Report to Shareholders

2021 Sienna Senior Living Inc.

Sienna
SENIOR LIVING

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

2021 was a significant year for Sienna as we moved forward with our strategic priorities focused on enhancing team engagement, elevating the quality of life of our residents, and advancing our growth and value creation priorities for our shareholders. This included notable investments in our residences and operating platforms to enhance resident experience and drive operational excellence.

Our steadfast commitment to the safety and well-being of our residents and team members during the pandemic supported improvements in occupancy across our long-term care and retirement platforms in the second half of 2021, and put the Company in a position to accelerate investments in strategic growth and value creation initiatives.

Occupancy in our Retirement portfolio reached its highest level in nearly two years and resident admissions at our long-term care communities continued to accelerate. On the development front, we started two construction projects during the year, and ended 2021 with a number of approvals to redevelop long-term care beds in Ontario, moving us further along in our ambitious $600 million long-term care redevelopment plan.

An Employer of Choice in Canadian Seniors' Living

Staffing remains a key focus as we grow our Company and welcome new team members as a result of the gradual increase of direct hours of care at our long-term care communities and significant growth across our operating platforms in the coming years. Our 12,000 team members are at the heart of our Company and with staffing shortages in healthcare and many other sectors, we strive to become the employer of choice in Canadian seniors' living by offering a compelling team experience and nurturing a purpose-driven, differentiated culture that will attract and retain a highly engaged workforce.

In 2021, we worked on several important initiatives, including our $3 million initial investment in 2022 to recognize and thank our team through the Sienna Ownership and Rewards ("SOAR") program which will provide company shares to every eligible full-time and part-time team member. We also supported the placement of over 900 college and university students, who will be working at one of our residences during the six months from October 2021 to March 2022. Many of them will be offered permanent placements once they graduate.

Our commitment to our team was highlighted in Sienna's inaugural ESG report in early 2021, followed by a mid-year update, which focused on Sienna's approach to fair compensation, gender pay equity and a diverse and inclusive workforce. Our predominantly female workforce is mirrored in our management team, with approximately 80% of our leadership positions held by women. In addition, one third of our executive team identifies as Black, Indigenous or People of Colour.

An Operating Platform Ready for Growth

Fundamentals in the Canadian seniors' living sector have steadily improved in 2021 as demand for the services and care offered by seniors' living operators continued to build. Our year-end results reflect these improvements and our team's continued efforts to strengthen our operations while navigating the impact of COVID-19.

In 2021, we announced the launch of our new Retirement platform "Aspira", followed by the development of a new long-term care platform, both to be launched later in 2022. These platforms are expected to elevate the quality of life and care of our residents, including enhancements to their dining experience, activities and programming.

We ended 2021 with significant improvements in Retirement occupancy. Our portfolio benefited from in-person tours, supported by numerous marketing and sales initiatives, resulting in strong lead generation and a 140% increase in resident move-ins year over year in the fourth quarter. Average same property occupancy levels improved each month since May 2021 by a total of 650 basis points, reaching 85.3% in December 2021, and a further 60 basis point increase to 85.9% in January 2022, the highest level in nearly two years. Supported by the Aspira brand, we expect to generate further increases in lead generation, occupancy growth and ultimately improved financial performance.

In our long-term care communities, admissions of new residents accelerated for most of the fourth quarter. This supported the increase in occupancy during Q4 2021, ending the year with an adjusted same-property occupancy rate of 95.3% at the end of 2021, excluding beds unavailable due to capacity limitations and isolation requirements. We anticipate continued occupancy gains in 2022, given the long waiting list of long-term care beds in Ontario and British Columbia.

Transformational Growth through Acquisitions and Development

On February 3, 2022, we announced that we entered into an agreement to acquire a 50% ownership interest in a $308 million portfolio of eleven retirement residences in Ontario and Saskatchewan (the, **"Portfolio"** or **"Acquisition"**) with Sabra Health Care REIT, Inc. ("**Sabra**"), one of North America's leading owners of seniors' living properties. Sienna will also act as the manager of the Portfolio. The Acquisition will deepen an already established operating relationship with Sabra as their operator of choice in Canada.

The Portfolio is strategically located in growing communities in Ontario and Saskatchewan and will provide us with immediate scale and a platform for further expansion within Saskatchewan, along with an enhanced presence in Ontario.

Our growth initiatives also include a significant expansion of Sienna's development platform. In December 2021, the Government of Ontario approved three additional long-term care redevelopment projects, including a first-of-its-kind campus of care, combining Altamont Care Community and Rockcliffe Care Community in Toronto onto one site. The campus of care will comprise of 448 long-term care beds and 30 palliative care beds in partnership with Scarborough Health Network, which will help us meet the growing needs of seniors in the area. Including our Northern Heights redevelopment in North Bay currently under construction, it increases the number of Sienna's government-approved long-term care projects in Ontario to six, comprising over 1,500 beds, or approximately two thirds of our Class C portfolio.

In addition, construction at our 150-suite retirement residence in Niagara Falls with Reichmann Senior Housing as our joint venture partner is well underway, and our $600 million development and redevelopment plans of our Ontario long-term care communities have accelerated.

Looking Ahead

Continued strong demand for the services and care offered by Canadian seniors' living operators supports an optimistic outlook for our sector and our Company. Over the next 20 years, the 75+ population is expected to grow by nearly 4% annually and outpace Canada's overall population growth by five times. We intend to capitalize on the growing demand for quality seniors' living and achieve operating efficiencies as we grow our Company.

Through our partnerships with key stakeholders, we put into motion a number of transformational initiatives in 2021. The invaluable joint ventures with healthcare providers, developers and seniors' living operators are expected to be a source of future growth for Sienna and will benefit our team members, shareholders, partners and ultimately Canadian seniors for years to come.

Over the past two years, we maintained a strong balance sheet, as evidenced in the renewal of Sienna's DBRS issuer rating and senior unsecured debenture ratings of "BBB" with stable trends in October 2021, and significant liquidity, exceeding $200 million for the past eight quarters. This underscores the resiliency and strength of our business and supports Sienna's growth plans going forward.

Our strategic initiatives, from making transformational changes to our operating platforms to our ambitious growth plans, are grounded in the belief that it is a privilege to care for and serve Canada's seniors, ensuring they live with the utmost comfort, dignity and respect.

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

2021 Report to Shareholders

Sienna
SENIOR LIVING

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 year ended December 31, 2021. This MD&A should be read in conjunction with the Company's audited consolidated financial statements ("**consolidated financial statements**") for the year ended December 31, 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.

With the exception of this MD&A's Business Update, Outlook and Environmental, Social and Governance ("**ESG**") Responsibility sections, or 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 905-489-0254 or karen.hon@siennaliving.ca.

Review and Approval by the Board of Directors

This MD&A is dated as of February 24, 2022, 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. As at December 31, 2021, 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	3,291	—	—	3,291
Long-term Care[2]	43	—	180	6,688	6,868
Total	**70**	**3,291**	**180**	**6,688**	**10,159**

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 December 31, 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 February 24, 2022, the Company had 67,039,123 common shares outstanding.

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**"). These terms are defined in the following table and reconciliations to most comparable IFRS measure are referenced, as applicable.

The Company also uses the following key performance indicators (the "**Key Performance Indicators**"); occupancy, NOI, OFFO and OFFO per share, AFFO and AFFO per share, payout ratio, Debt to Enterprise Value Ratio, Debt to Gross Book Value, Weighted Average Cost of Debt, Debt to Adjusted EBITDA Ratio, Interest Coverage Ratio, Debt Service Coverage Ratio, Weighted Average Term to Maturity, Same Property and Development and Other to assess the overall performance of the Company's operations.

These Key Performance Indicators and Non-IFRS Measures 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.

Non-IFRS Measure	Definition	Reconciliation
Net Operating Income (“NOI”)	NOI is defined as property revenue and government assistance related to the pandemic net of property operating expenses. The Company believes that NOI is a useful additional measure of operating performance as it provides a measure of core operations that is calculated prior to taking into account depreciation, amortization, administrative expenses, net finance charges and income taxes. The IFRS measure most directly comparable to NOI is "net income".	Section - Business Performance - Reconciliation of Net Income to Net Operating Income

Non-IFRS Measure	Definition	Reconciliation
Funds from Operations (“FFO”)	FFO is defined as NOI less certain adjustments including administrative expenses, 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".	Section - Business Performance - Adjusted Funds from Operations
Operating funds from operations (“OFFO”) and OFFO per Share	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.	Section - Business Performance - Adjusted Funds from Operations
Adjusted funds from operations (“AFFO”) and AFFO per share	AFFO is defined as OFFO plus the principal portion of construction funding received, less actual maintenance and net 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."	Section - Business Performance - Reconciliation of Cash Flow from Operations to Adjusted Funds from Operations

Non-IFRS Measure	Definition	Reconciliation
Earnings before interest, taxes, depreciation and amortization (“EBITDA”)	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. The IFRS measure most directly comparable to EBITDA is "net income".	Section - Liquidity and Capital Resources - Financial Covenants
Adjusted EBITDA	Adjusted EBITDA is defined as EBITDA, adjusted for construction funding proceeds and non-recurring items.	Section - Liquidity and Capital Resources - Financial Covenants
Maintenance capital expenditures	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.	N/A
Pandemic expenses	Pandemic expenses are defined as operating expenses incurred in prevention and control of COVID-19.	N/A

Key Performance Indicator	Definition	Reconciliation
Pandemic capital expenditures	Pandemic capital expenditures are defined as capital investments directly contributing to improved infection prevention and control ("IPAC") to manage the pandemic.	N/A
Occupancy	Occupancy is a key driver of the Company's revenues.	N/A
Payout ratio	Management of the Company monitors the payout ratio, which is calculated by dividing dividends per share over basic AFFO per share.	N/A
Debt to Enterprise Value	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.	N/A
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.	N/A
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.	N/A
Debt to Adjusted EBITDA ratio	This ratio which is calculated by dividing total debt over adjusted EBITDA.	N/A

Key Performance Indicator	Definition	Reconciliation
Interest Coverage Ratio	Interest coverage ratio, which is calculated using adjusted EBITDA divided by net finance charges, is a common measure used to assess an entity's ability to service its debt obligations.	N/A
Debt Service Coverage Ratio	This ratio is which is calculated using total debt service divided by adjusted EBITDA, useful for management of the Company to ensure it is in compliance with its financial covenants.	N/A
Weighted Average Term to Maturity	This indicator is used by management of the Company to monitor its debt maturities.	N/A
Same Property	Measures with "same property" are similar to "same-store" measures used in a number of other industries 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.	N/A
Development and Other	The development and other portfolio includes properties undergoing new development or redevelopment, and assets held for sale. Development properties are moved to same-property at the earlier of three years since completion or upon achieving stabilized occupancy levels.	N/A

The following table represents the Key Performance Indicators for the periods ended December 31:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars, except occupancy, share and ratio data	**2021**	2020	Change	**2021**	2020	Change
OCCUPANCY						
Retirement - Average same property occupancy[1]	**84.6 %**	81.9%	2.7%	**81.3 %**	83.1 %	(1.8%)
Retirement development and other - Average occupancy[1]	**53.2 %**	61.9%	(8.7%)	**53.3 %**	63.4 %	(10.1%)
Retirement - Average total occupancy[1]	**82.7 %**	80.7%	2.0%	**79.6 %**	81.9 %	(2.3%)
LTC - Average total occupancy [2]	**88.9 %**	86.0%	2.9%	**85.2 %**	91.4%	(6.2%)
LTC - Average private occupancy	**82.2 %**	83.5%	(1.3%)	**80.7 %**	89.8%	(9.1%)
FINANCIAL						
Revenue	**174,175**	168,834	5,341	**668,494**	664,233	4,261
Operating expenses, net	**140,729**	140,181	548	**526,353**	538,223	(11,870)
Same property NOI[3]	**32,426**	28,015	4,411	**137,458**	123,531	13,927
Total NOI[3]	**33,446**	28,653	4,793	**142,141**	126,010	16,131
Administrative expenses	**7,599**	9,878	(2,279)	**31,270**	33,486	(2,216)
EBITDA[4][10]	**25,825**	18,439	7,386	**110,841**	91,959	18,882
Net income (loss)	**4,654**	(8,729)	13,383	**20,648**	(24,487)	45,135
OFFO[5][10]	**18,258**	14,156	4,102	**76,992**	68,897	8,095
AFFO[6][10]	**16,555**	13,174	3,381	**72,757**	69,568	3,189
Total assets[7]	**1,609,189**	1,678,129	(68,940)	**1,609,189**	1,678,129	(68,940)
PER SHARE INFORMATION						
Net income per share, basic	**0.070**	(0.130)	0.200	**0.310**	(0.370)	0.680
Net income per share, diluted	**0.070**	(0.130)	0.200	**0.310**	(0.370)	0.680
OFFO per share[5]	**0.272**	0.211	0.061	**1.148**	1.028	0.120
AFFO per share[6]	**0.247**	0.196	0.051	**1.085**	1.038	0.047
Dividends per share	**0.234**	0.234	—	**0.936**	0.936	—
Payout ratio[8]	**94.7 %**	119.4 %	(24.7)%	**86.3 %**	90.2 %	(3.9)%
FINANCIAL RATIOS						
Debt to enterprise value[9]	**49.5 %**	52.1 %	(2.6)%	**49.5 %**	52.1 %	(2.6%)
Debt to gross book value as at period end	**44.7 %**	48.2 %	(3.5)%	**44.7 %**	48.2 %	(3.5)%
Weighted average cost of debt as at period end	**3.4 %**	3.2 %	0.2%	**3.4 %**	3.2 %	0.2%
Debt to Adjusted EBITDA as at period end	**7.9**	9.4	(1.5)	**7.9**	9.4	(1.5)
Interest coverage ratio	**3.4**	2.8	0.6	**3.7**	3.1	0.6
Debt service coverage ratio	**1.8**	1.5	0.3	**2.1**	1.4	0.7
Weighted average term to maturity as at period end	**5.2**	4.7	0.5	**5.2**	4.7	0.5
CHANGE IN SAME PROPERTY NOI[4]						
Retirement			**16.6%**			(6.7%)
LTC			**15.1%**			26.1%
Total			**15.7%**			11.3%

Notes:

1. Retirement same property occupancy excludes 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, and one retirement residence classified as an asset held for sale, both of which are included in retirement total average occupancy.

