768	2,873	3,818
Amortization of tenant inducements	(60)	(60)	(243)	(242)
Amortization of leasing commission	(5)	(5)	(20)	(19)
Property tax recoveries	2,368	3,474	10,240	12,065
Total rental revenue	9,346	14,502	44,868	58,646
Resident rental and related services revenue	34,988	33,729	140,371	132,534
Lease revenue from joint ventures	870	843	3,511	3,519
Other revenue	1,086	970	4,079	3,336
Total revenue	$ 46,290	$ 50,044	$ 192,829	$ 198,035

Contractual rentals received and straight-line rent adjustments relate to lease agreements under which the Company leases its investment properties to its tenants. Property tax recoveries represent the revenue recognized for the real estate taxes for which the property tenants are primarily responsible to pay. The decrease in contractual rental revenue for the three months and year ended December 31, 2023 as compared to the prior year periods is primarily due to the sale of investment properties.

Resident rental and related revenue relates to operating revenue at the wholly owned properties that are managed by subsidiaries Commonwealth and Phoenix, where the Company owns the real estate and is the operator of the facility. This revenue consists of rental revenue and service revenue paid by residents in the Company's owner occupied properties. The increase in resident rental and related revenue over the year ended December 31, 2023 as compared to the prior year is due to increased occupancy rates and rental rate increases, offset partially by dispositions of of Phoenix properties in late 2023. Resident rental and related revenues at the Commonwealth portfolio increased nearly $12,000 year-over-year.

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

Other revenue includes management fee income earned from communities managed by Commonwealth but that are not owned by the Company. Commonwealth currently manages nine properties that are not owned by the Company.

Other income from continuing operations

Other income for the three months and year ended December 31, 2023 relates to income recognized upon a lease transition of $nil and $1,711, respectively, and government grant funding received related to COVID-19 relief of $nil and $34, respectively (three months and year ended December 31, 2022 - $111 and $695, respectively).

Direct property operating expenses from continuing operations

Direct property operating expenses consist of the following:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Repairs and maintenance	$ 688	$ 738	$ 2,865	$ 2,891
Utilities	1,000	1,051	3,975	4,131
Compensation and benefits	18,549	17,547	70,632	66,555
Other services and supplies	2,140	2,021	8,391	7,358
Administrative and marketing	2,629	2,539	9,896	9,602
Real estate taxes	588	582	2,476	2,402
Insurance	768	720	3,012	3,039
Other	1,180	1,248	4,466	6,664
	$ 27,542	$ 26,446	$ 105,713	$ 102,642

The direct property operating expenses relate to expenses at the Company's owner occupied properties. As of December 31, 2023, the owner occupied properties include 28 properties operated by Commonwealth and one property operated by Phoenix. The increase in direct property operating expenses for the three months and year ended December 31, 2023 as compared to prior year periods is primarily due to increases in compensation and benefits due to increased staffing for increased occupancy, as well as increased market labor rates. The decrease in other expenses as compared to the prior year is primarily due to lower pandemic-related operating costs such as supplies and personal protective equipment.

Depreciation and amortization expense from continuing operations

For the three months and year ended December 31, 2023, depreciation and amortization expense was $4,252 and $15,584, respectively, (three months and year ended December 31, 2022 - $5,119 and $16,516, respectively), which relates to the straight-line depreciation over the useful life of the Company's property, plant and equipment relating to the owner occupied properties. The decrease in depreciation and amortization expense for the three months and year ended December 31, 2023 as compared to the prior year periods is primarily due to the disposition of properties, a conversion of another facility that is now classified as an investment property held within a joint venture, which is not amortized, and de-recognition of assets across the portfolio due to dispositions, partially offset by increased depreciation resulting from capital additions.

Net finance costs from continuing operations

Net finance costs from operations consist of the following:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Interest expense on credit facilities	$ 6,612	$ 7,728	$ 31,154	$ 21,039
Interest expense on mortgages payable	3,498	2,015	11,327	7,156
Interest expense on convertible debentures	1,390	1,176	4,850	4,769
Dividends on Commonwealth preferred units	970	975	3,813	3,827
Amortization and accretion expense	1,067	1,003	8,675	4,039
Net interest rate swap payments (receipts)	(3,166)	(2,034)	(12,349)	1,025
Debt extinguishment costs	3,387	(247)	3,740	337
Amortization of mark-to-market debt adjustments	1,321	385	3,924	1,756
	$ 15,079	$ 11,001	$ 55,134	$ 43,948

Net finance costs are primarily related to interest and amortization on the Company's credit facilities and mortgages payable. Interest expense on credit facilities and mortgages payable increased in the three months and year ended December 31, 2023 as compared to the prior year periods due to the increase in the Company's average borrowing rate. While the Company successfully lowered its overall debt portfolio in the current year periods, the offsetting increases in interest rates have resulted in higher total interest expense. These interest expense increases were partially offset by net interest swap receipts in the current year period due to the terms of the Company's swap arrangements. The Commonwealth preferred units were issued by the Company as partial consideration for the Commonwealth acquisitions in a prior period and earn an initial dividend rate of 6.50% per annum. Amortization and accretion expense increased in the three months and year ended December 31, 2023 as compared to the prior year periods due to the accretion of the 2018 Convertible Debentures equity components as determined in a prior period. Amortization of mark-to-market debt adjustments increased in the three months and year ended December 31, 2023 as compared to the prior year periods due to fair market adjustments to the 2018 Convertible Debentures resulting from the amended terms in May 2023 and September 2023.

Interest income from loans receivable from continuing operations

For the three months and year ended December 31, 2023, interest income from loans receivable was a loss of $251 and income of $1,396, respectively (three months and year ended December 31, 2022 - $442 and $1,539, respectively). Interest income is related to loans issued to operating partners and other third party entities for purposes of the development of seniors housing and care properties, operating capital expenditures or other costs. The decrease in interest income for the three months and year ended December 31, 2023 as compared to the prior year periods is primarily due to lower loans receivable balances and interest income adjustments made in late 2023 to loans that were adjusted to $0 balances.

Real estate tax expense & change in fair value of investment properties - IFRIC 21 from continuing operations

For the three months and year ended December 31, 2023, real estate tax expense was $58 and $10,194, respectively, (three months and year ended December 31, 2022 - $676 and $12,093, respectively), which represents property tax expensed for the period for properties owned on the tax assessment date (generally January 1), in accordance with the provisions of *IFRIC 21, Levies*. Real estate taxes are recovered from the Company's tenants under the provisions of their triple-net leases and are reflected as part of revenue. The change in real estate tax expense as compared to the prior year periods is primarily due to the true up of real estate tax recoveries resulting from the sales of investment properties. Real estate tax expense on the Company's owner occupied properties is included in direct property operating expenses in the consolidated statements of loss and comprehensive loss.

The following table presents real estate tax expense and change in fair value of investment properties - IFRIC 21 together with property tax recoveries to show the net effect of real estate taxes on the Company's consolidated statements of loss and comprehensive loss for the periods presented.

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Property tax recoveries	$ 2,368	$ 3,474	$ 10,240	$ 12,065
Real estate tax expense	(58)	(676)	(10,194)	(12,093)
Change in fair value of investment properties - IFRIC 21	(2,310)	(2,798)	(46)	26
	$ —	$ —	$ —	$ (2)

General and administrative expenses from continuing operations

General and administrative expenses consist of the following:

	Three months ended December 31, 2023			Three months ended December 31, 2022		
	Corporate	CSL	Total	Corporate	CSL	Total
Compensation and benefits	$ 825	$ 1,984	$ 2,809	$ 1,516	$ 1,726	$ 3,242
Professional fees	1,304	(70)	1,234	680	—	680
Deferred share compensation	(72)	—	(72)	(184)	—	(184)
Rent	108	—	108	107	—	107
Other	89	377	466	149	286	435
	$ 2,254	$ 2,291	$ 4,545	$ 2,268	$ 2,012	$ 4,280

	Year ended December 31, 2023			Year ended December 31, 2022		
	Corporate	CSL	Total	Corporate	CSL	Total
Compensation and benefits	$ 5,085	$ 7,773	$ 12,858	$ 6,962	$ 6,624	$ 13,586
Professional fees	3,018	(49)	2,969	2,867	234	3,101
Deferred share compensation	71	—	71	192	—	192
Rent	431	—	431	351	—	351
Other	1,916	1,365	3,281	2,073	982	3,055
	$ 10,521	$ 9,089	$ 19,610	$ 12,445	$ 7,840	$ 20,285

Compensation and benefits expense includes the cost of salaries, bonuses, and benefits during the period. The increase in compensation and benefits for the three months and year ended December 31, 2023 as compared to the prior year periods is primarily due to increases in cost of labor and an increase in headcount at Commonwealth, partially offset by a reduction in headcount at Corporate.

