Report to Shareholders

Q2 2021 Sienna Senior Living Inc.

Sienna
SENIOR LIVING

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Recent months have been marked with renewed optimism at Sienna and in our sector, with a clearer view to the future. We are pleased to share some exciting developments at our company.

Launch of New Retirement Platform "Aspira"

Over the past year, we conducted an in-depth assessment of our retirement platform and identified opportunities to add and enhance service offerings to differentiate our retirement portfolio in an increasingly competitive marketplace. Under the Aspira brand, our goal is to provide residents with a wider range of choices and allow them to create their own path forward. At the centre of our rebranding initiative is the conviction that seniors should be able to live the life they desire and deserve, with an increased emphasis on being a vital part of the local community.

Initially, our focus is on significantly enhancing key service offerings such as dining and resident programs. Our culinary experience will feature more choices, carefully curated ingredients, healthier options, vibrant presentations and a greater emphasis on local products. Through the deployment of technology and the addition of sophisticated signature programming, our resident engagement programs will focus on motivating residents to explore more possibilities, to get stronger and healthier, and to be more engaged within their local communities. In addition, our wellness programs will be expanded and more clearly communicated.

The new Aspira retirement brand will be launched in late 2021 through early 2022. By offering a unique retirement experience and better meeting the needs and expectations of residents in a highly competitive market, we believe it will increase brand awareness and loyalty and support our efforts to attract and retain top talent. The new and unique platform will be launched with a new visual identity, an intensive marketing and advertising campaign and a new dedicated website. Ultimately, we expect our platform to support occupancy growth and contribute to improved financial performance.

Growth Initiatives

Our joint venture development with Reichmann Senior Housing of a retirement residence in Niagara Falls is progressing well. Construction of this 150-suite greenfield development commenced in May 2021, with a development budget of approximately $50 million. Our share of the project is 70%.

We plan to invest over $600 million in capital to redevelop our Ontario long-term care portfolio over the coming five to seven years, starting with the construction of a 160-bed long-term care home costing approximately $55 million in North Bay later this year. This development will be named "Northern Heights Care Community" and contribute to the long-term economic growth in the region. In early July, senior members of the Ontario government, including the Premier, the new Minister of Long-Term Care, and the Minister of Economic Development, Job Creation and Trade participated in the site's ground-breaking event. We are grateful to play an important role in building the future of seniors living in Canada.

In addition to redeveloping our long-term care portfolio in the coming years, we have also been investing in our existing portfolio to elevate the experience of our residents and the work environment for team members. In 2021, we have budgeted $2 million for capital upgrades at our C Class long-term care communities, independent of the timing of their redevelopment and on top of regular annual maintenance capital expenditures. We have invested approximately $1.7 million to date to upgrade and install 1,800 new air conditioning units in resident rooms at many of our long-term care communities. We strongly believe that all resident rooms should be air conditioned, and committed to this project prior to mandatory regulations coming into effect.

Strong Foundation and Fundamentals

Our strategic plan to redevelop and expand our asset base is supported by Sienna's solid financial position and an investment-grade credit rating. We have significantly reduced near-term debt maturities and improved our long-term debt ladder. On June 3, 2021, we issued $125 million in unsecured debentures and increased Sienna's unencumbered asset pool to approximately $1.1 billion. Completed at the lowest interest rate and longest maturity compared to any of Sienna's previous debenture offerings, this latest financing demonstrated a strong vote of confidence in the future of our company and our sector.

Environmental, Social and Governance ("ESG") Update

Sienna's commitment to corporate social responsibility is highlighted in our mid-year update to our ESG Report, which focuses on Sienna's diverse and inclusive workforce at all levels of the company and our approach to fair compensation and gender pay equity. Over 95% of our workforce receives compensation above minimum wage, and approximately 80% of our frontline team members receive compensation that exceeds minimum wage by 50% or more. Furthermore, our predominantly female workforce is mirrored in our management team, with approximately 80% of our 380 leadership positions held by women and five of our ten senior executives being female.

Improved Operating Environment

Our vaccination task force continued with the vaccination roll-out across our platform and we are grateful for the high vaccination rates among our residents and team members. 96% of all residents and 88% of Sienna's team have received at least one dose of the vaccine to date, and most of them are now fully vaccinated. Together with our vigilant infection prevention and control measures, this contributed to the very low number of active COVID-19 cases across our portfolio in recent months.

With high levels of vaccination and a steady drop in COVID-19 cases, many public health restrictions have been lifted in our key markets in Ontario and British Columbia, allowing our residences to gradually reopen and welcome families, visitors and prospective residents.

This improved operating environment also resulted in the resumption of in-person tours and increased the number of residents moving in to both our retirement and long-term care residences, leading to increasing occupancy during the second quarter of 2021. In our retirement portfolio, same property occupancy reached 80.6% at the end of Q2, an increase of 240 basis points from the end of Q1. Average occupancy in our long-term care portfolio increased by 130 basis points quarter over quarter while net pandemic expenses moderated during Q2.

Looking Ahead

The strength of Sienna's team, balance sheet and operations will support our goals to serve our seniors and provide them the highest level of care and services for years to come. We will continue our focus on working with stakeholders to improve long-term care and on advancing our development plans that will modernize seniors living residences over time.

Under our new retirement brand Aspira, our aim is to not only better serve residents today, but to be more nimble and creative as we evolve to serve the needs and wants of Canadian seniors well into the future.

On behalf of our management team and our Board of Directors, I want to thank all of you for your continued support and commitment.

Sincerely,

Nitin Jain
President and Chief Executive Officer
Sienna Senior Living

Management's Discussion and Analysis

Q2 2021 Report to Shareholders

Management's Discussion and Analysis

Basis of Presentation

The following Management's Discussion and Analysis ("**MD&A**") for Sienna Senior Living Inc. (the "**Company**" or "**Sienna**") provides a summary of the financial results for the **three and six months ended June 30, 2021**. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements ("**interim consolidated financial statements**") for the **three and six months ended June 30, 2021**. This material is available on the Company's website at www.siennaliving.ca. Additional information about the Company, including its Annual Information Form ("**AIF**") for the year ended December 31, 2020 can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

All references to "**we**", "**our**", "**us**", "**Sienna**", or the "**Company**", unless otherwise indicated or the context otherwise requires, refer to Sienna Senior Living Inc. and its direct and indirect subsidiaries. For ease of reference, the "Company" is used in reference to the ownership and operation of seniors' living residences and its third party management business. Subsidiaries of the Company are the direct owners and operators of such residences.

Financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). In this document, "**Q1**" refers to the three-month period ended March 31; "**Q2**" refers to the three-month period ended June 30; "**Q3**" refers to the three-month period ended September 30; and "**Q4**" refers to the three-month period ended December 31.

Unless otherwise stated, all dollar amounts referred to in this MD&A, including tabular amounts, are expressed in thousands of Canadian dollars.

This MD&A contains forward-looking information based on management's expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Sienna and the seniors' living industry as of the date of this MD&A. Please refer to the "Forward-looking Statements" section and the "Risk Factors" section of this MD&A for more information.

Additional Information

Additional information relating to the Company can be found on the Company's website at www.siennaliving.ca, by accessing the Company's public filings on SEDAR, or by contacting Karen Hon, the Company's Chief Financial Officer and Senior Vice President, at 905-477-4006 or karen.hon@siennaliving.ca.

Review and Approval by the Board of Directors

This MD&A is dated as of August 11, 2021, the date this report was approved by the Board of Directors of the Company, and is based on information available to management of the Company as of that date.

Company Profile

The Company and its predecessors have been operating since 1972. The Company is a seniors' living provider serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care (**"LTC"** or **"Long-term Care"**) through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. The Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC communities; and eight seniors' living residences providing both private-pay IL/AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to an additional 13 seniors' living residences in the Provinces of British Columbia and Ontario.

The table below represents the number of suites or beds owned and operated by the Company, by business segment.

		Retirement (Suites)	Long-term Care (Beds)		Total[1]
Business Segment	**Residences**	**Private**	**Private**	**Funded**	**Beds / Suites**
Retirement	27	3,292	—	—	3,292
Long-term Care[2]	43	—	180	6,688	6,868
Total	**70**	**3,292**	**180**	**6,688**	**10,160**

Notes:

1. 82.6% and 17.4% of total beds/suites are located in Ontario and British Columbia, respectively.
2. 5.4% of total LTC beds and suites are partially owned, of which the Company owns 40% of Nicola Lodge and 77% of Glenmore Lodge as at June 30, 2021.

The Company is traded on the Toronto Stock Exchange ("**TSX**") under the symbol "SIA".

The Company's business is carried on through a number of wholly owned limited partnerships and joint ventures formed under the laws of the Province of Ontario.

As at August 11, 2021, the Company had 67,039,123 common shares outstanding.

Launch of New Retirement Platform "Aspira"

We are excited to launch Sienna's new Retirement platform, aimed at distinguishing our offerings and resident experience. As part of this initiative, our Retirement business will operate under the name **Aspira**, which evokes aspiration and reflects our drive to uncover and meet the needs and aspirations of those who choose to spend their senior years with us. At the centre of our new brand is the conviction that seniors should be able to live the life they desire and deserve with an increased emphasis on being a vital part of the local community.

Based on extensive research into the Canadian seniors living sector and an in-depth assessment of our own platform, we have identified opportunities to add and enhance service offerings and fill a current gap in Canadian seniors living. This is driven by extensive market research and will provide our residents with a wider range of choices, allowing them to create their own path forward.

Initially, we will focus on enhancing key service offerings such as dining and various resident programs. Our culinary experience will feature more choices, carefully curated ingredients, healthier options, vibrant presentations and a greater emphasis on local products. Through the deployment of technology and the addition of sophisticated signature programming, our resident engagement programs will focus on motivating residents to explore more possibilities, to get stronger and healthier, and to be more engaged within their local communities. In addition, our wellness programs will be expanded and communicated more effectively to better position us to offer support when needed.

With an emphasis on choice, individuality, community and quality, we believe the Aspira platform will not only better serve residents today, but allow us to be more nimble and creative as we evolve to serve the needs and wants of Canadian seniors well into the future. A key objective of this approach is to differentiate our retirement operations in an increasingly competitive marketplace.

The new name and enhanced product and service offerings for our retirement portfolio will be launched in late 2021 / early 2022 with an estimated investment of approximately $1 million, and will be supported by a wide-spread communications and marketing campaign with a designated website for the Aspira brand. By offering a unique retirement experience and better meeting the needs and expectations of residents in a highly competitive market, we believe we will increase brand awareness and loyalty and support our efforts to attract and retain top talent.

Ultimately, we expect our new retirement brand and service offerings will support occupancy growth and contribute to improved financial performance.

Non-IFRS Performance Measures

In this MD&A, the Company uses certain supplemental measures of key performance that are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. These performance measures are net operating income ("**NOI**"), funds from operations ("**FFO**"), operating funds from operations ("**OFFO**"), adjusted funds from operations ("**AFFO**"), earnings before interest, taxes, depreciation and amortization ("**EBITDA**") and maintenance capital expenditures ("**maintenance capital expenditures**", and collectively with NOI, FFO, OFFO, AFFO and EBITDA, the "**Non-IFRS Measures**").

"**NOI**" is defined as property revenue and government assistance related to the pandemic net of property operating expenses.

"**FFO**" is defined as NOI less certain adjustments including finance charges and current income taxes. FFO is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and/or operate income-producing properties. The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the Company's operating results. The IFRS measure most directly comparable to FFO is "net income". Please refer to the "Business Performance" section of this MD&A for a reconciliation of net income to FFO.

"**OFFO**" is FFO adjusted for non-recurring items, which includes restructuring costs, and presents finance charges on a cash interest basis. Management of the Company is of the view that OFFO is a relevant measure of the operating performance of the Company.

"**AFFO**" is defined as OFFO plus the principal portion of construction funding received, less actual maintenance and unfunded pandemic capital expenditures. Management of the Company believes AFFO is a cash flow measure, which is relevant in understanding the Company's ability to earn cash and pay dividends to shareholders. The IFRS measure most directly comparable to AFFO is "cash flow from operating activities." Please refer to the "Business Performance" section of this MD&A for a reconciliation of cash flow from operating activities to AFFO.

"**EBITDA**" is defined as net income excluding interest, taxes, depreciation and amortization. EBITDA is relevant in understanding the Company's ability to service its debt, finance capital expenditures and pay dividends to shareholders.

"**Adjusted EBITDA**" is defined as EBITDA, adjusted for construction funding proceeds and non-recurring items.

"**Maintenance capital expenditures**" are defined as capital investments made to maintain the Company's residences to meet residents' needs and continually improve resident's experience. These expenditures include building maintenance, mechanical and electrical spend, suite renovations, common area maintenance, communications and information systems, furniture, fixtures and equipment. Please refer to the "Maintenance Capital Expenditures" section of this MD&A for additional financial information.

"**Pandemic expenses**" are defined as extraordinary operating expenses incurred in prevention and control of COVID-19.

"**Pandemic capital expenditures**" are defined as capital investments directly contributing to improved IPAC to manage the pandemic.

NOI, FFO, OFFO, AFFO, EBITDA and Adjusted EBITDA should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's method of calculating these measures may differ from other issuers' methods and accordingly, these measures may not be comparable to measures presented by other publicly traded entities.

Key Performance Indicators

Management of the Company uses the following key performance indicators (the "**Key Performance Indicators**") to assess the overall performance of the Company's operations:

- **Occupancy**: Occupancy is a key driver of the Company's revenues.
- **NOI**: This value represents the underlying performance of the operating business segments. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **OFFO and OFFO per Share**: Management of the Company uses OFFO as an operating performance measure. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **AFFO and AFFO per Share**: Management of the Company uses AFFO as a cash flow measure to assess the Company's ability to earn cash and pay dividends. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **Payout Ratio**: Management of the Company monitors the payout ratio, which is calculated using dividends per share divided by basic AFFO per share, to ensure the Company adheres to its dividend policy, in line with the Company's objectives.
- **Debt to Enterprise Value Ratio:** This ratio measures the Company's total debt against its enterprise value, which is calculated as the Company's market capitalization and total debt net of the Company's cash and cash equivalents.
- **Debt to Gross Book Value**: In conjunction with the debt service coverage ratio, management of the Company monitors this ratio to ensure compliance with certain financial covenants.
- **Weighted Average Cost of Debt**: This is a point in time calculation which is useful in comparing interest rates, either period over period, or to market rates.
- **Debt to Adjusted EBITDA Ratio**: This ratio measures the number of years required for current cash flows to repay all indebtedness.
- **Interest Coverage Ratio**: Interest coverage ratio is a common measure used to assess an entity's ability to service its debt obligations.
- **Debt Service Coverage Ratio**: This ratio is useful for management of the Company to ensure it is in compliance with its financial covenants.
- **Weighted Average Term to Maturity**: This indicator is used by management of the Company to monitor its debt maturities.
- **Same Property**: Measures with "same property" are similar to "same-store" measures used in the retail business and are intended to measure the period over period performance of the same asset base. The same property portfolio excludes acquired properties owned for less than one year and assets undergoing new development, redevelopment or demolition. Properties undergoing new

development or redevelopment are considered "same property" once they are operating at stabilized occupancy levels.

- **Development**: The development portfolio includes properties undergoing new development or redevelopment until they are operating at stabilized occupancy levels.

The above Key Performance Indicators used by management of the Company to assess the overall financial performance of the Company's operations should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's use of these measures and its method of calculation may differ from other issuers' use and methods and accordingly, may not be comparable to the key performance indicators of other publicly traded entities.

The following table represents the Key Performance Indicators for the periods ended June 30:

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars, except occupancy, share and ratio data	**2021**	2020	Change	**2021**	2020	Change
OCCUPANCY						
Retirement - Average same property occupancy[1][2]	**78.1 %**	83.0 %	(4.9%)	**78.1 %**	84.1 %	(6.0%)
Retirement - As at same property occupancy[1][2]	**80.6 %**	81.6 %	(1.0%)	**80.6 %**	81.6 %	(1.0%)
Retirement - As at total occupancy[1][2]	**80.1 %**	80.8 %	(0.7%)	**80.1 %**	80.8 %	(0.7%)
LTC - Average total occupancy[3]	**81.6 %**	92.6 %	(11.0%)	**80.9 %**	95.3 %	(14.4%)
LTC - Average private occupancy	**79.3 %**	91.6 %	(12.3%)	**78.8 %**	94.4 %	(15.6%)
FINANCIAL						
Revenue	**162,668**	162,922	(254)	**323,896**	328,549	(4,653)
Operating expenses, net	**131,643**	131,031	612	**248,604**	260,147	(11,543)
Same property NOI[4]	**30,857**	31,771	(914)	**74,958**	68,207	6,751
Total NOI[4]	**31,025**	31,891	(866)	**75,292**	68,402	6,890
EBITDA[5]	**22,947**	20,678	2,269	**58,895**	54,415	4,480
Net income (loss)	**1,318**	(6,778)	8,096	**11,461**	(9,274)	20,735
OFFO[6]	**15,126**	16,699	(1,573)	**40,469**	41,117	(648)
AFFO[7]	**14,102**	16,623	(2,521)	**40,532**	42,207	(1,675)
Total assets[8]	**1,592,009**	1,834,675	(242,666)	**1,592,009**	1,834,675	(242,666)
PER SHARE INFORMATION						
OFFO per share[6]	**0.226**	0.249	(0.023)	**0.604**	0.614	(0.010)
AFFO per share[7]	**0.210**	0.248	(0.038)	**0.605**	0.630	(0.025)
Dividends per share	**0.234**	0.234	—	**0.468**	0.468	—
Payout ratio[9]	**111.4 %**	**94.4 %**	17.0 %	**77.4 %**	**74.3 %**	3.1 %

Thousands of Canadian dollars, except occupancy, share and ratio data	Three Months Ended 2021	2020	Change	Six Months Ended 2021	2020	Change
FINANCIAL RATIOS						
Debt to enterprise value[10]	**46.5 %**	63.9 %	(17.4)%	**46.5 %**	63.9 %	(17.4%)
Debt to gross book value as at period end	**45.5 %**	48.5 %	(3.0)%	**45.5 %**	48.5 %	(3.0)%
Weighted average cost of debt as at period end	**3.4 %**	3.4 %	—%	**3.4 %**	3.4 %	—%
Debt to Adjusted EBITDA as at period end	**7.4**	8.6	(1.2)	**7.4**	8.6	(1.2)
Interest coverage ratio	**3.1**	3.0	0.1	**3.9**	3.6	0.3
Debt service coverage ratio	**1.6**	1.5	0.1	**2.2**	1.8	0.4
Weighted average term to maturity as at period end	**5.0**	4.2	0.8	**5.0**	4.2	0.8
CHANGE IN SAME PROPERTY NOI[4]						
Retirement			(15.6%)			(17.5%)
LTC			8.7%			32.7%
Total			(2.9%)			9.9%

Notes:

1. Retirement same property occupancy excludes the results from the expansion at Island Park Retirement Residence, which opened in July 2019 and is in the lease-up period. Retirement total average occupancy for the three months and six months ended June 30, 2021 was 77.7% and 77.7%, respectively (2020 - 82.2% and 83.2%, respectively).
2. The year-over-year declines in Retirement occupancy are primarily related to a decline in new residents moving in due to the general impact of the COVID-19 pandemic, including access restrictions during outbreaks and provincial lockdowns.
3. Long-term care residences are receiving occupancy protection funding for vacancies caused by temporary closure of admissions due to an outbreak, including COVID-19, and for capacity limitations of two beds per room as residents cannot be placed in rooms with three or four beds.
4. NOI for the three and six months ended June 30, 2021 includes net pandemic expenses (recovery) of $3,409 and $(7,618), respectively (2020 - $7,661 and $7,765, respectively) (as discussed in the "Our Operations Update" section of this MD&A).
5. EBITDA for the three and six months increased by $2,269 to $22,947 and $4,480 to $58,895, respectively, compared to comparative periods primarily due to lower net pandemic expenses, offset by lower revenues primarily due to lower occupancy levels and increase in mark-to-market expense on share-based compensation.
6. OFFO for the three and six months ended June 30, 2021 includes an after-tax net pandemic expense (recovery) of $2,800 and $(45,475), respectively (2020 - $7,814 and $7,914, respectively) and mark-to-market expense (recovery) on share-based compensation of $313 and $288, respectively (2020 - $(1,296) and $(3,836), respectively). OFFO per share for the three and six months ended June 30, 2021 excluding after-tax net pandemic expense (recovery) and mark-to-market expense (recovery) on share-based compensation was $0.273 and $0.541, respectively (2020 - $0.346 and $0.675, respectively).
7. AFFO for the three and six months ended June 30, 2021 includes net pandemic capital (recovery) expenditures of $(186) and $232, respectively (2020 - $nil and $nil, respectively), after-tax net pandemic (recovery) expense of $2,800 and $(4,475), respectively (2020 - $7,814 and $7,914, respectively) and mark-to-market expense (recovery) on share-based compensation of $313 and $288, respectively (2020 - $(1,296) and $(3,836), respectively). AFFO per share for the three and six months ended June 30, 2021 excluding net pandemic capital expenditures (recovery) and after-tax net pandemic expense (recovery) and mark-to-market expense (recovery) on share-based compensation was $0.254 and $0.546, respectively (2020 - $0.345 and $0.691, respectively).
8. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
9. Payout ratio for the three and six months ending June 30, 2021, excluding after-tax net pandemic impact and mark-to-market on share-based compensation after-tax, would be 94.0% and 86.3%, respectively (2020 - 64.1% and 62.6%, respectively).
10. Debt to enterprise value decreased to 46.5% as at June 30, 2021 from 63.9% as at June 30, 2020. The decrease is mainly due to the increase in Sienna's share price.