2. Long-term care residences received occupancy protection funding for vacancies caused by temporary closure of admissions due to an outbreak, including COVID-19, and for capacity limitations and isolation requirements until January 31, 2022.
3. NOI for the three months and year ended December 31, 2021 includes net pandemic expenses (recovery) of $21 and $(7,219), respectively (2020 - $7,035 and $21,977, respectively) (as discussed in the "Our Operations Update" section of this MD&A).
4. EBITDA for the three months and year ended December 31, 2021 increased by $7,386 to $25,825 and $18,882 to $110,841, respectively, over the comparative periods primarily due to an increase in NOI and lower administrative expenses.
5. Net income (loss) and OFFO for the three months and year ended December 31, 2021 includes an after-tax net pandemic expense (recovery) of $113 and $(3,639), respectively (2020 - $5,664 and $20,727, respectively) and mark-to-market (recovery) expense on share-based compensation of $(78) and $(159), respectively (2020 - $713 and $(2,477), respectively). OFFO per share for the three months and year ended December 31, 2021 excluding after-tax net pandemic expense (recovery) and mark-to-market adjustments on share-based compensation was $0.273 and $1.092, respectively (2020 - $0.306 and $1.300, respectively).
6. AFFO for the three months and year ended December 31, 2021 includes net pandemic capital expenditures (recoveries) of $295 and $(10), respectively (2020 - $57 and $501, respectively), after-tax net pandemic expenses (recoveries) of $113 and $(3,639), respectively (2020 - $5,664 and $20,727, respectively) and mark-to-market (recovery) expense on share-based compensation of $(78) and $(159), respectively (2020 - $713 and $(2,477), respectively). AFFO per share for the three months and year ended December 31, 2021 excluding net pandemic capital expenditures (recoveries) and after-tax net pandemic expense (recoveries) and mark-to-market adjustments on share-based compensation was $0.252 and $1.029, respectively (2020 - $0.292 and $1.318, respectively).
7. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
8. Payout ratio for the three months and year ended December 31, 2021, excluding after-tax net pandemic impact and mark-to-market adjustments on share-based compensation, would be 92.8% and 91.0% respectively (2020 - 80.0% and 71.0%, respectively).
9. Debt to enterprise value decreased to 49.5% as at December 31, 2021 from 52.1% as at December 31, 2020. The decrease is mainly due to the $ $82,340 decrease in total debt.
10. This is a non-IFRS measure, refer to "Non-IFRS Performance Measures" section of the MD&A.

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 (recoveries) for the periods ended December 31.

	Three Months Ended			Year Ended		
Thousands of Canadian dollars, except occupancy, share and ratio data	**2021**	2020	Change	**2021**	2020	Change
FINANCIAL						
Operating expenses, excluding net pandemic expenses (recoveries)(1)	**140,708**	133,146	7,562	**533,572**	516,246	17,326
Same property NOI, excluding net pandemic expenses (recoveries)(1)	**32,619**	34,889	(2,270)	**131,468**	144,148	(12,680)
Total NOI, excluding net pandemic expenses (recoveries)(1)	**33,467**	35,688	(2,221)	**134,922**	147,987	(13,065)
Administrative expenses, excluding net pandemic expenses (recoveries)	**7,466**	9,200	(1,734)	**29,006**	27,236	1,770
EBITDA, excluding net pandemic expenses (recoveries)(2)	**25,979**	26,152	(173)	**105,885**	120,186	(14,301)
Net income (loss), excluding net pandemic expenses (recoveries)(3)	**4,767**	(3,065)	7,832	**17,009**	(3,760)	20,769
OFFO, excluding net pandemic expenses (recoveries) (3)(5)	**18,371**	19,820	(1,449)	**73,353**	89,624	(16,271)
AFFO, excluding net pandemic expenses (recoveries) (4)(5)	**16,964**	18,895	(1,931)	**69,108**	90,796	(21,688)
PER SHARE INFORMATION						
OFFO per share, excluding net pandemic expenses (recoveries)(3)(5)(6)	**0.274**	0.296	(0.022)	**1.094**	1.337	(0.243)
AFFO per share, excluding net pandemic expenses (recoveries) and net pandemic capital expenditures (recoveries)(4)(5)(7)	**0.253**	0.281	(0.028)	**1.031**	1.355	(0.324)
Payout ratio, excluding net pandemic expenses (recovery) and net pandemic capital expenditures (recoveries)(8)	**92.5 %**	83.3 %	9.2 %	**90.8 %**	69.1 %	21.7 %
FINANCIAL RATIOS						
Debt to Adjusted EBITDA as at period end, excluding net pandemic expenses (recoveries)(2)	**8.2**	7.5	0.7	**8.2**	7.5	0.7
Interest coverage ratio, excluding net pandemic expenses (recoveries)(2)	**3.4**	3.7	(0.3)	**3.5**	3.9	(0.4)
Debt service coverage ratio, expenses and net pandemic capital expenditures, excluding net pandemic (recoveries)(2)	**1.9**	2.1	(0.2)	**2.0**	1.7	0.3
CHANGE IN SAME PROPERTY NOI, excluding net pandemic (recoveries) expenses						
Retirement			**2.3 %**			**(9.2)%**
LTC			**(12.4)%**			**(8.7)%**
Total			**(6.2)%**			**(8.8)%**

Notes:

1. Operating expenses and total NOI for the three months and year ended December 31, 2021 exclude net pandemic expenses (recoveries) of $21 and $(7,219), respectively (2020 - $7,035 and $21,977 respectively).

2. EBITDA, debt to adjusted EBITDA, interest coverage ratio and debt coverage ratio exclude net pandemic expenses for the three months and year ended December 31, 2021 of $154 and $(4,956), respectively, (2020 - $7,713 and $28,227, respectively).
3. Net income (loss) and OFFO for the three months and year ended December 31, 2021 exclude after-tax net pandemic expenses (recoveries) of $113 and $(3,639), respectively (2020 - $5,664 and $20,727, respectively).
4. AFFO for the three months and year ended December 31, 2021 excludes net pandemic capital expenditures (recoveries) of $295 and $(10), respectively (2020 - $57 and $501, respectively) and after-tax net pandemic expenses (recoveries) of $113 and $(3,639), respectively (2020 - $5,664 and $20,727, respectively).
5. OFFO and AFFO for the three months and year ended December 31, 2021 include an after-tax mark-to-market (recovery) expense on share-based compensation of $(78) and $(159), respectively (2020 - $713 and $(2,477), respectively).
6. OFFO per share for the three months and year ended December 31, 2021 excluding after-tax net pandemic expenses (recoveries) and mark-to-market adjustments on share-based compensation was $0.273 and $1.092, respectively (2020 - $0.306 and $1.300, respectively).
7. AFFO per share for the three months and year ended December 31, 2021 excluding net pandemic capital expenditures (recoveries) and after-tax net pandemic expenses (recoveries) and net mark-to-market adjustments on share-based compensation was $0.252 and $1.029, respectively (2020 - $0.292 and $1.318, respectively).
8. Payout ratio for the three months and year ended December 31, 2021, excluding after-tax net pandemic impact and mark-to-market adjustments on share-based compensation, would be 92.8% and 91.0%, respectively (2020 - 80.0% and 71.0%, respectively).

Fourth Quarter 2021 Summary

As outlined in detail under "Business Update" below, the fourth quarter of 2021 has been marked with a continually strengthened operating environment, resulting in substantial occupancy gains across Sienna’s retirement residences and long-term care communities.

Occupancy - Average same property occupancy in the Retirement portfolio was 84.6% in Q4 2021, up 250 basis points ("**bps**") from 82.1% in Q3 2021. Based on total number of licensed beds, average occupancy in the LTC portfolio was 88.9% in Q4 2021, and ended the quarter at 87.3%, or 95.3% excluding the unavailable 3rd and 4th beds in multi-bed rooms due to capacity limitations. LTC continued to be fully funded for vacancies. The Government of Ontario extended the occupancy protection funding until January 31, 2022, at which time occupancy targets of 97% for long-stay beds and 90% for interim short-stay beds, excluding beds unavailable mainly as a result of capacity limitations in multi-bed rooms, will be reinstated. We expect that the vast majority of our LTC communities will reach the average annual occupancy target required for full funding for 2022.

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

	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022
Retirement same property occupancy (average)	83.1 %	84.0 %	84.4 %	85.3 %	85.9 %
Retirement rent collection (%)	99.0 %	99.2 %	99.0 %	98.7 %	98.9 %

During and subsequent to Q4 2021, Retirement monthly same property average occupancy further improved from 85.3% in December 2021 to 85.9% in January 2022, reflecting the results of numerous marketing and sales initiatives and realization of lead indicators. Rent collections remained high and are consistent with pre-pandemic levels.

Revenue increased by 3.2% in Q4 2021, or $5,341, to $174,175, compared to Q4 2020. In the Retirement segment, revenues increased by $1,354 or 3.6% compared to Q4 2020 driven by occupancy growth and annual rental rate increases in line with market conditions. LTC's revenues for Q4 2021 increased by $3,987 compared to Q4 2020, primarily due to annual inflationary funding increases and new direct care hours funding, partially offset by lower preferred accommodation revenue from lower occupancy in private and semi-private rooms.

Operating Expenses, net of government assistance increased by $548 in Q4 2021, or 0.4%, to $140,729, compared to Q4 2020, primarily due to flow-through expenses related to increase in direct care hours and other funding in LTC, higher costs of staffing, utilities costs and insurance premiums, and increased repairs and maintenance expenses, partially offset by decrease in pandemic expenses, and retroactive pandemic funding of $2,603 received during the quarter to support the pandemic expenses incurred in excess of available funding, of which $1,694 was for the year ended December 31, 2020 and $909 was for Q1 2021.

NOI increased by $4,793 in Q4 2021, or 16.7%, to $33,446, compared to Q4 2020, mainly due to annual inflationary funding increases in the LTC segment, timing of government assistance to support pandemic expenses and moderation of pandemic costs, partially offset by decrease in preferred accommodation revenue, higher costs of labour, utilities and insurance premiums.

Net income was $4,654 for Q4 2021, representing an increase of $13,383 compared to Q4 2020. The increase was primarily due to the increase in NOI, lower amortization on intangible assets, lower administrative expenses, lower net finance charges, partially offset by higher income tax expense and transaction costs.

OFFO increased by 29.0% in Q4 2021, or $4,102, to $18,258 compared to Q4 2020. OFFO per share increased by 28.9% in Q4 2021, or $0.061, to $0.272. The increase was primarily due to higher NOI, lower administrative expenses, lower interest expense on long-term debt, partially offset by higher current income tax expense.

AFFO increased by 25.7% in Q4 2021, or $3,381, to $16,555 compared to Q4 2020. AFFO per share increased 26.0% in Q4 2021, or $0.051, to $0.247. The increase was primarily related to the increase in OFFO noted above, partially offset by higher maintenance and pandemic related capital expenditures.

Debt The Company's debt to gross book value decreased by 320 bps to 44.7% in Q4 2021 from 48.2% as at Q4 2020, primarily due to lower drawdowns on the Unsecured Revolving Credit Facility (as defined in the "Liquidity and Capital Resources'" section of this MD&A). Debt to adjusted EBITDA improved to 7.9 years in Q4 2021 from 9.4 years in Q4 2020; interest coverage ratio improved to 3.4 times in Q4 2021 from 2.8 times in Q4 2020; and debt service coverage ratio increased to 1.8 times in Q4 2021 from 1.5 times in Q4 2020. Weighted average term to maturity extended to 5.2 years from 4.7 years. The Company is in compliance with all of its debt covenants.

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.

Business Update

Over the past year, we moved forward with a number of strategic initiatives to grow the Company and add value to Sienna's operating platforms.

Growth Initiatives

Large-scale Expansion of Ontario Retirement Portfolio and Entry into Saskatchewan Retirement Market

On February 3, 2022, the Company entered into an agreement to acquire a 50% ownership interest in a $307.5 million portfolio of 11 seniors housing assets in Ontario and Saskatchewan consisting of 1,048 high-quality, private-pay independent living, assisted living, and memory care suites (the **"Portfolio"** or **"Acquisition"**) owned by Extendicare Inc.

Sienna will acquire the Portfolio in partnership with Sabra Health Care REIT, Inc. ("**Sabra**"), one of North America's leading owners of seniors housing properties. As manager of the Portfolio, Sienna will expand upon an already established operating relationship with Sabra with respect to eight Sabra wholly-owned retirement residences in Canada. The newly formed joint venture, with Sienna acting as a manager of the Portfolio, is an endorsement of the Company as one of Canada's leading operators of seniors' living properties.

The Portfolio is an attractive expansion opportunity for Sienna in its existing Ontario markets, featuring high-quality, recently built retirement residences. It also provides an entry into the Saskatchewan market with immediate scale and a platform for further expansion. Strategically located in growing communities, the properties are well positioned with coveted locations in their respective markets. With an average age of approximately six years, the Portfolio offers contemporary seniors living accommodation with extensive amenities reflecting the changing lifestyle preferences of seniors. Following the closing of the Acquisition, the joint venture intends to allocate approximately $5 million, or $2.5 million representing the Company's proportionate ownership interest, for further capital improvements to be completed in the near-term.

Sienna expects to capitalize on the growing demand for quality seniors' living in each community, and the efficiencies available through operating together with the Company's other owned and managed retirement residences and care communities. Additionally, excess land at four of the properties represents future incremental development potential of 233 suites.

The following table summarizes key information about the Portfolio:

Property	City	Year Built / Expanded	Suites				
			IL	AL	MC	Total	Potential Expansion
The Barrieview	Barrie, ON	2019	78	23	23	124	-
Douglas Crossing	Uxbridge, ON	2017	102	28	18	148	-
Harvest Crossing	Tillsonburg, ON	2011/15	100	-	-	100	52
Lynde Creek Manor	Whitby, ON	2004/14	93	-	-	93	77
Bolton Mills	Bolton, ON	2019	112	-	-	112	-
Cedar Crossing	Simcoe, ON	2016	67	-	-	67	45
Empire Crossing	Port Hope, ON	2015	63	-	-	63	59
Total Ontario			**615**	**51**	**41**	**707**	**233**

Stonebridge Crossing	Saskatoon, SK	2012	89	-	27	116	-
Yorkton Crossing	Yorkton, SK	2016	79	-	-	79	-
West Park Crossing	Moose Jaw, SK	2016	57	-	22	79	-
Riverbend Crossing	Regina, SK	2013	-	-	67	67	-
Total Saskatchewan			**225**	**-**	**116**	**341**	**-**
Total Portfolio			**840**	**51**	**157**	**1,048**	**233**

The Acquisition will enhance the size and quality of Sienna's private-pay retirement portfolio, increase the number of owned and managed retirement suites by 26%, and solidify the Company's position as a leading seniors' living provider in key markets across Canada.

We expect the completion of the Acquisition, which is subject to regulatory approvals and customary closing conditions, to occur in late Q2 2022. Further details about the Acquisition can be found in the press release issued by the Company on February 3, 2022.

Development of a Joint Venture Retirement Residence in Ontario

Sienna's development of a 150-suite 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 greenfield joint venture with Reichmann Senior Housing is 70%. The total net capital investment to date is $6.3 million.

Development and Redevelopment of Long-Term Care Portfolio in Ontario

On November 4, 2021, the Government of Ontario committed to invest an additional $3.7 billion for the development of new long-term care beds and upgrades of existing beds to contemporary design standards, bringing the total investment announced to date to approximately $6.4 billion over the next four years. This commitment is expected to lead to more than 30,000 net new beds by 2028 in addition to 28,000 upgraded long-term care beds in Ontario.

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 and redevelopment plans include a number of projects in Ontario. In November 2021, construction commenced at our Northern Heights Care Community in North Bay, a 160-bed development which will replace 148 older Class C beds. We are monitoring current cost escalations, which we expect will impact our original cost estimate of approximately $55 million.

In addition, we are in advanced stages of planning and approval with regulatory and local authorities on several other projects, including the redevelopment of our long-term care beds at Sienna's Cedarvale Lodge Care Community in Keswick, replacing the current 60 long-term care beds with a 160-bed facility. We further plan to redevelop our 122-bed Fox Ridge Care Community in Brantford, replacing it with 160 new beds with a contemporary design and adding a new 147-suite retirement residence to create an integrated campus of care onsite. We expect construction of these two projects to start during the first half of 2022.