Professional fees is comprised of costs incurred for external legal counsel, external audit accounting fees and other professional services. The decrease in professional fees for the year ended December 31, 2023 as compared to the prior period is primarily due to decreases in the current year audit and tax preparation fees and compared to prior year.

The decrease in deferred share compensation expense for the year ended December 31, 2023 as compared to the prior year period is primarily due to no additional employee grants being made, previous employee grants becoming fully amortized and a declining share price.

Other general and administrative expense primarily includes cost of insurance, fees earned by directors of the Company, travel and entertainment expense, franchise and licensure taxes, investor relations, marketing, foreign exchange loss (gain), and administrative expenses at Commonwealth management company ("CSL") where the costs did not change significantly over period.

Allowance for expected credit losses from continuing operations

Allowance for credit losses on loans and interest receivable for the three months and year ended December 31, 2023 was $1,097 and $15,732, respectively (three months and year ended December 31, 2022 - $9,239 and $16,461, respectively). The decrease in credit losses in the current year period is primarily due to the reserve against the Symcare loan receivable in the prior year, which was largely offset by a total allowance for credit losses on property taxes receivable of 11,621 in the current year period. The Company applies a three-stage approach to measure allowance for credit losses. Loss allowance is measured at an amount equal to 12 months of expected losses for performing loans (Stage 1) and at an amount equal to lifetime expected credit losses on performing loans that have seen a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected credit losses for loans considered to be credit impaired (Stage 3). Certain borrowers have experienced negative impacts to operations due in part to the COVID-19 pandemic, and the Company has accordingly ascribed a higher risk rating to these outstanding loans.

Change in non-controlling interest liability

The change in non-controlling interest liability was an expense of $11 and $242 for the three months and year ended December 31, 2023, respectively (three months and year ended December 31, 2022 - $(2) and $446, respectively). These amounts represent the portion of net income or loss attributed to the non-controlling interest partners of five consolidated properties in the owner-occupied reportable segment and one investment property joint venture. The change in non-controlling interest liability during the three months and year ended December 31, 2023 from the prior year periods is primarily due to operating results at the properties and non-cash fair value adjustments.

Change in fair value of investment properties from continuing operations

The change in fair value of investment properties for the three months and year ended December 31, 2023 was a decrease of $11,196 and $64,670, respectively (three months and year ended December 31, 2022 - $14,494 and $50,962 decreases, respectively). The change in fair value of investment properties was primarily driven by an adjustment to record investment properties at fair value based on the Company's estimate of fair value using level 3 inputs as of December 31, 2023. The adjustments for the three months and year ended December 31, 2023 were primarily driven by downward adjustments to assisted living facilities, skilled nursing facilities and memory care buildings to reflect current market conditions and sale prices with third parties associated with properties disposed of by the Company. The adjustments for the prior year periods were primarily driven by downward adjustments of transitional care facilities and skilled nursing facilities to reflect market conditions at the time.

Change in fair value of financial instruments from continuing operations

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

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Change in fair value of interest rate swaps	$ 4,568	$ 8	$ 10,980	$ (25,584)
Change in fair value of convertible debentures	—	—	(23,889)	—
Change in fair value of prepayment embedded derivatives	(282)	13	85	2,455
Change in fair value of loans receivable classified as FVTPL	—	—	(1,390)	—
Total loss (income) from change in fair value of financial instruments	$ 4,286	$ 21	$ (14,214)	$ (23,129)

The change in fair value of financial instruments for the three months and year ended December 31, 2023 and 2022 was due to changes in variable interest rates that underlie the corresponding interest rate swaps and changes in the valuation of the 2018 Convertible Debenture dues to amended terms in May 2023 and September 2023. The trading price of the debentures has significantly decreased below original par value. Interest rate swaps are used to manage interest costs on debt. The Company does not apply hedge accounting to its interest rate swaps, and as a result they are marked to fair value each reporting period through finance costs in the consolidated statements of loss and other comprehensive loss. The change in fair value of financial instruments is also due to the change in fair value of prepayment embedded derivatives on certain mortgages payable due to changes in market interest rates.

Income from joint ventures

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Revenue	$ 9,419	$ 8,446	$ 36,757	$ 32,444
Other income	—	1	1,742	290
Property operating expense	8,693	7,208	31,629	26,427
Depreciation expense	—	—	1	249
Finance costs	1,007	985	4,053	4,509
Real estate tax expense	(7)	—	—	197
General and administrative expenses	(4)	1	28	1,924
Change in fair value of financial instruments	613	127	1,626	(3,407)
Change in fair value of investment properties	3,644	(2,123)	5,295	734
Gain on sale of interest in a joint venture	—	—	—	(4,294)
Income (loss) from joint ventures	$ (4,527)	$ 2,249	$ (4,133)	$ 6,395

Income (loss) from joint ventures represents the Company's share of net income or loss from entities in which the Company has an equity or jointly controlled interest. The decrease in income from joint ventures during the three months and year ended December 31, 2023 as compared to the prior year periods is primarily due to the change in fair value of investment properties and a prior period gain on sale of joint venture interest. Revenues have increased due to increased occupancy and rates. In addition, there were increases in property operating expenses due to rising labor costs and inflationary pressures.

Income tax expense/recovery from continuing operations

For the Canadian and U.S. corporate subsidiaries of the Company, income tax expense/recovery is comprised of current and deferred tax. Certain subsidiaries of the Company are limited partnerships and, accordingly, are not subject to income tax. Taxable income or loss of the partnerships is allocated to their partners, which includes the Company. Current income tax expense recorded in the current year period within the discontinued operations reportable segment resulted from the sale of investment property.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax asset value is limited based on the probability of realizing the future benefits. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax recovery recorded in the current year period resulted from the recording of the equity component of the debenture amendments.

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

Other comprehensive loss: unrealized gain (loss) on translation of foreign operations

Unrealized gain (loss) on translation of foreign operations for the three months and year ended December 31, 2023 was $1,136 and $1,049, respectively (three months and year ended December 31, 2022 - $1,308 and $(2,758), respectively). The change in gain (loss) on translation of foreign operations for the year ended December 31, 2023 as compared to the prior year period was due to the change in value of the Canadian dollar as compared to the U.S. dollar during the period. During the three months and year ended December 31, 2023 the Company reclassified $(14) and $(22), respectively, of unrealized foreign exchange gain to realized foreign exchange gain related to activity within the medical office building reportable segment.

Cash Flow Analysis

	Year ended December 31,	
	2023	2022
Cash provided by operating activities	$ 6,031	$ 11,912
Cash used in financing activities	(154,916)	(141,187)
Cash provided by investing activities	132,051	137,485
Increase (decrease) in cash and cash equivalents	$ (16,834)	$ 8,210

Cash Provided by Operating Activities

Cash from operating activities decreased during the year ended December 31, 2023 as compared to the prior year period. The decrease is primarily due to a reduction in the number of properties owned.

Cash Used In Financing Activities

Cash used in financing activities for the year ended December 31, 2023 was $154,916 as compared to cash used in financing activities of $141,187 in the prior year period. The variance in cash used in financing activities as compared to the prior year was primarily driven by net activity on mortgages payable and credit facilities, which included principal paydowns totaling over $250,493 in 2023.

Cash Provided By Investing Activities

Cash provided by investing activities for the year ended December 31, 2023 was $132,051 as compared to cash provided by investing activities of $137,485 in the prior year period. The decrease in cash provided by investing activities as compared to the prior year period was due to a decrease in distributions from joint ventures, partially offset by a decrease in additions to investment properties and increased proceeds from dispositions of investment properties, properties held for sale and property, plant and equipment.