A significant number of Key Performance Indicators have been impacted by pandemic expenses, net of government assistance. The following table represents the Key Performance Indicators excluding net pandemic expenses (recovery) for the periods ended June 30.

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars, except occupancy, share and ratio data	**2021**	2020	Change	**2021**	2020	Change
FINANCIAL						
Operating expenses, excluding net pandemic expenses (recovery)(1)	**128,234**	123,370	4,864	**256,222**	252,382	3,840
Same property NOI, excluding net pandemic expenses (recovery)(1)	**34,266**	39,432	(5,166)	**67,340**	75,972	(8,632)
Total NOI, excluding net pandemic expenses (recovery)(1)	**34,434**	39,552	(5,118)	**67,674**	76,167	(8,493)
EBITDA, excluding net pandemic expenses (recovery)(2)	**26,760**	31,320	(4,560)	**52,801**	65,192	(12,391)
Net income (loss), excluding net pandemic expenses (recovery)(3)	**4,118**	1,036	3,082	**6,986**	(1,360)	8,346
OFFO, excluding net pandemic expenses (recovery) (3)(5)	**17,925**	24,513	(6,588)	**35,993**	48,912	(12,919)
AFFO, excluding net pandemic expenses (recovery) (4)(5)	**16,715**	24,437	(7,722)	**36,287**	50,002	(13,715)
PER SHARE INFORMATION						
OFFO per share, excluding net pandemic expenses (recovery)(3)(5)(6)	**0.268**	0.366	(0.098)	**0.537**	0.732	(0.195)
AFFO per share, excluding net pandemic expenses (recovery) and net pandemic capital expenditures (recovery)(4)(5)(7)	**0.249**	0.365	(0.116)	**0.542**	0.748	(0.206)
Payout ratio, excluding net pandemic expenses (recovery) and net pandemic capital expenditures (recovery)(8)	**94.0 %**	64.1 %	29.9 %	**86.3 %**	62.6 %	23.7 %
FINANCIAL RATIOS						
Debt to Adjusted EBITDA as at period end, excluding net pandemic expenses (recovery)(9)	**8.2**	7.3	0.9	**8.2**	7.3	0.9
Interest coverage ratio, excluding net pandemic expenses (recovery)(9)	**3.5**	4.1	(0.6)	**3.5**	4.2	(0.7)
Debt service coverage ratio, expenses and net pandemic capital expenditures, excluding net pandemic (recovery)(9)	**1.9**	2.1	(0.2)	**2.0**	2.1	(0.1)
CHANGE IN SAME PROPERTY NOI, excluding net pandemic (recovery) expenses						
Retirement			(16.7%)			(15.8%)
LTC			(10.5%)			(8.0%)
Total			(13.1%)			(11.4%)

Notes:

1. Operating expenses, same property NOI and total NOI for the three and six months ended June 30, 2021 exclude net pandemic (recovery) expenses of $3,409 and $(7,618), respectively (2020 - $7,661 and $7,765, respectively).
2. EBITDA for the three and six months ended June 30, 2021 excludes net pandemic expenses (recovery) of $3,813 and $(6,094), respectively, (2020 - $10,642 and $10,777, respectively).
3. Net income (loss) and OFFO for the three and six months ended June 30, 2021 exclude after-tax net pandemic expenses (recovery) of $2,800 and $(4,475), respectively (2020 - $7,814 and $7,914, respectively).
4. AFFO for the three and six months ended June 30, 2021 excludes net pandemic capital (recovery) expenditures of $(186) and $232, respectively (2020 - $nil and $nil, respectively) and after-tax net pandemic expenses (recovery) of $2,800 and $(4,475), respectively (2020 - $7,814 and $7,914, respectively).
5. OFFO and AFFO for the three and six months ended June 30, 2021 include an after-tax mark-to-market expense (recovery) on share-based compensation of $313 and $288, respectively (2020 - $(1,296) and $(3,836), respectively).
6. OFFO per share for the three and six months ended June 30, 2021 excluding after-tax net pandemic expense (recovery) and mark-to-market expense (recovery) on share-based compensation was $0.273 and $0.541, respectively (2020 - $0.346 and $0.675, respectively).
7. AFFO per share for the three and six months ended June 30, 2021 excluding net pandemic capital expenditures and after-tax net pandemic recovery and net mark-to-market recovery on on share-based compensation was $0.254 and $0.546, respectively (2020 - $0.345 and $0.691, respectively).
8. Payout ratio for the three and six months ending June 30, 2021, excluding after-tax net pandemic impact and mark-to-market on share-based compensation after tax, would be 94.0% and 86.3%, respectively (2020 - 64.1% and 62.6%, respectively).
9. Debt to Adjusted EBITDA, interest coverage ratio and debt coverage ratio exclude net pandemic expenses (recovery) for the three months and six months ended June 30, 2021 of $3,813 and $(6,094), respectively (2020 - $10,642 and $10,777, respectively).

Second Quarter 2021 Summary

As outlined in detail under "Operations Update" below, Sienna's operating environment has improved significantly across our long-term care and retirement residences. With high levels of vaccination and a steady drop in COVID-19 cases, many public health restrictions have been lifted, allowing for the resumption of in-person tours at our retirement residences and increased admissions to our long-term care communities.

Together with Sienna's vigilant infection prevention and control measures, the high resident and team member vaccination rates contributed to the very low number of active COVID-19 cases during the second quarter. With very few residences in outbreak resulting in a more stable operating environment, pandemic-related expenses started to moderate and occupancy started to improve during Q2 2021.

Occupancy - Average occupancy in the LTC portfolio was 81.6% in Q2 2021, and ended the quarter at 83.5%, while LTC continued to be fully funded for vacancies. Long-term care communities represent 59.7% of Sienna's portfolio, based on Q2 2021 net operating income, excluding net pandemic expense. The Government of Ontario has announced that the occupancy protection funding will be in place for long-term care residences until August 31, 2021. As of now, the government has indicated that effective September 1, 2021, as new admissions gradually resume, occupancy targets of 97% for long-stay beds and 90% for interim short-stay beds, excluding unavailable beds mainly as a result of capacity limitations in multi-bed rooms, will be reinstated.

Average same property occupancy in the Retirement portfolio was 78.1% in Q2 2021, while as at same property occupancy ended the quarter higher at 80.6%, representing an increase of 200 basis points (**"bps"**) from March 31, 2021.

The following table provides an update on the monthly average same property occupancy and rent collections in our Retirement portfolio.

	April 2021	May 2021	June 2021	July 2021
Retirement same property occupancy (average)	77.9 %	77.6 %	78.9 %	79.7 %
Retirement rent collection (%)	98.8 %	98.8 %	98.9 %	98.9 %

During Q2 2021, Retirement monthly same property average occupancy further improved from 77.9% in April to 78.9% in June and increased to 79.7% in July, reflecting the results of numerous marketing and sales initiatives and realization of lead indicators. Rent collections remained high and consistent with pre-pandemic levels.

Revenue decreased by 0.2% in Q2 2021, or $254, to $162,668, compared to Q2 2020. In the Retirement segment, the decrease of $1,412 in Q2 2021 compared to Q2 2020 was mainly a result of lower occupancy, partially offset by annual rental rate increases in line with market conditions. LTC's revenues for Q2 2021 increased by $1,158 compared to Q2 2020, primarily due to annual inflationary funding increases, partially offset by lower preferred accommodation revenue from lower occupancy in private and semi-private rooms.

Operating Expenses, net increased by 0.5% in Q2 2021, or $612, to $131,643, compared to Q2 2020. The increase was mainly a result of higher labour costs and property expenses, partially offset by lower net pandemic expenses in the LTC segment.

Net Pandemic Expenses decreased by $4,252 to $3,409 in Q2 2021, compared to Q2 2020. The decrease was mainly due to additional government assistance to support pandemic expenses and moderation of pandemic costs.

There are various programs and financial assistance provided by the governments to support pandemic expenses. The following table summarizes the government assistance to Sienna and expenses recognized related to COVID-19 included in net operating expenses in the Company's consolidated statements of operations for the three months and six months ended June 30, 2021:

	Three Months Ended June 30, 2021				**Six Months Ended June 30, 2021**			
Thousands of Canadian dollars	**RET**	**LTC**	**Admin**	**Total**	**RET**	**LTC**	**Admin**	**Total**
Government assistance - temporary pandemic pay	236	5,589	—	5,825	756	10,414	—	11,170
Government assistance	520	15,682	—	16,202	1,957	50,967	—	52,924
Total government assistance	**756**	**21,271**	**—**	**22,027**	**2,713**	**61,381**	**—**	**64,094**
Pandemic labour - temporary pandemic pay	236	5,589	—	5,825	756	10,414	—	11,170
Pandemic labour	1,239	15,240	—	16,479	2,831	34,500	—	37,331
Personal protective equipment	157	1,178	—	1,335	534	2,882	—	3,416
Other	80	1,717	404	2,201	280	4,279	1,524	6,083
Total pandemic expense	**1,712**	**23,724**	**404**	**25,840**	**4,401**	**52,075**	**1,524**	**58,000**
Total net pandemic expenses (recovery)	**956**	**2,453**	**404**	**3,813**	**1,688**	**(9,306)**	**1,524**	**(6,094)**

	Three Months Ended June 30, 2020				Six Months Ended June 30, 2020			
Thousands of Canadian dollars	RET	LTC	Admin	Total	RET	LTC	Admin	Total
Government assistance - temporary pandemic pay	1,429	10,941	—	12,370	1,429	10,941	—	12,370
Government assistance	636	11,911	—	12,547	712	12,646	—	13,358
Total government assistance	2,065	22,852	—	24,917	2,141	23,587	—	25,728
Pandemic labour - temporary pandemic pay	1,429	10,941	—	12,370	1,429	10,941	—	12,370
Pandemic labour	1,433	12,032	—	13,465	1,486	12,527	—	14,013
Personal protective equipment	353	3,261	—	3,614	370	3,523	—	3,893
Other	211	2,918	2,981	6,110	242	2,975	3,012	6,229
Total pandemic expense	3,426	29,152	2,981	35,559	3,527	29,966	3,012	36,505
Total net pandemic expenses	1,361	6,300	2,981	10,642	1,386	6,379	3,012	10,777

In addition to the government assistance and pandemic expenses listed in the table above, for the three and six months ended June 30, 2021, the Company recognized pandemic capital expenditures in its interim consolidated statements of financial position of $235 and $9,657, respectively (2020 - $nil and $nil, respectively), offset by government assistance of $420 and $9,425, respectively (2020 - $nil and $nil, respectively), which have not been included in the table above.

Pandemic expenses are mainly related to additional staffing and PPE. Other pandemic expenses for the Retirement and LTC communities include investments in cleaning supplies for IPAC, meals and accommodations to support team members. Furthermore, other pandemic expenses recorded in administrative costs include advisory fees to support the management of the pandemic.

During Q1 2021, the Government of Ontario announced additional pandemic funding to support long-term care communities with infection prevention and containment efforts for the period April 1, 2020 to December 31, 2020, for which the Company received $15,342 in Q1 2021 to support the pandemic expenses incurred during the year ended December 31, 2020. If the $15,342 of retroactive pandemic funding was recognized in the year ended December 31, 2020, the LTC segment's net pandemic expenses in 2020 would have decreased to $2,638. The following table summarizes the retroactive pandemic funding received in Q1 2021 and the impact thereof if recognized in the year ended December 31, 2020:

Thousands of Canadian dollars	
Total net pandemic expenses in LTC segment incurred during the year ended December 31, 2020	17,980
Government assistance received in Q1 2021 for pandemic expenses incurred during the year ended December 31, 2020	15,342
Total net pandemic expenses in LTC segment if government assistance received in Q1 2021 was recognized in the year ended December 31, 2020	**2,638**

NOI decreased by 2.7% in Q2 2021, or $866, to $31,025, compared to Q2 2020, mainly due to lower Retirement occupancy levels, lower LTC preferred accommodation revenue from lower occupancy in private and semi-private rooms, higher labour costs and higher property expenses, partially offset by annual rental rate increases in Retirement, annual inflationary funding increases in LTC and lower net pandemic expenses.

Net income was $1,318 for Q2 2021, representing an increase of $8,096 compared to Q2 2020. The increase was primarily related to lower amortization on intangible assets, lower interest expense on long-term debt, partially offset by lower NOI and higher income tax expense. Excluding after-tax net pandemic expenses, net income was $4,118 for Q2 2021, representing an increase of $3,082 compared to Q2 2020.

OFFO decreased by 26.8% in Q2 2021, or $1,573, to $15,126 compared to Q2 2020. OFFO per share decreased by 9.2% in Q2 2021, or $0.023, to $0.226. The decrease was primarily due to lower NOI and lower recovery of current income taxes, partially offset by lower interest expense on long-term debt. Excluding after-tax net pandemic expense, OFFO would be lower by 26.9% in Q2 2021, or $6,588, to $17,925, over Q2 2020. OFFO per share, excluding after-tax net pandemic expense, would be lower by 26.8% in Q2 2021, or $0.098 to $0.268 over Q2 2020.

AFFO decreased by 15.2% in Q2 2021, or $2,521, to $14,102 compared to Q2 2020. AFFO per share decreased 15.3% in Q2 2021, or $0.038, to $0.210. The decrease was primarily related to the decrease in OFFO noted above and higher maintenance capital expenditures, partially offset by timing of government assistance related to the funding of pandemic capital recovery. Excluding after-tax net impact from pandemic expenses and net pandemic capital recovery, AFFO would be lower by 31.5% in Q2 2021, or $7,722 compared to $16,715 in Q2 2020. AFFO per share, excluding net pandemic recovery and net pandemic capital expenditures, would decrease by 31.7% in Q2 2021, or $0.116, to $0.249 over Q2 2020.

Debt The Company's debt to gross book value decreased by 300 bps and 270 bps to 45.5% in Q2 2021 from 48.5% as at Q2 2020 and from 48.2% as at Q4 2020, respectively; debt to adjusted EBITDA decreased to 7.4 years in Q2 2021 from 8.6 years in Q2 2020; interest coverage ratio improved to 3.1 times in Q2 2021 from 3.0 times in Q2 2020; and debt service coverage ratio increased to 1.6 times in Q2 2021 from 1.5 times in Q2 2020. Excluding net pandemic expenses, debt to adjusted EBITDA increased to 8.2 years from 7.3 years in Q2 2020; interest coverage ratio decreased to 3.5 times in Q2 2021 compared to 4.1 times in Q2 2020; and debt service coverage ratio decreased to 1.9 times in Q2 2021 from 2.1 times in Q2 2020. The Company's weighted average cost of debt remained consistent at 3.4% in Q2 2021 compared to Q2 2020.

Our debt is well distributed between unsecured debentures, credit facilities, conventional mortgages and Canada Mortgage and Housing Corporation (**"CMHC"**) insured mortgages.

Equity - With respect to the Company's equity, we continue to suspend our dividend reinvestment plan.

Operations Update

Throughout the second quarter of 2021, active COVID-19 cases across Sienna's 83 owned and managed residences remained low. Critical steps taken to fight the pandemic, combined with high vaccination rates of both residents and staff members supported the continued stable operating environment.

In recent months, many restrictions relating to the seniors living sector have been eased, allowing residents to enjoy more social connections with their loved ones and social activities in their residences. In addition, in-person tours for prospective residents have resumed at our retirement residences, and resident admissions have accelerated across many of our long-term care residences.

While Sienna continues to incur extraordinary expenses to prevent and contain the impact of COVID-19, pandemic expenses started to moderate during the second quarter, driven by reduced reliance on agency staff. During Q2 2021, Sienna incurred $3.8 million of net pandemic expenses, representing a decline of $1.6 million compared to Q1 2021, after adjusting for retroactive pandemic funding received in Q1 2021 related to expenses incurred in 2020.

We expect expenses to moderate as the pandemic subsides, assuming that pandemic related funding continues at the current level.

COVID-19 Cases During and Subsequent to Q2 2021

COVID-19 cases at Sienna's long-term care and retirement communities have remained low during and subsequent to the second quarter.

As of August 10, 2021, Sienna had no active COVID-19 cases across any of its 83 owned and managed residences.

Vaccinations

We continue to see the impact of vaccination efficacy first hand with very few COVID-19 outbreaks across our residences throughout the second quarter of 2021. Addressing vaccine hesitancy proved to be crucial and Sienna’s approach was focused on ensuring everyone was well informed, which included a far-reaching communication and education plan and logistical support for team members and residents to get the vaccine. These efforts involved coordinating transportation for team members to off-site clinics and coordinating with public health authorities to bring the vaccines to our residences, whenever possible. We also held vaccine contests when important vaccination rate milestones were reached to incentivize and thank our team members for getting vaccinated.

In line with government-mandated directives, all team members have to provide proof of vaccination against COVID-19 or a documented medical reason for not being vaccinated as of July 1, 2021. In absence of such proof, team members are required to participate in an education program about the benefits of vaccination. In addition, unvaccinated team members will be subject to daily COVID-19 testing or required to provide proof of a negative COVID-19 test result prior to the start of each shift.

According to our most recent vaccination data, 96% of our residents and 88% of our team members have received their first dose of the vaccine with 95% and 79%, respectively, fully vaccinated.

High vaccination rates supported the re-opening of the sector and easing of restrictions; however, we remain vigilant with respect to our infection prevention and control (**"IPAC"**) protocols.

While we strongly believe that the vaccine is our best line of defense against this pandemic, its overall effectiveness will ultimately depend on numerous factors, including vaccination rates across the wider community, the effectiveness of the vaccines with respect to new variants of the virus, and waning of immunity, to name a few.

Long-term Care Operations Update

In Q2 2021, the Company's long-term care portfolio, which comprises 6,868 beds in Ontario and British Columbia, contributed approximately 60% to the Company's overall NOI, excluding the impact of net pandemic expenses.

In our care communities, our focus continues on improved quality of care outcomes. We have strengthened our ongoing review of quality of care based on quality indicators, clinical reviews and inspection reports. We also continue to collaborate with the Seniors Quality Leap Initiative ("**SQLI**") to better understand quality outcomes and opportunities for improvement. Based on our initial report card from SQLI, our performance based on quality of care metrics is in line with SQLI members and international benchmarks.

During Q2 2021, Sienna incurred $18.1 million of pandemic expenses in the LTC segment, for which it received $15.7 million in pandemic funding for the period, excluding flow-through pandemic pay for frontline staff. For the quarter ended June 30, 2021, the temporary pandemic pay for front-line staff in Ontario and British Columbia amounted to $5.6 million for the Company's LTC communities, which was fully funded by the Governments of Ontario and British Columbia.

As outlined under the "Second Quarter 2021 Summary" section in this MD&A, certain pandemic expenses are not funded or exceed the funding provided by the various governments and have been reflected in the Company's results.

For LTC communities in both Ontario and British Columbia, the Company continues to receive full funding for vacancies caused by the temporary closure of admissions due to an outbreak, including COVID-19. The Government of Ontario extended its occupancy protection funding for vacancies and multi-bed rooms with capacity limitations to a maximum of two residents per room until August 31, 2021. As at June 30, 2021, approximately 500 beds were unavailable as a result of capacity limitations and isolation or physical distancing requirements.

We have made good progress with respect to new resident admissions, ending Q2 with an occupancy rate of 83.5% without adjusting for unavailable beds. We expect new admissions to progress in the coming months.

The current occupancy funding protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies. The impact of the loss of preferred accommodation revenues was $0.7 million for the three months ended June 30, 2021.

Given the long waiting list of approximately 38,500 for LTC beds across Ontario and the resumption of admissions of residents, we anticipate the achievement of occupancy targets required for full funding as the occupancy protection funding ends at the majority of our residences.

Capital Upgrades

In addition to our long-term care development and redevelopment plans, we are also making immediate upgrades at older Class C LTC communities slated for redevelopment in the coming years. These include improvements to common areas, such as lobbies, staff rooms and recreation rooms, to elevate the experience of our residents and the work environment for our team members. Our plans include approximately $2.0 million in additional capital upgrades in 2021, on top of our regular annual maintenance capital expenditures.

We also initiated a large-scale program to upgrade and install air conditioning units in resident rooms at our LTC communities. This program comprises approximately 1,800 new units in over 30 residences at a total cost of approximately $1.7 million to date. We strongly believe that all resident rooms should be air-conditioned and committed to this project prior to mandatory regulations coming into effect. We are thankful for the funding announced by the Government of Ontario for this initiative.

Emergency Preparedness

With one of the worst wildfire seasons in the history of British Columbia, we have emergency preparedness and evacuation plans in place and are ready to activate our plans and deploy resources as required.

Retirement Operations Update

Sienna's Retirement portfolio, which comprises 3,292 suites across Ontario and British Columbia, contributed approximately 40% to the Company's NOI, excluding the impact of net pandemic expenses, in Q2 2021. During Q2 2021, Sienna incurred $1.5 million of pandemic expenses in the Retirement segment, for which it received $0.5 million in pandemic funding for the period, excluding flow-through pandemic pay for frontline staff.