In December 2021, the Company received approval from the Government of Ontario for three additional redevelopment projects, including a first-of-its-kind campus of care, combining Altamont Care Community and Rockcliffe Care Community onto one site. The campus of care will comprise 448 long-term care beds and 30 palliative care beds in partnership with Scarborough Health Network ("**SHN**"), which will help us meet the growing needs of seniors in the area.

Additionally, the Company received approval to redevelop Midland Gardens Care Community, which will provide 320 long-term care beds, as well as the 53 apartments for seniors and Streetsville Care Community in Mississauga, which includes the redevelopment of 118 existing beds and addition of 138 news beds to create a contemporary, safe and comfortable 256-bed campus of care.

To date, Sienna has a total of six government-approved long-term care redevelopment projects in Ontario, comprising over 1,500 beds, or approximately two thirds of our Class C beds. Planning for the balance of Sienna's Class C portfolio is well underway.

Financial Position

Our strategic plans to redevelop and expand our asset base is supported by Sienna’s solid financial position and an investment-grade credit rating.

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, the financing demonstrated a strong vote of confidence in the future of our company and our sector.

On October 7, 2021, DBRS confirmed Sienna’s issuer rating and senior unsecured debentures ratings of “BBB” with stable trends. These ratings underscore the resiliency and strength of the Company and support Sienna’s $600 million redevelopment plan, over the next five to seven years, to update our older long-term care communities in Ontario, as well as our development and growth initiatives across our retirement portfolio.

Retirement Operations Update

The fourth quarter of 2021 has been marked with a continually strengthened operating environment across Sienna’s retirement residences, resulting in a 250 bps same property average occupancy gain quarter over quarter, or a total growth of 650 bps for the period from May to December 2021. In January 2022, same property average occupancy improved by another 60 bps to 85.9%. We were able to offer in-person tours for prospective residents across our retirement portfolio for substantially all of Q4 2021, until the Omicron variant required renewed restrictions in the final weeks of 2021. In recent weeks, the operating environment had improved, which led to the easing of restrictions across our residences.

Sienna's Retirement portfolio comprised 3,291 suites across Ontario and British Columbia as at December 31, 2021 and contributed approximately 43% to the Company's NOI in Q4 2021, excluding the impact of net pandemic expenses. During Q4 2021, Sienna incurred $0.8 million of pandemic expenses in the Retirement segment, for which it received $0.6 million in pandemic funding for the period, excluding flow-through pandemic pay for frontline staff. This represented a 58% decrease in net pandemic expenses in Q4 2021 compared to Q3 2021.

Our sales and marketing teams continued with intensified sales activities across our Retirement portfolio, generating strong interest in our residences. In-person tours took place across our portfolio in Ontario and British Columbia for most of Q4 2021, and our teams were able to pivot quickly to online tours in the final weeks of 2021 as a result of renewed pandemic-related restrictions.

Our marketing campaigns were further supported by strong community engagement, with a key focus on building and maintaining excellent relationships with healthcare and business partners in the local communities of our residences.

All of these efforts resulted in an increase in rent deposits of over 120% and an increase in move-ins of nearly 140% compared to Q4 2020. In line with strong lead generation and deposits, average same-property occupancy improved by 250 basis points quarter over quarter, from 82.1% in Q3 2021 to 84.6% in Q4 2021. Throughout the fourth quarter of 2021, average same property occupancy levels improved each month, reaching 85.3% in December 2021, its highest level in nearly two years and further improved to 85.9% in January 2022. In addition, rent collection levels remained high at approximately 99% throughout Q4 2021.

New Retirement Platform "Aspira"

In August 2021, we announced the launch of Sienna's new Retirement platform Aspira, aimed at making the retirement brand within the Sienna business line more distinctive and differentiating our offerings through customer-centric personalization and expanded choices. 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. A key aim of this brand is to expand the market to attract seniors who are currently living at home and may be looking for a better alternative that includes convenience and safety within a community.

Since the announcement of the Aspira platform in August 2021, we have been focused on the development of a resident-centric model of choice, including an improved culinary experience which features more choices, carefully curated ingredients, healthier options, vibrant presentations and a greater emphasis on local products. In addition, through the deployment of technology and 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. Along with these enhancements, our wellness programs will be expanded and communicated more effectively to better position us to offer support when needed.

Our recent efforts have been concentrated on team member training on the new resident experience model, marketing initiatives and the roll-out of pilot programs of various concepts at select retirement residences. In addition, we finalized the core elements of the brand and marketing supports.

All of these exciting initiatives will support the launch of the Aspira brand in Q2 2022. We expect our new retirement brand and service offerings will further support lead generation, occupancy growth and ultimately contribute to improved financial performance.

Long-term Care Operations Update

In Q4 2021, the Company's long-term care portfolio, which comprises 6,868 beds in Ontario and British Columbia, contributed approximately 57% to the Company's overall NOI, excluding the impact of net pandemic expenses.

Our focus continues to be on improved quality of life and care outcomes. We have strengthened our ongoing review of quality of care based on quality indicators, clinical reviews and inspection reports. We also continued to build on our commitment to partner with residents and families through the Sienna Family and Resident Advisory Groups.

Development of New LTC Platform

The Company is currently developing a new LTC platform aimed at providing holistic and integrated care at our communities, which will significantly enhance the quality of life of residents.

The new LTC platform is expected to be launched in Q3 of 2022.

As part of a new service model at our long-term care communities, we intend to improve our residents' dining experience, enhance activities and programming and find ways to bring the local community into our homes to create a better community experience for residents. The platform design is based on best practices and the input from our residents and families, with the aim to distinguish Sienna as a LTC provider of choice.

New Government Legislation

In October 2021, the Ontario government proposed new legislation, Bill 37, *Providing More Care, Protecting Seniors, and Building More Beds Act, 2021* (Bill 37). Bill 37 was enacted in December 2021 and replaces the *Long Term Care Homes Act, 2007* and amends the *Retirement Homes Act, 2010*. The most significant aspects of Bill 37 are a heightened profile for palliative care, continuous quality improvement and infection prevention and control, the establishment of direct hours of care targets, and protecting residents with increased transparency, compliance and enforcement tools. Specifically, Bill 37 increases average hours of direct care per resident per day to four hours by March 31, 2025 and increases the fines for offenses committed under the legislation. The amendments to the *Retirement Homes Act* similarly include enhanced resident protection and compliance measures.

New Government Funding Announcement

On February 4, 2022, the Government of Ontario announced an additional $328 million funding to prevent and contain the transmission of COVID-19 infections and to address extraordinary and critical costs to care for residents during the evolving pandemic.

As outlined under the "Fourth 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.

Occupancy Protection Funding

For LTC communities in both Ontario and British Columbia, the Company continued to receive full funding for vacancies caused by the temporary closure of admissions due to an outbreak, including COVID-19. The Government of Ontario's occupancy protection funding for vacancies, including vacancies as a result of capacity limitations and the provision of isolation rooms, remained in place until January 31, 2022.

Starting in February 2022, occupancy targets required for full funding have been reinstated, at which time occupancy targets of 97% for long-stay beds and 90% for interim short-stay beds, excluding beds unavailable as a result of capacity limitations in multi-bed rooms and isolation requirements, will be reinstated. In addition, homes will continue to receive funding for eligible beds that cannot be filled due to an outbreak. As at December 31, 2021, approximately 500 beds were unavailable mainly as a result of capacity limitations and isolation requirements, of which nearly 400 represented the 3rd and 4th beds in multi-bed rooms.

Accelerating resident admissions throughout most of Q4 2021 resulted in same property average occupancy growth of 2.7% quarter over quarter to 88.9% in Q4 2021, compared to 86.2% in Q3 2021, based on the total number of licensed beds. Excluding the 3rd and 4th beds in multi-bed rooms, same property average occupancy would have been 94.1% in Q4 2021, compared to 92.4% in Q3 2021.

The loss of preferred accommodation premiums from private and semi-private room vacancies is not covered by occupancy protection funding. The impact of the loss of preferred accommodation revenues compared to average pre-pandemic revenues was approximately $0.9 million in Q4 2021 compared to $0.7 million in Q4 2020.

Given the long waiting list of approximately 38,000 for LTC beds across Ontario and long wait times of three months to two years for beds at our LTC communities in British Columbia, we anticipate the achievement of the average annual occupancy target required for full funding at the vast majority of our care communities with limited impact on NOI in 2022.

COVID-19 Update

During the first two waves of COVID-19 in the spring and fall of 2020, prior to the arrival of vaccines, seniors have been at the greatest risk for severe illness and complications from COVID-19. By the time the third and fourth waves of the pandemic impacted Canadians in the spring and fall of 2021, high vaccination rates in seniors' living settings provided significant protection against illness and severe outcomes, and supported the Company's operations and infection prevention and control measures.

The fifth, and most transmissible wave to date (the Omicron wave), has driven case counts to record highs and has been defined by severe staffing shortages across many sectors, including seniors' living. However, the majority of residents in seniors' living settings had received their third dose of the vaccine by the beginning of 2022. Supported by the added protection of booster shots, the majority of residents' and team members' symptoms with respect to the new Omicron variant have been mild or moderate. Sienna continues to have stringent precautions in place to manage the impact of COVID-19 at its residences.

As of February 21, 2022, 12 of Sienna's 82 owned or managed residences are in outbreak with active cases of COVID-19 at 9 long-term care and 3 retirement residences. Of these residences, 11 residences have five or less active COVID-19 cases among its residents, including 3 residences with no active COVID-19 resident cases.

Approximately 86% of Sienna's residents and approximately 67% of Sienna's team members have received at a minimum three doses of a COVID-19 vaccine, according to the most recent data available. In addition, fourth vaccine doses have been rolled out for eligible residents at our long-term care residences. Sienna's vaccination task force is supporting the efforts to get third and fourth doses of the vaccine to team members and residents as quickly and efficiently as possible.

Staffing Update

We continued with our proactive staffing strategy to lessen our reliance on agency staff and to position Sienna well for the gradual increase in direct hours of care across the long-term care platform. Residents' direct hours of care will increase from 2.8 hours per day to 3.0 hours per day by March 2022, an important step towards the Government of Ontario's previously announced plan to provide 4.0 hours of direct resident care by 2025.

In addition to attracting new talent, we have been able to offer incentives and additional shifts to team members in order to deal with increased temporary absenteeism as a result of the Omicron variant.

As part of our ongoing talent acquisition strategy, we expanded our collaboration 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. Sienna's collaboration with colleges and universities is supporting the placement of approximately 900 students during the six months from October 2021 until March 2022, with approximately 20% graduating in 2022.

Resident, Family and Team Member Satisfaction

Our desire to learn from and engage with our stakeholders is reflected in the strong results from recently completed resident and family satisfaction surveys, indicating that over 80% of our residents and nearly 90% of their families recommend Sienna's LTC communities.

Similarly, at our retirement residences, the overall satisfaction score, which included quality of life, quality of services and willingness to recommend Sienna, was 83%.

In addition, 84% of Sienna's team members feel they are able to do meaningful work every day.

These results, which are in line with the Company's pre-pandemic results, are quite strong, given the challenges the seniors' living sector has experienced throughout the pandemic.

Over the past year, we have focused on engagement and recognition of our team members and have prioritized the well-being of our residents and team by making investments in our residences and operating platforms to improve their quality of life and to build a stronger future for all.

Cost Pressures under Current Market Conditions

The past two years have seen cost pressures on agency staffing costs due to a tight labour market, increased insurance premiums in the senior housing sector, and rising utilities costs in line with the overall market.

Significant agency premiums averaging 75% to 100% over the regular staffing rates combined with generally higher reliance on agency staff during the pandemic resulted in a substantial increase in staffing costs. Agency staffing costs for 2021 totaled approximately $47 million, compared to $35 million in 2020 and $19 million in 2019, with a significant portion of the added staffing costs covered by government flow-through funding. The Company's NOI was impacted by additional agency staffing costs in 2021, representing an increase of approximately $2.7 million compared to 2020, or $4.4 million compared to 2019. We believe that agency staffing costs will moderate as more healthcare workers re-enter the workforce and as we start to see the impact of the government's enhanced focus on training of personal support workers and nurses, and recognition of foreign credentials to address the current labour shortage.

We have also experienced a significant increase in insurance premiums of approximately $1.3 million and $2.9 million compared to 2020 and 2019, respectively.

With respect to utilities, market rate increases with respect to gas and hydro impacted NOI. In 2021, utilities increased by $1.2 million, representing an approximate 7% increase over the prior year.

We expect that continuing occupancy growth, rental rate increases, as well as the added scale as a result of acquisitions and developments will mitigate these increased costs and support our operating margins in 2022 and beyond. We will also continue to advocate for funding levels in the long-term care sector that address rising costs proportionately.

Environmental, Social and Governance ("ESG") Initiatives

In 2021, Sienna's ESG commitment has been highlighted in a number of initiatives, including the Company's formation of an ESG Committee and the publication of our inaugural ESG Report in February 2021, followed by a mid-year update focused on Sienna's diverse and inclusive workforce and the Company's approach to fair compensation and gender pay equity.

For further information on our ESG initiatives, please refer to the ESG section on Sienna's website under https://www.siennaliving.ca and the ESG Responsibility section in this report.

Outlook

Continued strong demand for the services and care offered by Canadian seniors' living operators supports an optimistic outlook for the sector and the Company in 2022 and beyond. Over the next 20 years, the 75+ population is expected to grow by nearly 4% annually and outpace Canada's overall population growth by five times.

For 2022, Sienna forecasts gradual occupancy improvements in the Company’s retirement portfolio, based on the assumption that residences will be open for in-person tours, and supported by pent-up demand and the Company’s continued investment in sales, marketing and rebranding initiatives. Sienna maintains its forecast for occupancy levels to reach approximately 87% to 89% in its in-place Retirement portfolio by the end of 2022.

The Company also expects continued occupancy growth with respect to the Acquisition portfolio. Overall occupancy for the 11 properties to be acquired in late Q2 2022 has been trending upward since mid-2021.

In Sienna's LTC portfolio, admissions of new residents accelerated for most of the fourth quarter. Starting in February 2022, occupancy targets required for full funding, including the occupancy funding protection during outbreaks, have been reinstated, excluding beds unavailable as a result of capacity limitations and isolation requirements. Given the long waiting list for long-term care beds in Ontario and British Columbia, we anticipate to meet the required occupancy targets at the vast majority of our care communities for full funding in 2022 with limited impact on NOI.

After adjusting for retroactive pandemic funding of $17.2 million received during 2021 and normalizing for the two property dispositions expected to be completed in Q1 2022 comprising of approximately $4 million of NOI in 2021, we expect year-over-year NOI growth in 2022 to be supported by continuing occupancy growth, rental rate increases and added scale from acquisitions. These factors are expected to contribute to revenue growth, while we anticipate cost pressures experienced in the past two years to continue due to labour shortages, increased insurance premiums and higher utility rates, with our operating margins gradually improving over the coming years.

With respect to incremental pandemic-related expenses, Sienna anticipates continued improvements as the pandemic subsides, while related government funding is expected to decline gradually.