Financial Position

Total assets of $828,283 are comprised primarily of $369,932 of investment properties, which represents the estimated fair market value of the Company's portfolio of properties, including capital expenditures, and $349,323 of property, plant and equipment, net of $109,777 of accumulated depreciation as at December 31, 2023. Cash on hand at December 31, 2023 was $10,745, net loans receivable were $12,852, investments in joint ventures were $45,023, total derivative assets were $3,004, and other assets were $11,802. Total gross loans receivable of $25,051 is offset by an allowance for losses on loans receivable of $12,199. Gross loans receivable includes $11,603 of gross loans made to Symcare. Other assets primarily consisted of $5,709 of escrows held by lenders, $2,667 of prepaid expense, $1,710 of right-of-use asset, $504 of bond assets and $1,160 of other costs. In addition, current assets include tenant and other receivables of $7,860, real estate tax receivables of $6,382, and assets held for sale of $10,337. The loans receivable balance related mainly to the issuance of loans for the development and operation of seniors housing and care properties in the United States and Canada.

Total liabilities of $681,697 includes current liabilities of $308,396 (see "Liquidity and Capital Resources" for additional information) and non-current liabilities of $373,301. The current liabilities included $7,086 of real estate taxes payable. Accounts payable and accrued liabilities represented $17,296 of the balance in current liabilities. In addition, current liabilities included $63,830 representing the current portion of mortgages payable, net of loan fees. Non-current liabilities included $152,789 representing the non-current portion of mortgages payable, net of loan fees; $120,000 representing the non-current balance outstanding on the credit facilities, net of loan fees; $35,611 of the convertible debentures, net of fees; $58,348 of Commonwealth preferred unit liability; and $517 of non-controlling interest liability. Other non-current liabilities of $3,504 primarily consisted of security deposits received from tenants, lease liability, loan commitment liability, and a liability related to deferred shares granted under the Company's deferred share incentive plan.

Summary of Quarterly Results

The following table summarizes the Company's quarterly unaudited financial information from January 1, 2022 through December 31, 2023:

	Three months ended December 31, 2023	Three months ended September 30, 2023	Three months ended June 30, 2023	Three months ended March 31, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022
Revenue [1]	$ 46,290	$ 46,741	$ 50,257	$ 49,541	$ 50,044	$ 49,665	$ 49,732	$ 48,594
Other income [1]	—	—	—	1,745	111	393	41	150
Direct property operating expenses [1]	26,069	27,542	26,386	25,716	26,447	25,481	24,862	25,853
Depreciation and amortization expense [1]	4,252	3,854	3,743	3,735	5,119	3,873	3,783	3,741
Finance costs [1]	15,079	16,019	12,564	11,472	11,001	11,037	10,795	11,115
Interest income from loans receivable [1]	(251)	587	531	529	442	(378)	(367)	(352)
Real estate tax expense [1]	58	50	(1,954)	12,040	676	—	8	11,409
General and administrative expenses [1]	4,545	4,146	4,953	5,966	4,280	4,679	5,335	5,991
Transactions costs	(541)	673	655	—	—	68	—	—
Allowance for expected credit losses [1]	1,097	465	13,123	1,047	9,239	6,752	494	(24)
Changes in non-controlling interest liability [1]	11	95	69	67	(2)	72	140	236
Change in fair value of investment properties - IFRIC 21 [1]	2,310	1,423	5,371	(9,058)	2,798	2,827	2,864	(8,515)
Change in fair value of investment properties [1]	11,196	140	44,440	8,894	14,747	11,071	18,644	8,474
Change in fair value of financial instruments [1]	4,286	(11,962)	(9,475)	2,937	21	(6,463)	(3,848)	(12,839)
Gain (loss) on sale of property, plant and equipment [1]	(10)	—	—	(12)	—	3,670	672	(1,333)
Income (loss) from joint ventures [1]	(4,527)	(1,454)	1,872	(24)	2,249	221	4,373	(448)
Deferred income tax expense (recovery) [1]	1,605	(958)	(959)	—	—	—	—	(1,127)
Impairment of property, plant and equipment [1]	5,147	3,636	—	—	4,513	—	—	—
Net income (loss) from continuing operations	(33,592)	751	(46,256)	(11,013)	(25,993)	(12,449)	(9,236)	5,667
Net income (loss) from discontinued operations	(4,716)	(159)	330	(4,585)	(4,972)	(1,054)	1,555	(2,330)
Net income (loss) for the period	(38,308)	592	(45,926)	(15,598)	(30,965)	(13,503)	(7,681)	3,337
Income (loss) per share: Basic	$ (0.68)	$ 0.01	$ (0.81)	$ (0.27)	$ (0.55)	$ (0.24)	$ (0.14)	$ 0.06
Income (loss) per share: Diluted	$ (0.68)	$ 0.01	$ (0.81)	$ (0.27)	$ (0.55)	$ (0.24)	$ (0.14)	$ 0.05
Funds from operations [2]	1,970	4,223	5,824	6,903	6,852	6,725	6,457	3,906
Funds from operations per share: Basic [2]	$ 0.03	$ 0.07	$ 0.10	$ 0.12	$ 0.12	$ 0.12	$ 0.11	$ 0.07
Funds from operations per share: Diluted [2]	$ 0.03	$ 0.06	$ 0.08	$ 0.10	$ 0.10	$ 0.10	$ 0.09	$ 0.06
Adjusted funds from operations [2]	1,613	3,017	5,927	6,571	5,611	6,207	7,059	3,194
Adjusted funds from operations per share: Basic [2]	$ 0.03	$ 0.05	$ 0.10	$ 0.12	$ 0.10	$ 0.11	$ 0.12	$ 0.06
Adjusted funds from operations per share: Diluted [2]	$ 0.02	$ 0.04	$ 0.09	$ 0.09	$ 0.08	$ 0.09	$ 0.10	$ 0.05

(1) Represents amounts presented from continuing operations, and excludes activity from the medical office building segment, which has been reported as discontinued operations.

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

The Company's results for the past eight quarters have primarily been affected by the timing of property acquisitions, dispositions, transfers, changes in the fair value of investment properties and financial instruments, and allowance for credit losses on loans receivable and interest receivable. Refer to the "Summary of Quarterly Results" and "Recent Activities" section of this MD&A for details of the results.

Liquidity and Capital Resources

The Company's objectives when managing capital are to ensure sufficient liquidity to pursue its organic growth and to maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk while preserving the ability to meet financial obligations.

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

The Company expects to meet its working capital requirements with respect to accounts payable and accrued liabilities 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 at period end of $626 in excess of lender requirements of $11,000, (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. 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.

In addition, liquidity risk is managed in part through cash forecasting. 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 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 announced on April 10, 2020 that it has suspended the dividend for all common shares beginning from April 1, 2020 until further notice. To further enhance its liquidity position, the Company is analyzing a variety of options to reduce or defer non-essential capital expenditures and to reduce corporate-level costs, some of which have already been implemented.

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

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

Preferred Equity

The Company entered into subscription agreements in prior periods with respect to the issuance of class A convertible preferred shares to affiliates of Magnetar for aggregate gross proceeds of $86,050, funded in multiple series. The purpose of the transactions was to raise proceeds to be used for the repayment of debt, general working capital purposes and to fund future acquisitions. The Company issued 9,098,598 preferred shares.

As at December 31, 2023, the Preferred Shares are convertible into 13,010,732 common shares of the Company. The weighted average accretion rate of the four series of preferred shares is 6.32%.

Debt Strategy and Indebtedness

Debt Strategy

The Company, taking into account availability of financing, market conditions, and the financial characteristics of the properties, seeks to maintain a combination of short, medium, and long-term debt maturities that are appropriate for the overall debt level of its portfolio. The Company utilizes conventional property-specific or portfolio-specific secured mortgages, as well as unsecured and non-recourse financing. Management's objectives are to access the lowest cost debt with flexible terms, to diversify the Company's lender base, and to have a debt maturity schedule spread over a time horizon which allows the Company to effectively manage refinancing risk and to be in a position to finance within the Company's target debt levels when investment opportunities become available. Management monitors the Company's debt by reviewing the debt to total assets ratio, interest coverage ratio, debt maturity schedule, and ratio of fixed versus floating rate debt. The Company plans to reduce the corporate credit facility by refinancing qualified assets with various lenders and platforms over the upcoming 18 months, which the Company has a history of successfully executing. Over the long-term, the Company strives to have a portfolio with an average years to maturity of four-seven years.