Our sales and marketing teams continued with intensified sales activities across our Retirement portfolio, connecting with thousands of prospective residents. In-person tours resumed across our portfolio in British Columbia during Q2 2021 and in early July in Ontario and we continue our virtual tours. This was supported by a large-scale marketing campaign which included referral programs in each of our retirement residences, redesigned sales incentive programs and an enhanced outreach strategy to thousands of prospective tenants.

We also made significant investments in online lead generation by increasing our social media visibility and driving more qualified online traffic to our website. These efforts have resulted in a substantial increase of our online lead database. Online leads have tripled in Q2 2021 compared to Q2 2020, and steadily increased from Q1 2021.

All of these efforts resulted in a 147% increase in rent deposits and a 121% increase in move-ins compared to Q2 2020. In line with strong lead generation and deposits, occupancy continued to improve during and subsequent to the quarter, from 78.6% at the end of Q1 2021 to 80.6% at the end of Q2 2021 .

As we look beyond the pandemic, a slowdown in the future supply of retirement residences coupled with an aging population is expected to support the retirement sector's outlook going forward.

Staffing Update

During the second quarter of 2021, our reliance on agency staff has lessened as a result of the improved operating environment and a significant decrease in COVID-19 outbreaks across our residences.

On April 23, 2021, the Government of Ontario announced that fully immunized frontline staff will be able to work at more than one location to safely support additional staffing requirements across the healthcare sector. With the majority of our team members fully vaccinated, this change provides a notable improvement with respect to Sienna's current staffing demands. To date, approximately 200 fully vaccinated frontline team members have returned to Sienna, with approximately 360 additional team members indicating their return by the end of Q3 2021.

The Government of Ontario confirmed in its March 2021 budget that it will increase the hours of direct care for each LTC resident to an average of four hours per day, supported by government funding for LTC operators and accelerated training for new personal support workers, which is expected to be fully implemented by 2024/25. This represents a significant increase compared to the approximately 2.8 hours of direct care currently mandated in Ontario.

As part of our ongoing talent acquisition strategy, we continue to collaborate with educational and government institutions and intensified our social media campaigns. To ensure a talent pipeline for future staffing needs, we enhanced our campus recruitment campaigns at key colleges and universities across Ontario and British Columbia. Since the beginning of 2021, Sienna’s collaboration with 50 colleges and universities supported the placement of over 500 students.

We have also focused on team member mental health to assist with managing stress, gaining resilience and avoiding burnout. We offer a variety of facilitated and self-paced programs in addition to providing resource materials and access to employee assistance programs.

Development Update

Development and Redevelopment of Long-Term Care in Ontario

The Government of Ontario committed to investing approximately $2.6 billion dollars over the next four years to build more long-term care beds in order to support its goals of adding capacity in high need areas, developing campuses of care and redeveloping existing beds, including the elimination of three- and four-bed ward rooms.

The investment is tailored to account for regional differences in land and other construction costs. In addition, development grants of 10% to 17%, depending on geographic location and home size, will further help cover upfront costs.

Sienna's development plans include over $600 million in capital investments to redevelop its Ontario Class C long-term care portfolio through new and upgraded facilities over the next five to seven years. This is a major opportunity for Sienna and its shareholders to invest with purpose in order to enhance the quality of life for the seniors we serve and enrich the work environment of our team members. It is also an opportunity to address climate change in both our existing residences and our development portfolio as we adopt environmentally-friendly designs and install energy-efficient features, all with the goal of significantly reducing the environmental footprint of these homes.

The Company's development plans include a number of development projects in Ontario that are in advanced stages of planning and approval with regulatory and local authorities. One of these projects, a 160-bed development in North Bay to replace 148 older Class C beds is expected to proceed to the construction phase by the end of 2021. The capital investment for this development, which will be named "Northern Heights Care Community", is expected to be approximately $55 million, with an estimated development yield of approximately 8.0%. We expect the announcement of our second LTC redevelopment project later in 2021.

Development of a Joint Venture Retirement Residence

Sienna's development of a retirement residence in Niagara Falls is progressing well with construction having commenced during Q2 2021. The estimated total capital investment is approximately $50 million, with an expected development yield of approximately 7.5%. Sienna's share of this 150-suite greenfield joint venture with Reichmann Senior Housing is 70%.

Significant Events

Issued $125 Million of 2.82% Series C Senior Unsecured Debentures

On June 3, 2021, the Company issued $125 million aggregate principal amount of Series C senior unsecured debentures (the "**Series C Unsecured Debentures**"). The Series C Unsecured Debentures bear interest at a rate of 2.82% per annum, payable semi-annually in March and September of each year, and mature on March 31, 2027. The Series C Unsecured Debentures may be redeemed in whole or in part at the option of the Company at any time, as long as the Company provides not less than 10 days' and not more than 60 days' notice to the holders of the Series C Unsecured Debentures. The net proceeds from this issuance were used to repay existing indebtedness and for general corporate purposes. The repayments of existing indebtedness unencumbered four retirement properties, which resulted in an increase of approximately $247 million in the Company's unencumbered asset pool to approximately $1.1 billion as at June 30, 2021 from $840 million as at March 31, 2021.

Repayment of the $100 Million Secured Credit Facility

On June 4, 2021, the Company fully repaid the $100 million secured credit facility that was due on October 2, 2021 (the "**Secured Credit Facility**").

Outlook

While recent months have been marked with renewed optimism, the extent of the impact of the pandemic on our operational and financial performance in 2021 and beyond will depend on a number of factors, including the level of vaccination across the wider population in our key markets, the impact of new variants of the virus, the timing difference between the time of incurring pandemic expenses and the funding of such expenses, and the possibility of new lock-downs resulting in renewed access restrictions at our residences.

With the easing of restrictions, resulting in the resumption of in-person tours at our retirement residences and increased admissions to our long-term care communities, occupancy started to improve across Sienna's portfolio. At the same time, incremental pandemic-related expenses have started to moderate and we anticipate some further improvements as the pandemic subsides, assuming the current levels of pandemic funding remains. However, we do anticipate a certain level of unfunded pandemic expenses to remain for some time.

In Sienna's Retirement portfolio, we forecast continued gradual occupancy improvements during the second half of the year, based on the assumption that residences will remain open for in-person tours, supported by pent-up demand and our continued investment in sales, marketing and rebranding initiatives. The return to historical seasonality in residents moving in is yet to be determined.

Occupancy in Sienna's LTC portfolio is expected to continue to improve in the second half of the year as admissions accelerate. Effective September 1, 2021, occupancy targets required for full funding will be reinstated, although these targets will exclude unavailable beds resulting mainly from capacity limitations in multi-bed rooms and we anticipate to receive continued funding for the unavailable beds. Given the long waiting list of approximately 38,500 for LTC beds across Ontario and the resumption of admissions of residents, we anticipate the achievement of occupancy targets required for full funding at the majority of our residences.

Excluding the impact of net pandemic expenses, we expect the financial performance of the Company’s LTC portfolio in 2021 to be slightly below 2020. Our internal forecasts are based on the impact of prolonged access restrictions on preferred accommodation revenues, the possibility of not achieving the required occupancy targets for full funding at all of our long-term care residences, and additional investments to elevate resident experience.

In addition to Sienna’s development and redevelopment plans, we are upgrading our existing residences with IPAC enhancements and additional improvements to elevate the experience of our residents and the work environment for our team members. Our plan includes $2.0 million in capital upgrades in 2021 on top of our regular annual maintenance capital expenditures.

Although it is impossible to ascertain the ultimate impacts of COVID-19 on the Company’s operating results at this time, a seemingly robust economic recovery, the positive impact of vaccinations in the seniors living sector and the return to a more stable operating environment all support the outlook for our Company.

Our Vision, Mission and Values

Our Vision

To awaken our communities to the positive possibilities of life's next chapters.

Our Mission

To help you live fully, every day.

Our Values

Respect

We value each other. From our clients and residents to our co-workers, we take the time to appreciate each person's story, understand their perspective, and recognize their contribution.

Passion

This job isn't for everybody. We love working with older people. We feel it's a privilege to have them in our lives, and there's nothing more important to us than their safety and well-being.

Teamwork

To honour someone's voice and advocate for their choice, it's up to every one of us to communicate, collaborate, and support one another. We're in this together - co-workers, volunteers, physicians and healthcare providers, suppliers, communities, families, clients and residents.

Responsibility

Holding ourselves to the highest standards of safety and quality is only the beginning. If we see a problem or an opportunity, we own it. If we say we'll do something, we do it. "Not my job" is not in our vocabulary.

Growth

We are always pushing ourselves - to learn, to develop, to find a better way and we strive to help our clients, residents and staff grow, encouraging them to stretch and do more than they might have thought possible.

The Sienna team is dedicated to helping seniors live fully, every day with an aim to constantly improve resident care and experience, and develop a high-performing team and workplace culture built on shared values and a commitment to quality and innovation, while focusing on priorities that translate into long-term accretive growth for the Company's shareholders. A range of services and programs are provided at the seniors' living residences based on an individual's needs and level of independence. A general and broad description of these services is detailed below:

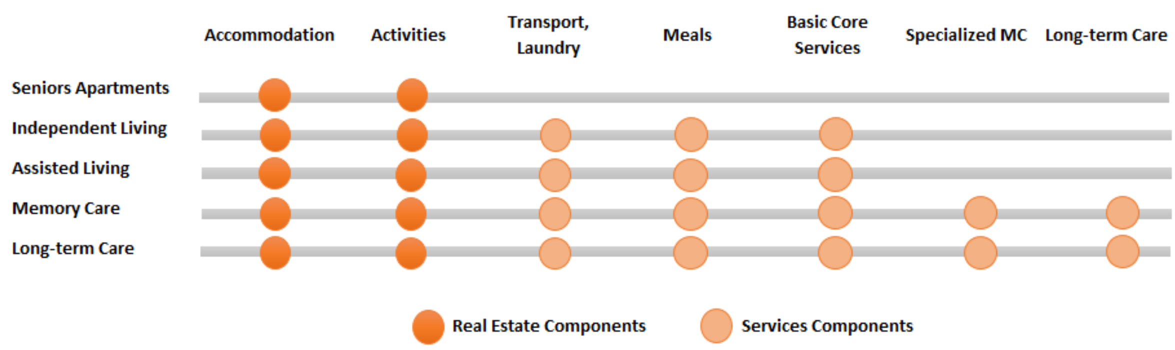
- **Independent Living ("IL")**: IL provides the privacy and freedom of home combined with the convenience and security of on-call assistance and a maintenance-free environment. Residents typically have the option of purchasing à la carte services including meal packages, housekeeping, transportation and laundry. It is typically apartment-style accommodation with a full kitchenette and is private-pay. Tenure may be rental or some form of ownership, such as owned condominiums.

- **Independent Supportive Living ("ISL")**: ISL is designed for seniors who pay for services such as 24-hour response, housekeeping, laundry, meals, transportation and accommodation as part of a total monthly private-pay fee or rental rate. These residents require little or no assistance with daily living activities but benefit from the social setting and meal preparation. Some residences include a minimum amount of daily care but primarily this level of accommodation is for the senior who can live more independently with the option of additional care and services available on an as needed basis. Accommodation is studio, one or two bedroom units with kitchenettes.

- **Assisted Living ("AL"):** AL is intended for frail seniors who need assistance with daily living activities but do not require skilled nursing care. While most of AL is provided as private-pay, some residences deliver AL services through private-pay or government funded home care services.

- **Memory Care ("MC"):** MC serves seniors with memory impairment, Alzheimer's or other forms of dementia. Mild cases of dementia are typically suitably addressed within secure AL accommodation suites in a dedicated area within the residence, or more broadly throughout the residence. Moderate to severe cases require dedicated accommodation suites and specialized and more intensive care.

- **Long-term Care**: LTC is for those who are not able to live independently and require assistance with the activities of daily living and care, including skilled nursing care on a daily basis. Eligibility for access to a LTC home is based on a person's assessed care requirements and is determined and arranged through government agencies. The resident pays for the accommodation as set by the government and the government typically pays for care, programs and supplies. In most provinces, there is a waiting period for access to LTC accommodations. In certain provinces, there are also LTC communities providing entirely private-pay accommodations which are subject to the same regulatory oversight.



Source: NIC Investment Guide.

Company Strategy and Objectives

Strong Operating Platform:

Sienna strives to provide quality resident experiences and build and retain a high performing team and great culture. This includes:

- Rebranding Sienna's retirement platform to distinguish its product and service offerings from competitors;
- Strengthening the Company's healthcare expertise to enhance the quality of care for our residents;
- Collaborating with all levels of government, sector associations, regulatory authorities and others to help shape the future of seniors living in Canada;
- Recruiting, retaining and developing a high performing and engaged team with an increased focus on training to support the significant increase of direct hours of care in long-term care in Ontario; and
- Increasing communication and improving transparency with residents, families and key stakeholders.

Maintaining Solid Balance Sheet and Liquidity:

The Company's long-term strategy and objectives with respect to a strong and beneficial capital structure include:

- Financing LTC and Retirement development programs while maintaining healthy debt metrics;
- Creating a 10-year debt maturity ladder to reduce refinancing risk and enhance the Company's ability to refinance at favourable rates;
- Maintaining a stable investment grade "BBB" credit rating for Sienna;
- Maintaining a pool of unencumbered assets; and
- Maintaining a diversified debt portfolio to provide the Company with additional financial flexibility to achieve Sienna's growth objectives;
- Maintaining liquidity (measured as available funds from existing credit facilities plus available cash on hand) to manage cash flow requirements in the foreseeable future.

Growing the Company:

Sienna's long-term growth plans include:

Organic Growth:

- Growing Sienna's portfolio organically through improving occupancy and expanding services to meet resident needs;
- Launching Sienna's new Retirement platform to distinguish its product and service offerings from competitors;
- Maintaining existing assets with preventative maintenance and ongoing capital improvements;
- Continuing to invest in Sienna's team culture and operating platform to deliver quality resident experiences; and
- Investing in comprehensive communications and marketing programs.

Acquisition and Development:

- Redevelopment of older LTC communities in key Ontario markets with both new and upgraded facilities;
- Strategic and disciplined acquisitions of high-quality seniors' living residences in key markets in Canada;
- Developing free-standing retirement residences with joint venture partners in markets with adequate projected demand;
- Expanding seniors' living capacity in existing Retirement Residences with excess land; and
- Entering into strategic partnerships to develop LTC campuses providing integrated care.

Environmental, Social and Governance (ESG) Responsibility

Sienna's commitment to corporate social responsibility is highlighted in our continued enhancements of the Company's ESG initiatives and disclosures.

Earlier this year, Sienna established an ESG Committee comprising senior leaders of the Company and published its first ESG Report. For more information on Sienna's ESG initiatives, including its ESG Report, ESG Committee Charter and Mid-Year 2021 Update, please refer to the ESG section on Sienna's website under https://www.siennaliving.ca. While this marked the beginning of a more structured and proactive approach, ESG practices across Sienna's operations have long been integrated into our overall strategy and daily business practices.

With the goal to better communicate our ESG journey, we are committed to providing interim updates on specific topics, starting with a more in-depth disclosure of Sienna's human capital management practices.

Our People – Mid-Year 2021 Update

With over 13,000 team members, our employees are our most important asset. Creating a positive experience and supporting personal and professional growth are key objectives at Sienna.

A Diverse and Inclusive Workforce

Throughout 2021, we continued our focus on bringing together a multitude of perspectives. Attracting and retaining a diverse team and nurturing a culture in which women and people of diverse backgrounds have equal opportunity to achieve their potential are important to us.

Gender - In line with industry norms, Sienna's total workforce is predominantly female, with approximately 85% of our team members working at our long-term care and retirement residences being female. The high percentage of women in our workforce is also reflected in our management team with approximately 80% of the Company's 380 leadership positions being held by women. Gender parity at the executive level, with 50% of Sienna's senior executives being female, further demonstrates our commitment to gender diversity.

BIPOC - 30% of the Company's senior executives identify as Black, Indigenous or People of Colour ("BIPOC").

Age - Sienna's workforce is equally distributed between the age ranges of under 35, 35 – 50, and over 50, with approximately one third of our team members in each of these age groups.

Union Representation

Labour rights are an important aspect of the seniors' living sector and an important consideration with respect to Sienna's human capital management strategies.

We respect our team members' rights to unionize and Sienna has a strong, positive relationship with union leaders and a good working relationship with union representatives at its 83 owned and managed residences.

Sienna's support of freedom of association and the right to collective bargaining is evidenced by the level of unionization in our residences, which includes approximately 60 collective bargaining units and an 86% unionization rate among our team members.

Excluding management positions, this number would be even higher with 93% of all non-management team members being represented by a union, and whose compensation is determined by collective bargaining agreements.

Fair Compensation and Gender Pay Equity

Over 95% of Sienna's frontline team members earn more than the minimum wage.

Furthermore, approximately 80% of Sienna's frontline team members are compensated at least 50% above minimum wage.

With respect to gender pay equity, across our long-term care and retirement operations, male and female frontline team members in similar positions receive comparable compensation.

Giving Back to the Community

On April 7, 2021, as part of our ongoing commitment to supporting the communities we serve across Canada, we formed Sienna for Seniors Foundation ("**Foundation**"). The Foundation, an evolution of Sienna's charitable giving program, will allow us to raise and give funds for a variety of important seniors-related causes in both Ontario and British Columbia.

In connection with an enhanced focus on supporting mental health and wellness in the communities we serve, Sienna made a $250 thousand donation to Scarborough Health Network (**"SHN"**) in support of its new mental health hub which will provide quality care to seniors.

On May 11, 2021, the Company made an additional $0.1 million contribution to the CaRES Fund which was launched by Sienna and a number of sector peers during the pandemic and has helped nearly 800 frontline staff with over $2.4 million in emergency financial assistance to date.

Vaccinations

During and subsequent to the end of Q2 2021, Sienna’s vaccination task force continued its vaccination roll-out, which included a far-reaching communication and education plan and logistical support to assist team members and residents to get the vaccine. This involved coordinating transportation for team members to off-site clinics, coordinating with public health authorities to bring the vaccines to our residences, whenever possible, and supporting team members through paid time off to get the vaccine. We also provide additional incentives and recognition for team members to get vaccinated when certain milestones were reached.

Addressing Climate Change through Development

Our development plans are an opportunity to address climate change in both the Company's existing residences and the development portfolio as we adopt environmentally-friendly designs and install energy-efficient features, all with the goal of significantly reducing the environmental footprint of these homes.

Industry Overview

Please refer to the Company's MD&A and AIF for the year ended December 31, 2020 for a discussion of the Industry Overview.

Business of the Company

Please refer to the Company's AIF for the year ended December 31, 2020 for a discussion of the Business Overview.

Quarterly Financial Information

Thousands of Canadian dollars, except occupancy, per share and ratio data	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3
Revenue	162,668	161,228	168,834	166,850	162,922	165,627	172,160	167,947
Operating expenses, net	131,643	116,961	140,181	137,895	131,031	129,116	134,303	127,785
Income (loss) before net finance charges, transaction costs and provision for (recovery of) income taxes	10,956	18,599	(962)	(295)	1,152	14,405	11,693	15,495
Net income (loss)	1,318	10,143	(8,729)	(6,484)	(6,778)	(2,496)	1,112	3,763
Per share basic and diluted	0.02	0.151	(0.130)	(0.097)	(0.101)	(0.037)	0.017	0.057
OFFO	15,126	25,343	14,156	13,624	16,699	24,418	22,754	24,208
Per share basic	0.226	0.378	0.211	0.203	0.249	0.365	0.340	0.364
OFFO, excluding net pandemic expenses (recovery)	17,925	18,068	19,820	20,774	24,513	24,517	22,754	24,208
Per share, excluding net pandemic expenses (recovery)	0.268	0.269	0.296	0.310	0.366	0.366	0.340	0.364
AFFO	14,102	26,430	13,174	14,187	16,623	25,584	20,883	24,492
Per share basic	0.210	0.394	0.196	0.212	0.248	0.382	0.313	0.368
AFFO, excluding net pandemic expenses (recovery)	16,715	19,572	18,895	20,926	24,437	25,683	20,883	24,492
Per share, excluding net pandemic expenses (recovery)	0.249	0.292	0.281	0.313	0.365	0.383	0.313	0.368
Dividends declared	15,687	15,687	15,687	15,687	15,687	15,671	15,626	15,483
Per share	0.234	0.234	0.234	0.234	0.234	0.234	0.234	0.233
Occupancy								
Retirement - Average total occupancy	77.7 %	77.7 %	80.7 %	80.7 %	82.2 %	84.2 %	85.0 %	85.8 %
Retirement - As at total occupancy	80.1 %	78.2 %	79.2 %	82.8 %	80.8 %	83.6 %	84.7 %	85.1 %
LTC - Average total occupancy	81.6 %	80.3 %	84.8 %	87.4 %	92.6 %	97.9 %	98.2 %	98.2 %
LTC - Average private occupancy	79.3 %	78.2 %	83.3 %	86.3 %	91.6 %	97.3 %	97.9 %	98.0 %
Debt to enterprise value as at period end	46.5 %	50.1 %	52.1 %	57.8 %	63.9 %	55.6 %	43.7 %	43.0 %
Debt to gross book value as at period end	45.5 %	46.0 %	48.2 %	47.3 %	48.5 %	46.9 %	46.0 %	46.5 %
Debt to Adjusted EBITDA as at period end	7.4	6.2	9.4	8.9	8.6	6.8	6.7	6.6
Debt to Adjusted EBITDA, excluding net pandemic expenses (recovery), as at period end	8.2	8.4	7.5	7.2	7.9	6.8	6.7	6.6
Interest coverage ratio	3.1	4.7	2.8	2.5	3.0	4.2	3.7	4.0
Interest coverage ratio, excluding net pandemic expenses (recovery)	3.5	3.5	3.7	3.6	4.1	4.3	3.7	4.0
Total assets[1]	1,592,009	1,616,357	1,678,129	1,733,832	1,834,675	1,718,716	1,692,600	1,708,163
Total debt	958,212	964,873	1,032,624	1,028,854	1,096,902	996,126	956,312	965,113
Weighted average shares outstanding	67,039,123	67,039,123	67,039,123	67,039,123	67,039,123	66,940,538	66,749,273	66,566,747

Notes:

1. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.