The recently announced Acquisition, which is expected to be finalized in late Q2 2022, will enable us to achieve one of our strategic priorities of expanding our retirement platform to new geographies. The Saskatchewan properties give us immediate scale in the province and a platform for further growth. The Acquisition also solidifies our position as a leading seniors’ living provider in Ontario. We intend to capitalize on the growing demand for quality seniors living in these markets and achieve operating efficiencies with the Company’s existing retirement residences and care communities.

Going forward, Sienna will continue to leverage the growth potential at its Retirement and LTC platforms in existing and new markets. Sienna’s strategic partnership with its joint venture partner Sabra is also expected to become an additional avenue of future growth, and will generate enhanced returns through a management fee income stream. In addition, the development and redevelopment of Sienna’s LTC portfolio in Ontario continues to gain momentum.

Fundamentals in the Canadian seniors’ living sector have steadily improved in 2021 as demand for the services and care offered by seniors’ living operators continue to build. Sienna intends to capitalize on the improving fundamentals, achieve operating efficiencies through scale, continue to grow the business through development and acquisitions, and drive performance for years to come.

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.

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**").

Sale of a Retirement Residence

On August 30, 2021, the Company entered into an agreement to sell Rideau Retirement Residence with 138 suites in British Columbia. The disposition was completed on January 31, 2022. The gross proceeds on the sale were $33,250 and the carrying amount of capital assets disposed was $16,321. The property-level mortgage with an outstanding balance of $21,539 as at January 31, 2022 has been discharged on the closing date of the transaction.

Sale of a Long-Term Care Community

On November 4, 2021 the Company entered into an agreement to sell Camilla Care Community with 236 Class C beds in Ontario for estimated gross proceeds of $19,875. The closing of the sale is expected to be completed at the end of Q1 2022, and is subject to regulatory approval and other customary closing conditions.

In the regular course of our business, we will review our asset base to add value through capital recycling. Net proceeds from current and future dispositions are expected to be used to invest in our development program.

DBRS Rating Renewal

On October 7, 2021, DBRS confirmed Sienna's issuer rating and senior unsecured debenture ratings of "BBB" with stable trends. These ratings underscore the resiliency and strength of our business and support Sienna's $600 million redevelopment plan, over the next five to seven years, to update our older long-term care communities in Ontario, as well as our development and growth initiatives across our retirement portfolio.

Acquisition of a 50% Ownership Interest in a Retirement Residences Portfolio

On February 3, 2022, the Company entered into an agreement to acquire a 50% ownership interest in a $307.5 million portfolio of eleven private-pay retirement residences in Ontario and Saskatchewan, financed through a combination of: (i) $150 million acquisition term loan at 145 bps per annum over the floating BA rate for a 12-month term from the closing of the acquisition, that the Company expects to refinance post-closing; (ii) proceeds from the previously announced dispositions of Rideau Retirement Residence and Camilla Care Community; and (iii) draws on the Company's existing credit facilities. The Company will acquire the portfolio in partnership with Sabra Health Care REIT,Inc., who is acquiring the other 50% interest, with the Company as the manager of the portfolio.

The acquisition is subject to regulatory approvals and other customary closing conditions, and is expected to be completed in late Q2 2022.

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 Aspira, to distinguish its product and service offerings from competitors;
- Developing a new LTC platform aimed at providing holistic and integrated care to improve the quality of life of 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;
- Maintaining a diversified debt portfolio to provide the Company with additional financial flexibility to achieve Sienna's growth objectives; and
- 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;
- Distinguishing the Company's product and service offerings from competitors through the launch of a new retirement platform;
- Continuing to invest in Sienna's team culture and operating platform to deliver quality resident experiences; and
- Investing in comprehensive sales and marketing programs.

Acquisition and Development:

- Strategic and disciplined acquisitions of high-quality seniors' living residences in key markets in Canada;
- Redevelopment of older LTC communities in key Ontario markets with both new and upgraded facilities;
- 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
- Establishing and deepening joint venture partnerships to provide additional avenues for growth.

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.

In 2021, Sienna established an ESG Committee comprising senior leaders of the Company and published its first ESG Report, followed by a Mid-Year 2021 Update. We expect to publish our next ESG Report in Q2 2022. For more information on Sienna's ESG initiatives, 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. Over the past year, many of our ESG initiatives were focused on our team members.

With approximately 12,000 team members, our employees are our most important asset. Creating a positive experience and supporting personal and professional growth are key objectives at Sienna. 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.

Diversity, Equity and Inclusion

A Diverse and Inclusive Workforce

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 further demonstrates our commitment to gender diversity.

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.

BIPOC - 33% of the Company's senior executives identify as Black, Indigenous or People of Colour ("BIPOC").

Fair Compensation and Gender Pay Equity

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

Furthermore, approximately 63% 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.

SOAR

On August 19, 2021, we announced the launch of the SOAR program, which will award common shares of the Company to all permanent employees who have been with the Company for one year or longer. Pursuant to the program, which will involve an initial investment of approximately $3.0 million, Sienna will provide every eligible employee with the opportunity to become a shareholder by awarding a one-time grant of approximately $500 of common shares to full-time employees and approximately $300 of common shares to part-time employees. This program is subject to shareholder approval at the 2022 Annual General Meeting of shareholders. In addition, Sienna is also introducing an employer matching program for employees who wish to further invest in and grow the Company together.

SOAR was launched to recognize the compassion, effort and dedication that team members bring to Sienna's residents and communities every day. With this new ownership and reward program, team members will be further invested in making Sienna a leader in seniors' quality of life and at the same time, have the opportunity to meaningfully invest in the Company and in their future.

Indigenous Relations and Reconciliation

In 2021, enhanced emphasis was placed on Indigenous Relations and Reconciliation. As a company, we are committed to ensuring we do everything we can to understand what has happened in the past, acknowledge it and make amends to the best of our ability, over time. We believe that education is an important first step to bring about reconciliation between Indigenous and non-Indigenous people. Many people did not learn about Indigenous History in the Canadian school system.

Sienna has partnered with Reconciliation Education, an Indigenous-owned organization, to provide resources for all team members. To mark Canada's first National Day for Truth and Reconciliation on September 30, 2021, team members were encouraged to support reconciliation through various initiatives. In addition, team members were provided with a learning session covering the Colonial Lens, Treaties, Residential Schools, and Indigenous Relations and Reconciliation. Sienna is committed to ensure care communities are inclusive for Indigenous team members and residents and acknowledges the pain and suffering the Indigenous members of our team have been through.

Union Representation

Labour rights are 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 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, 95 collective agreements with 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.

Giving Back to the Community

*Sienna for Seniors Foundation ("**Foundation**")*

The Foundation was formed in April 2021 as part of our ongoing commitment to supporting the communities we serve across Canada and allows 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 SHN in support of its new mental health hub which will provide quality care to seniors.

In December 2021, the Foundation's support for Indspire, a national Indigenous charity, helped establish a bursary award for Indigenous students in British Columbia who are pursuing education in nursing or health care assistant programs.

The Foundation's $25 thousand donation to Indspire is being matched by the Government of Canada, doubling the impact of Sienna's donation to $50 thousand. With our enhanced focus on Indigenous Relations and Reconciliation, we believe we have a role to play in creating equal opportunities for Indigenous students to find fulfilling careers in the seniors' living sector, and to enrich the sector with their experiences and traditional practices.

CaRES Fund

The CaRES Fund, which was launched by Sienna and a number of sector peers in 2020, has helped nearly 900 frontline staff who have been impacted by the pandemic with over $2.9 million in emergency financial assistance to date.

Resident, Family and Team Member Satisfaction

Our desire to learn from and engage with our stakeholders is reflected in the strong results from recently completed resident and family satisfaction surveys, indicating that over 80% of our residents and nearly 90% of their families recommend Sienna's LTC communities. Similarly, at our retirement residences, the overall satisfaction score, which included quality of life, quality of services and willingness to recommend Sienna, was 83%.

In addition, 84% of Sienna's team members feel they are able to do meaningful work every day.

These results, which are in line with the Company's pre-pandemic results, are quite strong, given the challenges the seniors' living sector has experienced throughout the pandemic.

Over the past year, we have focused on engagement and recognition of our team members and have prioritized the well-being of our residents and team by making investments in our residences and operating platforms to improve their quality of life and to build a stronger future for all.

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.

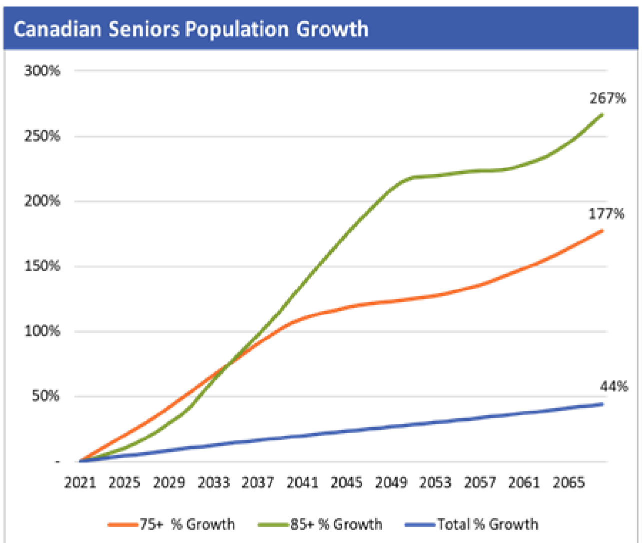
The development plans include energy-efficient heating and cooling systems, LED lighting and updated energy-efficient windows and fixtures.

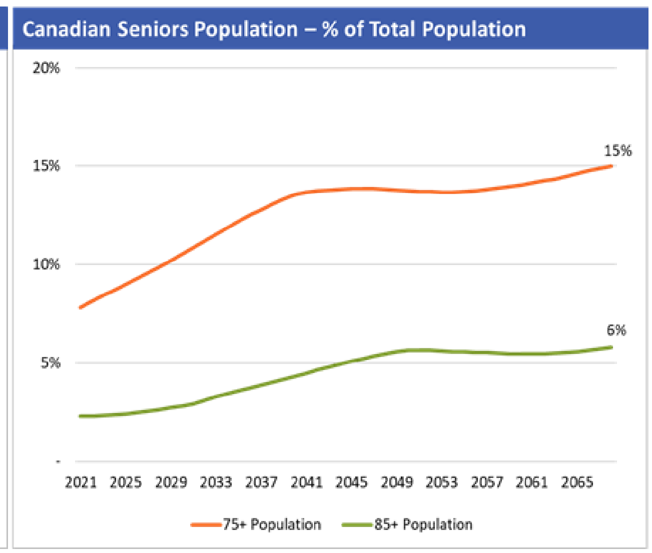
Industry Update

Demand driven by Rapid Growth in Target Demographic

Demand for seniors' living is driven by an aging population with the growth in the 75+ and 85+ years of age population expected to outpace Canada's overall population growth by five times over the next 20 years. In addition, the significant residential housing market rally, which provides many seniors with the necessary means for comfortable retirement living as a result of the equity in their homes, will further support demand in the coming years.

Demand for seniors' housing is expected to outpace supply growth, leading to a strong occupancy recovery.





Source: Statistics Canada

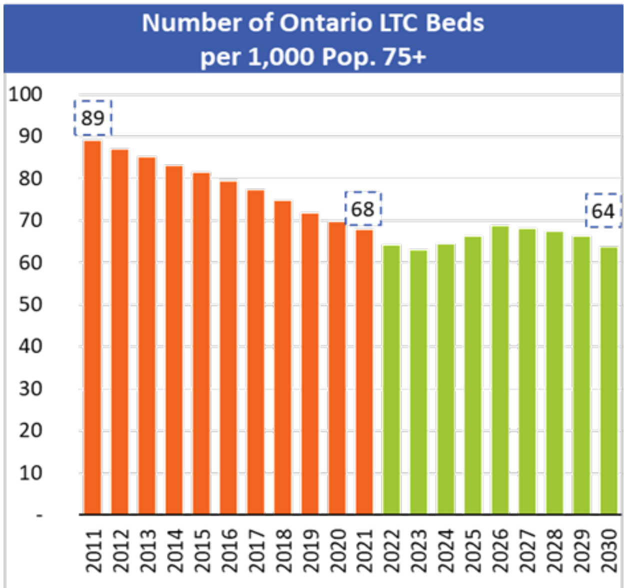
Slowing Supply of Retirement Residences

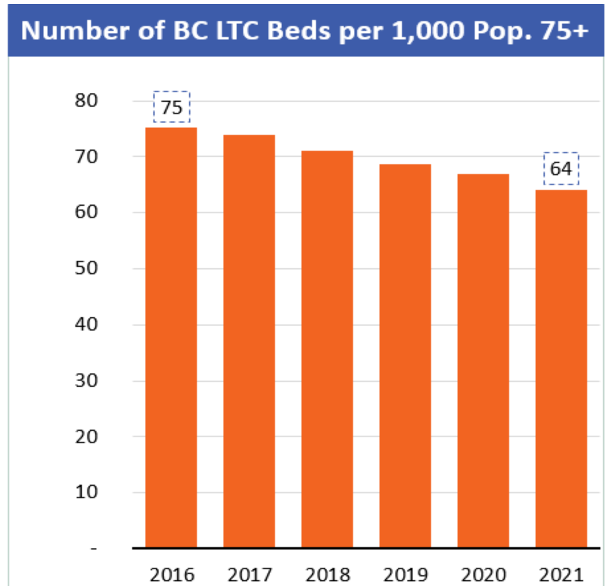
The uncertainty caused by the pandemic, coupled with rising construction costs, has led to a significant decline in new construction activity of retirement residences in Canada. While development prior to the pandemic caused some headwinds in several regions across the country due to oversupply, slowing development activity between 2018 and 2021 will result in less competition from newly completed developments in the coming years.

To maintain the current level of seniors housing inventory per capita, total supply will need to more than double over the next 20 years.

Robust Fundamentals in Sienna's Key LTC Markets

In the Ontario LTC sector, the number of LTC beds per 1,000 Ontarians aged 75+ is expected to decline over the next several years, despite the government's commitment to add 30,000 new beds by 2030. Similarly, there is strong demand for LTC beds in British Columbia with the number of LTC beds having increased by only 2% while the 75+ population increased by 20% over the past five years.





Source: Statistics Canada, Financial Accountability Office of Ontario Office of the Seniors Advocate BC

High barriers to entry

The seniors' living sector in Canada continues to be fragmented and highly regulated, with significant barriers to entry. The sector is regulated by provincial governments and regional health authorities, with growing and varied obligations placed on operators. Additionally, the sector requires an increasingly complex level of specialized expertise and a solid operating platform in order to succeed in meeting regulatory requirements and providing positive resident and family experiences. All LTC and Retirement residences require an approved licensed operator.

Seniors' Living Continuum

Private-pay vs. Funded Care

Retirement residences are privately funded by the residents who are responsible to cover their monthly rent and cost of services. In long-term care, most residences are funded by the provincial governments. Residents' monthly rent is typically subsidized and the care they receive is fully funded. Select long-term care residences across Canada also offer private-pay options.