To manage interest rate risk, the Company may enter into derivative instruments from time to time. Management's objectives are to source the lowest cost fixed rate debt within its targeted levels while laddering its fixed rate maturity schedule to effectively manage repricing risk. The Company does not designate its interest rate swaps as hedges for financial reporting purposes, and they are marked to fair value each reporting period through change in fair value of financial instruments in the consolidated statements of loss and other comprehensive loss.

Indebtedness

	Principal Amount	Weighted Average Interest Rate	Years to Maturity [1]
Fixed Rate Indebtedness			
Credit Facility Term and Revolver	$ 159,000	7.7 % [2]	1.2
Commonwealth Facility	177,262	5.8 % [2]	0.6
Mortgages payable	135,498	5.0 % [2]	8.0
2016 Convertible Debentures	24,850	7.0 %	1.1
2018 Convertible Debentures	43,415	8.8 %	2.8
	540,025	6.4 %	2.8
Variable Rate Indebtedness			
Credit Facility Term and Revolver	$ 24	8.0 %	1.2
Mortgages payable	78,519	8.4 %	0.6
	78,543	8.4 %	0.6
Total indebtedness	$ 618,568	6.6 %	2.5
Less loan fees and issue costs, net of amortization and accretion	(13)		
Equity component of convertible debentures, excluding issue costs and taxes	(11,490)		
Mark-to-market adjustment, net	(18,819)		
Carrying amount	$ 588,246		

(1) Years to maturity does not include the exercise of extension options, where available, and which are generally exercisable at the Company's discretion.

(2) Weighted average interest rates include debt that is fixed with interest rate swaps and interest rate caps. Details of fixed rate swaps and cap rates are as follows:

	Stated interest rate	Swapped rate / cap maturity	Debt maturity
Credit Facility Term and Revolver: $159,000 fixed swap at 7.7%	8.0 %	March 31, 2025	March 31, 2025
Commonwealth Facility: $177,262 fixed swap at 5.8%	7.6 %	March 1, 2024	August 1, 2024
Mortgages payable:			
$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%	7.4 %	June 10, 2025	January 10, 2026

Joint Venture Indebtedness

		Principal Amount	Weighted Average Interest Rate	Years to Maturity
Fixed rate mortgages payable	$	82,573	4.0 % [1]	2.3
Variable rate mortgages payable		18,814	9.1 %	0.5
Total Indebtedness	$	101,387	5.0 %	2.0
Less loan fees, net of amortization		(1,162)		
Carrying amount	$	100,225		
Company's share of carrying amount	$	83,689		

(1) Weighted average interest rates include debt that is fixed with interest rate swaps. Details of fixed rate swaps are as follows:

	Stated interest rate	Swapped rate / cap maturity	Debt maturity
$76,221 fixed swap at 4.0%	7.4 %	May 31, 2024	May 31, 2026

2016 Convertible Debentures

On December 16, 2016, the Company issued an aggregate principal amount of $45,000 of convertible unsecured subordinated debentures (the "2016 Convertible Debentures"). The 2016 Convertible Debentures were originally due on January 31, 2022 and interest was borne at an annual rate of 5.00%, payable semi-annually in arrears on July 31 and January 31 of each year and commencing on July 31, 2017.

On November 15, 2021, a meeting of holders of the 2016 Convertible Debentures was held at which the holders of 2016 Convertible Debentures ("2016 Debentureholders") approved amendments to the 2016 Convertible Debentures, including the following:

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. Extend the maturity date from January 31, 2022 to January 31, 2025.
4. Redemption of $20,000 of the principal amount of the 2016 Convertible Debentures as of the close of business on January 31, 2022.

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.

2018 Convertible Debentures

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

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.

On May 23, 2023, a meeting of holders of the 2018 Convertible Debentures was held at which the holders of the 2018

Convertible Debentures ("2018 Debentureholders") approved amendments to the 2018 Convertible Debentures, including the following:

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. Extend the maturity date from September 30, 2023 to September 30, 2026.
4. 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 proposed 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 in 2023 to $4,828.
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.

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.

Debt Covenant Compliance

Credit Facility:

Debt to total assets is calculated by dividing the total consolidated indebtedness, net of loan costs, by the total consolidated assets of the Company. Consolidated assets is calculated using the total undepreciated purchase price of the Company's real estate, as defined in the agreement. At December 31, 2023, the Company is in compliance with the required debt to total asset ratio under the terms of the corporate credit facility.

The Company's fixed charge coverage ratio is calculated by dividing adjusted earnings before interest, taxes, depreciation and amortization by certain fixed charges, which are comprised of interest expense payable in cash, regularly scheduled principal payments, and preferred dividends paid. For covenant purposes, the consolidated fixed charge coverage ratio is calculated on a trailing twelve month basis. For the twelve month period ended December 31, 2023, the fixed charge coverage ratio of the Company was in compliance with the levels required under the terms of the corporate credit facility. For the same period, all other debt covenants were in compliance.

Mortgage Debt:

The Company's mortgage debt includes various financial covenants which include, but are not limited to, debt service coverage ratios, fixed charge ratios and debt yields. At December 31, 2023, the Company is in compliance with all such covenants.

Repayment Summary

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

Contractual Commitments

A summary of future contractual commitments as at December 31, 2023, including expected interest payments, is as follows:

	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	68,265	—	24,850	43,415	—	—	—
Commonwealth preferred unit liability principal [(1)]	58,606	—	—	—	58,606	—	—
Total principal	$677,174	$280,264	$234,168	$ 44,816	$ 76,774	$ 3,875	$ 37,277
Percentage of total	100.0 %	41.4 %	34.6 %	6.6 %	11.3 %	0.6 %	5.5 %
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	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
Total other commitments	$117,019	$ 65,459	$ 19,026	$ 11,124	$ 4,707	$ 1,879	$ 14,824
Total commitments	$794,193	$345,723	$253,194	$ 55,940	$ 81,481	$ 5,754	$ 52,101

(1) The liability has no stated maturity date. The Company's anticipates repaying the liability by 2027 based on cash flow forecasts.

The credit facilities have an outstanding balance of $336,015 as of December 31, 2023. 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 is in active negotiations to extend the Commonwealth credit facility and fully expects to execute in advance of its maturity date. In addition, the Company has twelve-month contractual extension options available within the existing agreement, which can be executed upon the satisfaction of certain performance metrics within the underlying portfolio of properties.

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

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

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

Financial Instruments and Other Instruments

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

Off-Balance Sheet Items

There were no off-balance sheet items as of December 31, 2023.

Transactions Between Related Parties

The Company entered into subscription agreements in 2017, 2018 and 2019 in respect of the issuance of class A convertible preferred shares to certain funds managed by Magnetar Financial LLC (collectively, "Magnetar"), a significant shareholder of the Company (approximately 26% of common shares as of December 31, 2023), funded in multiple series. The purpose of the transaction was to raise proceeds to be used for the repayment of debt, general working capital purposes and to fund future acquisitions. The Company issued 9,098,598 preferred shares for aggregate gross proceeds of $86,050, which remain outstanding as of December 31, 2023.

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. As of April 1, 2022, Jaguarundi Ventures, LP has sold all properties owned by the joint venture.

Critical Accounting Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses throughout the period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that may have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Change in fair value of investment properties:

The significant assumptions used when determining the fair value of investment properties in use are capitalization rates, terminal capitalization rates, future cash flows over a holding period and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The terminal capitalization rate applied is reflective of a rate of return a third party investor would require to purchase the property at its estimated future cash flow stream. Future cash flows over a particular holding period is based on forward-looking budgets prepared by operators, historical performance of properties and geographical or market trends. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases.

Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts. 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.

Impairment of loans receivable:

In determining the amount of expected credit losses, 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.

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.

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.

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.

Material Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies is set forth in notes 1 and 2, respectively, of the consolidated financial statements for the year ended December 31, 2023.

Risks and Uncertainties

See "Risk Factors" in the Company's 2023 AIF for a discussion of risks that could materially affect the Company, which risk factors are incorporated herein by reference.

Controls and Procedures

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

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified under Canadian securities laws and to include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. The Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures as at December 31, 2023 and have concluded that, as of such date, the Company's disclosure controls and procedures were adequate and effective.