The Company's quarterly financial results are impacted by various factors including, but not limited to, pandemic related funding and expenses, occupancy levels, timing of operating expenses and maintenance capital expenditures, seasonality of utility expenses, timing of resident co-payment increases, timing of funding rate increases or additional funding, the timing of past acquisitions, and capital market and financing activities. For the three and six months ended June 30, 2021, the Company's results have been impacted by timing of government assistance received related to pandemic expenses and capital costs, lower occupancy, higher property expenses, mark-to-market adjustments on share based compensation and fair value adjustments on interest rate swap contracts.

The Company's total asset base has decreased from $1,678,129 as at Q4 2020 to $1,592,009 as at Q2 2021, and its debt to gross book value decreased from 48.2% as at Q4 2020 to 45.5% as at Q2 2021. Due to net pandemic recovery of expenses for the six months ended June 30, 2021, the debt to adjusted EBITDA decreased to 7.4 years as at Q2 2021 from 8.6 years as at Q2 2020.

A discussion of the operating results for the three and six months ended June 30, 2021 compared to the same period in the prior year is provided in the section "Operating Results".

Operating Results

Retirement

The Company's Retirement portfolio consists of 27 Retirement Residences, five of which are located in British Columbia and 22 of which are located in Ontario. Our Retirement portfolio operates in well located markets and generated 22.3% of the Company's total revenues and 40.4% of its total NOI excluding net pandemic expenses in Q2 2021.

Long-term Care

The Company's LTC portfolio consists of 43 LTC communities, eight of which are located in British Columbia and 35 of which are located in Ontario. Our LTC portfolio contributed 77.7% of the Company's total revenues and generated 59.6% of its total NOI excluding net pandemic expenses in Q2 2021.

The following table represents the operating results for the periods ended June 30:

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
Revenue	**162,668**	162,922	(254)	**323,896**	328,549	(4,653)
Expenses						
Operating, net	**131,643**	131,031	612	**248,604**	260,147	(11,543)
Depreciation and amortization	**11,991**	19,526	(7,535)	**29,340**	38,858	(9,518)
Administrative	**8,078**	11,086	(3,008)	**16,389**	13,816	2,573
Share of net loss in joint venture	**—**	127	(127)	**8**	171	(163)
	151,712	161,770	(10,058)	**294,341**	312,992	(18,651)
Income before net finance charges, transaction costs and provision for income taxes	**10,956**	1,152	9,804	**29,555**	15,557	13,998
Net finance charges	**8,637**	10,156	(1,519)	**12,875**	26,937	(14,062)
Transaction costs	**559**	384	175	**1,075**	1,397	(322)
Total net finance charges and transaction costs	**9,196**	10,540	(1,344)	**13,950**	28,334	(14,384)
Income (loss) before provision for (recovery of) income taxes	**1,760**	(9,388)	11,148	**15,605**	(12,777)	28,382
Provision for (recovery of) income taxes						
Current	**(177)**	(1,783)	1,606	**2,803**	(246)	3,049
Deferred	**619**	(827)	1,446	**1,341**	(3,257)	4,598
	442	(2,610)	3,052	**4,144**	(3,503)	7,647
Net income (loss)	**1,318**	(6,778)	8,096	**11,461**	**(9,274)**	20,735
Total assets	**1,592,009**	1,834,675	(242,666)	**1,592,009**	**1,834,675**	(242,666)
Total debt (net of principal reserve fund)	**948,168**	**1,096,902**	(148,734)	**948,168**	**1,096,902**	(148,734)

Net Operating Income Consolidated

The following table represents the Company's consolidated net operating income for the periods ended June 30:

Thousands of Canadian dollars	Three Months Ended			Six Months Ended		
	2021	2020	Change	**2021**	2020	Change
Revenue						
Same property	**162,252**	162,626	(374)	**323,060**	328,005	(4,945)
Development[1]	**416**	296	120	**836**	544	292
Total Revenue	**162,668**	162,922	(254)	**323,896**	328,549	(4,653)
Operating Expenses, net						
Same property	**127,986**	123,194	4,792	**255,720**	252,033	3,687
Same property - net pandemic expenses (recovery) [2]	**3,409**	7,661	(4,252)	**(7,618)**	7,765	(15,383)
Development[1]	**248**	176	72	**502**	349	153
Total Operating Expenses, net	**131,643**	131,031	612	**248,604**	260,147	(11,543)
NOI						
Same property[2]	**30,857**	31,771	(914)	**74,958**	68,207	6,751
Development[1]	**168**	120	48	**334**	195	139
Total NOI	**31,025**	31,891	(866)	**75,292**	68,402	6,890

Notes:

1. Includes the financial results of the 57-suite expansion at Island Park Retirement Residence, which opened in July 2019 and is in lease-up.
2. For Q2 2021, includes government assistance of $22,027 (2020 - $24,917) and incremental COVID-19 related operating expenses of $25,436 (2020 - $32,578), resulting in net pandemic expenses of $3,409 (2020 - $7,661). For the six months ended June 30, 2021, includes government assistance related to the pandemic of $64,094 (2020 - $25,728) and incremental pandemic related expenses of $56,476 (2020 - $33,493), resulting in net pandemic (recovery) expense of $(7,618) (2020 - $7,765). Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

Second Quarter 2021 Operating Results

The Company's total same property revenues for Q2 2021 decreased by $374 to $162,252, compared to Q2 2020. Retirement's same property revenues for Q2 2021 decreased by $1,532 to $35,810, compared to Q2 2020, primarily due to lower occupancy, partially offset by annual rental rate increases in line with market conditions. Retirement's development revenues were $416 for Q2 2021 (2020 - $296). LTC's revenues for Q2 2021 increased by $1,158 to $126,442, compared to Q2 2020, primarily due to annual inflationary funding increases, partially offset by lower LTC preferred accommodation revenue from lower occupancy in private and semi-private rooms.

The Company's total same property operating expenses, excluding net pandemic expenses of $3,409, for Q2 2021 increased by $4,792 to $127,986, compared to Q2 2020. Retirement's same property operating expenses, excluding net pandemic expenses of $956, for Q2 2021 increased by $1,228 to $22,079, compared to Q2 2020, primarily due to higher labour costs and increase in property expenses. Retirement's development operating expenses were $248 for Q2 2021 (2020 - $176). LTC's operating expenses, excluding net pandemic expenses of $2,453, for Q2 2021 increased by $3,564 to $105,907, compared to Q2 2020, mainly due to annual inflationary labour cost increases and timing of repairs and maintenance.

The Company's total same property NOI for Q2 2021 decreased by $914 to $30,857, compared to Q2 2020. Retirement's same property NOI for Q2 2021 decreased by $2,355 to $12,775, primarily due to lower occupancy, higher labour costs and increase in property expenses, partially offset by annual rental rate increases. Retirement's development Q1 2021 NOI was $168 (2020 - $120). LTC's NOI for Q2 2021 increased by $1,441 to $18,082 compared to Q2 2020, primarily due to annual inflationary funding increases and lower net pandemic expenses, partially offset by lower preferred accommodation revenue, annual inflationary labour cost increases and timing of repairs and maintenance.

Due to the timing or seasonality of certain operating expenses such as utilities and maintenance, occupancy levels, government assistance and annual adjustments to government funding, trends which may appear in operating margins may be merely coincidental, and readers should not rely on net operating margin calculations herein.

Six Months Ended June 30, 2021 Operating Results

The Company's total same property revenues for the six months ended June 30, 2021 decreased by $4,945 to $323,060, compared to the six months ended June 30, 2020. Retirement's same property revenues for the six months ended June 30, 2021 decreased by $3,510 to $71,446, over the comparative period primarily due to lower occupancy, partially offset by annual rental rate increases in line with market conditions. Retirement's development revenues were $836 for the six months ended June 30, 2021 (2020 - $544). LTC's revenues for the six months ended June 30, 2021 decreased by $1,435 to $251,614, over the comparative period, primarily due to lower LTC preferred accommodation revenue from lower occupancy in private and semi-private rooms, partially offset by annual inflationary funding increases.

The Company's total same property operating expenses, excluding net pandemic recovery of $7,618, for the six months ended June 30, 2021, increased by $3,687 to $255,720, over the comparative period. Retirement's same property operating expenses, excluding net pandemic expenses of $1,688, for the six months ended June 30, 2021 increased by $1,614 to $44,190, over the comparative period, mainly due to higher labour costs and property expenses. Retirement's development operating expenses were $502 for the six months ended June 30, 2021 (2020 - $349). LTC's operating expenses, excluding net pandemic recovery of $9,306, for the six months ended June 30, 2021 increased by $2,073 to $211,530, over the comparative period, mainly due to annual inflationary labour cost increases, increase in property expenses and timing of repairs and maintenance.

The Company's total same property NOI for the six months ended June 30, 2021 increased by $6,751 to $74,958, over the comparative period, driven by $15,342 retroactive pandemic funding received in Q1 2021 related to pandemic expenses incurred in excess of available funding during the year ended December 31, 2020. Retirement's same property NOI for the six months ended June 30, 2021 decreased by $5,426 to $25,568, over the comparative period, mainly due to lower occupancy, higher labour costs and property expenses, partially offset by annual rental rate increases. Retirement's development Q1 2021 NOI was $334 (2020 - $195). LTC's NOI for the six months ended June 30, 2021 increased by $12,177 to $49,390, over the comparative period, primarily due to the $15.3 million retroactive pandemic funding received in Q1 2021 and annual inflationary funding increases, partially offset by lower preferred accommodation revenue, annual inflationary labour cost increases, increase in property expenses and timing of repairs and maintenance.

Due to the timing or seasonality of certain operating expenses such as utilities and maintenance, occupancy levels, government assistance and annual adjustments to government funding, trends which may appear in operating margins may be merely coincidental, and readers should not rely on net operating margin calculations herein.

Net Operating Income by Segment

The Company's consolidated net operating income consists of its Retirement and LTC business segments.

Retirement

The following table represents the results of the Retirement segment for the periods ended June 30:

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
Retirement Revenue						
Same property	**35,810**	37,342	(1,532)	**71,446**	74,956	(3,510)
Development[1]	**416**	296	120	**836**	544	292
Total Retirement Revenue	**36,226**	37,638	(1,412)	**72,282**	75,500	(3,218)
Retirement Expenses, net						
Same property	**22,079**	20,851	1,228	**44,190**	42,576	1,614
Same property - net pandemic expenses[2]	**956**	1,361	(405)	**1,688**	1,386	302
Development[1]	**248**	176	72	**502**	349	153
Total Retirement Expenses, net	**23,283**	22,388	895	**46,380**	44,311	2,069
Retirement NOI						
Same property[2]	**12,775**	15,130	(2,355)	**25,568**	30,994	(5,426)
Development[1]	**168**	120	48	**334**	195	139
Total Retirement NOI	**12,943**	15,250	(2,307)	**25,902**	31,189	(5,287)

Notes:

1. Includes the financial results of the 57-suite expansion at Island Park Retirement Residence, which opened in July 2019 and is in the lease-up period.
2. For Q2 2021, includes government assistance of $756 (2020 - $2,065) and incremental COVID-19 related operating expenses of $1,712 (2020 - $3,426), resulting in net pandemic expenses of $956 (2020 - $1,361). For the six months ended June 30, 2021, includes government assistance related to the pandemic of $2,713 (2020 - $2,141) and incremental pandemic related expenses of $4,401 (2020 - $3,527), resulting in net pandemic expenses of $1,688 (2020 - $1,386). Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

Second Quarter 2021 Retirement Results

Retirement's same property revenues for Q2 2021 decreased by $1,532 to $35,810, compared to Q2 2020, primarily attributable to lower occupancy, partially offset by annual rental rate increases in line with market conditions.

Retirement's same property operating expenses, excluding net pandemic expenses, for Q2 2021 increased by $1,228 to $22,079 compared to Q2 2020, primarily due to higher labour costs and increase in property expenses. Net pandemic expenses for Q2 2021 were $956 (2020 - $1,361).

Retirement's same property NOI for Q2 2021 decreased by $2,355 to $12,775, compared to Q2 2020. Excluding net pandemic expenses, Retirement's same property NOI for Q2 2021 decreased by $2,760 to $13,731, compared to Q2 2020.

Six Months Ended June 30, 2021 Retirement Results

Retirement's same property revenues for the six months ended June 30, 2021 decreased by $3,510 to $71,446, compared to the six months ended June 30 2020, primarily attributable to lower occupancy, partially offset by annual rental rate increases in line with market conditions.

Retirement's same property operating expenses, excluding net pandemic expenses, for the six months ended June 30, 2021 increased by $1,614 to $44,190, over the comparative period, mainly due to higher labour cost and increase in property expenses. Net pandemic expenses for the six months ended June 30, 2021 were $1,688 (2020 - $1,386).

Retirement's same property NOI for the six months ended June 30, 2021 decreased by $5,426 to $25,568, over the comparative period. Excluding net pandemic expenses, Retirement's same property NOI for the six months ended June 30, 2021 decreased by $5,124 to $27,256, over the comparative period.

Long-term Care

The following table represents the results of the LTC segment for the periods ended June 30:

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
Long-term Care Revenue						
Same property	**126,442**	125,284	1,158	**251,614**	253,049	(1,435)
Total Long-term Care Revenue	**126,442**	125,284	1,158	**251,614**	253,049	(1,435)
Long-term Care Expenses, net						
Same property	**105,907**	102,343	3,564	**211,530**	209,457	2,073
Same property - net pandemic expenses (recovery)[1]	**2,453**	6,300	(3,847)	**(9,306)**	6,379	(15,685)
Total Long-term Care Expenses, net	**108,360**	108,643	(283)	**202,224**	215,836	(13,612)
Long-term Care NOI						
Same property[1]	**18,082**	16,641	1,441	**49,390**	37,213	12,177
Total Long-term Care NOI	**18,082**	16,641	1,441	**49,390**	37,213	12,177

Notes:

1. For Q2 2021, includes government assistance of $21,271 (2020 - $22,852) and incremental COVID-19 related operating expenses of $23,724 (2020 - $29,152), resulting in net pandemic expenses of $2,453 (2020 - $6,300). For the six months ended June 30, 2021, includes the government assistance related to the pandemic of $61,381 (2020 - $23,587) and incremental COVID-19 related operating expenses of $52,075 (2020 - $29,966), resulting in net pandemic (recovery) expense of $(9,306) (2020 - $6,379). Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

Second Quarter 2021 Long-term Care Results

LTC's revenues for Q2 2021 increased by $1,158 to $126,442, compared to Q2 2020, primarily due to annual inflationary funding increases, partially offset by lower preferred accommodation revenue from lower occupancy in private and semi-private rooms.

Excluding net pandemic expenses, LTC's operating expenses for Q2 2021 increased by $3,564 to $105,907, compared to Q2 2020, mainly due to annual inflationary labour cost increases and timing of repairs and maintenance. Net pandemic expenses for Q2 2021 were $2,453 (2020 - $6,300).

LTC's NOI for Q2 2021 increased by $1,441 to $18,082, compared to Q2 2020. Excluding net pandemic expenses, LTC's NOI for Q2 2021 decreased by $2,406 to $20,535, compared to Q2 2020.

Six Months Ended June 30, 2021 Long-term Care Results

LTC's revenues for the six months ended June 30, 2021 decreased by $1,435 to $251,614, compared to six months ended June 2020, primarily due to lower preferred accommodation revenue.

Excluding net pandemic recovery, LTC's operating expenses for the six months ended June 30, 2021 increased by $2,073 to $211,530, over the comparative period, mainly due to annual inflationary labour cost increases, increase in property expenses and timing of repairs and maintenance. Net pandemic (recovery) expenses for the six months ended June 30, 2021 were ($9,306) (2020 - $6,379).

LTC's NOI for the six months ended June 30, 2021 increased by $12,177 to $49,390, over the comparative period. Excluding net recovery of pandemic expenses, LTC's NOI for the six months ended June 30, 2021 decreased by $3,508 to $40,084, over the comparative period.

Depreciation and Amortization

Second Quarter 2021

Depreciation and amortization for Q2 2021 decreased by $7,535 to $11,991, compared to Q2 2020, due to completion of the amortization of resident relationships.

Six Months Ended June 30, 2021

Depreciation and amortization for the six months ended June 30, 2021 decreased by $9,518 to $29,340, compared to the comparative prior year period, due to completion of the amortization of resident relationships.

Administrative Expenses

	Three months Ended June 30,			Six months ended June 30,		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
General and administrative expenses	**6,823**	5,580	1,243	**13,708**	11,280	2,428
Restructuring costs	**-**	3,866	(3,866)	**-**	3,866	(3,866)
Pandemic expenses	**404**	2,981	(2,577)	**1,524**	3,012	(1,488)
Share-based compensation	**851**	(1,341)	2,192	**1,157**	(4,342)	5,499
Total administrative expenses	**8,078**	11,086	(3,008)	**16,389**	13,816	2,573

Second Quarter 2021

Administrative expenses for Q2 2021 decreased by $3,008 to $8,078, compared to Q2 2020, primarily due to a decrease in pandemic expenses and one-time restructuring costs of $3,866 incurred in Q2 2020, partially offset by an increase in share-based compensation expense from mark-to-market adjustment and increases in general and administrative expenses to strengthen the company's operating platform to deliver a quality resident and team member experience.

Six Months Ended June 30, 2021

Administrative expenses for the six months ended June 30, 2021 increased by $2,573 to $16,389, compared to the six months ended June 30,, primarily due to an increase in share-based compensation expense from mark-to-market adjustments, and increases in general and administrative expenses to strengthen the company's operating platform, partially offset by a decrease in pandemic expenses and a decrease in one-time restructuring costs of $3,866 which were incurred in the comparative period.

Share of Net Loss in Joint Venture

Second Quarter 2021

For Q2 2021, the Company's share in a joint venture related to the development of a retirement residence in Niagara Falls, Ontario was $nil as costs have began to be capitalized during the construction phase of the project.

Six Months Ended June 30, 2021

For the six months ended June 30, 2021, the Company's share of net loss in a joint venture of $8 is related to the development of a retirement residence in Niagara Falls, Ontario.

Net Finance Charges

Thousands of Canadian dollars	Three months ended June 30, 2021	2020	Change	Six months ended June 30, 2021	2020	Change
Finance costs						
Interest expense on mortgages	**3,919**	4,490	(571)	**7,905**	9,149	(1,244)
Interest expense on debentures	**2,989**	3,694	(705)	**5,577**	7,339	(1,762)
Interest expense on credit facilities	**692**	652	40	**1,621**	935	686
Interest expense on right-of-use assets	**16**	22	(6)	**33**	45	(12)
Redemption premium paid	**160**	—	160	**160**	—	160
Amortization of financing charges and fair value adjustments on acquired debt	**677**	528	149	**1,405**	1,052	353
Amortization of loss on bond forward contract	**—**	218	(218)	**—**	435	(435)
Net settlement payment on interest rate swap contracts	**698**	475	223	**1,402**	558	844
Fair value (gain) loss on interest rate swap contracts	**(155)**	868	(1,023)	**(4,270)**	9,185	(13,455)
	8,996	10,947	(1,951)	**13,833**	28,698	(14,865)
Finance income						
Interest income on construction funding receivable	**320**	439	(119)	**673**	907	(234)
Other interest income	**39**	352	(313)	**285**	854	(569)
	359	791	(432)	**958**	1,761	(803)
Net finance charges	**8,637**	10,156	(1,519)	**12,875**	26,937	(14,062)

Second Quarter 2021

Net finance charges for Q2 2021 decreased by $1,519 to $8,637, compared to Q2 2020, primarily attributable to a decrease in interest expense on long-term debt and lower fair value loss of interest rate swap contracts.

Six Months Ended June 30, 2021

Net finance charges for the six months ended June 30, 2021 decreased by $14,062 to $12,875, compared to the six months ended June 30, 2020, primarily attributable to the fair value gain on interest rate swap contracts and a decrease in interest expense on long-term debt.

Transaction Costs

Second Quarter 2021

Transaction costs for Q2 2021 increased by $175 to $559 compared to Q2 2020 primarily attributable to increase in development activities.

Six Months Ended June 30, 2021

Transaction costs for the six months ended June 30, 2021 decreased by $322 to $1,075, compared to the six months ended June 30, 2020, primarily attributable to fewer transaction activities.