Seniors' living residences provide a range of services and programs based on an individual's needs and level of independence. Seniors who enjoy a high level of independence and require little assistance with the activities of daily living may choose to live in seniors' apartments or condominiums with minimal or no assistance or with the option of care and services on an as-needed basis (such residences are RRs that have IL, ISL or AL services and, in some cases, MC); while those who require extensive assistance with the activities of daily living, healthcare needs and access to 24-hour nursing care support are best suited to LTC. A general and broad description of the services is detailed below:

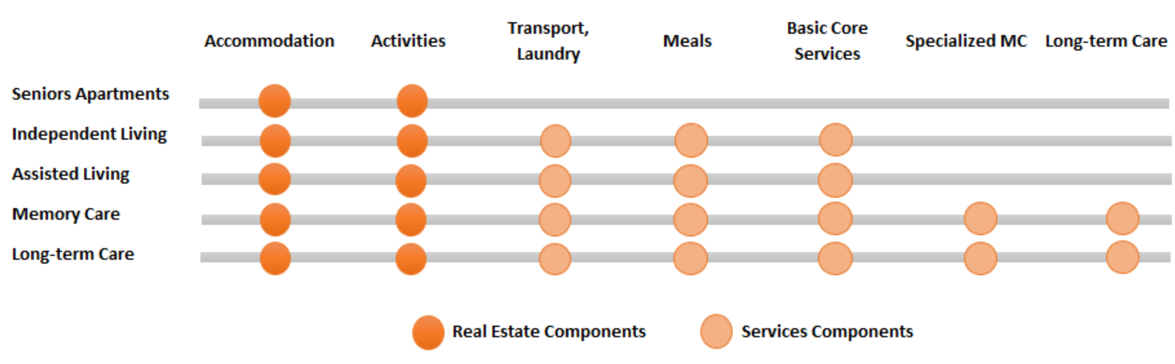
- **Independent Living ("IL")**: IL provides the privacy and freedom of home combined with the convenience and security of on-call assistance and a maintenance-free environment. Residents typically have the option of purchasing à la carte services including meal packages, housekeeping, transportation 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 condominium or life lease.

- **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 homes providing entirely private-pay accommodations and are subject to the same regulatory oversight.



Source: NIC Investment Guide.

Retirement Residences

RRs focus on IL, ISL, AL, and in some cases MC, and generally provide studio, one-bedroom or two-bedroom accommodation suites and amenity space. Suites are rented to residents on a monthly basis, and provide for meals, snacks, leisure activities, transportation and AL services, which include some care and services based on resident needs and preferences (such as assistance with bathing, medication administration and other ADL). Accommodation and services are private-pay based on market rates.

The RR sector requires that a residence must be licensed to operate. Further, expansion of retirement residences or new development require feasibility studies, which support that there is adequate income qualified demand for any given community to accommodate additional retirement residence capacity. Feasibility studies and proven demand are required for financing. The regulations and operational nature of the business and licensing requirements pose increasing barriers of entry.

Long-term Care

The LTC sector in Ontario and British Columbia, Sienna's key markets, is comprised of a number of private operators, public sector operators and not-for-profit organizations offering a variety of services similar to those offered by the Company. The sector has experienced consolidation in recent years, which is expected to continue, although remains fragmented with small operators (including not-for-profit operators) providing most of the beds.

The LTC sector, which provides essential health services to its communities, can be distinguished from other segments of the seniors' living sector based on a number of factors, including the following:

* **Provision of an essential service**: LTC residences provide essential health services in the form of 24-hour registered nursing support, assistance with ADL and mobility, to individuals with complex physical and medical care needs who may otherwise require hospital care.

* **Significant barriers to entry**: Barriers to entry are both regulatory and operational. The LTC sector requires that a residence and operator must be licensed by the regulatory authority in order to operate. In addition to the regulatory barriers to entry, the successful operation of an LTC residence requires a broad range of specialized expertise.

LTC Financial Model

All aspects of the operation of LTC are highly regulated by provincial government and/or regional health authorities. In British Columbia and Ontario, Sienna's key markets, access to LTC is controlled though a government agency based on eligibility. Provincial health programs provide funding for certain care services, with the residents contributing a co-payment (the rate is set by the regulatory body). Since each province establishes its own system for carrying out the oversight of LTC residences and administering programs, there are differences in the regulations governing care providers, as well as in the actual funding programs.

Ontario

Licensed operators of Ontario LTC residences are entitled to operational funding for care services to residents, as well as various other payments from the MLTC. Operational funding of LTC residences is used to fund certain eligible care services and is currently paid monthly in what is known as flow-through "envelopes." Generally, a licensed LTC operator is funded the 'level-of-care' per diem for every licensed or approved bed in the residence.

Funding received for flow-through envelopes in excess of the amounts spent by the operator must be returned to the MLTC during an annual reconciliation process. Funding provided pursuant to flow-through envelopes may only be applied to certain eligible expenses.

British Columbia

Funded LTC Beds

The funding contracts between LTC operators and the applicable health authorities in British Columbia are on a per diem basis, adjusted annually, for resident services provided and capital cost of the residences, and outline the hours of direct care required by a resident per day, minimum occupancy thresholds and minimum levels of professional staffing.

Private-Pay Long-term Care Beds

In British Columbia, operators may designate a number of beds for private-pay LTC whereby the operator provides the same level of care and services to the resident as in the funded beds. Rates paid by the resident are market driven and the beds are subject to the same regulations and inspection as funded LTC beds.

Business of the Company

Please refer to the Company's current AIF for a discussion of the Business Overview.

Quarterly Financial Information

Thousands of Canadian dollars, except occupancy, per share and ratio data	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Revenue	174,175	170,423	162,668	161,228	168,834	166,850	162,922	166,437
Operating expenses, net of government assistance	140,729	137,020	131,643	116,961	140,181	137,895	131,031	129,926
Income (loss) before net finance charges, transaction costs and provision for (recovery of) income taxes	13,902	14,315	10,956	18,599	(962)	(295)	1,152	14,405
Net income (loss)	4,654	4,533	1,318	10,143	(8,729)	(6,484)	(6,778)	(2,496)
Per share basic and diluted	0.070	0.070	0.020	0.151	(0.130)	(0.097)	(0.101)	(0.037)
OFFO	18,258	18,265	15,126	25,343	14,156	13,624	16,699	24,418
Per share basic	0.272	0.272	0.226	0.378	0.211	0.203	0.249	0.365
OFFO, excluding net pandemic expenses (recoveries)	18,371	18,990	17,925	18,068	19,820	20,774	24,513	24,517
Per share, excluding net pandemic expenses (recoveries)	0.274	0.283	0.268	0.269	0.296	0.310	0.366	0.366
AFFO	16,555	15,671	14,102	26,430	13,174	14,187	16,623	25,584
Per share basic	0.247	0.234	0.210	0.394	0.196	0.212	0.248	0.382
AFFO, excluding net pandemic expenses (recoveries)	16,964	15,858	16,715	19,572	18,895	20,926	24,437	25,683
Per share, excluding net pandemic expenses (recoveries)	0.253	0.237	0.249	0.292	0.281	0.313	0.365	0.383
Dividends declared	15,687	15,687	15,687	15,687	15,687	15,687	15,687	15,671
Per share	0.234	0.234	0.234	0.234	0.234	0.234	0.234	0.234
Occupancy								
Retirement - Average total occupancy	82.7 %	80.3 %	77.7 %	77.7 %	80.7 %	80.7 %	82.2 %	84.2 %
LTC - Average total occupancy	88.9 %	86.2 %	81.6 %	80.3 %	84.8 %	87.4 %	92.6 %	97.9 %
LTC - Average private occupancy	82.2 %	82.9 %	79.3 %	78.2 %	83.3 %	86.3 %	91.6 %	97.3 %
Debt to enterprise value as at period end	49.5 %	46.5 %	46.5 %	50.1 %	52.1 %	57.8 %	63.9 %	55.6 %
Debt to gross book value as at period end	44.7 %	45.6 %	45.5 %	46.0 %	48.2 %	47.3 %	48.5 %	46.9 %
Debt to Adjusted EBITDA as at period end	7.9	7.8	7.4	6.2	9.4	8.9	8.6	6.8
Debt to Adjusted EBITDA, excluding net pandemic expenses (recoveries), as at period end	8.2	8.3	8.2	8.4	7.5	7.2	7.9	6.8
Interest coverage ratio	3.4	3.4	3.1	4.7	2.8	2.5	3.0	4.2
Interest coverage ratio, excluding net pandemic expenses (recoveries)	3.4	3.6	3.5	3.5	3.7	3.6	4.1	4.3
Total assets[1]	1,609,189	1,606,834	1,592,009	1,616,357	1,678,129	1,733,832	1,834,675	1,718,716
Total debt	950,284	971,878	958,212	964,873	1,032,624	1,028,854	1,096,902	996,126
Weighted average shares outstanding	67,039,123	67,039,123	67,039,123	67,039,123	67,039,123	67,039,123	67,039,123	66,940,538

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, timing of pandemic related funding and incurrence of pandemic related 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 months and year ended December 31, 2021, the Company's results have been impacted by the timing of government assistance received related to pandemic expenses and capital costs, occupancy rates, increased costs pertaining to labour, including higher agency staffing costs, and higher utilities and insurance premiums, 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 $1,609,189 as at Q4 2021, and its debt to gross book value decreased from 48.2% as at Q4 2020 to 44.7% as at Q4 2021. Debt to adjusted EBITDA improved to 7.9 years as at Q4 2021 from 9.4 years as at Q4 2020, primarily due to net pandemic recovery of expenses for the year ended December 31, 2021.

A discussion of the operating results for the year ended December 31, 2021 compared to the same period in the prior year is provided in the section "Operating Results".

Selected Annual Financial Information

The following table summarizes selected annual financial information for the years ended December 31, 2021, 2020 and 2019:

Thousands of Canadian dollars, except per share data	2021	2020	2019
Revenue	668,494	664,233	669,733
Income before net finance charges, transaction costs and the provision for (recovery of) income taxes	57,772	14,300	54,621
Net income	20,648	(24,487)	7,547
Per share basic and diluted	0.310	(0.365)	0.114
OFFO	76,992	68,897	91,886
Per share basic	1.148	1.028	1.382
Per share diluted	1.148	1.028	1.382
AFFO	72,757	69,568	93,186
Per share basic	1.085	1.038	1.402
Per share diluted	1.085	1.038	1.402
Dividends declared	62,749	62,732	61,546
Per share	0.936	0.936	0.926
Total assets (1)	1,609,189	1,678,129	1,692,600
Total debt (2)	950,284	1,032,624	956,312

Notes:

1. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
2. The principal reserve fund was fully paid in October 2020, upon the redemption of the Series B Secured Debentures.

Operating Results

Retirement

The Company's Retirement portfolio consists of 27 Retirement Residences as of December 31, 2021, 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 22.1% of the Company's total revenues or 42.5% of its total NOI excluding net pandemic expenses in Q4 2021, and 22.1% of the Company's total revenues or 41.3% of its total NOI excluding net pandemic expenses for the year ended December 31, 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 77.9% of the Company's total revenues and generated 57.5% of its total NOI excluding net pandemic expenses in Q4 2021, and 77.9% of the Company's total revenues or 58.7% of its total NOI excluding net pandemic expenses for the year ended December 31, 2021.

The following table represents the operating results for the periods ended December 31:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
Revenue	**174,175**	168,834	5,341	**668,494**	664,233	4,261
Expenses						
Operating, net of government assistance	**140,729**	140,181	548	**526,353**	538,223	(11,870)
Depreciation and amortization	**11,923**	19,401	(7,478)	**53,069**	77,659	(24,590)
Administrative	**7,599**	9,878	(2,279)	**31,270**	33,486	(2,216)
Share of net loss in joint venture	**22**	336	(314)	**30**	565	(535)
	160,273	169,796	(9,523)	**610,722**	649,933	(39,211)
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	**13,902**	(962)	14,864	**57,772**	14,300	43,472
Net finance charges	**6,886**	11,302	(4,416)	**27,380**	47,065	(19,685)
Transaction costs	**783**	192	591	**2,359**	1,672	687
Total net finance charges and transaction costs	**7,669**	11,494	(3,825)	**29,739**	48,737	(18,998)
Income (loss) before provision for (recovery of) income taxes	**6,233**	(12,456)	18,689	**28,033**	(34,437)	62,470
Provision for (recovery of) income taxes						
Current	**(388)**	(3,010)	2,622	**2,320**	(5,660)	7,980
Deferred	**1,967**	(717)	2,684	**5,065**	(4,290)	9,355
	1,579	(3,727)	5,306	**7,385**	(9,950)	17,335
Net income (loss)	**4,654**	(8,729)	13,383	**20,648**	**(24,487)**	45,135
Total assets	**1,609,189**	1,678,129	(68,940)	**1,609,189**	1,678,129	(68,940)
Total debt (net of principal reserve fund)	**950,284**	1,032,624	(82,340)	**950,284**	1,032,624	(82,340)

Net Operating Income Consolidated

The following table represents the Company's consolidated net operating income for the periods ended December 31:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
Revenue						
Same property	**168,408**	162,901	5,507	**646,692**	641,236	5,456
Development and other[1]	**5,767**	5,933	(166)	**21,802**	22,997	(1,195)
Total Revenue	**174,175**	168,834	5,341	**668,494**	664,233	4,261
Operating Expenses, net						
Same property	**135,789**	128,012	7,777	**515,224**	497,088	18,136
Net pandemic expenses (recoveries) [2]	**21**	7,035	(7,014)	**(7,219)**	21,977	(29,196)
Development and other[1]	**4,919**	5,134	(215)	**18,348**	19,158	(810)
Total Operating Expenses, net	**140,729**	140,181	548	**526,353**	538,223	(11,870)
NOI						
Same property[2]	**32,426**	28,015	4,411	**137,458**	123,531	13,927
Development and other[1]	**1,020**	638	382	**4,683**	2,479	2,204
Total NOI	**33,446**	28,653	4,793	**142,141**	126,010	16,131

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, one retirement residence and one care community classified as assets held for sale.
2. For Q4 2021, includes government assistance related to the pandemic of $16,494 (2020 - $20,856) and incremental pandemic related expenses of $16,515 (2020 - $27,891), resulting in net pandemic expenses of $21 (2020 - $7,035). For the year ended December 31, 2021, includes government assistance related to the pandemic of $101,061 (2020 - $74,083) and incremental pandemic related expenses of $93,842 (2020 - $96,060), resulting in net pandemic (recoveries) expenses of $(7,219) (2020 - $21,977). Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

Fourth Quarter 2021 Operating Results

The Company's total same property revenues for Q4 2021 increased by $5,507 to $168,408, compared to Q4 2020. Retirement's same property revenues for Q4 2021 increased by $1,502 to $37,259, compared to Q4 2020, primarily due to occupancy growth and annual rental rate increases in line with market conditions. LTC's same property revenues for Q4 2021 increased by $4,005 to $131,149, compared to Q4 2020, primarily due to increased funding for direct care hours and 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 $21, for Q4 2021 increased by $7,777 to $135,789, compared to Q4 2020. Retirement's same property operating expenses, excluding net pandemic expenses of $163, for Q4 2021 increased by $1,134 to $23,196, compared to Q4 2020, primarily due to higher agency staffing costs, utilities and insurance premiums. LTC's operating expenses for Q4 2021, excluding net pandemic recovery of expenses of $142, increased by $6,643 to $112,593, compared to Q4 2020, mainly due to flow-through expenses related to increase in direct care hours and other funding, annual inflationary labour cost increases, higher utilities costs and insurance premiums, and increased repairs and maintenance expenses.