Internal Controls Over Financial Reporting

The Company is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision of the design of our internal controls over financial reporting as at December 31, 2023, and based on that assessment, they determined that the Company's internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the 2013 COSO framework as published by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no changes in internal controls over financial reporting that occurred during the period ended December 31, 2023 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Outstanding Shares

As of March 15, 2024, 56,206,294 common shares in the capital of the Company were issued and outstanding.

Each 2016 Convertible Debenture is convertible into freely tradable common shares of the Company at the option of the holder at any time prior to the earlier of January 31, 2025 and the last business day immediately preceding the date specified by the Company for redemption, at a conversion price of $5.00 per common share. Subsequent to the $20,000 paydown of the 2016 Convertible Debentures on January 31, 2022, if all outstanding 2016 Convertible Debenture were converted into common shares of the Company, it would result in the issuance of 4,970,000 additional common shares. 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.

Each 2018 Convertible Debenture is convertible into freely tradable common shares of the Company at the option of the holder on or after September 30, 2022, and prior to September 30, 2023 at a conversion price of $10.70 per common share. If all outstanding 2018 Convertible Debenture were converted into common shares of the Company, it would result in the issuance of 37,948,204 additional common shares. 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. After September 30, 2023, and before September 30, 2026, the 2018 Convertible Debentures can be converted into 9,550,182 shares.

As of March 15, 2024, there were 2,802,009 Series 1 Preferred Shares outstanding, 3,172,086 Series 2 Preferred Shares outstanding, 1,586,042 Series 3 Preferred Shares and 1,538,461 Class A Series 4 Preferred Shares. The Series 1 Preferred Shares, Series 2 Preferred Shares, Series 3 Preferred Shares, and Series 4 Preferred Shares are convertible into freely tradable common shares of the Company. As of March 15, 2024, assuming the voluntary conversion of all of the Series 1 Preferred Shares, Series 2 Preferred Shares, Series 3 Preferred Shares, and Series 4 Preferred Shares then outstanding, a total of 12,326,592 common shares would be issued.

As of March 15, 2024, assuming the voluntary conversion of all of the Exchangeable Units, a total of 327,869 common shares would be issued.

As of March 15, 2024, assuming the voluntary conversion of all of the Commonwealth preferred units, a total of 6,010,872 common shares would be issued.

Financial Measures

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

Funds From Operations

FFO means net income (loss) in accordance with IFRS, (i) plus or minus fair value adjustments of investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus certain other fair value adjustments; (iv) plus transaction costs expensed as a result of the sale or acquisition of property or modification of debt; (v) plus property taxes accounted for under IFRIC 21; (vi) plus allowance for credit losses on loans and interest receivable; (vii) plus accretion and amortization of non-cash adjustments to the 2016 Convertible Debentures and 2018 Convertible Debentures (viii) plus deferred income tax expense, current income tax expense, after adjustments for equity accounted entities calculated to reflect FFO on the same basis as consolidated properties and adjustments for non-controlling interests. In addition to complying with RealPac's explicit guidance on the calculation of FFO, the Company considers the following amounts in the calculation to more accurately measure the performance of its underlying operations:

i. accretion expense and amortization of non-cash adjustments to convertible debentures; and
ii. debt extinguishment and refinancing costs.

The use of FFO, a non-IFRS measure, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of the Company. FFO presents an operating performance measure that provides a perspective on the financial performance that is not immediately apparent from net income (loss) determined in accordance with IFRS.

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

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

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

	Year ended December 31,	
	2023	2022
Net loss from continuing operations for the period	$ (90,110)	$ (42,010)
Add/(deduct):		
Change in fair value of investment properties	64,716	52,978
Property taxes accounted for under IFRIC 21	(46)	26
Depreciation and amortization expense	15,182	17,059
Amortization of tenant inducements	243	242
Accretion expense and amortization of non-cash adjustments to Convertible Debentures	9,463	2,883
Change in fair value of financial instruments	(14,214)	(23,129)
Transaction costs	787	—
Debt extinguishment costs	3,270	—
Loss on sale of property, plant and equipment	(22)	3,009
Impairment of property, plant and equipment	8,783	4,513
Deferred income tax recovery	(312)	(1,127)
Allowance for credit losses on loans and interest receivable	15,732	16,461
Change in non-controlling interest liability in respect of the above	(163)	10
FFO adjustments for equity accounted entities at share	6,939	(7,422)
FFO from continuing operations	$ 20,248	$ 23,493
FFO from discontinued operations	(1,328)	447
Total FFO	$ 18,920	$ 23,940
Interest, amortization and accretion expense on dilutive convertible units [1]	3,112	1,959
Total diluted funds from operations	$ 22,032	$ 25,899
Weighted average number of shares, including fully vested deferred shares: Basic	56,703,764	56,634,772
Weighted average shares issued if all convertible units were converted [1]	25,743,778	17,275,456
Weighted average number of shares: Diluted	82,447,542	73,910,228
Funds from operations per share	$ 0.33	$ 0.42
Diluted funds from operations per share	$ 0.27	$ 0.35

(1) For the year ended December 31, 2023, dilutive convertible units include 2018 Convertible Debentures, Preferred shares and Exchangeable units. For the year ended December 31, 2022, dilutive convertible units include 2016 Convertible Debentures, Preferred Shares and Exchangeable Units.

	Three months ended December 31, 2023	Three months ended September 30, 2023	Three months ended June 30, 2023	Three months ended March 31, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022
Net income (loss) from continuing operations	$ (33,592)	$ 751	$ (46,256)	$ (11,013)	$ (25,993)	$ (12,449)	$ (9,236)	$ 5,667
Add/(deduct):								
Change in fair value of investment properties	13,506	1,563	49,811	(164)	17,545	13,898	21,508	(41)
Property taxes accounted for under IFRIC 21	(2,310)	(1,423)	(5,371)	9,058	(2,798)	(2,827)	(2,864)	8,515
Depreciation and amortization expense	4,181	3,742	3,633	3,626	5,744	3,838	3,758	3,719
Amortization of tenant inducements	60	61	61	61	60	61	61	61
Accretion expense and amortization of non-cash adjustments to Convertible Debentures	1,939	6,024	775	725	679	635	647	922
Change in fair value of financial instruments	4,286	(11,962)	(9,475)	2,937	21	(6,463)	(3,848)	(12,839)
Transaction costs	(541)	673	655	—	—	68	—	—
Debt extinguishment costs	3,270	—	—	—	—	—	—	—
Loss (gain) on sale of property, plant and equipment	(10)	—	—	(12)	—	3,670	672	(1,333)
Impairment of property, plant and equipment	5,147	3,636	—	—	4,513	—	—	—
Deferred income tax recovery	1,605	(958)	(959)	—	—	—	—	(1,127)
Allowance for expected credit losses	1,097	465	13,123	1,047	9,239	6,752	494	(24)
Change in non-controlling interest liability in respect of the above	(64)	(29)	(35)	(35)	(50)	(38)	(32)	130
Adjustments for equity accounted entities	4,256	1,855	4	824	(1,995)	(295)	(5,155)	23
FFO from continuing operations	$ 2,830	$ 4,398	$ 5,966	$ 7,054	$ 6,965	$ 6,850	$ 6,005	$ 3,673
FFO from discontinued operations	(860)	(175)	(142)	(151)	(113)	(125)	452	233
Total FFO	$ 1,970	$ 4,223	$ 5,824	$ 6,903	$ 6,852	$ 6,725	$ 6,457	$ 3,906
Interest, amortization and accretion expense on dilutive convertible units	955	—	435	435	479	478	480	—
Total diluted FFO from continuing operations	$ 2,925	$ 4,223	$ 6,259	$ 7,338	$ 7,331	$ 7,203	$ 6,937	$ 3,906
Weighted average number of shares, including fully vested deferred shares: Basic	56,659,499	56,674,097	56,736,310	56,746,431	56,488,064	56,626,021	56,721,074	56,706,423
Weighted average shares issued if all convertible instruments were converted	51,068,876	12,904,535	17,662,560	17,454,633	17,250,587	17,050,465	16,826,300	11,675,994
Weighted average number of shares: Diluted	107,728,375	69,578,632	74,398,870	74,201,064	73,738,651	73,676,486	73,547,374	68,382,417
Funds from operations per share	$ 0.03	$ 0.07	$ 0.10	$ 0.12	$ 0.12	$ 0.12	$ 0.11	$ 0.07
Diluted funds from operations per share	$ 0.03	$ 0.06	$ 0.08	$ 0.10	$ 0.10	$ 0.10	$ 0.09	$ 0.06

Adjusted Funds From Operations

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

In addition to complying with RealPac's explicit guidance on the calculation of AFFO, the Company considers the following amounts in the calculation to more accurately measure the performance of its underlying operations:

i. transaction costs;
ii. debt extinguishment and refinancing costs; and
iii. accretion expense and amortization of non-cash adjustments to convertible debentures.