Income Taxes

Second Quarter 2021

Income tax expense for Q2 2021 increased by $3,052 to $442, compared to Q2 2020. The current income tax recovery for Q2 2021 decreased by $1,606 to $177 compared to Q2 2020, primarily attributable to a decrease in administrative expenses, mark-to-market adjustments on share-based compensation and a decrease in tax depreciation. The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.57% (2020 - 26.57%). The deferred income tax expense for Q2 2021 increased by $1,446 to $619 compared to Q2 2020, primarily attributable to fair value adjustments on interest rate swap contracts.

Six Months Ended June 30, 2021

Income tax expense for the six months ended June 30, 2021 increased by $7,647 to $4,144, compared to the six months ended June 30, 2020. The current income tax expense for six months ended June 30, 2021 increased by $3,049 to $2,803, primarily attributable to an increase in NOI due to timing of government assistance and mark-to-market adjustments on share-based compensation. The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.57% (2020 - 26.57%). The deferred income tax expense for the six months ended June 30, 2021 increased by $4,598 to $1,341 compared to the six months ended June 30, 2020, primarily attributable to fair value adjustments on interest rate swap contracts.

Business Performance

Adjusted Funds from Operations

The IFRS measure most directly comparable to FFO and OFFO is "net income". The following table represents the reconciliation of "net income" to FFO and OFFO for the periods ended June 30. The reconciliation from FFO to AFFO is provided as supplementary information.

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars, except share and per share data	**2021**	2020	Change	**2021**	2020	Change
Net income (loss)	**1,318**	(6,778)	8,096	**11,461**	(9,274)	20,735
Deferred income tax expense (recovery)	**619**	(827)	1,446	**1,341**	(3,257)	4,598
Depreciation and amortization	**11,103**	18,572	(7,469)	**27,525**	36,971	(9,446)
Transaction costs	**559**	384	175	**1,075**	1,397	(322)
Net settlement payment on interest rate swap contracts	**698**	475	223	**1,402**	558	844
Fair value (gain) loss on interest rate swap contracts	**(155)**	868	(1,023)	**(4,270)**	9,185	(13,455)
Funds from operations (FFO)	**14,142**	12,694	1,448	**38,534**	35,580	2,954
Depreciation and amortization - corporate	**888**	954	(66)	**1,815**	1,887	(72)
Amortization of financing charges and fair value adjustments on acquired debt	**677**	528	149	**1,405**	1,052	353
Amortization of loss on bond forward contract	**—**	218	(218)	**—**	435	(435)
Net settlement payment on interest rate swap contracts	**(698)**	(475)	(223)	**(1,402)**	(558)	(844)
Tax shield due to the settlement of the bond-lock hedge	**—**	(59)	59	**—**	(118)	118
Restructuring costs	**—**	2,839	(2,839)	**—**	2,839	(2,839)
Redemption premium paid	**117**	—	117	**117**	—	117
Operating funds from operations (OFFO)	**15,126**	16,699	(1,573)	**40,469**	41,117	(648)
Construction funding	**2,432**	2,720	(288)	**5,140**	5,410	(270)
Maintenance capital expenditures	**(3,642)**	(2,796)	(846)	**(4,845)**	(4,320)	(525)
Net pandemic capital (recovery) expenditures	**186**	—	186	**(232)**	—	(232)
Adjusted funds from operations (AFFO)	**14,102**	16,623	(2,521)	**40,532**	42,207	(1,675)
Adjusted funds from operations (AFFO)	**14,102**	16,623	(2,521)	**40,532**	42,207	(1,675)
Dividends declared	**(15,687)**	(15,687)	—	**(31,374)**	(31,358)	(16)
AFFO retained	**(1,585)**	936	(2,521)	**9,158**	10,849	(1,691)
FFO per share	**0.211**	0.189	0.022	**0.575**	0.531	0.044
OFFO per share	**0.226**	0.249	(0.023)	**0.604**	0.614	(0.010)
AFFO per share	**0.210**	0.248	(0.038)	**0.605**	0.630	(0.025)
Weighted average common shares outstanding	**67,039,123**	67,039,123		**67,039,123**	66,989,830	

Second Quarter 2021 Performance

For Q2 2021, FFO increased by $1,448 to $14,142, compared to Q2 2020. The increase was primarily due to lower interest expense on long-term debt and one-time after-tax restructuring costs of $2,839 that were incurred in 2020, partially offset by lower NOI and lower recovery of current income taxes.

For Q2 2021, OFFO decreased by $1,573 to $15,126, compared to Q2 2020. The decrease was primarily attributable to lower NOI and lower recovery of current income taxes, partially offset by lower interest expense on long-term debt.

For Q2 2021, AFFO decreased by $2,521 to $14,102, compared to Q2 2020. The decrease was primarily related to the decrease in OFFO noted above and higher maintenance capital expenditures, partially offset by timing of government assistance related to the funding of pandemic capital expenditure.

Six Months Ended June 30, 2021 Performance

FFO for the six months ended June 30, 2021 increased by $2,954 to $38,534, over the six months ended June 30, 2020. The increase was primarily due to an increase in NOI, driven by $15,342 of retroactive pandemic funding received in Q1 2021 related to pandemic expenses incurred in excess of available funding during the year ended December 31, 2020, and one-time after-tax restructuring costs of $2,839 incurred in 2020, partially offset by higher share-based compensation expense from mark-to-market adjustments and higher current income taxes.

OFFO for the six months ended June 30, 2021 decreased by $648 to $40,469, over the comparative period. The decrease was primarily attributable to the higher share-based compensation from mark-to-market adjustments and higher income taxes, partially offset by increase in NOI.

AFFO for the six months ended June 30, 2021 decreased by $1,675 to $40,532, over the comparative period. The decrease in AFFO was principally related to the decrease in OFFO noted above, higher maintenance capital expenditures and timing of government assistance related to the funding of pandemic capital expenditures.

Construction Funding

The Company receives construction funding subsidies from the Government of Ontario on a per bed per diem basis to support the costs of developing or redeveloping an eligible LTC home. There are several eligibility requirements, including receiving approval from the Ministry of Long-Term Care (**"MLTC"**) on the development or redevelopment and completing the construction in accordance with a development agreement signed with the MLTC. This funding is non-interest bearing, and is received subject to the condition that the residences continue to operate as long-term care residences for the period for which they are entitled to the construction funding. As at June 30, 2021, the condition for funding has been met.

The construction funding amount to reconcile from OFFO to AFFO represents the change in the construction funding receivable balance, which consists of the cash to be received, offset by the interest income on the construction funding receivable recognized in "net income". For the years ending December 31, 2021 through 2024, and thereafter, the Company estimates that the construction funding amount will be as follows:

Thousands of Canadian dollars	Construction funding interest income[1]	Construction funding principal[2]	Total construction funding to be received
2021	1,284	9,779	11,063
2022	875	9,104	9,979
2023	553	6,236	6,789
2024	356	3,084	3,440
2025	263	1,879	2,142
Thereafter	854	5,916	6,770
	4,185	**35,998**	**40,183**

Notes:

1. The interest income relates to interest accretion resulting from the construction funding receivable that was initially measured at fair value and subsequently measured at amortized cost using the effective interest method.
2. The construction funding principal received is an adjustment to reconcile from OFFO to AFFO.

For the three and six months ended June 30, 2021, interest income on construction funding of $320 and $673, respectively (2020 - $439 and 907, respectively) was recognized, and an adjustment of $2,432 and $5,140, respectively (2020 - $2,720 and $5,410, respectively) was made to AFFO for construction funding principal received.

Maintenance Capital Expenditures

The Company monitors all of its properties for ongoing maintenance requirements. As part of the capital investments' monitoring process, items are assessed and prioritized based on the urgency and necessity of the expenditure to sustain or maintain the condition of buildings, or to meet residents' needs. The following table summarizes the Company's maintenance capital expenditures for the periods ended June 30:

	Three Months Ended		Six Months Ended	
Thousands of Canadian dollars	**2021**	2020	**2021**	2020
Building maintenance	**1,026**	789	**1,332**	1,279
Mechanical and electrical	**535**	391	**806**	488
Suite renovations and common area maintenance	**1,046**	364	**1,360**	942
Communications and information systems	**29**	112	**63**	137
Furniture, fixtures and equipment	**1,006**	1,140	**1,284**	1,474
Total maintenance capital expenditures	**3,642**	2,796	**4,845**	4,320

Building Maintenance

Building maintenance include the costs for structures, roofing, exterior grounds, fire safety and sprinklers.

Mechanical and Electrical

Mechanical and electrical expenditures include the costs for heating, air conditioning and ventilation systems, generators, boilers and pumps.

Suite Renovations and Common Area Maintenance

Suite renovations and common area maintenance are expenditures to maintain the marketability of the Company's properties. Flooring and carpeting replacements are often done in conjunction with suite renovations.

Communication and Information Systems

Communication and information systems' expenditures include the costs for purchasing and installing computer equipment, software applications, telecommunication systems and wireless solutions.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment expenditures include the costs for replacing or maintaining residences' furnishings and equipment, including those in residents' rooms, as well as kitchen facilities, laundry facilities and dining furnishings.

Reconciliation of Cash Flow from Operations to Adjusted Funds from Operations

The IFRS measure most directly comparable to AFFO is "cash flow from operating activities". The following table represents the reconciliation of cash provided by operating activities to AFFO for the periods ended June 30:

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
Cash provided by operating activities	**33,579**	35,502	(1,923)	**52,470**	49,320	3,150
Construction funding principal	**2,432**	2,720	(288)	**5,140**	5,410	(270)
Transaction costs	**559**	384	175	**1,075**	1,397	(322)
Tax shield due to settlement of the bond-lock hedge	**—**	(59)	59	**—**	(118)	118
Maintenance capital expenditures	**(3,642)**	(2,796)	(846)	**(4,845)**	(4,320)	(525)
Net pandemic capital expenditures	**186**	—	186	**(232)**	—	(232)
Net change in working capital, interest and taxes	**(19,316)**	(21,942)	2,626	**(13,444)**	(12,343)	(1,101)
Restricted share units recovery	**187**	(25)	212	**251**	22	229
Restructuring costs	**—**	2,839	(2,839)	**—**	2,839	(2,839)
Redemption premium	**117**	—	117	**117**	—	117
Adjusted funds from operations (AFFO)	**14,102**	16,623	(2,521)	**40,532**	42,207	(1,675)
Adjusted funds from operations (AFFO)	**14,102**	16,623	(2,521)	**40,532**	42,207	(1,675)
Dividends declared	**(15,687)**	(15,687)	—	**(31,374)**	(31,358)	(16)
AFFO retained	**(1,585)**	936	(2,521)	**9,158**	10,849	(1,691)
Dividend reinvestment	**—**	—	—	**—**	3,393	(3,393)
AFFO retained after dividend reinvestment	**(1,585)**	936	(2,521)	**9,158**	14,242	(5,084)

The excess of dividends over AFFO for the three months ended June 30, 2021 is primarily due to after-tax net pandemic expenses of $2,800 incurred during Q2 2021.

The excess of AFFO retained over dividends declared for the six months ended June 30, 2021 is primarily due to net pandemic recovery of expenses, as a result of the timing of government assistance received related to pandemic expenses.

Refer to the "Cash Flow Analysis" section for details on the change from Q1 2020 to Q1 2021 on cash flow used in operating activities.

Financial Position Analysis

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity as at June 30, 2021 compared to December 31, 2020.

Thousands of Canadian dollars	**2021**	2020	Change
Total assets	**1,592,009**	1,678,129	(86,120)
Total liabilities	**1,163,991**	1,230,687	(66,696)
Total equity	**428,018**	447,442	(19,424)

Total assets decreased by $86,120 to $1,592,009 primarily due to decreases in cash and cash equivalents, constructing funding receivable, income tax recoverable and depreciation of property and equipment and amortization of resident relationships, partially offset by increases in government funding receivable and investment in joint venture.

Total liabilities decreased by $66,696 to $1,163,991 primarily due to a decrease in long-term debt, including $210,000 of repayment on secured and unsecured credit facilities and property-level mortgages, partially offset by proceeds from long-term debt of $125,000, increases in government funding payable, accounts payable and accrued liabilities.

Total equity decreased by $19,424 to $428,018 primarily due to the payment of dividends and partially offset by the Company's net income for the six months ended June 30, 2021.

Cash Flow Analysis

The following table represents the summary of cash flows for the periods ended June 30, 2021:

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
Cash (used in) provided by:						
Operating activities	**33,579**	35,502	(1,923)	**52,470**	49,320	3,150
Investing activities	**(2,858)**	(2,087)	(771)	**(4,652)**	(2,727)	(1,925)
Financing activities	**(33,069)**	84,559	(117,628)	**(117,235)**	111,587	(228,822)
(Decrease) increase in cash and cash equivalents during the period	**(2,348)**	117,974	(120,322)	**(69,417)**	158,180	(227,597)
Cash and cash equivalents, end of period	**26,260**	178,956	(152,696)	**26,260**	178,956	(152,696)

Second Quarter 2021

Cash flows provided by operating activities for the three months ended June 30, 2021 decreased by $1,923 to $33,579 primarily due to settlement of accounts payable and accrued liabilities, partially offset by timing of government assistance related to the pandemic and a decrease in prepaid expenses and deposits.

Cash flows used in investing activities for the three months ended June 30, 2021 increased by $771 to $2,858 primarily due to investment in joint venture.

Cash flows used in financing activities for the three months ended June 30, 2021 increased by $117,628 to $33,069 primarily due to repayment of secured and unsecured credit facilities and property-level mortgages, partially offset by issuance of Series C Unsecured Debentures .

Six Months Ended June 30, 2021

Cash flows provided by operating activities for the six months ended June 30, 2021 increased by $3,150 to $52,470 primarily due to timing of government assistance related to the pandemic, lower income taxes paid, lower interest paid on long-term debt and a decrease in accounts receivable and prepaid expenses and deposits, partially offset by settlement of accounts payable and accrued liabilities.

Cash flows used in investing activities for the six months ended June 30, 2021 increased by $1,925 to $4,652 primarily due to investment in joint venture. In addition, proceeds of $861 from the one-time disposal of property and equipment are included in the comparative period.

Cash flows used in financing activities for the six months ended June 30, 2021 increased by $228,662 to $117,075 primarily due to repayment of secured and unsecured credit facilities and property-level mortgages, partially offset by issuance of Series C Unsecured Debentures.

Liquidity and Capital Resources

Liquidity

The Company's primary source of liquidity is cash flow generated from operating activities. The Company expects to meet its operating cash requirements through fiscal 2021 and beyond, including required working capital, capital expenditures, and currently scheduled interest payments on debt through fiscal 2021 and beyond, from cash on hand, cash flow from operations, proceeds from refinancing its debt, its committed but unutilized borrowing capacity and, if necessary, will pursue debt or equity financing to provide the Company with additional financial flexibility.

As at June 30, 2021, the Company's liquidity was $234,760, as follows:

Thousands of Canadian dollars	**June 30, 2021**	December 31, 2020
Cash and cash equivalents	**26,260**	95,677
Available funds from credit facilities	**208,500**	121,500
Total	**234,760**	217,177

As at June 30, 2021, the Company had not drawn from its available credit facilities. The Company's liquidity was $216,492 as at August 11, 2021.

The Company had a working capital deficiency (current liabilities less current assets) of $101,890 as at June 30, 2021, including the current portion of long-term debt of $31,546. To support its working capital deficiency, the Company plans to utilize its available funds from credit facilities and funds generated from operating activities.

The Company has an unencumbered asset pool with a fair value of approximately $1,087,000 as at June 30, 2021, representing an increase of $247,000 from $840,000 as at December 31, 2020, that can provide financial flexibility.

Debt

The Company's objectives are to access and maintain the lowest cost of debt with the most flexible terms available. The Company's debt strategy involves primarily unsecured debentures, conventional and CMHC insured mortgages, and secured and unsecured credit facilities.

The Company's goal is to continue to optimize its debt maturity schedule over a 10-year period in order to manage interest rate and financial risks. The Company's strategy is to build a 10-year debt maturity ladder by refinancing approximately 10% of its debt annually, which is equivalent to $94,817 as at June 30, 2021. During Q2 2021, DBRS confirmed the "BBB" rating for the Series C Unsecured Debentures. In 2020, DBRS confirmed the "BBB" rating for the Series A Unsecured Debentures and Series B Unsecured Debentures (later defined in the "Debentures" section). In addition, DBRS issued a "BBB" investment grade credit rating for the Company with a "Stable" trend.

The Company's total debt is comprised as follows:

Thousands of Canadian dollars	**June 30, 2021**	December 31, 2020
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	175,000
Series C Unsecured Debentures	**125,000**	—
Credit facilities	**—**	187,000
Mortgages	**506,667**	529,492
Lease liability	**1,545**	1,817
	958,212	1,043,309
Fair value adjustments on acquired debt	**2,877**	3,177
Less: Deferred financing costs	**(12,921)**	(13,862)
Total debt	**948,168**	1,032,624

The Company's total debt as at June 30, 2021 was $948,168 (December 31, 2020 - $1,032,624). The decrease of $84,456 was primarily related to the repayment of the Secured Credit Facility (defined in the "Significant Events" section of this MD&A), Unsecured Revolving Credit Facility (defined in the "Credit Facilities" section of this MD&A) and property-level mortgages, offset by the issuance of the Series C Unsecured Debentures.

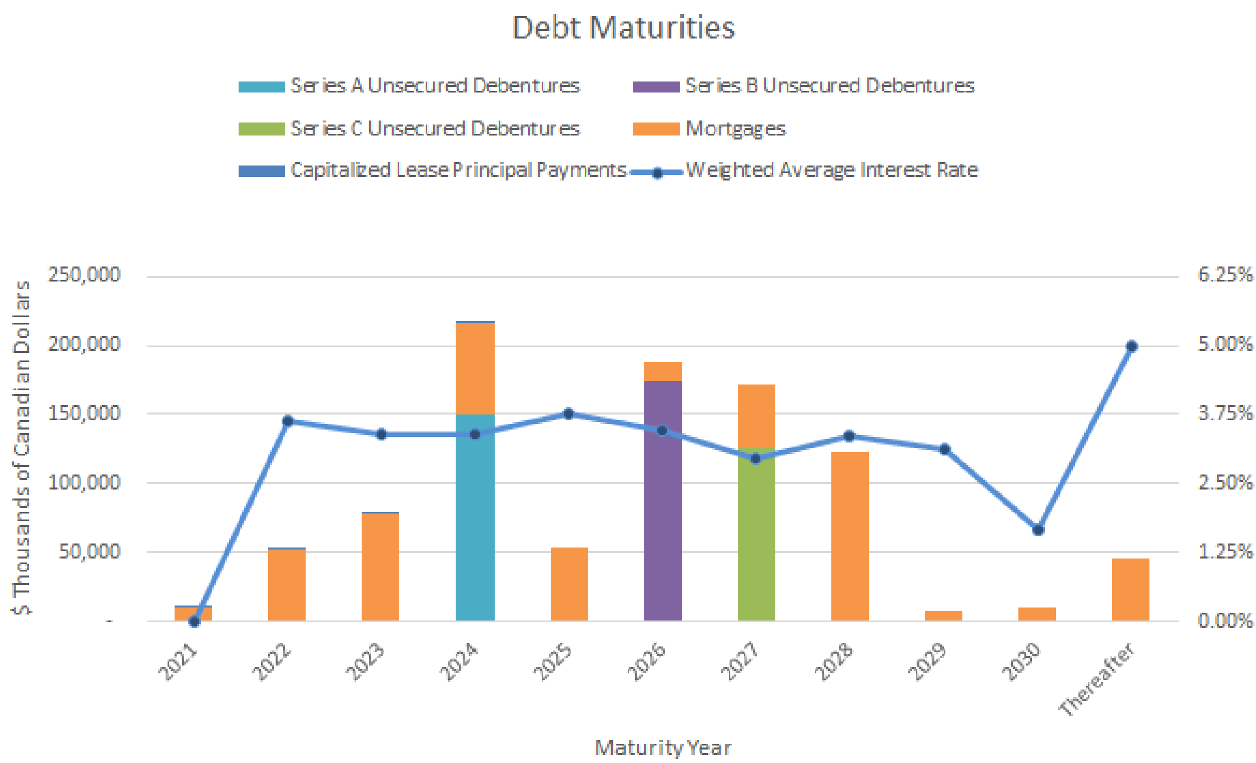
The following table summarizes the scheduled principal maturities of the Company's long-term debt commitments as at June 30, 2021:

Thousands of Canadian dollars, except interest rate						Mortgages				
Year	Series A Unsecured Debentures[1]	Series B Unsecured Debentures[2]	Series C Unsecured Debentures[3]	Credit Facilities	Capitalized Lease Principal Payments[4]	Regular Principal Repayments	Principal Due at Maturity	Weighted Average Interest Rate on Maturing Mortgages	**Total**	Consolidated Weighted Average Interest Rate on Maturing Debt
2021	—	—	—	—	254	10,470	—	**—%**	**10,724**	—%
2022	—	—	—	—	494	19,992	31,970	**3.65%**	**52,456**	3.65%
2023	—	—	—	—	435	17,837	60,824	**3.38%**	**79,096**	3.38%
2024	150,000	—	—	—	362	16,049	50,104	**4.10%**	**216,515**	3.39%
2025	—	—	—	—	—	12,511	41,065	**3.78%**	**53,576**	3.78%
2026	—	175,000	—	—	—	12,544	—	**—%**	**187,544**	3.45%
2027	—	—	125,000	—	—	11,844	35,115	**3.30%**	**171,959**	2.96%
2028	—	—	—	—	—	6,809	115,703	**3.35%**	**122,512**	3.35%
2029	—	—	—	—	—	2,379	5,477	**3.13%**	**7,856**	3.13%
2030	—	—	—	—	—	1,410	9,230	**1.65%**	**10,640**	1.65%
Thereafter	—	—	—	—	—	11,921	33,413	**5.00%**	**45,334**	5.00%
	150,000	**175,000**	**125,000**	**—**	**1,545**	**123,766**	**382,901**	**3.57%**	**958,212**	3.38%
Fair value adjustments on acquired debt									**2,877**	
Less: Deferred financing costs									**(12,921)**	
Total Debt									**948,168**	

Notes:

1. The interest rate for the Series A Unsecured Debentures is 3.109%.
2. The interest rate for the Series B Unsecured Debentures is 3.45%.
3. The interest rate for the Series C Unsecured Debentures is 2.82%.
4. The weighted average interest rate for capitalized lease principal payments is 3.87% for each year.