The Company's total same property NOI for Q4 2021 increased by $4,411 to $32,426, compared to Q4 2020. Retirement's same property NOI for Q4 2021 increased by $1,979 to $13,900. Retirement's development NOI for Q4 2021 was $318 (2020 - $443). LTC's same property NOI for Q4 2021 increased by $2,432 to $18,526 compared to Q4 2020. LTC's other NOI Q4 2021 was $702 (2020 - $195).

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.

Year Ended December 31, 2021 Operating Results

The Company's total same property revenues for the year ended December 31, 2021 increased by $5,456 to $646,692, compared to 2020. Retirement's same property revenues for the year ended December 31, 2021 decreased by $1,173 to $142,788, over the comparative period, primarily due to lower average occupancy, partially offset by annual rental rate increases in line with market conditions. LTC's revenues for the year ended December 31, 2021 increased by $6,629 to $503,904, over the comparative period, primarily due to increased funding related to direct care hours and annual inflationary funding increases, partially offset by lower preferred accommodation revenues from lower occupancy in private and semi-private rooms, and $4,636 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic.

The Company's total same property operating expenses, excluding net pandemic recoveries of $7,219, for the year ended December 31, 2021, increased by $18,136 to $515,224, over the comparative period. Retirement's same property operating expenses, excluding net pandemic expenses of $2,242, for the year ended December 31, 2021 increased by $4,187 to $88,564, over the comparative period, mainly due to higher agency staffing costs, utilities costs and insurance premiums. LTC's operating expenses, excluding net pandemic recoveries of $9,461, for the year ended December 31, 2021 increased by $13,949 to $426,660, over the comparative period, mainly due to annual inflationary labour cost increases, flow-through expenses related to direct care hours funding, higher utilities costs, increased insurance premiums and increased repairs and maintenance that were deferred from prior year.

The Company's total same property NOI for the year ended December 31, 2021 increased by $13,927 to $137,458, over the comparative period, driven by $17,176 in retroactive pandemic funding received in Q1 and Q4 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 year ended December 31, 2021 decreased by $3,737 to $52,065. Retirement's development and other NOI for the year ended December 31, 2021 was $1,368 (2020 $1,768). LTC's same property NOI for the year ended December 31, 2021 increased by $17,664 to $85,393, over the comparative period. LTC's other NOI for Q4 2021 was $3,315 (2020 - $711).

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 December 31:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
Retirement Revenue						
Same property	**37,259**	35,757	1,502	**142,788**	143,961	(1,173)
Development and other[1]	**1,306**	1,454	(148)	**5,189**	5,901	(712)
Total Retirement Revenue	**38,565**	37,211	1,354	**147,977**	149,862	(1,885)
Retirement Expenses, net						
Same property	**23,196**	22,062	1,134	**88,564**	84,377	4,187
Net pandemic expenses[2]	**163**	1,823	(1,660)	**2,242**	3,997	(1,755)
Development and other[1]	**988**	962	26	**3,738**	3,918	(180)
Total Retirement Expenses, net	**24,347**	24,847	(500)	**94,544**	92,292	2,252
Retirement NOI						
Same property[2]	**13,900**	11,921	1,979	**52,065**	55,802	(3,737)
Development and other[1]	**318**	443	(125)	**1,368**	1,768	(400)
Total Retirement NOI	**14,218**	12,364	1,854	**53,433**	57,570	(4,137)

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, and includes one retirement residence classified as an asset held for sale.
2. For Q4 2021, includes government assistance related to the pandemic of $621 (2020 - $1,501) and incremental pandemic related expenses of $784 (2020 - $3,324), resulting in net pandemic expenses of $163 (2020 - $1,823). For the year ended December 31, 2021, includes government assistance related to the pandemic of $3,932 (2020 - $6,236) and incremental pandemic related expenses of $6,174 (2020 - $10,233), resulting in net pandemic expenses of $2,242 (2020 - $3,997). Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

Fourth Quarter 2021 Retirement Results

Retirement's same property revenues for Q4 2021 increased by $1,502 to $37,259, compared to Q4 2020, primarily attributable to occupancy growth and annual rental rate increases in line with market conditions.

Retirement's same property operating expenses, excluding net pandemic expenses, for Q4 2021 increased by $1,134 to $23,196 compared to Q4 2020, primarily due to higher agency staffing costs, utilities and insurance premiums. Net pandemic expenses for Q4 2021 were $163 representing a decrease of $1,660 compared to Q4 2020.

Retirement's same property NOI for Q4 2021 increased by $1,979 to $13,900, compared to Q4 2020. Excluding net pandemic expenses, Retirement's same property NOI for Q4 2021 increased by $368 to $14,063, compared to Q4 2020.

Year Ended December 31, 2021 Retirement Results

Retirement's same property revenues for the year ended December 31, 2021 decreased by $1,173 to $142,788, compared to the year ended December 31, 2020, primarily due to lower average occupancy, partially offset by annual rental rate increases.

Retirement's same property operating expenses, excluding net pandemic expenses, for the year ended December 31, 2021 increased by $4,187 to $88,564, over the comparative period, mainly due to higher agency staffing costs, utilities and insurance premiums. Net pandemic expenses for the year ended December 31, 2021 were $2,242, representing a decrease of $1,755 compared to Q4 2020.

Retirement's same property NOI for the year ended December 31, 2021 decreased by $3,737 to $52,065, over the comparative period. Excluding net pandemic expenses, Retirement's same property NOI for the year ended December 31, 2021 decreased by $5,360 to $54,224, over the comparative period.

Long-term Care

The following table represents the results of the LTC segment for the periods ended December 31:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
Long-term Care Revenue						
Same property	**131,149**	127,144	4,005	**503,904**	497,275	6,629
Development and other[1]	**4,461**	4,479	(18)	**16,613**	17,096	(483)
Total Long-term Care Revenue	**135,610**	131,623	3,987	**520,517**	514,371	6,146
Long-term Care Expenses, net						
Same property	**112,593**	105,950	6,643	**426,660**	412,711	13,949
Net pandemic (recoveries) expenses[2]	**(142)**	5,212	(5,354)	**(9,461)**	17,980	(27,441)
Development and other[1]	**3,931**	4,172	(241)	**14,610**	15,240	(630)
Total Long-term Care Expenses, net	**116,382**	115,334	1,048	**431,809**	445,931	(14,122)
Long-term Care NOI						
Same property[1]	**18,526**	16,094	2,432	**85,393**	67,729	17,664
Development and other	**702**	195	507	**3,315**	711	2,604
Total Long-term Care NOI	**19,228**	16,289	2,939	**88,708**	68,440	20,268

Notes:

1. Includes the financial results of one care community classified as an asset held for sale.
2. For Q4 2021, includes government assistance related to the pandemic of $15,873 (2020 - $19,355) and incremental pandemic related expenses of $15,731 (2020 - $24,567), resulting in net pandemic (recoveries) expenses of $(142) (2020 - $5,212). For the year ended December 31, 2021, includes the government assistance related to the pandemic of $97,129 (2020 - $67,847) and incremental pandemic related expenses of $87,668 (2020 - $85,827), resulting in net pandemic (recoveries) expenses of $(9,461) (2020 - $17,980). Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

Fourth Quarter 2021 Long-term Care Results

LTC's same property revenues for Q4 2021 increased by $4,005 to $131,149, compared to Q4 2020, primarily due to increased funding for direct care hours and annual inflationary funding increases, partially offset by lower preferred accommodation revenues from lower occupancy in private and semi-private rooms, and

$1,114 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic.

Excluding net recovery of pandemic expenses, LTC's same property operating expenses for Q4 2021 increased by $6,643 to $112,593, compared to Q4 2020, mainly due to annual inflationary labour cost increases, flow-through expenses related to direct care hours funding, higher utilities costs and insurance premiums, and increased repairs and maintenance expense. Net pandemic recoveries for Q4 2021 were $142, representing a decrease in net pandemic expenses of $5,354 compared to Q4 2020, due to lower pandemic expenses and retroactive pandemic funding of $2,603 received in Q4 2021 related to pandemic expenses incurred in excess of available funding during the year ended December 31, 2020 and Q1 2021.

LTC's same property NOI for Q4 2021 increased by $2,432 to $18,526, compared to Q4 2020. Excluding net pandemic expenses, LTC's same property NOI for Q4 2021 decreased by $2,638 to $18,556, compared to Q4 2020.

Year Ended December 31, 2021 Long-term Care Results

LTC's same property revenues for the year ended December 31, 2021 increased by $6,629 to $503,904, compared to the year ended December 31, 2020, primarily due to increased funding for direct care hours and annual inflationary funding increases, partially offset by lower preferred accommodation revenues, and $4,636 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic.

Excluding net pandemic recoveries (expenses) LTC's same property operating expenses for the year ended December 31, 2021 increased by $13,949 to $426,660, over the comparative period, mainly due to annual inflationary labour cost increases, flow-through expenses related to direct care hours funding, higher utilities costs, higher insurance premiums and increased repairs and maintenance due to deferrals from prior year. Net pandemic recoveries for the year ended December 31, 2021 were $9,461, representing a decrease in net pandemic expenses of $27,441 compared to the prior year, due to the moderation of pandemic expenses and retroactive pandemic funding of $17,176 received in 2021 related to pandemic expenses incurred in excess of available funding during the year ended December 31, 2020.

LTC's same property NOI for the year ended December 31, 2021 increased by $17,664 to $85,393, over the comparative period. Excluding net recovery of pandemic expenses, LTC's same property NOI for the year ended December 31, 2021 decreased by $7,320 to $77,244, over the comparative period.

Depreciation and Amortization

Fourth Quarter 2021

Depreciation and amortization for Q4 2021 decreased by $7,478 to $11,923, compared to Q4 2020, due to in-place leases acquired in 2017 being fully amortized in Q1 2021.

Year Ended December 31, 2021

Depreciation and amortization for the year ended December 31, 2021 decreased by $24,590 to $53,069, compared to the comparative period, due to in-place leases acquired in 2017 being fully amortized in Q1 2021.

Administrative Expenses

	Three months Ended December 31,			Year ended December 31,		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
General and administrative expenses	**7,124**	6,031	1,093	**27,566**	22,585	4,981
Restructuring costs	**-**	1,886	(1,886)	**-**	6,534	(6,534)
Pandemic expenses	**133**	678	(545)	**2,264**	6,250	(3,986)
Share-based compensation	**342**	1,283	(941)	**1,440**	(1,883)	3,323
Total administrative expenses	**7,599**	9,878	(2,279)	**31,270**	33,486	(2,216)

Fourth Quarter 2021

Administrative expenses for Q4 2021 decreased by $2,279 to $7,599, compared to Q4 2020, primarily due to one-time restructuring costs in Q4 2020, a decrease in share-based compensation expense from mark-to-market adjustments and a decrease in pandemic expenses, partially offset by increases in general and administrative expenses to strengthen the company's operating platform to deliver a quality resident and team member experience.

Year Ended December 31, 2021

Administrative expenses for the year ended December 31, 2021 decreased by $2,216 to $31,270, compared to the comparative period, primarily due to one-time restructuring costs in 2020 and a decrease in pandemic expenses, partially offset by an increase in share-based compensation expenses mainly from mark-to-market adjustments, and increases in general and administrative expenses to strengthen the Company's operating platform.

Share of Net Loss in Joint Venture

Fourth Quarter 2021

For Q4 2021, the Company's share of net loss in a joint venture of $22 (2020 - $336) related to the development of a retirement residence in Niagara Falls, Ontario.

Year Ended December 31, 2021

For the year ended December 31, 2021, the Company's share of net loss in a joint venture of $30 (2020 - $565) is related to the development of a retirement residence in Niagara Falls, Ontario.

Net Finance Charges

Thousands of Canadian dollars	Three months ended December 31, 2021	2020	Change	Year ended December 31, 2021	2020	Change
Finance costs						
Interest expense on mortgages	**3,808**	4,094	(286)	**15,554**	17,373	(1,819)
Interest expense on debentures	**3,585**	2,680	905	**12,748**	13,705	(957)
Interest expense on credit facilities	**230**	1,186	(956)	**2,075**	2,867	(792)
Interest expense on right-of-use assets	**14**	19	(5)	**61**	84	(23)
Redemption premium paid	**—**	2,815	(2,815)	**160**	2,815	(2,655)
Amortization of financing charges and fair value adjustments on acquired debt	**560**	930	(370)	**2,510**	2,562	(52)
Amortization of loss on bond forward contract	**—**	306	(306)	**—**	964	(964)
Net settlement payment on interest rate swap contracts	**685**	355	330	**2,773**	1,438	1,335
Fair value (gain) loss on interest rate swap contracts	**(1,629)**	(602)	(1,027)	**(6,776)**	8,206	(14,982)
	7,253	11,783	(4,530)	**29,105**	50,014	(20,909)
Finance income						
Interest income on construction funding receivable	**314**	388	(74)	**1,269**	1,710	(441)
Other interest income	**53**	93	(40)	**456**	1,239	(783)
	367	481	(114)	**1,725**	2,949	(1,224)
Net finance charges	**6,886**	11,302	(4,416)	**27,380**	47,065	(19,685)

Fourth Quarter 2021

Net finance charges for Q4 2021 decreased by $4,416 to $6,886, compared to Q4 2020, primarily attributable to the redemption premium paid in Q4 2020 related to the full redemption of a senior secured debenture maturing in February 2021, a decrease in the average debt principal outstanding and higher fair value gains on interest rate swap contracts.

Year Ended December 31, 2021

Net finance charges for the year ended December 31, 2021 decreased by $19,685 to $27,380, over the comparative period, primarily attributable to the refinancing of existing debt at lower interest rates, reduced average debt principal outstanding, the redemption premium paid in Q4 2020 related to the full redemption of a senior secured debenture maturing in February 2021, and higher fair value gains on interest rate swap contracts.

Transaction Costs

Fourth Quarter 2021

Transaction costs for Q4 2021 increased by $591 to $783 compared to Q4 2020 primarily attributable to the increase in activities related to transactions and developments.

Year Ended December 31, 2021

Transaction costs for the year ended December 31, 2021 increased by $687 to $2,359, over the comparative period, due to the increase in activities mainly related to transactions and developments.

Income Taxes

Fourth Quarter 2021

Income tax expense for Q4 2021 increased by $5,306 resulting in an income tax expense of $1,579 (current tax recovery of $388 and deferred tax expense of $1,967), compared to Q4 2020 income tax recovery of $3,727 (current tax recovery of $3,010 and deferred tax recovery of $717). This is primarily attributable to an increase in NOI and a decrease in administrative expenses. Deferred income tax expense is primarily attributable to the timing of depreciation between tax and accounting.

Year ended December 31, 2021

Income tax expense for the year ended December 31, 2021 increased by $17,335 resulting in an income tax expense of $7,385 (current tax expense of $2,320 and deferred tax expense of $5,065), compared to the prior year income tax recovery of $9,950 (current tax recovery of $5,660 and deferred tax recovery of $4,290). This is primarily attributable to an increase in NOI, and temporary differences relating to depreciation between tax and accounting offset by the fair value adjustments on interest rate swaps.

Business Performance

Non-IFRS Measures

Readers are cautioned that certain terms used in the MD&A listed below, including any related per share amounts, used by Management of the Company to measure, compare and explain the operating results and financial performance of Sienna do not have any standardized meaning prescribed under IFRS and, therefore, should not be construed as alternatives to net income, cash flow from operating activities, or any other measure prescribed under IFRS. These terms are defined in the following table and reconciliations to the most comparable IFRS measure are referenced, as applicable. The following terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities.