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

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

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

	Year ended December 31,	
	2023	2022
Cash flows provided by (used in) operating activities	$ 6,031	$ 11,912
Change in non-cash working capital	9,006	10,891
Less: interest expense [(1)]	(38,625)	(38,760)
Less: change in non-controlling interest liability	(242)	(446)
Plus: loss from joint ventures	(4,133)	6,395
Plus: interest paid	37,385	40,293
Less: interest received	(774)	(549)
Plus: debt extinguishment costs	3,740	337
Plus: realized loss on currency exchange	(21)	409
Plus: amortization of lease asset	(217)	671
Plus: current income tax expense	882	—
Plus: non-cash portion of non-controlling interest expense	(147)	(5)
Plus: adjustments for equity accounted entities	6,984	(6,352)
Plus: deferred share incentive plan compensation	71	192
Less: capital maintenance reserve	(2,812)	(2,917)
AFFO	$ 17,128	$ 22,071
AFFO from discontinued operations	(1,144)	1,061
AFFO from continuing operations	$ 18,272	$ 21,010
Interest expense on dilutive convertible units [(2)]	3,112	1,781
Total diluted adjusted funds from operations	$ 20,240	$ 23,852
Weighted average number of shares, including fully vested deferred shares: Basic	56,703,764	56,634,772
Weighted average shares issued if all dilutive convertible units were converted [(2)]	25,743,778	17,275,456
Weighted average number of shares: Diluted	82,447,542	73,910,228
Adjusted funds from operations per share	$ 0.30	$ 0.39
Diluted adjusted funds from operations per share	$ 0.25	$ 0.32

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

(2) For the year ended December 31, 2023, dilutive convertible units include 2018 Convertible Debentures, Preferred Shares and Exchangeable Units. For the year ended December 31, 2022, dilutive convertible units include 2016 Convertible Debentures, Preferred Shares and Exchangeable Units.

	Three months ended December 31, 2023	Three months ended September 30, 2023	Three months ended June 30, 2023	Three months ended March 31, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022
Cash flows provided by (used in) operating activities	$ (2,193)	$ 4,704	$ 8,002	$ (4,482)	$ (2,375)	$ 6,168	$ 6,196	$ 1,923
Change in non-cash working capital	3,115	(1,260)	(2,046)	9,197	8,817	(719)	1,288	1,505
Less: interest expense [1]	(9,500)	(9,313)	(9,893)	(9,919)	(9,644)	(9,655)	(9,781)	(9,680)
Less: change in non-controlling interest liability	(11)	(95)	(69)	(67)	2	(72)	(140)	(236)
Plus: income (loss) from joint ventures	(4,527)	(1,454)	1,872	(24)	2,249	221	4,373	(448)
Plus: interest paid	8,545	9,552	8,186	11,102	8,810	11,412	9,580	10,491
Less: interest received	(499)	(19)	(112)	(144)	(135)	(144)	(151)	(119)
Plus: debt extinguishment costs	3,387	(4)	366	(9)	(247)	(10)	254	340
Plus: realized loss (gain) on currency exchange	(14)	22	(24)	(5)	409	—	—	—
Plus: amortization of lease asset	(25)	(66)	(64)	(62)	671	—	—	—
Plus: current income tax expense	(110)	—	441	551	—	—	—	—
Plus: non-cash portion of non-controlling interest expense	(51)	(21)	(37)	(38)	(54)	(42)	(35)	126
Plus: adjustments for equity accounted entities	4,271	1,865	14	834	(1,979)	(286)	(3,968)	(119)
Plus: deferred share incentive plan compensation	(72)	(191)	(6)	340	(184)	63	173	140
Less: capital maintenance reserve	(703)	(703)	(703)	(703)	(729)	(729)	(730)	(729)
AFFO	$ 1,613	$ 3,017	$ 5,927	$ 6,571	$ 5,611	$ 6,207	$ 7,059	$ 3,194
AFFO from discontinued operations	(815)	(130)	(97)	(102)	(81)	279	554	309
AFFO from continuing operations	2,428	3,147	6,024	6,673	5,692	5,928	6,505	2,885
Interest expense on dilutive convertible units	955	—	435	435	435	433	435	—
Total diluted AFFO	$ 2,568	$ 3,017	$ 6,362	$ 7,006	$ 6,046	$ 6,640	$ 7,494	$ 3,194
Weighted average number of shares, including fully vested deferred shares: Basic	56,659,499	56,674,097	56,736,310	56,746,431	56,488,064	56,626,021	56,721,074	56,706,423
Weighted average shares issued if all dilutive convertible units were converted	51,068,876	12,904,535	17,662,560	17,454,633	17,250,587	17,050,465	16,826,300	11,675,994
Weighted average number of shares: Diluted	107,728,375	69,578,632	74,398,870	74,201,064	73,738,651	73,676,486	73,547,374	68,382,417
AFFO per share	$ 0.03	$ 0.05	$ 0.10	$ 0.12	$ 0.10	$ 0.11	$ 0.12	$ 0.06
Diluted AFFO per share	$ 0.02	$ 0.04	$ 0.09	$ 0.09	$ 0.08	$ 0.09	$ 0.10	$ 0.05

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

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

Operational Measures

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

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

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

Properties meeting the above criteria are generally considered stabilized.

A property may be considered unstabilized if:

1. It is a new development that is not yet complete,
2. It is not yet stabilized and is within 12 months of the above criteria,
3. It is newly acquired within the last 12 months,
4. It is undergoing a major renovation or has within the last 12 months,
5. An operator transition has occurred or a binding agreement to transfer operations has been signed within the last 12 months,
6. It is held for sale and/or slated for closure,
7. A significant tenant or the licensed operator or management company has filed for bankruptcy, which is either ongoing or has been resolved within the last 12 months,
8. It has experienced significant incident of casualty materially disrupting the operations / financial performance, or
9. It has experienced a change in reporting structure, such as an alteration from triple-net lease to SHOP reporting structure

The Company believes relevant metrics for evaluating the performance of the underlying operations in stable, triple-net leased assets include operator lease coverage and occupancy.

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

<u>*NOI by Operating Segment*</u>

The tables below are presented at the Company's proportionate share and display trailing three months and year net operating income ("NOI") to the Company from its seniors housing operating properties ("SHOP"), triple-net lease and medical office building portfolios for the years ended December 31, 2023 and 2022.

	Three months ended December 31, 2023		Three months ended December 31, 2022	
	NOI	% of Total	NOI	% of Total
SHOP	$ 8,890	56.8 %	$ 7,509	40.1 %
NNN	7,404	47.3 %	11,178	59.7 %
MOB (discontinued operations)	(638)	(4.1)%	35	0.2 %
	$ 15,656	100.0 %	$ 18,722	100.0 %

	Year ended December 31, 2023		Year ended December 31, 2022	
	NOI	% of Total	NOI	% of Total
SHOP	$ 36,620	49.9 %	$ 30,185	37.9 %
NNN	37,187	50.6 %	46,316	58.1 %
MOB (discontinued operations)	(374)	(0.5)%	3,171	4.0 %
	$ 73,433	100.0 %	$ 79,672	100.0 %

Triple-Net Lease Portfolio ("NNN")

The Company's triple-net lease portfolio for the period ended December 31, 2023, consisted of 27 seniors housing and care properties which are leased to operators on a long-term, triple-net basis. Under a triple-net lease structure, the tenant operators assume the operational risks and expenses associated with operating the facility. The Company's triple-net leased portfolio as of December 31, 2023 had an average lease term to maturity, excluding renewal options, of approximately 9.7 years.

The table below displays the Company's contractual rental revenue from continuing operations for the twelve months ended December 31, 2023 and 2022.