The following graph provides a breakdown of the Company's debt maturities as at June 30, 2021:



Debentures

The series A senior unsecured debentures were issued on November 4, 2019, and bear interest at a rate of 3.109% per annum, payable semi-annually in May and November of each year and mature on November 4, 2024 (the "**Series A Unsecured Debentures**").

The series B senior unsecured debentures were issued on October 2, 2020, and bear interest at a rate of 3.45% per annum, payable semi-annually in February and August of each year and mature on February 27, 2026 (the "**Series B Unsecured Debentures**").

The Series C Unsecured Debentures were issued on June 3, 2021, and bear interest at a rate of 2.82% per annum, payable semi-annually in March and September of each year and mature on March 31, 2027 (previously defined in "Significant events").

The balances related to the debentures are as follows:

Thousands of Canadian dollars	**March 31, 2021**	December 31, 2020
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	175,000
Series C Unsecured Debentures	**125,000**	—
Less: Deferred financing costs	**(2,603)**	(2,137)
	447,397	322,863

Credit Facilities

The Company has a combined total borrowing capacity of $208,500 pursuant to its credit facilities and, as at June 30, 2021, had not drawn from the facilities.

On March 19, 2020, the Company entered into a credit agreement for a $200 million senior unsecured revolving credit facility (the **"Unsecured Revolving Credit Facility"**). The Unsecured Revolving Credit Facility matures on March 19, 2025 and may be extended for additional one-year terms, subject to certain conditions. The capacity of the Unsecured Revolving Credit Facility may be increased by up to $50 million during the term of the facility, subject to certain conditions. Borrowings under the Unsecured Revolving Credit Facility can take place by way of BAs at 145 bps per annum over the floating BA rate, or at the Canadian prime rate plus 45 bps per annum. The Unsecured Revolving Credit Facility is subject to certain customary financial and non-financial covenants.

The Company has other secured credit facilities totaling $8,500 that can be accessed for general corporate purposes.

As at June 30, 2021, the Company had not drawn under the Unsecured Revolving Credit Facility (2020 - $87,000).

The balances related to the Company's unsecured credit facilities are as follows:

Thousands of Canadian dollars	**June 30, 2021**	December 31, 2020
Credit facilities drawn	—	87,000
Less: Deferred financing costs	**(576)**	(1,092)
	(576)	85,908

As at August 11, 2021, the Company's borrowing capacity was $201,500 and amounts drawn from its credit facilities were $7,000.

On June 4, 2021, the Company repaid its $100,000 Secured Credit Facility. The Company repaid the Secured Credit Facility using proceeds from the Series C Unsecured Debentures.

Mortgages

The Company has both fixed and variable rate mortgages with various financial institutions. The Company is subject to interest rate risk on mortgages at variable rates associated with certain residences, which is partially offset by interest rate swap contracts. Property-level mortgages are secured by each of the underlying properties' assets, guaranteed by the Company and subject to certain customary financial and non-financial covenants.

The Company has low-cost mortgage financing with CMHC. As at June 30, 2021, 56% of the Company's total property-level mortgages were insured by CMHC, which is a year-over year increase of 3%.

The balances related to property-level mortgages are as follows:

Thousands of Canadian dollars	**June 30, 2021**	December 31, 2020
Mortgages at fixed rates	**354,850**	374,248
Mortgages at variable rates	**151,817**	155,244
Fair value adjustments on acquired debt	**2,877**	3,177
Less: Deferred financing costs	**(9,742)**	(10,633)
	499,802	522,036

The following table summarizes some metrics on the Company's property-level mortgages:

	June 30, 2021			December 31, 2020
	Fixed Rate[1]	**Variable Rate**	**Total**	Total
Weighted average interest rate	3.58 %	1.68 %	**3.57 %**	3.56 %
Weighted average term to maturity (years)	5.4	1.4	**5.3**	5.6

Note:
1. Includes floating rate mortgages that have been fixed through interest rate swaps.

Lease Liability

The lease liability as at June 30, 2021 of $1,545 represents the Company's lease on its office equipment and Markham corporate office space.

Credit Ratings

The Company's credit ratings for its debentures are summarized below:

Debt	Rating Agency	Credit Rating	Outlook
Series A Unsecured Debentures	DBRS	BBB	Stable
Series B Unsecured Debentures	DBRS	BBB	Stable
Series C Unsecured Debentures	DBRS	BBB	Stable

On September 14, 2020, Sienna confirmed its "BBB" investment grade credit rating with a "Stable" trend from DBRS for the Series A Unsecured Debentures. On October 2, 2020, DBRS issued a "BBB" investment grade credit rating with a "Stable" trend for the Series B Unsecured Debentures. On June 3, 2021, DBRS issued a "BBB" investment grade credit rating with "Stable" trend for the Series C Unsecured Debentures.

Financial Covenants

The Company is in compliance with all financial covenants on its borrowings as at June 30, 2021. However, there can be no assurance that covenant requirements will be met at all times. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt could be adversely affected.

The Company has adopted interest coverage guidelines which are consistent with the coverage covenants contained in its bank credit facility agreements. Interest coverage ratios are used to assess the Company's ability to service its debt obligations. The interest coverage ratio calculations may differ depending on the lender.

The Company's interest coverage ratio, debt service coverage ratio and debt to Adjusted EBITDA ratio includes net pandemic expense (recovery) for the three and six months ended June 30, 2021 of $3,813 and $(6,094), respectively (2020 - $10,642 and $10,777, respectively).

Interest Coverage Ratio

The Interest Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. In general, higher ratios indicate a lower risk of default. The interest coverage ratio is calculated as follows for the periods ended June 30:

	Three Months Ended		Six Months Ended	
Thousands of Canadian dollars, except ratio	**2021**	2020	**2021**	2020
Net finance charges	**8,637**	10,156	**12,875**	26,937
Add (deduct):				
Redemption premium paid	**(160)**	—	**(160)**	—
Amortization of financing charges and fair value adjustments on acquired debt	**(677)**	(528)	**(1,405)**	(1,052)
Amortization of loss on bond forward contract	**—**	(218)	**—**	(435)
Interest income on construction funding receivable	**320**	439	**673**	907
Other interest income	**39**	352	**285**	854
Fair value gain (loss) on interest rate swap contracts	**155**	(868)	**4,270**	(9,185)
Net finance charges, adjusted	**8,314**	9,333	**16,538**	18,026
Adjusted EBITDA	**25,699**	27,703	**64,707**	64,598
Interest coverage ratio	**3.1**	3.0	**3.9**	3.6
Interest coverage ratio, excluding net pandemic expenses (recovery)	**3.5**	4.1	**3.5**	4.2

The following table represents the reconciliation of net income to Adjusted EBITDA for the periods ended June 30:

	Three Months Ended		Six Months Ended	
Thousands of Canadian dollars	**2021**	2020	**2021**	2020
Net income (loss)	**1,318**	(6,778)	**11,461**	(9,274)
Net finance charges	**8,637**	10,156	**12,875**	26,937
Provision for (recovery of) income taxes	**442**	(2,610)	**4,144**	(3,503)
Depreciation and amortization	**11,991**	19,526	**29,340**	38,858
Transaction costs	**559**	384	**1,075**	1,397
Restructuring costs	**—**	3,866	**—**	3,866
Proceeds from construction funding	**2,752**	3,159	**5,812**	6,317
Adjusted EBITDA	**25,699**	27,703	**64,707**	64,598
Adjusted EBITDA, excluding net pandemic expenses (recovery)	**29,512**	38,345	**58,613**	75,375

Debt Service Coverage Ratio

The Debt Service Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. Maintaining the debt service coverage ratio forms part of the Company's debt covenant requirements. In general, higher ratios indicate a lower risk of default. Adjusted EBITDA as referenced below, is presented in accordance with defined terms in certain covenant calculations. The following is the calculation for the periods ended June 30:

	Three Months Ended		Six Months Ended	
Thousands of Canadian dollars, except ratio	**2021**	2020	**2021**	2020
Net finance charges, adjusted	**8,314**	9,333	**16,538**	18,026
Principal repayments[1]	**5,393**	5,565	**10,835**	11,041
Principal reserve fund	—	1,667	—	3,383
Total debt service	**13,707**	16,565	**27,373**	32,450
Adjusted EBITDA	**25,699**	27,703	**64,707**	64,598
Deduct:				
Maintenance capital expenditures	**(3,642)**	(2,796)	**(4,845)**	(4,320)
Net pandemic capital recovery (expenditures)	**186**	—	**(232)**	—
Cash income tax refunded (paid)	—	—	**169**	(1,800)
Adjusted EBITDA (for covenant calculations)	**22,243**	24,907	**59,799**	58,478
Debt service coverage ratio	**1.6**	1.5	**2.2**	1.8
Debt service coverage ratio, excluding net pandemic expenses (recovery) and net pandemic capital recovery (expenditures)	**1.9**	2.1	**2.0**	2.1

Note:

1. During the three and six months ended June 30, 2021, the Company made voluntary payments of $124,000 (2020 - $nil) and $187,000 (2020 - $37,000) towards its credit facilities, which have been excluded from the debt service coverage ratio calculation. Debt repayments on maturity have also been excluded from the debt service coverage ratio calculation.

Debt to Adjusted EBITDA Ratio

The Debt to Adjusted EBITDA ratio is an indicator of the approximate number of years required for current cash flows to repay all indebtedness. The Adjusted EBITDA below is annualized using the Adjusted EBITDA for the six months ended June 30, 2021.

	June 30	
Thousands of Canadian dollars, except ratio	**2021**	2020
Total indebtedness		
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	—
Series B Secured Debentures	—	287,000
Series B Secured Debentures - Principal reserve fund	—	(38,835)
Series C Unsecured Debentures	**125,000**	—
Credit facilities	—	167,000
Mortgages	**506,667**	539,887
Lease liability	**1,545**	2,138
	958,212	1,107,190
Adjusted EBITDA	**129,414**	129,196
Debt to Adjusted EBITDA	**7.4**	8.6
Debt to Adjusted EBITDA, excluding net pandemic (recovery) expenses	**8.2**	7.3

Debt to Gross Book Value

Debt to gross book value indicates the leverage applied against the total gross book value (original costs) of the entity.

	June 30	
Thousands of Canadian dollars, except ratio	**2021**	2020
Total indebtedness		
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	—
Series B Secured Debentures	—	287,000
Series B Secured Debentures - Principal reserve fund	—	(38,835)
Series C Unsecured Debentures	**125,000**	—
Credit facilities	—	167,000
Mortgages	**506,667**	539,887
Lease liability	**1,545**	2,138
Total indebtedness	**958,212**	1,107,190
Total assets	**1,592,009**	1,834,675
Accumulated depreciation on property and equipment	**327,013**	280,899
Accumulated amortization on intangible assets	**188,027**	166,000
Gross book value	**2,107,049**	2,281,574
Debt to gross book value	**45.5 %**	48.5 %

Equity

Share Capital

The Company is authorized to issue an unlimited number of common shares or preferred shares, without nominal or par value. The following table summarizes the common shares issued and outstanding:

Thousands of Canadian dollars, except shares	Common shares	Amount
Balance, January 1, 2020	66,839,013	875,051
Dividend reinvestment plan	200,110	3,393
Long-term incentive plan, net of loans receivable	—	46
Share-based compensation	—	26
Balance, December 31, 2020	67,039,123	878,516
Long-term incentive plan, net of loans receivable	—	164
Share-based compensation	—	325
Balance, June 30, 2021	**67,039,123**	**879,005**

On March 31, 2021, the Company received approval from the TSX to renew its notice of intention to make a normal course issuer bid ("NCIB") for a portion of the Company's common shares. Pursuant to the notice, the Company has the authority to acquire up to a maximum of 3,351,956 of its common shares for cancellation over the next 12 months. Purchases by the Company under the NCIB will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per common share equal to the market price at the time of acquisition. The number of common shares that can be purchased pursuant to the NCIB is subject to a current daily maximum of 88,089 common shares, subject to the Company's ability to make one block purchase of its common shares per calendar week that exceeds such limits. All common shares purchased by the Company under the NCIB will be cancelled upon purchase. The NCIB commenced on April 5, 2021 and will terminate on April 4, 2022, or such earlier time as the Company completes its purchases pursuant to the NCIB.

No common shares were purchased pursuant to the Company's normal course issuer bid.

Dividends

The Board of Directors of the Company determines the appropriate dividend levels based on its assessment of cash provided by operations normalized for unusual items, expected working capital requirements and actual and projected capital expenditures.

On March 18, 2020, the Company suspended the Dividend Reinvestment Plan ("DRIP") until further notice. Shareholders enrolled in the DRIP received dividend payments in cash, instead of common shares, starting with the dividend payable to shareholders of record as at March 31, 2020. The DRIP is subject to reinstatement at the discretion of the Board of Directors of the Company.

The following table summarizes the dividends declared in relation to cash flows from operating activities and AFFO for the periods ended June 30:

Thousands of Canadian dollars	Three Months Ended 2021	2020	Change	Six Months Ended 2021	2020	Change
Cash flows from operating activities	**33,579**	35,502	(1,923)	**52,470**	49,320	3,150
AFFO	**14,102**	16,623	(2,521)	**40,532**	42,207	(1,675)
Dividends declared	**(15,687)**	(15,687)	—	**(31,374)**	(31,358)	(16)
Cash flows from operating activities over dividends declared	**17,892**	19,815	(1,923)	**21,096**	17,962	3,134
AFFO retained	**(1,585)**	936	(2,521)	**9,158**	10,849	(1,691)

The excess of cash flows from operating activities over dividends declared or increase/decrease in AFFO retained for the three and six months ended June 30, 2021 is primarily attributable to timing of government assistance received related to pandemic expenses, and seasonality in the Company's operating results and changes in working capital balances which are expected to normalize during the course of the year. The Company believes that its current dividend level is sustainable. However, cash dividends are not guaranteed and may fluctuate with the performance of the Company.

Capital Disclosure

The Company defines its capital as the total of its long-term debt and shareholders' equity less cash and cash equivalents.

The Company's objectives when managing capital are to:

(i) maintain a capital structure that provides options to the Company for accessing capital on commercially reasonable terms, without exceeding its debt capacity, or the limitations in its credit facilities, or taking on undue risks;
(ii) maintain financial flexibility in order to meet financial obligations, including debt service payments and regular dividend payments; and
(iii) deploy capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue additional shares, additional long-term debt, or long-term debt to replace existing long-term debt with similar or different characteristics, or adjust the amount of dividends paid to the Company's shareholders. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on factors such as the Company's financial needs and the market and economic conditions at the time of the transaction.

The Board of Directors of the Company determines and approves monthly dividends in advance on a quarterly basis.

There were no changes in the Company's approach to capital management during the period.

Contractual Obligations and Other Commitments

Leases

The Company has a 10-year lease with respect to its Markham corporate office, which expires on October 31, 2024. As well, the Company has various leases for office and other equipment that expire over the next four years.

Critical Accounting Estimates and Accounting Policies

The accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations are identified in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2020. New or changes in accounting policies are identified in Note 3 of the Company's interim consolidated financial statements for the three and six months ended June 30, 2021. Please refer to those interim consolidated financial statements for further details.

Significant Judgments and Estimates

The critical accounting estimates used by management in applying the Company's accounting policies and the key sources of estimation uncertainty are identified in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2020. Changes in significant judgments and estimates are identified in Note 3 of the Company's interim consolidated financial statements for the three and six months ended June 30, 2021. Please refer to those interim consolidated financial statements for further details.

Risk Factors

Please refer to the latest AIF for a discussion of the Company's risk factors.

Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company, inclusive of its subsidiaries, is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is necessarily required to use judgment in evaluating controls and procedures.

There were no material changes in the Company's disclosure controls and procedures and internal controls over financial reporting since year-end that have a material effect, or are reasonably likely to have a material effect, on the Company's control environment.

Forward-Looking Statements

This MD&A, and the documents incorporated by reference herein, contain forward-looking information that reflects management's current expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for the Company, the seniors' living sector and government funding as of the date of this MD&A. Forward-looking statements are based upon a number of assumptions and involve significant known and unknown risks and uncertainties, many of which are beyond our control, including the impact of the COVID-19 pandemic on Sienna's operations and financial condition, the seniors' living sector, the potential efficacy and availability of COVID-19 vaccines, and statements with respect to the Company's ability to refinance debt maturities, that could cause actual results to differ from those that are disclosed in or implied by such forward-looking statements. The words "plan","expect", "schedule", "estimates", "intends", "budgets", "anticipate", "projects", "forecasts", "believes", "continue", or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could","should", "would","might" occur and other similar expressions, identify forward-looking statements. While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have based the forward-looking statements in this MD&A on information currently available to us and that we currently believe are based on reasonable assumptions. However, there may be factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect the Company. See risk factors highlighted in materials filed with the securities regulators in Canada from time to time, including the Company's latest AIF.

Consolidated Financial Statements

Q2 2021 Report to Shareholders

Condensed Interim Consolidated Financial Statements

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited):

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

Thousands of Canadian dollars

	Notes	**June 30, 2021**	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		**26,260**	95,677
Accounts receivable and other assets		**18,713**	18,092
Prepaid expenses and deposits		**6,742**	6,950
Government funding receivable	5	**15,225**	5,732
Construction funding receivable	5, 7	**9,250**	9,667
Financial instruments	5	**135**	—
Income taxes receivable		**4,531**	7,503
		80,856	143,621
Non-current assets			
Government funding receivable	5	**44**	908
Financial instruments	5	**830**	—
Restricted cash	6	**3,883**	3,411
Construction funding receivable	5, 7	**21,609**	26,331
Investment in joint venture	22	**5,451**	2,323
Property and equipment	8	**1,115,874**	1,132,071
Intangible assets	9	**195,796**	201,798
Goodwill		**167,666**	167,666
Total assets		**1,592,009**	1,678,129
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	**112,136**	108,692
Government funding payable	5	**37,576**	18,540
Current portion of long-term debt	5, 11	**31,546**	135,707
Financial instruments	5	**1,488**	2,226
		182,746	265,165
Non-current liabilities			
Long-term debt	5, 11	**916,622**	896,917
Deferred income taxes	13	**49,326**	47,985
Government funding payable	5	**175**	2,671
Share-based compensation liability	16	**10,387**	9,682
Financial instruments	5	**4,735**	8,267
Total liabilities		**1,163,991**	1,230,687
EQUITY			
Shareholders' equity		**428,018**	447,442
Total equity		**428,018**	447,442
Total liabilities and equity		**1,592,009**	1,678,129

Contingencies (Note 4)

See accompanying notes.

Approved by the Board of Directors of Sienna Senior Living Inc.

"Dino Chiesa"
Dino Chiesa
Chair and Director

"Janet Graham"
Janet Graham
Director

Thousands of Canadian dollars

	Notes	Share capital	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2021		**878,516**	**203**	**(431,277)**	**—**	**447,442**
Issuance of shares	14	**—**	**—**	**—**	**—**	**—**
Net income		**—**	**—**	**11,461**	**—**	**11,461**
Other comprehensive loss		**—**	**—**	**—**	**—**	**—**
Long-term incentive plan	14	**164**	**—**	**—**	**—**	**164**
Share purchase loan	14	**325**	**—**	**—**	**—**	**325**
Dividends	14, 15	**—**	**—**	**(31,374)**	**—**	**(31,374)**
Balance, June 30, 2021		**879,005**	**203**	**(451,190)**	**—**	**428,018**

	Notes	Share capital	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2020		875,051	203	(344,058)	(711)	530,485
Issuance of shares	14	3,393	—	—	—	3,393
Net loss		—	—	(9,274)	—	(9,274)
Other comprehensive income		—	—	—	306	306
Long-term incentive plan	14	23	—	—	—	23
Share purchase loan	14	13	—	—	—	13
Dividends	14, 15	—	—	(31,358)	—	(31,358)
Balance, June 30, 2020		878,480	203	(384,690)	(405)	493,588

See accompanying notes.