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 December 31. The reconciliation from FFO to AFFO is provided as supplementary information.

	Three Months Ended			Year Ended		
Thousands of Canadian dollars, except share and per share data	**2021**	2020	Change	**2021**	2020	Change
Net income (loss)	**4,654**	(8,729)	13,383	**20,648**	(24,487)	45,135
Deferred income tax expense (recovery)	**1,967**	(717)	2,684	**5,065**	(4,290)	9,355
Depreciation and amortization	**11,038**	17,800	(6,762)	**49,511**	73,245	(23,734)
Transaction costs	**783**	192	591	**2,359**	1,672	687
Net settlement payment on interest rate swap contracts	**685**	355	330	**2,773**	1,438	1,335
Fair value (gain) loss on interest rate swap contracts	**(1,629)**	(602)	(1,027)	**(6,776)**	8,206	(14,982)
Funds from operations (FFO)	**17,498**	8,299	9,199	**73,580**	55,784	17,796
Depreciation and amortization - corporate	**885**	1,601	(716)	**3,558**	4,414	(856)
Amortization of financing charges and fair value adjustments on acquired debt	**560**	930	(370)	**2,510**	2,562	(52)
Amortization of loss on bond forward contract	—	306	(306)	—	964	(964)
Net settlement payment on interest rate swap contracts	**(685)**	(355)	(330)	**(2,773)**	(1,438)	(1,335)
Tax shield due to the settlement of the bond-lock hedge	—	(81)	81	—	(258)	258
Restructuring costs	—	1,385	(1,385)	—	4,798	(4,798)
Redemption premium paid	—	2,071	(2,071)	**117**	2,071	(1,954)
Operating funds from operations (OFFO)	**18,258**	14,156	4,102	**76,992**	68,897	8,095
Construction funding	**2,365**	2,736	(371)	**9,780**	10,889	(1,109)
Maintenance capital expenditure	**(3,773)**	(3,661)	(112)	**(14,025)**	(9,717)	(4,308)
Net pandemic capital expenditure (recovery)[1]	**(295)**	(57)	(238)	**10**	(501)	511
Adjusted funds from operations (AFFO)	**16,555**	13,174	3,381	**72,757**	69,568	3,189
Adjusted funds from operations (AFFO)	**16,555**	13,174	3,381	**72,757**	69,568	3,189
Dividends declared	**(15,688)**	(15,687)	(1)	**(62,749)**	(62,732)	(17)
AFFO retained	**867**	(2,513)	3,380	**10,008**	6,836	3,172
FFO per share	**0.261**	0.123	0.138	**1.098**	0.832	0.266
OFFO per share	**0.272**	0.211	0.061	**1.148**	1.028	0.120
AFFO per share	**0.247**	0.196	0.051	**1.085**	1.038	0.047
Weighted average common shares outstanding	**67,039,123**	67,039,123		**67,039,123**	67,014,611	

Notes:

1. For Q4 2021 and year ended December 31, 2021, includes pandemic capital expenditures of $1,451 (2020 - $912) and $13,970 (2020 - $2,504), respectively, offset by related pandemic funding of $1,156 (2020 - $855) and $13,980 (2020 - $2,003), respectively, resulting in net pandemic capital expenditures (recoveries) of $295 (2020 - $57) and ($10) (2020 - $501), respectively. Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

Fourth Quarter 2021 Performance

For Q4 2021, FFO increased by $9,199 to $17,498, compared to Q4 2020. The increase was primarily due to higher NOI driven by lower net pandemic expenses, lower interest expense on long-term debt, lower administration expenses, partially offset by lower recovery of current income taxes.

For Q4 2021, OFFO increased by $4,102 to $18,258, compared to Q4 2020. The increase was primarily attributable to increase in FFO noted above, partially offset by one-time expenses incurred in 2020 related to after-tax restructuring costs of $1,385 and redemption premium of $2,071.

For Q4 2021, AFFO increased by $3,381 to $16,555, compared to Q4 2020. The increase was primarily related to the increase in OFFO noted above, partially offset by higher maintenance and pandemic related capital expenditures and lower construction funding principal.

Year Ended December 31, 2021 Performance

FFO for the year ended December 31, 2021 increased by $17,796 to $73,580, over the prior year. The increase was primarily due to an increase in NOI, driven by lower net pandemic expenses, lower interest expense on long-term debt and lower administrative expenses, partially offset by higher current income taxes.

OFFO for the year ended December 31, 2021 increased by $8,095 to $76,992, over the prior year. The increase was primarily attributable to the increase in FFO noted above, partially offset by an increase in net settlement on interest rate swaps.

AFFO for the year ended December 31, 2021 increased by $3,189 to $72,757, over the prior year. The increase in AFFO was principally related to increase in OFFO noted above, partially offset by higher maintenance capital expenditures due to spend deferral from prior year and one-time capital improvements at our LTC Class C communities, decrease in construction funding, and timing of government assistance for 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 December 31, 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	1,269	9,780	11,049
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
	4,170	**35,999**	**40,169**

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 months and year ended December 31, 2021, interest income on construction funding of $314 and $1,269, respectively (2020 - $388 and 1,710, respectively) was recognized, and an adjustment of $2,365 and $9,780, respectively (2020 - $2,736 and $10,889, 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 December 31:

	Three Months Ended		Year Ended	
Thousands of Canadian dollars	**2021**	2020	**2021**	2020
Building maintenance	**1,895**	987	**3,416**	2,932
Mechanical and electrical	**469**	222	**2,684**	1,284
Suite renovations and common area upgrades	**1,260**	2,195	**5,790**	3,986
Communications and information systems	**64**	(72)	**208**	129
Furniture, fixtures and equipment	**85**	329	**1,927**	1,386
Total maintenance capital expenditures	**3,773**	3,661	**14,025**	9,717

Included in the above are one-time capital upgrades on top of our annual regular maintenance capital expenditures of $150 and $1,922 for the three months and year ended December 31, 2021, respectively, for IPAC enhancements and capital improvements to elevate the experience of our residents and the work environment for our team members at our Class C LTC communities.

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 December 31:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
Cash provided by operating activities	**31,923**	25,440	6,483	**98,516**	69,237	29,279
Construction funding principal	**2,365**	2,736	(371)	**9,780**	10,889	(1,109)
Transaction costs	**783**	192	591	**2,359**	1,672	687
Tax shield due to settlement of the bond-lock hedge	—	(81)	81	—	(258)	258
Maintenance capital expenditures	**(3,773)**	(3,661)	(112)	**(14,025)**	(9,717)	(4,308)
Net pandemic capital expenditures	**(295)**	(57)	(238)	**10**	(501)	511
Net change in working capital, interest and taxes	**(14,605)**	(14,961)	356	**(24,434)**	(8,760)	(15,674)
Restricted share units recovery	**157**	110	47	**434**	137	297
Restructuring costs	—	1,385	(1,385)	—	4,798	(4,798)
Redemption premium	—	2,071	(2,071)	**117**	2,071	(1,954)
Adjusted funds from operations (AFFO)	**16,555**	13,174	3,381	**72,757**	69,568	3,189
Adjusted funds from operations (AFFO)	**16,555**	13,174	3,381	**72,757**	69,568	3,189
Dividends declared	**(15,688)**	(15,687)	(1)	**(62,749)**	(62,732)	(17)
AFFO retained	**867**	(2,513)	3,380	**10,008**	6,836	3,172
Dividend reinvestment	—	—	—	—	3,393	(3,393)
AFFO retained after dividend reinvestment	**867**	(2,513)	3,380	**10,008**	10,229	(221)

The excess of AFFO retained over dividends declared for the three months ended December 31, 2021 is primarily due to increase in NOI.

The excess in AFFO retained over dividends declared for the year ended December 31, 2021 is primarily due to increase in NOI and net pandemic recovery of expenses, as a result of the timing of government assistance received related to pandemic expenses incurred in the prior year.

Refer to the "Cash Flow Analysis" section for details on the change from Q4 2020 to Q4 2021 on cash flow used in operating activities.

Reconciliation of Net Income to Net Operating Income

The IFRS measure most directly comparable to net operating income is "net income". The following table represents the reconciliation of net income to NOI for the periods ended December 31:

	Three Months Ended		Year Ended	
Thousands of Canadian dollars	**2021**	2020	**2021**	2020
Net income (loss)	**4,654**	(8,729)	**20,648**	(24,487)
Add:				
Depreciation and amortization	**11,923**	19,401	**53,069**	77,659
Administrative expenses	**7,599**	9,878	**31,270**	33,486
Net finance charges	**6,886**	11,302	**27,380**	47,065
Provision for (recovery of) Income taxes	**1,579**	(3,727)	**7,385**	(9,950)
Transactions costs	**783**	192	**2,359**	1,672
Share of net loss in joint venture	**22**	336	**30**	565
Net operating income (NOI)	**33,446**	28,653	**142,141**	126,010

Financial Position Analysis

Balance Sheet Analysis

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

Thousands of Canadian dollars	**2021**	2020	Change
Total assets	**1,609,189**	1,678,129	(68,940)
Total liabilities	**1,203,336**	1,230,687	(27,351)
Total equity	**405,853**	447,442	(41,589)

Total assets decreased by $68,940 to $1,609,189 primarily due to decreases in cash and cash equivalents, depreciation of property and equipment, amortization of resident relationships and income tax recoverable, partially offset by increases in government funding receivable and prepaid expenses.

Total liabilities decreased by $27,351 to $1,203,336 primarily due to a decrease in long-term debt, including $308,000 of repayment on secured and unsecured credit facilities and property-level mortgages, partially offset by proceeds from long-term debt of $252,000 and increases in government funding payable and accounts payable and accrued liabilities.

Total equity decreased by $41,589 to $405,853 primarily due to the payment of dividends and partially offset by the Company's net income for the year ended December 31, 2021.

Cash Flow Analysis

The following table represents the summary of cash flows for the periods ended December 31, 2021:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
Cash (used in) provided by:						
Operating activities	**31,923**	25,440	6,483	**98,516**	69,237	29,279
Investing activities	**(7,497)**	(5,713)	(1,784)	**(18,046)**	(8,762)	(9,284)
Financing activities	**(27,813)**	(12,845)	(14,968)	**(147,094)**	14,426	(161,520)
Increase (decrease) in cash and cash equivalents during the period	**(3,387)**	6,882	(10,269)	**(66,624)**	74,901	(141,525)
Cash and cash equivalents, end of period	**29,053**	95,677	(66,624)	**29,053**	95,677	(66,624)

Fourth Quarter 2021

Cash flows provided by operating activities for the three months ended December 31, 2021 increased by $6,483 to $31,923 primarily due to lower interest paid on long-term debt, timing of accounts payable and accrued liabilities partially offset by timing of government funding and assistance.

Cash flows used in investing activities for the three months ended December 31, 2021 increased by $1,784 to $7,497 primarily due to additions to property and equipment.

Cash flows used in financing activities for the three months ended December 31, 2021 increased by $14,968 to $27,813 primarily due to net repayments of debt during the quarter offset by the extinguishment of the principal reserve fund in Q4 2020 in connection with the fully redeemed Series B senior secured debentures.

Year Ended December 31, 2021

Cash flows provided by operating activities for the year ended December 31, 2021 increased by $29,279 to $98,516 primarily due to timing of government funding and assistance, income tax refunds and lower interest paid on long-term debt, partially offset by timing of accounts payable payments.

Cash flows used in investing activities for the year ended December 31, 2021 increased by $9,284 to $18,046 primarily due to purchase of property and equipment and increase in investment in joint venture as construction began.

Cash flows used in financing activities for the year ended December 31, 2021 increased by $161,520 to $147,094 primarily due to repayment of secured and unsecured credit facilities and property-level mortgages, partially offset by the issuance of the 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 December 31, 2021, the Company's liquidity was $225,553, as follows:

Thousands of Canadian dollars	**December 31, 2021**	December 31, 2020
Cash and cash equivalents	**29,053**	95,677
Available funds from credit facilities	**196,500**	121,500
Total	**225,553**	217,177

As at December 31, 2021, the Company had drawn $12,000 from its available credit facilities. The Company's liquidity was $246,221 as at February 24, 2022.

The Company had a working capital deficiency (current liabilities less current assets) of $134,727 as at December 31, 2021, including the current portion of long-term debt of $51,150. 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 $1,101,000 as at December 31, 2021, representing an increase of $261,000 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 $95,028 as at December 31, 2021. On October 7, 2021, DBRS confirmed Sienna's "BBB" investment grade credit rating with a "Stable" trend from DBRS, along with the "BBB" credit rating for the Company's Series A Unsecured Debentures, Series B Unsecured Debentures and Series C Unsecured Debentures (later defined in the "Debentures" section).

The Company's total debt is comprised as follows:

Thousands of Canadian dollars	**December 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**	—
Credit facilities	**12,000**	187,000
Mortgages	**496,167**	529,492
Lease liability	**1,312**	1,817
	959,479	1,043,309
Fair value adjustments on acquired debt	**2,683**	3,177
Less: Deferred financing costs	**(11,878)**	(13,862)
Total debt	**950,284**	1,032,624

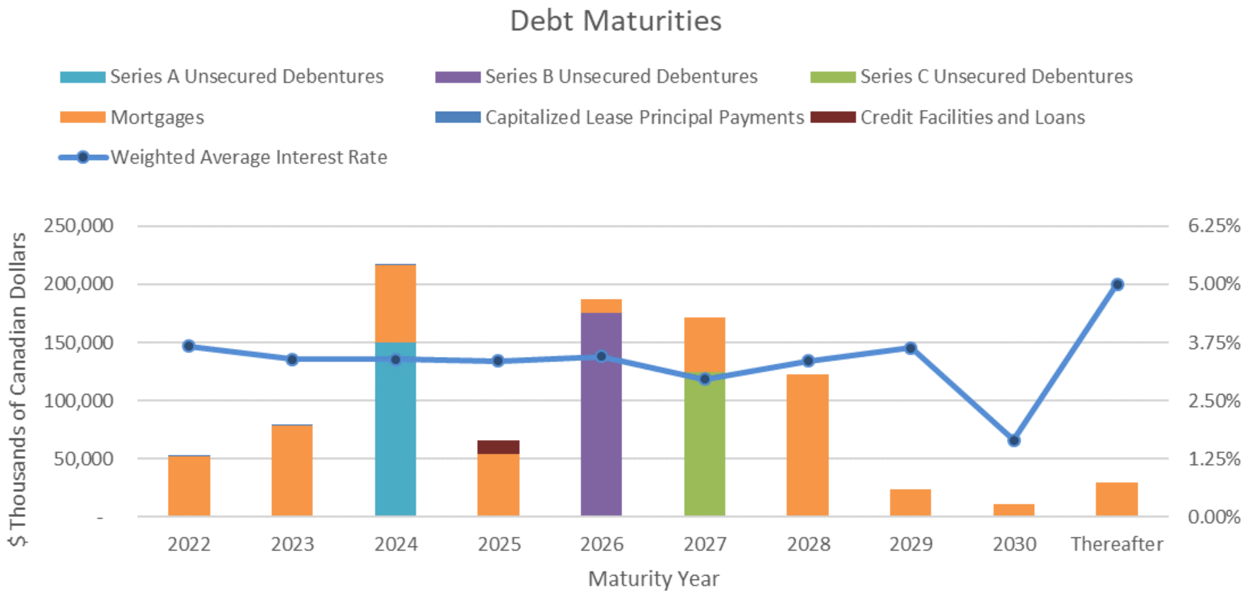
The Company's total debt as at December 31, 2021 was $950,284 (December 31, 2020 - $1,032,624). The decrease of $82,340 was primarily related to the repayment of the Secured Credit Facility (defined in the "Significant Events" section of this MD&A), a reduction in the amount drawn under the Unsecured Revolving Credit Facility (defined in the "Credit Facilities" section of this MD&A) and repayments on 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 December 31, 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
2022	—	—	—	—	502	19,898	32,050	**3.67%**	**52,450**	3.66%
2023	—	—	—	—	443	17,821	60,824	**3.38%**	**79,088**	3.38%
2024	150,000	—	—	—	367	16,049	50,104	**4.10%**	**216,520**	3.39%
2025	—	—	—	12,000	—	12,511	41,065	**3.78%**	**65,576**	3.17%
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	21,127	**3.63%**	**23,506**	3.63%
2030	—	—	—	—	—	1,410	9,230	**1.65%**	**10,640**	1.65%
Thereafter	—	—	—	—	—	11,921	17,763	**5.00%**	**29,684**	5.00%
	150,000	**175,000**	**125,000**	**12,000**	**1,312**	**113,186**	**382,981**	**3.60%**	**959,479**	3.36%
Fair value adjustments on acquired debt									**2,683**	
Less: Deferred financing costs									**(11,878)**	
Total Debt									**950,284**	

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 3.450%.
3. The interest rate for the Series C Unsecured Debentures is 2.820%.
4. The weighted average interest rate for capitalized lease principal payments is 3.84% for each year.