		Contractual Rental Revenue, year ended December 31, 2023[(1)]	% of Total NNN Contractual Rental Revenue		Contractual Rental Revenue, year ended December 31, 2022 [(1)]	% of Total NNN Contractual Rental Revenue
Constant Care Management Company	$	6,431	20.1 %	$	6,131	14.3 %
Symphony Care Network	$	6,268	19.6 %		14,337	33.3 %
Providence Group		5,768	18.0 %		5,564	12.9 %
Cascade Capital Group		5,058	15.8 %		4,580	10.6 %
Other		8,493	26.5 %		12,412	28.9 %
Total	$	32,018	100.0 %	$	43,024	100.0 %

(1) Represents contractual rental revenue for the respective time period.

The table below displays the Company's contractual forward twelve months rental revenue from continuing operations for the period commencing January 1, 2024.

		Contractual Rent, forward twelve months for the period beginning January 1, 2024	% of Total Contractual Rental Revenue
Constant Care Management Company	$	6,846	34.3 %
Cascade Capital Group		4,906	24.5 %
Hearth Management		3,766	18.8 %
Chapters		1,903	9.5 %
Providence Group		1,060	5.3 %
Other		1,503	7.6 %
Total	$	19,984	100.0 %

Seniors Housing Operating Properties ("SHOP")

The Company's SHOP portfolio for the period ended December 31, 2023 consisted of 40 properties in which the Company wholly owns both the operations and the real estate of each community or owns an interest in both the operations and real estate through joint arrangements and where management services are provided to each community by a third-party management company.

The following table summarizes stabilized SHOP metrics for the three months and years ended December 31, 2023 and 2022:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
NOI margin	21.9 %	19.9 %	23.5 %	21.0 %
Occupancy	84.4 %	81.7 %	82.9 %	79.1 %
Revenue per resident (in whole U.S. dollars)	$ 5,504	$ 5,153	$ 5,414	$ 5,080

The table above includes the stabilized SHOP assets that were owned at the end of the respective reporting periods. NOI margin is calculated by dividing total NOI by total revenue for the respective period. Revenue per resident is calculated by dividing the average number of residents by total revenue for the respective period. These non-IFRS financial measures are commonly used to analyze performance within the seniors housing and care industry.

Reconciliation of Net Operating Income to Net Income

The tables below are presented to reconcile the Company's proportionate share of net operating income (NOI) to Net Income, which represents the nearest measure defined by IFRS.

	Three months ended December 31, 2023					
	NNN	SHOP	Medical office buildings (discontinued operations)	Total operations	Corporate/ other	Total
Net income (loss)	$ (7,397)	$ (13,575)	$ (4,716)	$ (25,688)	$ (12,620)	$ (38,308)
Change in fair value of investment properties	11,155		3,653	14,808		14,808
Depreciation and amortization expense	—	4,247	—	4,247	(21)	4,226
Amortization expense and debt extinguishment costs	93	238	42	373	5,676	6,049
Amortization of tenant inducements	61	—	3	64	—	64
Change in fair value of financial instruments	1,127	6,904	403	8,434	2,499	10,933
Transaction costs	86	(10)	(79)	(3)	(627)	(630)
Changes in non-controlling interest liability	(28)	5	—	(23)	—	(23)
Straight-line rent	(498)	—	3	(495)	—	(495)
DSU compensation	—	—	—	—	(72)	(72)
Finance cost from operations, net	2,805	5,108	177	8,090	1,390	9,480
Foreign currency exchange loss	—	—	(14)	(14)	—	(14)
Income tax expense (recovery)	—	—	(110)	(110)	1,605	1,495
Finance costs from operations from equity accounted entities	—	979	—	979	—	979
Non-cash adjustment for equity accounted entities	—	4,994	—	4,994	(723)	4,271
Net operating income (loss)	$ 7,404	$ 8,890	$ (638)	$ 15,656	$ (2,893)	$ 12,763

	Three months ended December 31, 2022					
	NNN	SHOP	Medical office buildings (discontinued operations)	Total operations	Corporate/ other	Total
Net income (loss)	$ (15,492)	$ (7,323)	$ (4,972)	$ (27,787)	$ (3,180)	$ (30,967)
Change in fair value of investment properties	14,746	—	4,443	19,189	—	19,189
Depreciation and amortization expense	—	5,074	—	5,074	717	5,791
Amortization expense and debt extinguishment costs	15	276	21	312	741	1,053
Amortization of tenant inducements	61	—	7	68	—	68
Change in fair value of financial instruments	8,208	4,661	—	12,869	905	13,774
Changes in non-controlling interest liability	—	(50)	—	(50)	—	(50)
Straight-line rent	(768)	—	10	(758)	—	(758)
DSU compensation	—	—	—	—	(184)	(184)
Finance cost from operations	4,408	4,275	117	8,800	1,176	9,976
Foreign currency exchange loss	—	—	409	409	—	409
Finance costs from operations from equity accounted entities	—	962	—	962	—	962
Non-cash adjustment for equity accounted entities	—	(366)	—	(366)	(1,613)	(1,979)
Net operating income (loss)	$ 11,178	$ 7,509	$ 35	$ 18,722	$ (1,438)	$ 17,284

	Year ended December 31, 2023					
	NNN	SHOP	Medical office buildings (discontinued operations)	Total operations	Corporate/ other	Total
Net income (loss)	$ (50,704)	$ (25,072)	$ (9,130)	$ (84,906)	$ (14,334)	$ (99,240)
Change in fair value of investment properties	65,010	—	6,495	71,505	—	71,505
Depreciation and amortization expense	—	15,437	—	15,437	(71)	15,366
Amortization expense and debt extinguishment costs	140	1,317	168	1,625	14,674	16,299
Amortization of tenant inducements	243	—	17	260	—	260
Change in fair value of financial instruments	10,411	12,675	403	23,489	(12,786)	10,703
Gain on sale of property, plant and equipment	—	(13)	—	(13)	(9)	(22)
Transaction costs	793	(23)	93	863	(6)	857
Changes in non-controlling interest liability	(39)	(464)	—	(503)	—	(503)
Straight-line rent	(2,873)	—	17	(2,856)	—	(2,856)
DSU compensation	—	—	—	—	71	71
Finance cost from operations, net	14,206	19,607	768	34,581	4,854	39,435
Foreign currency exchange loss (gain)	—	—	(21)	(21)	(2)	(23)
Income tax expense (recovery)	—	—	816	816	(312)	504
Finance costs from operations from equity accounted entities	—	3,962	—	3,962	—	3,962
Non-cash adjustment for equity accounted entities	—	9,194	—	9,194	(2,209)	6,985
Net operating income (loss)	$ 37,187	$ 36,620	$ (374)	$ 73,433	$ (10,130)	$ 63,303

	Year ended December 31, 2022					
	NNN	SHOP	Medical office buildings (discontinued operations)	Total operations	Corporate/ other	Total
Net income (loss)	$ (31,553)	$ 1,634	$ (6,804)	$ (36,723)	$ (12,087)	$ (48,810)
Change in fair value of investment properties	53,003	—	8,333	61,336	—	61,336
Depreciation and amortization expense	—	16,388	—	16,388	800	17,188
Amortization expense and debt extinguishment costs	169	1,673	608	2,450	3,913	6,363
Amortization of tenant inducements	244	—	87	331	—	331
Change in fair value of financial instruments	8,194	(5,077)	(1,577)	1,540	(5,270)	(3,730)
Gain on sale of property, plant and equipment	—	3,013	—	3,013	(4)	3,009
Changes in non-controlling interest liability	—	10	—	10	—	10
Straight-line rent	(3,819)	—	2	(3,817)	—	(3,817)
DSU compensation	—	—	—	—	192	192
Finance cost from operations	17,117	15,923	2,113	35,153	4,771	39,924
Foreign currency exchange loss	—	—	409	409	—	409
Deferred tax recovery	—	—	—	—	(1,127)	(1,127)
Finance costs from operations from equity accounted entities	360	3,961	—	4,321	—	4,321
Non-cash adjustment for equity accounted entities	2,601	(7,340)	—	(4,739)	(1,613)	(6,352)
Net operating income (loss)	$ 46,316	$ 30,185	$ 3,171	$ 79,672	$ (10,425)	$ 69,247

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

INVESQUE INC.

Year ended December 31, 2023 and 2022

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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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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.