Condensed Interim Consolidated Statements of Operations
(Unaudited)

Thousands of Canadian dollars, except share and per share data

	Notes	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenue	18, 21	**162,668**	162,922	**323,896**	328,549
Expenses					
Operating, net	4	**131,643**	131,031	**248,604**	260,147
Depreciation and amortization		**11,991**	19,526	**29,340**	38,858
Administrative	19	**8,078**	11,086	**16,389**	13,816
Share of net loss in joint venture	22	**—**	127	**8**	171
	20	**151,712**	161,770	**294,341**	312,992
Income before net finance charges, transaction costs and provision for (recovery of) income taxes		**10,956**	1,152	**29,555**	15,557
Net finance charges	12	**8,637**	10,156	**12,875**	26,937
Transaction costs		**559**	384	**1,075**	1,397
Total net finance charges and transaction costs		**9,196**	10,540	**13,950**	28,334
Income (loss) before provision for (recovery of) income taxes		**1,760**	(9,388)	**15,605**	(12,777)
Provision for (recovery of) income taxes					
Current		**(177)**	(1,783)	**2,803**	(246)
Deferred		**619**	(827)	**1,341**	(3,257)
	13	**442**	(2,610)	**4,144**	(3,503)
Net income (loss)		**1,318**	(6,778)	**11,461**	(9,274)
Net income (loss) per share (basic and diluted)	14	**$0.02**	($0.10)	**$0.17**	($0.14)
Weighted average number of common shares outstanding	14	**67,039,123**	67,039,123	**67,039,123**	66,989,830

See accompanying notes.

Thousands of Canadian dollars

		Three months ended June 30,		Six months ended June 30,	
	Notes	**2021**	2020	**2021**	2020
Net income (loss)		**1,318**	(6,778)	**11,461**	(9,274)
Other comprehensive income					
Items that may be subsequently reclassified to the consolidated statements of operations:					
Amortization of loss on bond forward contracts, net of tax		—	154	—	306
Total comprehensive income (loss)		**1,318**	(6,624)	**11,461**	(8,968)

See accompanying notes.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

Thousands of Canadian dollars

	Notes	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
OPERATING ACTIVITIES					
Net income (loss) for the period		**1,318**	(6,778)	**11,461**	(9,274)
Add (deduct) items not affecting cash					
Depreciation of property and equipment	8	**11,474**	11,135	**22,911**	22,085
Amortization of intangible assets	9	**517**	8,391	**6,429**	16,773
Current income tax (recovery) expense		**(177)**	(1,783)	**2,803**	(246)
Deferred income tax expense (recovery)		**619**	(827)	**1,341**	(3,257)
Share of net loss in joint venture	22	**—**	127	**8**	171
Share-based compensation expense (recovery)	16	**851**	(583)	**1,157**	(3,584)
Net finance charges	12	**8,637**	10,156	**12,875**	26,937
Gain on disposal of property and equipment	8	**—**	—	**—**	(102)
		23,239	19,838	**58,985**	49,503
Non-cash changes in working capital					
Accounts receivable and other assets		**(1,461)**	(2,049)	**(25)**	(3,515)
Prepaid expenses and deposits		**79**	(2,003)	**208**	(3,108)
Accounts payable and accrued liabilities		**(7,681)**	28,350	**1,125**	23,534
Government funding, net		**(20,706)**	(27,474)	**(65,650)**	(25,085)
		(29,769)	(3,176)	**(64,342)**	(8,174)
Interest paid on long-term debt		**(7,135)**	(7,488)	**(14,501)**	(17,729)
Net settlement payment on interest rate swap contracts		**(698)**	(475)	**(1,402)**	(558)
Income taxes refunded (paid)		**—**	—	**169**	(1,800)
Government assistance related to pandemic expenses	4	**47,942**	26,803	**73,561**	28,078
Cash provided by operating activities		**33,579**	35,502	**52,470**	49,320
INVESTING ACTIVITIES					
Purchase of property and equipment	4, 8	**(4,965)**	(5,081)	**(16,139)**	(7,362)
Government assistance related to pandemic capital expenditures	4, 8	**420**	—	**9,425**	—
Proceeds from disposal of property and equipment	8	**—**	—	**—**	861
Purchase of intangible assets	9	**(232)**	(46)	**(427)**	(157)
Amounts received from construction funding	7	**2,752**	3,159	**5,812**	6,317
Interest received from cash	12	**39**	166	**285**	365
Investment in joint venture	22	**(672)**	(107)	**(3,136)**	(2,512)
Change in restricted cash	6	**(200)**	(178)	**(472)**	(239)
Cash used in investing activities		**(2,858)**	(2,087)	**(4,652)**	(2,727)
FINANCING ACTIVITIES					
Repayment of long-term debt	11	**(141,655)**	(11,156)	**(210,097)**	(73,457)
Proceeds from long-term debt	11	**125,000**	113,984	**125,000**	218,096
Deferred financing costs		**(727)**	(915)	**(764)**	(1,718)
Change in principal reserve fund		**—**	(1,667)	**—**	(3,383)
Dividends paid	15	**(15,687)**	(15,687)	**(31,374)**	(27,951)
Cash (used in) provided by financing activities		**(33,069)**	84,559	**(117,235)**	111,587
(Decrease) increase in cash and cash equivalents during the period		**(2,348)**	117,974	**(69,417)**	158,180
Cash and cash equivalents, beginning of period		**28,608**	60,982	**95,677**	20,776
Cash and cash equivalents, end of period		**26,260**	178,956	**26,260**	178,956

See accompanying notes.

1 Organization

Sienna Senior Living Inc. (the "**Company**") and its predecessors have been operating since 1972. The Company is a seniors' living provider serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care ("**LTC**" or "**Long-term Care**") through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. As at June 30, 2021, the Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL and AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to 13 seniors' living residences in British Columbia and Ontario.

The Company was incorporated under the Business Corporations Act (Ontario) on February 10, 2010 and was subsequently continued under the Business Corporations Act (British Columbia) on March 18, 2010. The Company closed the initial public offering of its common shares on March 23, 2010 and is traded on the Toronto Stock Exchange ("**TSX**") under the symbol "SIA".

The Company's business is carried on through a number of wholly owned limited partnerships and joint ventures formed under the laws of the Province of Ontario. The head office of the Company is located at 302 Town Centre Blvd., Suite 300, Markham, Ontario, L3R 0E8. The registered office of the Company is located at 1900 - 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

As at June 30, 2021, the Company had outstanding 67,039,123 common shares.

2 Basis of preparation

These unaudited condensed interim consolidated financial statements ("**interim consolidated financial statements**") have been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*. The interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The interim consolidated financial statements were approved by the Board of Directors on August 11, 2021.

3 Summary of significant accounting policies, judgments and estimation uncertainty

In preparing these interim consolidated financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2020.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

4 Impact of COVID-19 on the Company

Sienna continues to incur an increased level of expenses to support pandemic-related costs and to minimize the impact of outbreaks. The following table summarizes the government assistance and expenses related to the COVID-19 pandemic in the Retirement and LTC business segments, which are recognized net in the Company's operating expenses, in its interim consolidated statement of operations. Other corporate pandemic expenses are recognized in administrative expenses in the interim consolidated statement of operations.

	Three Months Ended June 30, 2021				**Six Months Ended June 30, 2021**			
Thousands of Canadian dollars	**RET**	**LTC**	**Admin**	**Total**	**RET**	**LTC**	**Admin**	**Total**
Government assistance - temporary pandemic pay	236	5,589	—	5,825	756	10,414	—	11,170
Government assistance	520	15,682	—	16,202	1,957	50,967	—	52,924
Total government assistance	**756**	**21,271**	**—**	**22,027**	**2,713**	**61,381**	**—**	**64,094**
Pandemic labour - temporary pandemic pay	236	5,589	—	5,825	756	10,414	—	11,170
Pandemic labour	1,239	15,240	—	16,479	2,831	34,500	—	37,331
Personal protective equipment	157	1,178	—	1,335	534	2,882	—	3,416
Other	80	1,717	404	2,201	280	4,279	1,524	6,083
Total pandemic expenses	**1,712**	**23,724**	**404**	**25,840**	**4,401**	**52,075**	**1,524**	**58,000**
Total net pandemic expenses (recovery)	**956**	**2,453**	**404**	**3,813**	**1,688**	**(9,306)**	**1,524**	**(6,094)**

	Three Months Ended June 30, 2020				Six Months Ended June 30, 2020			
Thousands of Canadian dollars	RET	LTC	Admin	Total	RET	LTC	Admin	Total
Government assistance - temporary pandemic pay	1,429	10,941	—	12,370	1,429	10,941	—	12,370
Government assistance	636	11,911	—	12,547	712	12,646	—	13,358
Total government assistance	2,065	22,852	—	24,917	2,141	23,587	—	25,728
Pandemic labour - temporary pandemic pay	1,429	10,941	—	12,370	1,429	10,941	—	12,370
Pandemic labour	1,433	12,032	—	13,465	1,486	12,527	—	14,013
Personal protective equipment	353	3,261	—	3,614	370	3,523	—	3,893
Other	211	2,918	2,981	6,110	242	2,975	3,012	6,229
Total pandemic expenses	3,426	29,152	2,981	35,559	3,527	29,966	3,012	36,505
Total net pandemic expenses	1,361	6,300	2,981	10,642	1,386	6,379	3,012	10,777

During the six months ended June 30, 2021, the Government of Ontario announced additional pandemic funding to support long-term care homes' infection prevention and containment efforts for the period April 1, 2020 to December 31, 2020. The Company received $15,342 as part of this funding during the three months ended March 31, 2021 to cover a portion of the pandemic expenses incurred in excess of available funding during the year ended December 31, 2020, which resulted in a net pandemic recovery of $9,306 in the LTC segment for the six months ended June 30, 2021.

In addition, for the three and six months ended June 30, 2021, the Company has recognized pandemic capital expenditures in its interim consolidated statements of financial position of $235 (2020 - $nil) and $9,657 (2020 - $nil) respectively, offset by government assistance of $420 (2020 - $nil) and $9,425 (2020 - $nil) respectively, which have not been included in the table above.

Funding for incremental COVID-19 costs is provided in addition to ongoing long-term care funding, all of which are subject to periodic reconciliations with the regulatory authorities. Funding for incremental COVID-19 costs is required to be spent entirely on resident care, with any excess amounts not allocated to direct resident care or pandemic expenses required to be returned to the regulatory authorities.

Rent collections from resident payments since COVID-19 up to the month of June 2021 have remained similar to past experience, with no significant change to the Company's expected credit losses.

The Company and its consolidated subsidiaries are defendants in various actions and proceedings.

In May 2020, the Company became aware of a statement of claim in respect of a proposed class action alleging, among other things, negligence, breach of contract and breach of fiduciary duties in respect of the care and treatment of residents at the Company's residences during the COVID-19 pandemic. The claim is brought against the Company and certain of its subsidiaries on behalf of residents residing at all of the Company's owned and managed long-term care residences in Ontario during the pandemic, as well as the families of those residents, and seeks damages in the aggregate amount of $120,000. The claim is a joint claim against the Company and another senior living operator.

Between June and September 2020, the Company became aware of statements of claim in four proposed class actions alleging, among other things, negligence, breach of contract and breach of fiduciary duties in respect of the care and treatment of residents at Altamont Care Community, Woodbridge Vista Care Community, Weston Terrace Care Community and Camilla Care Community, during the COVID-19 pandemic. These claims are brought against the Company and certain of its subsidiaries on behalf of all residents residing at each of these respective residences during the pandemic, as well as the families of those residents, and seeks damages in the aggregate amount of $20,000, $16,000, $16,000 and $25,000 respectively.

In September 2020, the Company became aware of a statement of claim in respect of a proposed class action alleging, among other things, negligence and breach of fiduciary duties in respect of the care and treatment of residents residing at various long-term care residences in Ontario, including nine Sienna owned and managed residences, during the COVID-19 pandemic. This claim is a joint claim against Sienna, certain of its subsidiaries as well as other defendants, including the Province of Ontario, the City of Toronto and other senior living operators, on behalf of residents and their families and seeks damages in the aggregate amount of $600,000.

None of these claims have been certified as a class action. The Company is currently reviewing the proposed class actions and will respond in due course through the appropriate court process. Given the status of the proceedings, management is unable to assess the potential impact of any of these proposed class actions on the Company's financial results, if any.

On November 20, 2020, the Government of Ontario enacted the Supporting Ontario's Recovery Act (the "**Recovery Act**"). The Recovery Act provides civil liability protection to organizations that made a good faith effort to follow public health guidance and COVID-19 related laws, and did not act with gross negligence. The Recovery Act also deems existing civil proceedings related to COVID-19 exposure to be dismissed without costs and will bar future proceedings from being brought, as long as the defendant acted in good faith and not with gross negligence.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

5 Financial instruments

The Company uses derivative financial instruments such as interest rate swap contracts and cash-settle share swap contracts ("Total Return Swap") as appropriate to manage risks from fluctuations in interest rates of long-term debt, and to manage its cash flow exposure under the share-based compensation plans.

Fair value of financial instruments

The Company uses a fair value hierarchy to categorize the type of valuation techniques from which fair values are derived. Financial instruments are valued using unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), inputs that are observable for the assets or liabilities either directly or indirectly (Level 2) and inputs for assets or liabilities that are not based on observable market data (Level 3). Interest rate swap contracts and total return swap contracts are carried at fair value through profit or loss and are considered to be Level 2 instruments. The carrying value of the government funding receivables and payables approximates fair value. The fair value of the lease liability is determined by discounting the cash flows using applicable Level 3 inputs based on the Company's interest rate assumptions and the residual lease term.

The following financial instruments are at amortized cost and the fair value is disclosed as follows as at June 30, 2021 and December 31, 2020:

	As at June 30, 2021		As at December 31, 2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Construction funding receivable	**30,859**	**32,341**	35,998	38,337
Financial Liabilities:				
Current and long-term portion of debt	**948,168**	**975,935**	1,032,624	1,064,913

Liquidity risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company has credit agreements in place related to its long-term debt. These credit agreements contain a number of standard financial and other covenants. The Company was in compliance with all covenants on its borrowings as at June 30, 2021 and December 31, 2020. A failure by the Company to comply with the obligations in these credit agreements could result in a default that, if not rectified or waived, could permit acceleration of the relevant indebtedness.

As at June 30, 2021, the Company had negative working capital (current liabilities less current assets) of $101,890 (December 31, 2020 - $121,544), with the decrease primarily due to the issuance of Series C Unsecured Debentures (defined in Note 11), partially offset by the full repayment of the secured term credit facility. To support the Company's working capital deficiency, the Company has available cash from operations, access to multiple sources of financing, and a history of successfully refinancing debt.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

6 Restricted cash

Restricted cash comprises the capital maintenance reserve funds required for certain property-level mortgages. As at June 30, 2021, the Company has $3,883 in restricted cash (December 31, 2020 - $3,411).

7 Construction funding receivable

As at June 30, 2021, the Company is eligible to receive funding from the Government of Ontario of approximately $30,859 (December 31, 2020 - $35,998) related to the costs of developing or redeveloping eligible LTC residences. The receipt of this funding is subject to the condition that the residences continue to operate as long-term care residences for the period for which the residences are entitled to the construction funding. As at June 30, 2021, the condition for the funding has been met.

As at June 30, 2021, the weighted average remaining term of the construction funding is approximately 6.3 years. The fair value of the construction funding receivable is determined by discounting the expected future cash flows of the receivable using the applicable Government of Ontario bond rates.

The following table summarizes the construction funding activity:

As at January 1, 2020	46,887
Add: Interest income earned	1,710
Less: Construction funding payments received	(12,599)
As at December 31, 2020	35,998
Add: Interest income earned	673
Less: Construction funding payments received	(5,812)
As at June 30, 2021	**30,859**

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

8 Property and equipment

	Land	Buildings	Furniture and fixtures	Automobiles	Computer hardware	Circulating equipment	Construction in progress	Right-of-use building and equipment[1]	Total
Cost									
As at January 1, 2021	138,563	1,203,316	74,684	2,283	11,574	1,265	1,439	3,049	1,436,173
Additions[2]	—	3,343	2,415	10	456	—	490	—	6,714
As at June 30, 2021	138,563	1,206,659	77,099	2,293	12,030	1,265	1,929	3,049	1,442,887
Accumulated depreciation									
As at January 1, 2021	—	261,618	34,185	965	5,385	612	—	1,337	304,102
Charges for the period	—	17,018	4,236	178	997	207	—	275	22,911
As at June 30, 2021	—	278,636	38,421	1,143	6,382	819	—	1,612	327,013
Net book value as at June 30, 2021	**138,563**	**928,023**	**38,678**	**1,150**	**5,648**	**446**	**1,929**	**1,437**	**1,115,874**
Net book value as at December 31, 2020	138,563	941,698	40,499	1,318	6,189	653	1,439	1,712	1,132,071

(1) Includes right-of-use building and related depreciation of $2,250 and $964, respectively (December 31, 2020 - $2,250 and $771, respectively), and the right-of-use equipment and related depreciation of $799 and $648, respectively (December 31, 2020 - $799 and $566, respectively)

(2) Includes pandemic capital expenditures for the three and six months ended June 30, 2021 of $235 (2020 - $nil) and $9,657 (2020 - $nil), respectively, partially reduced by related government assistance for the three and six months ended June 30, 2021 of $420 (2020 - $nil) and $9,425 (2020 - $nil), respectively.

9 Intangible assets

	Licences	Resident relationships	Service contracts	Computer software	Total
Cost					
As at January 1, 2021	190,945	167,572	10,968	13,911	383,396
Additions	—	—	—	427	427
As at June 30, 2021	190,945	167,572	10,968	14,338	383,823
Accumulated amortization					
As at January 1, 2021	—	162,883	10,148	8,567	181,598
Charges for the period	—	4,689	357	1,383	6,429
As at June 30, 2021	—	167,572	10,505	9,950	188,027
Net book value as at June 30, 2021	**190,945**	**—**	**463**	**4,388**	**195,796**
Net book value as at December 31, 2020	190,945	4,689	820	5,344	201,798

10 Accounts payable and accrued liabilities

	June 30, 2021	December 31, 2020
Accounts payable and other liabilities	**33,547**	38,492
Accrued wages and benefits	**69,133**	61,539
Accrued interest payable	**4,227**	3,432
Dividends payable (Note 15)	**5,229**	5,229
Total	**112,136**	108,692

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

11 Long-term debt

	Interest rate	Maturity date	June 30, 2021	December 31, 2020
Series A Unsecured Debentures	3.109 %	November 4, 2024	**150,000**	150,000
Series B Unsecured Debentures	3.450 %	February 27, 2026	**175,000**	175,000
Series C Unsecured Debentures	2.820 %	March 31, 2027	**125,000**	—
Credit facilities	Floating	2021-2025	**—**	187,000
Mortgages at fixed rates	1.65% - 5.80%	2021-2041	**354,850**	374,248
Mortgages at variable rates	Floating	2021-2029	**151,817**	155,244
Lease liability	3.87%	2021-2024	**1,545**	1,817
			958,212	1,043,309
Fair value adjustments on acquired debt			**2,877**	3,177
Less: Deferred financing costs			**(12,921)**	(13,862)
Total debt			**948,168**	1,032,624
Less: Current portion			**31,546**	135,707
			916,622	896,917

Series C Senior Unsecured Debentures

On June 3, 2021, the Company issued $125,000 aggregate principal amount of series C senior unsecured debentures ("**Series C Unsecured Debentures**"). The Series C Unsecured Debentures bear interest at a rate of 2.82% per annum, payable semi-annually in March and September of each year and mature on March 31, 2027.

The Series C Unsecured Debentures may be redeemed in whole or in part at the option of the Company at any time, as long as the Company provides not less than 10 days' and not more than 60 days' notice to the holders of the Series C Unsecured Debentures. Prior to January 31, 2027 (the "**Par Call Date**"), the redemption price is the greater of: (i) the Canada Yield Price including accrued and unpaid interest to the redemption date; and (ii) 100% of the principal amount outstanding of the Debentures being redeemed. On or after the Par Call Date, the redemption price is 100% of the principal amount outstanding of the Series C Unsecured Debentures with accrued and unpaid interest to, but excluding the date fixed for redemption. The Canada Yield Price is defined as a price equal to the price of the debenture, exclusive of accrued and unpaid interest, calculated to provide a yield to the Par Call Date equal to the Government of Canada Yield calculated on the date the Company gives notice of redemption plus 0.43%.

Credit facilities

The following table summarizes the Company's unsecured credit facilities activity:

	June 30, 2021	December 31, 2020
Credit facilities available	**208,500**	208,500
Amounts drawn under credit facilities	**—**	87,000
Remaining available balance under credit facilities	**208,500**	121,500

On June 4, 2021, the Company fully repaid the $100,000 secured term credit facility (the "**Secured Credit Facility**"). The Company repaid the Secured Credit Facility using proceeds from the Series C Unsecured Debentures.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

Subsequent to June 30, 2021, the Company has drawn $7,000 from its unsecured credit facilities.

Mortgages

The following table summarizes the scheduled maturities of the Company's property-level mortgages as at June 30, 2021:

	Mortgages			
Year	Regular principal payments	Principal due at maturity	**Total**	% of Total
2021	10,470	—	**10,470**	2.1%
2022	19,992	31,970	**51,962**	10.3%
2023	17,837	60,824	**78,661**	15.4%
2024	16,049	50,104	**66,153**	13.0%
2025	12,511	41,065	**53,576**	10.6%
2026	12,544	—	**12,544**	2.5%
2027	11,844	35,115	**46,959**	9.3%
2028	6,809	115,703	**122,512**	24.2%
2029	2,379	5,477	**7,856**	1.6%
2030	1,410	9,230	**10,640**	2.1%
Thereafter	11,921	33,413	**45,334**	8.9%
	123,766	382,901	**506,667**	100.0%

12 Net finance charges

	Three months ended June 30,		**Six months ended June 30,**	
	2021	2020	**2021**	2020
Finance costs				
Interest expense on mortgages	**3,919**	4,490	**7,905**	9,149
Interest expense on debentures	**2,989**	3,694	**5,577**	7,339
Interest expense on credit facilities	**692**	652	**1,621**	935
Interest expense on right-of-use assets	**16**	22	**33**	45
Redemption premium paid	**160**	—	**160**	—
Amortization of financing charges and fair value adjustments on acquired debt	**677**	528	**1,405**	1,052
Amortization of loss on bond forward contract	**—**	218	**—**	435
Net settlement payment on interest rate swap contracts	**698**	475	**1,402**	558
Fair value (gain) loss on interest rate swap contracts	**(155)**	868	**(4,270)**	9,185
	8,996	10,947	**13,833**	28,698
Finance income				
Interest income on construction funding receivable	**320**	439	**673**	907
Other interest income	**39**	352	**285**	854
	359	791	**958**	1,761
Net finance charges	**8,637**	10,156	**12,875**	26,937

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

13 Income taxes

Total income tax expense (recovery) for the period can be reconciled to the interim consolidated statements of operations as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Income (loss) before provision for (recovery of) income taxes	**1,760**	(9,388)	**15,605**	(12,777)
Canadian combined income tax rate	**26.57 %**	26.57 %	**26.57 %**	26.57 %
Income tax expense (recovery)	**467**	(2,495)	**4,146**	(3,395)
Adjustments to income tax provision (recovery):				
Non-deductible items	**45**	12	**69**	15
Book to filing adjustment	**(79)**	—	**(79)**	—
Other items charged to equity	**9**	(127)	**8**	(123)
Provision for (recovery of) income taxes	**442**	(2,610)	**4,144**	(3,503)

The following are the deferred tax assets (liabilities) recognized by the Company and movements thereon during the six months ended June 30, 2021:

	Depreciable tangible and intangible assets	**Share issuance**	**Construction funding interest**	**Other**	**Total**
As at January 1, 2020	(58,621)	2,156	1,837	2,606	(52,022)
Credit (charge) to net income	4,626	(1,016)	(601)	1,031	4,040
Book to filing adjustment	545	4	—	(299)	250
Charge to other comprehensive income	—	—	—	(253)	(253)
As at December 31, 2020	(53,450)	1,144	1,236	3,085	(47,985)
Credit (charge) to net income	766	(350)	(179)	(1,883)	(1,646)
Book to filing adjustment	269	—	—	36	305
As at June 30, 2021	**(52,415)**	**794**	**1,057**	**1,238**	**(49,326)**

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

14 Share capital

Authorized

Unlimited number of common shares, without nominal or par value

Unlimited number of preferred shares, without nominal or par value

Issued and outstanding

Common shares

	Common shares	Amount
Balance, January 1, 2020	66,839,013	875,051
Dividend reinvestment plan	200,110	3,393
Long-term incentive plan, net of loans receivable	—	46
Share-based compensation	—	26
Balance, December 31, 2020	67,039,123	878,516
Long-term incentive plan, net of loans receivable	—	164
Share-based compensation	—	325
Balance, June 30, 2021	**67,039,123**	**879,005**

Dividend reinvestment plan

The Company has established a dividend reinvestment plan ("**DRIP**") for eligible holders of common shares, which allows participants to reinvest cash dividends paid in respect of their common shares in additional common shares at a 3% discount. On March 18, 2020, the Company temporarily suspended the DRIP until further notice. Shareholders enrolled in the DRIP received dividend payments in cash, instead of common shares, starting with the dividend payable to shareholders of record as at March 31, 2020. The DRIP is subject to reinstatement at the discretion of the Board of Directors of the Company.

Normal course issuer bid

On March 31, 2021, the Company received approval from the TSX to renew its notice of intention to make a normal course issuer bid (**"NCIB"**) for a portion of the Company's common shares. Pursuant to the notice, the Company has the authority to acquire up to a maximum of 3,351,956 of its common shares for cancellation over the next 12 months. Purchases by the Company under the NCIB will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per common share equal to the market price at the time of acquisition. The number of common shares that can be purchased pursuant to the NCIB is subject to a current daily maximum of 88,089 common shares, subject to the Company's ability to make one block purchase of its common shares per calendar week that exceeds such limits. All common shares purchased by the Company under the NCIB will be cancelled upon purchase. The Company may begin to purchase shares on April 5, 2021 and the NCIB will terminate on April 4, 2022, or such earlier time as the Company completes its purchases pursuant to the NCIB or provides notice of intention.

No common shares were purchased pursuant to the Company's normal course issuer bids.

Net income (loss) per share

Net income (loss) per share is calculated using the weighted average number of common shares outstanding during the period.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

15 Dividends

For the three and six months ended June 30, 2021**,** the Company paid monthly dividends of $0.078 per common share totaling $15,687 and $31,374, respectively (2020 - $15,687 and $27,951, respectively). Dividends payable of $5,229 are included in accounts payable and accrued liabilities as at June 30, 2021 (December 31, 2020 - $5,229). Subsequent to June 30, 2021, the Board of Directors declared dividends of $0.078 per common share for July 2021 totaling $5,229.

16 Share-based compensation

The Company has share-based compensation plans, which are described below.

*Restricted share unit plan ("**RSUP**")*

During the six months ended June 30, 2021, 52,485 restricted share units ("**RSUs**") (2020 - 9,839) were granted pursuant to the RSUP. Total expenses related to the RSUP for the three and six months ended June 30, 2021 were $187 and $251, respectively (2020 - $25 and $(22), respectively), including mark-to-market adjustments, which were recognized in administrative expenses. During the six months ended June 30, 2021, 9,712 RSUs vested and were settled in cash, resulting in a decrease of $135 in the share-based compensation liability. The total liability recorded as part of the share-based compensation liability as at June 30, 2021 was $467 (December 31, 2020 - $351).

A summary of the movement of the RSUs granted is as follows:

	Number of RSUs
Outstanding, January 1, 2020	23,159
Granted	19,551
Dividend equivalents	2,151
Settled in cash	(1,318)
Outstanding, December 31, 2020	43,543
Granted	52,485
Dividend equivalents	2,026
Settled in cash	(9,712)
Outstanding, June 30, 2021	88,342

*Deferred share unit plan ("**DSUP**")*

During the six months ended June 30, 2021, 19,067 deferred share units ("**DSUs**") (2020 - 27,196) were granted pursuant to the DSUP. Total expenses (recoveries) related to the DSUP for the three and six months ended June 30, 2021 were $1,102 and $1,414, respectively (2020 - $(785) and $(2,447), respectively), including mark-to-market adjustments, which were recognized in administrative expenses. The total liability recorded related to the DSUP as a part of the share-based compensation liability as at June 30, 2021 was $6,872 (December 31, 2020 - $5,458). The value of each deferred share unit is measured at each reporting date and is equivalent to the fair value of a common share at the reporting date.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

A summary of the movement of the DSUs granted is as follows:

	Number of DSUs
Outstanding, January 1, 2020	310,892
Granted	49,190
Dividends reinvested	25,918
Outstanding, December 31, 2020	386,000
Granted	19,067
Dividends reinvested	12,953
Outstanding, June 30, 2021	**418,020**

*Executive deferred share unit plan (**"EDSUP"**)*

During the six months ended June 30, 2021, 30,672 (2020 - 88,796) executive deferred share units ("**EDSUs**") were granted. Total expenses (recoveries) related to the EDSUP for the three and six months ended June 30, 2021 were $470 and $564, respectively (2020 - $177 and $(1,115), respectively) including mark-to-market adjustments, which were recognized in administrative expenses. During the six months ended June 30, 2021, 103,948 EDSUs vested and were settled in cash, resulting in a decrease of $1,389 in the share-based compensation liability. The total liability recorded related to the EDSUP as a part of the share-based compensation liability as at June 30, 2021 was $3,048 (December 31, 2020 - $3,873). The value of each vested EDSU is measured at each reporting date and is equivalent to the fair value of a common share at the reporting date.

A summary of the movement of the EDSUs granted is as follows:

	Number of EDSUs
Outstanding, January 1, 2020	256,103
Granted	88,796
Forfeited	(1,858)
Dividends reinvested	11,836
Settled in cash	(48,283)
Outstanding, December 31, 2020	306,594
Granted	30,672
Forfeited	(8,661)
Dividends reinvested	3,198
Settled in cash	(103,948)
Outstanding, June 30, 2021	**227,855**

Total Return Swap contracts and mark-to-market adjustments on share-based compensation

Share-based compensation expense (recovery), under Notes 17 and 19, includes a fair value gain on Total Return Swap contracts for the three and six months ended June 30, 2021 of $(908) and $(1,072), respectively, (2020 - $nil and $nil, respectively), and mark-to-market expense (recovery) on share-based compensation liability for the three and six months ended June 30, 2021 of $1,334 and $1,464, respectively (2020 - $(1,764) and $(5,224), respectively).

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

17 Key management compensation

The remuneration of key management is set out in aggregate for each of the categories below:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Salaries and short-term employee benefits	**1,377**	1,085	**2,689**	2,216
Share-based compensation expense (recovery) (Note 16)	**851**	(1,341)	**1,157**	(4,342)
Restructuring costs	**—**	3,739	**—**	3,739
	2,228	**3,483**	**3,846**	**1,613**

18 Economic dependence

The Company holds licences related to each of its LTC residences and receives funding from the applicable health authorities related to those licences, which are included in revenues. In addition, the Company has received government assistance to support pandemic related expenses for LTC and Retirement Residences which is recorded against operating expenses. During the three and six months ended June 30, 2021, the Company received approximately $183,813 and $326,570, respectively (2020 - $113,191 and $204,498, respectively) in respect of these licences and pandemic related funding.

19 Administrative expenses

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
General and administrative expenses	**6,823**	5,580	**13,708**	11,280
Restructuring costs	**—**	3,866	**—**	3,866
Pandemic related expenses (Note 4)	**404**	2,981	**1,524**	3,012
Share-based compensation expense (recovery) (Note 16)	**851**	(1,341)	**1,157**	(4,342)
Total administrative expenses	**8,078**	11,086	**16,389**	13,816

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

20 Expenses by category

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Salaries, benefits and other people costs	**100,127**	98,614	**199,472**	198,765
Depreciation and amortization	**11,991**	19,526	**29,340**	38,858
Food	**7,441**	7,573	**14,489**	15,243
Purchased services and non-medical supplies	**6,070**	5,730	**11,861**	11,752
Utilities	**3,699**	3,669	**8,905**	8,422
Property taxes	**3,745**	3,783	**7,621**	7,579
Restructuring costs	**—**	3,866	**—**	3,866
Share-based compensation expense (recovery) (1)	**851**	(1,341)	**1,157**	(4,342)
Other	**13,975**	9,708	**27,590**	22,072
Total expenses before net pandemic (recovery) expenses	**147,899**	151,128	**300,435**	302,215
Pandemic labour	**22,304**	25,835	**48,501**	26,383
Personal protective equipment	**1,335**	3,614	**3,416**	3,894
Other pandemic related expenses(2)	**2,201**	6,110	**6,083**	6,228
Government assistance(3)	**(22,027)**	(24,917)	**(64,094)**	(25,728)
Net pandemic (recovery) expenses	**3,813**	10,642	**(6,094)**	10,777
Total expenses	**151,712**	161,770	**294,341**	312,992

(1) Share-based compensation expense (recovery), which was previously presented within *'Salaries, benefits and other people costs'* and '*Other*' categories, has been separately presented.
(2) Other pandemic expenses are primarily cleaning supplies for infection prevention and control, meals and accommodations to support team members, and advisory fees to support the management of the pandemic.
(3) There are various programs and financial assistance provided by the government to support COVID-19 related expenses. During the three months ended March 31, 2021, the LTC segment received retroactive pandemic funding of $15,342 related to pandemic expenses incurred in excess of available funding during the year ended December 31, 2020.

21 Segmented information

Segmented information is presented in respect of the Company's business segments. The business segments are based on the Company's management and internal reporting structure. The Company operates solely within Canada, hence no geographical segment disclosures are presented. Inter-segment pricing is determined on an arm's length basis. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company is comprised of the following main business segments:

- Retirement - this segment consists of 27 RRs, five of which are located in the British Columbia and 22 of which are located in the Ontario, and the RR management services business;
- LTC - this segment consists of 35 LTC residences located in Ontario, eight seniors' living residences located in British Columbia and the LTC management services business; and
- Corporate, Eliminations and Other - this segment represents the results of head office, intercompany eliminations and other items that are not allocable to the segments.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

	Three months ended Jun 30, 2021			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	36,226	130,755	16,052	183,033
Less: Internal revenue	—	4,313	16,052	20,365
Net revenue	36,226	126,442	—	162,668
Operating expense, net [2]	23,283	108,360	—	131,643
Depreciation and amortization	5,431	5,639	921	11,991
Administrative expense [2]	—	—	8,078	8,078
Share of net loss in joint venture	—	—	—	—
Income (loss) before net finance charges, transaction costs and provision for income taxes	7,512	12,443	(8,999)	10,956
Finance costs	3,037	1,873	4,086	8,996
Finance income	—	(339)	(20)	(359)
Transaction costs	—	—	559	559
Provision for income taxes	—	—	442	442
Net income (loss)	4,475	10,909	(14,066)	1,318
Purchase of property and equipment [3]	1,436	2,423	686	4,545
Purchase of intangible assets	—	—	232	232

[1] For the three months ended June 30, 2021, the Retirement segment recognized accommodation revenues of $17,388 and service revenues of $18,838.
[2] Includes net pandemic expense (recovery) of $956 for Retirement, $2,453 for LTC and $404 for corporate, eliminations and other.
[3] Includes pandemic capital expenditures in the LTC segment for the three months ended June 30, 2021 of $235, offset by government assistance for the three months ended June 30, 2021 of $420.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

	Three months ended June 30, 2020			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	37,638	129,418	16,171	183,227
Less: Internal revenue	—	4,134	16,171	20,305
Net revenue	37,638	125,284	—	162,922
Operating expense, net [2]	22,388	108,643	—	131,031
Depreciation and amortization	12,815	5,640	1,071	19,526
Administrative expense [2]	—	—	11,086	11,086
Share of net loss in joint venture	—	—	127	127
Income (loss) before net finance charges, transaction costs and recovery of income taxes	2,435	11,001	(12,284)	1,152
Finance costs	4,170	4,813	1,964	10,947
Finance income	—	(641)	(150)	(791)
Transaction costs	—	—	384	384
Recovery of income taxes	—	—	(2,610)	(2,610)
Net (loss) income	(1,735)	6,829	(11,872)	(6,778)
Purchase of property and equipment, net of disposals	2,255	2,567	259	5,081
Purchase of intangible assets	—	—	46	46

(1) For the three months ended June 30, 2020, the Retirement segment recognized accommodation revenues of $18,306 and service revenues of $19,332.
(2) Includes net pandemic expense of $1,361 for Retirement, $6,300 for LTC and $2,981 for corporate, eliminations and other.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

	Six months ended Jun 30, 2021			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	72,282	260,143	31,938	364,363
Less: Internal revenue	—	8,529	31,938	40,467
Net revenue	72,282	251,614	—	323,896
Operating expense, net [2]	46,380	202,224	—	248,604
Depreciation and amortization	16,161	11,763	1,416	29,340
Administrative expense [2]	—	—	16,389	16,389
Share of net loss in joint venture	—	—	8	8
Income (loss) before net finance charges, transaction costs and provision for income taxes	9,741	37,627	(17,813)	29,555
Finance costs	2,670	3,134	8,029	13,833
Finance income	—	(731)	(227)	(958)
Transaction costs	—	—	1,075	1,075
Provision for income taxes	—	—	4,144	4,144
Net income (loss)	7,071	35,224	(30,834)	11,461
Purchase of property and equipment [3]	2,252	3,547	915	6,714
Purchase of intangible assets	—	—	427	427

[1] For the six months ended June 30, 2021, the Retirement segment recognized accommodation revenues of $35,418 and service revenues of $36,864.
[2] Includes net pandemic expense (recovery) of $1,688 for Retirement, $(9,306) for LTC and $1,524 for corporate, eliminations and other.
[3] Includes pandemic capital expenditures in the LTC segment for the six months ended June 30, 2021 of $9,657, offset by government assistance for the six months ended June 30, 2021 of $9,425.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

	Six months ended June 30, 2020			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	75,500	261,289	32,525	369,314
Less: Internal revenue	—	8,240	32,525	40,765
Net revenue	75,500	253,049	—	328,549
Operating expense, net [2]	44,311	215,836	—	260,147
Depreciation and amortization	25,564	11,174	2,120	38,858
Administrative expense [2]	—	—	13,816	13,816
Share of net loss in joint venture	—	—	171	171
Income (loss) before net finance charges, transaction costs and recovery of income taxes	5,625	26,039	(16,107)	15,557
Finance costs	15,412	9,995	3,291	28,698
Finance income	—	(1,534)	(227)	(1,761)
Transaction costs	—	—	1,397	1,397
Recovery of income taxes	—	—	(3,503)	(3,503)
Net (loss) income	(9,787)	17,578	(17,065)	(9,274)
Purchase of property and equipment, net of disposals	3,617	3,345	400	7,362
Purchase of intangible assets	(5)	—	162	157

[1] For the six months ended June 30, 2020, the Retirement segment recognized accommodation revenues of $35,485 and service revenues of $40,015.
[2] Includes net pandemic expense of $1,386 for Retirement, $6,379 for LTC and $3,012 for corporate, eliminations and other.

	As at June 30, 2021			
	Retirement	**LTC**	**Corporate, eliminations and other**	**Total**
Total assets	745,860	823,665	22,484	**1,592,009**

	As at December 31, 2020			
	Retirement	LTC	Corporate, eliminations and other	Total
Total assets	759,540	837,923	80,666	1,678,129

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

22 Joint arrangements

Joint venture

On February 7, 2020, the Company formed a joint venture with a third party for the purpose of developing a retirement residence in Niagara Falls, Ontario. The Company owns a 70% interest in this joint venture. The Company accounted for this joint venture using the equity method of accounting, since this joint arrangement is structured through a separate legal vehicle, and the Company has rights to the net assets of the arrangement.

The following tables outline the Company's investment in the joint venture, and the Company's share of the joint venture's net loss.

Investment in Niagara Falls Joint Venture as at January 1, 2020	—
Contributions to joint venture	2,888
Share of net loss from joint venture	(565)
Investment in Niagara Falls Joint Venture as at December 31, 2020	2,323
Contributions to joint venture	3,136
Share of net loss from joint venture	(8)
Investment in Niagara Falls Joint Venture as at June 30, 2021	**5,451**

	June 30, 2021	December 31, 2020
Current assets	**242**	167
Long-term assets	**8,346**	3,448
Total assets	**8,588**	3,615
Current liabilities	**801**	297
Total liabilities	**801**	297
Net assets	**7,787**	3,318
Share of net investment in joint venture	**5,451**	2,323

	Three months ended June 30,		**Six months ended June 30,**	
	2021	2020	**2021**	2020
Expenses	**—**	182	**11**	245
Net loss	**—**	(182)	**(11)**	(245)
Share of net loss	**—**	(127)	**(8)**	(171)

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

Joint operations

The Company has accounted for its joint arrangement in Nicola Lodge Care Community ("**Nicola Lodge**") and Glenmore Lodge Care Community ("**Glenmore Lodge**") as a joint operation, since it has rights to the assets and obligations for the liabilities related to Nicola Lodge and Glenmore Lodge.

The following tables outline the net assets and net income for Nicola Lodge and Glenmore Lodge, and the Company's share of 40% of Nicola Lodge and 77% of Glenmore Lodge that has been recognized in the interim consolidated financial statements.

	June 30, 2021	December 31, 2020
Current assets	**2,825**	3,318
Long-term assets	**98,425**	99,745
Total assets	**101,250**	103,063
Current liabilities	**6,178**	6,725
Long-term liabilities	**62,964**	63,633
Total liabilities	**69,142**	70,358
Net assets	**32,108**	32,705
Share of net assets	**16,421**	16,667

As at June 30, 2021, the Company's share of net assets in Nicola Lodge and Glenmore Lodge was $9,003 and $7,418, respectively (December 31, 2020 - $9,233 and $7,434, respectively).

	Three months ended June 30,		**Six months ended June 30,**	
	2021	2020	**2021**	2020
Revenue	**7,861**	7,823	**14,971**	15,489
Expenses				
Operating, net[1]	**5,820**	6,182	**11,742**	11,810
Depreciation and amortization	**656**	747	**1,327**	1,411
	6,476	6,929	**13,069**	13,221
Income before net finance charges	**1,385**	894	**1,902**	2,268
Net finance charges	**717**	734	**1,437**	1,455
Net income	**668**	160	**465**	813
Share of net income	**456**	59	**369**	361

[1] Includes net pandemic expenses for the three and six months ended June 30, 2021 of $1,407 and $3,323, respectively (2020 - $1,039 and $1,016, respectively).

For the three months ended June 30, 2021, the Company's share of net income (loss) in Nicola Lodge and Glenmore Lodge was $65 and $391, respectively (2020 - $68 and $(9), respectively).

For the six months ended June 30, 2021, the Company's share of net (loss) income in Nicola Lodge and Glenmore Lodge was $(10) and $379, respectively (2020 - $286 and $75, respectively).

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