- 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

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
Assets		
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
	46,900	81,764
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
	781,383	1,015,576
Total assets	$ 828,283	$ 1,097,340
Liabilities and Shareholders' Equity		
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
	308,396	483,134
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
	373,301	382,559
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	146,586	231,647
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
	192,829	198,035
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
	282,259	249,801
Share of income (loss) from joint ventures (note 8)	(4,133)	6,395
Loss before income taxes	(90,422)	(43,137)
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	(99,240)	(48,810)
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)
	1,049	(2,758)
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
Cash flows from operating activities:				
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 (notes16 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
Net cash provided by operating activities	$	6,031	$	11,912
Cash flows (used in) from financing activities:				
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)
Cash used in financing activities	$	(154,916)	$	(141,187)
Cash flows from investing activities:				
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)
Cash provided by investing activities	$	132,051	$	137,485
Increase (decrease) in cash and cash equivalents		(16,834)		8,210
Cash and cash equivalents, beginning of year		27,579		19,369
Cash and cash equivalents, end of year	$	10,745	$	27,579

See accompanying notes to these consolidated financial statements.

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.

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

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.

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.

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.

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:

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

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:

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

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.

(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.

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

Financial assets and liabilities	Measurement
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

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

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

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:

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

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

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.

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.

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% [(1)]	— %
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 [(2)]	5.9 %	— %
PSL Care GP, LLC	Loan receivable	450	450	May 6, 2020	[(3)]	3.5 %	— %
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	[(4)]	5.0 %	— %
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

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

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.

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

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 [1]		Fair value	Number of investment properties [2]		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' 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

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
Direct capitalization income approach:	
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.
Discounted cash flow approach:	
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:

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

Year ended December 31, 2022

Approach	Fair Value	Input	Min	Max	Weighted Average
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
Total	$ 538,591				

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:

		Change in stabilized future cash flows		
		(1.00)%	— %	1.00 %
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:

		Change in discount rate ("IRR")		
		(0.25)%	— %	0.25 %
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)

(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.

(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.

(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 [1]	$ 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.

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
Cost					
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
Accumulated depreciation					
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

(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
	$	25,097
Consideration received (paid):		
Cash		(262)
Transaction costs		350
Mortgage settlement		25,009
	$	25,097

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 [1]		Harrisburg, PA		New York [1]		Lansdale		Total
Properties		(1)		(1)		(2)		(1)		(5)
Gross sale price [2]	$	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.

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	$ —

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 (1)(2)
Invesque-Autumnwood Operator	—	Canada	29 %	Joint venture (2)(3)
Heritage JV	3	United States	80 %	Joint venture (4)
Heritage Newtown	1	United States	80 %	Joint venture (4)
Heritage Harleysville	1	United States	90 %	Joint venture (4)
Heritage Glassboro	1	United States	90 %	Joint venture (4)
Heritage Lansdale	1	United States	90 %	Joint venture (4)
Jaguarundi	—	United States	66 %	Joint venture (5)
Terra Bluffs	1	United States	80 %	Joint venture (4)

(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-Autumwood 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.

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	Year ended December 31, 2022
Cash contributions to joint ventures	$ 2,500	$ 286
Distributions received from joint ventures	$ 2,442	$ 13,727

	December 31, 2023 Net assets	December 31, 2023 Company share of net assets	December 31, 2022 Net assets	December 31, 2022 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

	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) [(1)]	$ 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.

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.

	December 31, 2023	Borrowing rate at December 31, 2023	December 31, 2022	Borrowing rate at December 31, 2022
Credit Facility Term [1]	$ —	— %	$ 200,000	4.26 %
Credit Facility Revolver [1]	—	— %	135,836	5.42 %
Credit Facility [1]	159,000	7.67 %	—	— %
Credit Facility [1]	24	7.95 %	—	— %
Commonwealth Facility [2]	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.

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 %

	December 31, 2023	December 31, 2022
Mortgages at fixed interest rates[1]:		
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

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:

				Asset (liability) balance		Income (loss) for the year ended	
Swaps and Caps	Maturity date	Fixed rate	Notional amount	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Credit Facility Term [1]	December 19, 2023	SOFR fixed at 2.05%	$ —	$ —	$ 5,645	$ (4,198)	$ 11,120
Credit Facility Revolver [1]	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 [2]	May 31, 2025	SOFR fixed at 5.07%	159,000	(837)	—	(2,459)	—
Red Oak Swap [3]	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 [4]	August 1, 2024	SOFR fixed at 1.62%	—	—	7,936	(1,554)	11,238
Commonwealth Swap [4]	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[5]	March 31, 2024	SOFR fixed at 2.96%	—	—	934	(677)	807
Christiansburg Rate Cap[6]	July 1, 2024	SOFR fixed at 2.00%	10,197	194	—	194	—
Merchants Bank of Indiana Rate Cap[7]	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%.

(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.

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.

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)
2018 Convertible Debentures	$ 15,581	$ 47,869
Current	$ —	$ 47,869
Non-current portion	15,581	—
2018 Convertible Debentures	$ 15,581	$ 47,869

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.

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

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

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
Total assets of discontinued operations classified as held for sale	$ 6,375	$ 20,224
Other liabilities	$ 457	$ 894
Total liabilities related to assets held for sale	$ 457	$ 894

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	—
Net loss from discontinued operations	$ (9,130)	$ (6,800)

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

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.

(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

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:

	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, 2023	Year ended December 31, 2022
Resident revenue	$ 116,491	$ 109,629
Service revenue [(1)]	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, 2023	Year ended December 31, 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

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.

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:

	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%.

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.

		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

$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.

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.

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.

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 financials 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 [1]	$ 101,324	$ 152,043
Variable-rate financial liabilities [2]	$ 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 note 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.

(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:

	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 [(1)]	68,265	—	24,850	43,415	—	—	—
Commonwealth preferred unit liability principal [(2)]	58,606	—	—	—	58,606	—	—
Total principal	$677,174	$280,264	$234,168	$44,816	$76,774	$ 3,875	$37,277
Percentage of total	100.0 %	41.4 %	34.6 %	6.6 %	11.3 %	0.6 %	5.5 %
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 [(2)]	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
Total other contractual obligations	$117,019	$65,459	$19,026	$11,124	$ 4,707	$ 1,879	$14,824
Total commitments	$794,193	$345,723	$253,194	$55,940	$81,481	$ 5,754	$52,101

(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:

	Year ended December 31, 2023					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)	Total
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
Net income (loss)	$ (55,320)	$ (19,876)	$ (14,914)	$ (90,110)	$ (9,130)	$ (99,240)
Expenditures for non-current assets:						
Acquisition of properties	$ 621	$ —	$ —	$ 621	$ —	621
Capital additions	7,654	5,814	—	13,468	235	13,703

	Year ended December 31, 2022					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)	Total
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)
Net income (loss)	$ (22,151)	$ (6,859)	$ (13,000)	$ (42,010)	$ (6,800)	$ (48,810)
Expenditures for non-current assets:						
Capital additions	3,470	7,015	—	10,485	283	10,768

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
Total assets	$ 425,138	$ 377,165	$ 19,406	$ 821,709	$ 6,574	$ 828,283
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
Total liabilities	$ 270,924	$ 357,137	$ 44,996	$ 673,057	$ 8,640	$ 681,697

	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
Total assets	$ 589,948	$ 418,313	$ 67,326	$ 1,075,587	$ 21,753	$ 1,097,340
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
Total liabilities	$ 402,145	$ 374,640	$ 75,169	$ 851,954	$ 13,739	$ 865,693

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.

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Corporate Information

Directors

Scott White
Chairman

Adlai Chester
Director, Chief Executive Officer

Brad Benbow
Director

Shaun Hawkins
Director

Michael Faber
Lead Independent Director [1]

Gail Steinel [1]
Director

Officers and Senior Management

Adlai Chester
Chief Executive Officer

Quinn Haselhorst
Chief Financial Officer

Kari Onweller
EVP, Investments & Investor Relations

Dennis Dechow
SVP, Asset Services

Shareholder Information

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Legal Counsel

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Toronto, Ontario

Stock Exchange Listing

Toronto Stock Exchange (IVQ.U, IVQ)

Transfer Agent and Registrar

Computershare Trust Company of Canada
Toronto, Ontario
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Shareholder and Investor Contact

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(1) Mr. Faber has not been included on the Board slate for the upcoming year. The Company has proposed that Ms. Steinel take over as Lead Independent Director following the Meeting.