The following graph provides a breakdown of the Company's debt maturities as at December 31, 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 (the "**Series C Unsecured Debentures**").

The balances related to the debentures are as follows:

Thousands of Canadian dollars	**December 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	**(2,558)**	(2,137)
	447,442	322,863

Credit Facilities

The Company has a combined total borrowing capacity of $208,500 pursuant to its credit facilities and, as at December 31, 2021, has drawn $12,000 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 a non-revolving acquisition loan facility totaling $6,000 that matures on June 6, 2025. Borrowings under the credit facility are available by way of BAs at 175 bps per annum over the floating BA rate, or at the Canadian prime rate plus 75 bps per annum.

The Company has other property credit facilities totaling $2,500 that can be accessed for working capital purposes. Borrowings are available at the Canadian prime rate plus 50 bps per annum.

As at December 31, 2021, the Company had drawn $12,000 under the Unsecured Revolving Credit Facility (December 31, 2020 - $87,000).

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

Thousands of Canadian dollars	**December 31, 2021**	December 31, 2020
Credit facilities drawn	**12,000**	87,000
Less: Deferred financing costs	**(493)**	(1,092)
	11,507	85,908

As at February 24, 2022, the Company's borrowing capacity was $208,500 and amounts drawn from its credit facilities were $17,000.

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 December 31, 2021, 56% of the Company's total property-level mortgages were insured by CMHC, which is in-line with the same period last year.

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

Thousands of Canadian dollars	**December 31, 2021**	December 31, 2020
Mortgages at fixed rates	**351,046**	374,248
Mortgages at variable rates	**145,121**	155,244
Fair value adjustments on acquired debt	**2,683**	3,177
Less: Deferred financing costs	**(8,827)**	(10,633)
	490,023	522,036

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

	December 31, 2021			December 31, 2020
	Fixed Rate[1]	**Variable Rate**	**Total**	Total
Weighted average interest rate	3.62 %	1.73 %	**3.60 %**	3.56 %
Weighted average term to maturity (years)	5.2	0.9	**5.2**	5.6

Note:

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

Lease Liability

The lease liability as at December 31, 2021 of $1,312 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 October 7, 2021, DBRS confirmed Sienna's "BBB" investment grade credit rating with a "Stable" trend from DBRS, along with the "BBB" credit rating for the Company's Series A Unsecured Debentures, Series B Unsecured Debentures and Series C Unsecured Debentures.

Financial Covenants

The Company is in compliance with all financial covenants on its borrowings as at December 31, 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 expenses (recoveries) for the three months and year ended December 31, 2021 of $154 and $(4,956), respectively (2020 - $7,713 and $28,227, 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 December 31:

	Three Months Ended		Year Ended	
Thousands of Canadian dollars, except ratio	**2021**	2020	**2021**	2020
Net finance charges	**6,886**	11,302	**27,380**	47,065
Add (deduct):				
Redemption premium paid	—	(2,815)	**(160)**	(2,815)
Amortization of financing charges and fair value adjustments on acquired debt	**(560)**	(930)	**(2,510)**	(2,562)
Amortization of loss on bond forward contract	—	(306)	—	(964)
Interest income on construction funding receivable	**314**	388	**1,269**	1,710
Other interest income	**53**	93	**456**	1,239
Fair value (loss) gain on interest rate swap contracts	**1,629**	602	**6,776**	(8,206)
Net finance charges, adjusted	**8,322**	8,334	**33,211**	35,467
Adjusted EBITDA	**28,504**	23,449	**121,890**	111,092
Interest coverage ratio	**3.4**	2.8	**3.7**	3.1
Interest coverage ratio, excluding net pandemic expenses (recoveries)	**3.4**	3.7	**3.5**	3.9

The following table represents the reconciliation of net income to EBITDA and Adjusted EBITDA for the periods ended December 31:

	Three Months Ended		Year Ended	
Thousands of Canadian dollars	**2021**	2020	**2021**	2020
Net income (loss)	**4,654**	(8,729)	**20,648**	(24,487)
Depreciation and amortization	**11,923**	19,401	**53,069**	77,659
Net finance charges	**6,886**	11,302	**27,380**	47,065
Provision for (recovery of) income taxes	**1,579**	(3,727)	**7,385**	(9,950)
Transaction costs	**783**	192	**2,359**	1,672
EBITDA	**25,825**	18,439	**110,841**	91,959
Restructuring costs	—	1,886	—	6,534
Proceeds from construction funding	**2,679**	3,124	**11,049**	12,599
Adjusted EBITDA	**28,504**	23,449	**121,890**	111,092
Adjusted EBITDA, excluding net pandemic expenses (recoveries)	**28,658**	31,162	**116,934**	139,319

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 December 31:

	Three Months Ended		Year Ended	
Thousands of Canadian dollars, except ratio	**2021**	2020	**2021**	2020
Net finance charges, adjusted	**8,322**	8,334	**33,211**	35,467
Principal repayments(1)	**4,894**	5,425	**20,803**	21,759
Principal reserve fund	—	—	—	16,332
Total debt service	**13,216**	13,759	**54,014**	73,558
Adjusted EBITDA	**28,504**	23,449	**121,890**	111,092
Deduct:				
Maintenance capital expenditures	**(3,773)**	(3,661)	**(14,025)**	(9,717)
Net pandemic capital (expenditures) recoveries	**(295)**	(57)	**10**	(501)
Cash income tax (paid) refunded	**(167)**	1,038	**5,938**	(762)
Adjusted EBITDA (for covenant calculations)	**24,269**	20,769	**113,813**	100,112
Debt service coverage ratio	**1.8**	1.5	**2.1**	1.4
Debt service coverage ratio, excluding net pandemic expenses (recoveries) and net pandemic capital recoveries (expenditures)	**1.9**	2.1	**2.0**	1.7

Note:

1. During the three months and year ended December 31, 2021, the Company made voluntary payments of $nil (2020 - $30,000) and $187,000 (2020 - $127,000) 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 year ended December 31, 2021.

Thousands of Canadian dollars, except ratio	December 31 2021	2020
Total indebtedness		
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	175,000
Series C Unsecured Debentures	**125,000**	—
Credit facilities	**12,000**	187,000
Mortgages	**496,167**	529,492
Lease liability	**1,312**	1,817
	959,479	1,043,309
Adjusted EBITDA	**121,890**	111,092
Debt to Adjusted EBITDA	**7.9**	9.4
Debt to Adjusted EBITDA, excluding net pandemic (recovery) expenses	**8.2**	7.5

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.

Thousands of Canadian dollars, except ratio	December 31 2021	2020
Total indebtedness		
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	175,000
Series C Unsecured Debentures	**125,000**	—
Credit facilities	**12,000**	187,000
Mortgages	**496,167**	529,492
Lease liability	**1,312**	1,817
Total indebtedness	**959,479**	1,043,309
Total assets	**1,609,189**	1,678,129
Accumulated depreciation on property and equipment	**346,028**	304,102
Accumulated depreciation on held for sale assets		—
Accumulated amortization on intangible assets	**189,016**	181,598
Gross book value	**2,144,233**	2,163,829
Debt to gross book value	**44.7 %**	48.2 %

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 purchase loan	—	26
Balance, December 31, 2020	67,039,123	878,516
Long-term incentive plan, net of loans receivable	—	187
Share purchase loan	—	325
Balance, December 31, 2021	**67,039,123**	**879,028**

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 during the quarter.

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 December 31:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2021**	2020	Change	**2021**	2020	Change
Cash flows from operating activities	**31,923**	25,440	6,483	**98,516**	69,237	29,279
AFFO	**16,555**	13,174	3,381	**72,757**	69,568	3,189
Dividends declared	**(15,688)**	(15,687)	(1)	**(62,749)**	(62,732)	(17)
Cash flows from operating activities over dividends declared	**16,235**	9,753	6,482	**35,767**	6,505	29,262
AFFO retained	**867**	(2,513)	3,380	**10,008**	6,836	3,172

The excess of cash flows from operating activities over dividends declared or increase in AFFO retained for the three months and year ended December 31, 2021 is primarily attributable to timing of government assistance received related to pandemic expenses, higher maintenance capital expenditures, seasonality in the Company's operating results and changes in working capital balances. 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 three 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, 2021. New or changes in accounting policies are identified in Note 3 of the Company's interim consolidated financial statements for the year ended December 31, 2021. Please refer to those interim consolidated financial statements for further details.

Significant Judgments and Estimates

The preparation of consolidated financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are discussed below.

Long-term care licences

In Ontario, the Long-Term Care Homes Act, 2007 ("**LTCHA**") contains a licence term regime for all LTC residences which will result in licence terms for the Company's residences ranging from 15 years for Class B and C residences to 30 years for Class A residences. Under the LTCHA, ultimate control of LTC licences in Ontario remains with the MLTC, including approval of new licences, and transfer, renewal or revocation of existing licences. Although the licence does not support any guarantee of continued operation beyond the term of the licence, based on the current demographics in Canada and the demand for LTC beds projected to increase, management of the Company is of the view that licences will continue to be renewed.

In British Columbia, the LTC licences have an indefinite term.

Impairment analysis of indefinite-lived intangible assets (significant estimate)

The Company views long-term care licences as indefinite-lived intangible assets. These indefinite-lived intangible assets do not generate largely independent cash inflows and are therefore tested as part of the CGUs to which they belong. The Company has defined each owned residence to be a CGU. CGUs that contain indefinite-lived intangibles are tested for impairment annually and whenever there is an indication of impairment. The carrying value of each CGU is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount.

For certain CGUs, the Company places reliance on a past test for the recoverable amount of CGUs that meet the following criteria: (i) net assets of the home have not changed significantly since most recent test; (ii) most recent test resulted in a fair value that exceeded the carrying amount by a substantial margin, and (iii) based on events and circumstances that have changed since the most recent test, the likelihood that the fair value has reduced to below the current carrying amount is remote.

For the remaining CGUs, fair value is determined using the direct capitalization method. This method considers capitalization rates derived from transactions involving properties comparable to the subject properties. The capitalization rate is applied to a stabilized single-year estimate of net operating income to determine market value. The significant assumptions used in the valuation include capitalization rates and growth rates.

Risk Factors

There are certain risks inherent in an investment in the Company's securities and in the activities of the Company. The Company is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. The Company has operating and risk management strategies and insurance programs to help minimize these operating risks and uncertainties. In addition, the Company has entity level controls and governance procedures, including a corporate code of business conduct and ethics, whistleblowing procedures, clearly articulated corporate values, and procedures in place to systematically identify matters warranting consideration of disclosure by its Disclosure Committee, and detailed policies outlining the delegation of authority within the Company.

To preserve and enhance shareholder value over the long-term, the Company approaches the management of risk strategically through its disciplined enterprise risk management (**"ERM"**) program. The Company conducts an annual ERM assessment which is overseen by the Company's senior management team and is reported to the Board of Directors. A key element of the ERM program is the periodic review, identification and assessment of risk. The ERM framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively across the Company. Senior management participates in a detailed review of enterprise risk in four major categories: strategic, operational, compliance, financial and reporting. In addition, the Company monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as needed.

This section describes the principal risks and uncertainties that could have a material adverse effect on the Company's business and financial results. The risks and uncertainties described below may not be the only risks that may impact the Company's business. Additional risks not currently known to the Company or that management currently believes are immaterial may have a material adverse effect on future business and operations. Investors should carefully consider these risks before investing in the securities of the Company. Any discussion about risks should be read in conjunction with "Forward-Looking Statements".

Risks Relating to the Business

General business risks

The Company is subject to general business risks, including those inherent in the seniors' living sector. These risks include changes in government regulation and oversight, changes in consumer preferences, fluctuations in occupancy levels and business volumes, changes in government funding and reimbursement programs, competition from other seniors care providers, changes in neighbourhood or location conditions and general economic conditions, natural disasters, health related risks (including disease outbreaks such as COVID-19 and influenza) and control risks, negative media reports or publicity, critical third party supply failures, imposition of new or increased taxes, capital expenditure requirements, and increased operating costs. Additional risks include possible future changes in labour relations, reduction of personnel below acceptable levels (including due to events such as pandemic illness or quarantine), increases in labour and other personnel costs (including pursuant to the pay equity litigation discussed below under "Developments related to Pay Equity"). Any one or a combination of these factors may adversely affect the business, operating results or financial condition of the Company.

COVID-19 and other outbreaks

The occurrence of a pandemic, epidemic, or other outbreak of an infectious illness or other public health crisis in areas in which we operate could have a material adverse effect on the business, operating results and financial condition of the Company. Also, enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure or addressing actual illness in our LTC and Retirement Residences (for example, testing of residents and team members, enhanced screening and use of PPE) would result in increased costs. In addition, a pandemic, epidemic or other outbreak may adversely impact our operations by causing staffing and supply shortages. Resident satisfaction and team member engagement may also be adversely impacted during this period.

Although continued or enhanced government funding or assistance may mitigate some of these impacts, there is no certainty of the extent to which that will be the case. In addition, outbreaks, such as COVID-19, cause our residences and our management to spend considerable time planning for and addressing such events, which diverts their attention from other business matters.

The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets, which could have a material adverse effect on the business, results of operations and financial condition of the Company with the potential to impact, among others: (i) the valuation of our properties and assets; (ii) the availability or the terms of financing that we have or may anticipate utilizing; (iii) our ability to make principal and interest payments on, or refinance, any outstanding debt when due; (iv) the occupancy rates in our properties; (v) the ability of our residents to satisfy their payment obligations to us, including the payment of rent; and (vi) the market price for the equity securities of the Company. Further, as we continue to operate in the face of the COVID-19 pandemic, we may be exposed to claims related to COVID-19, including class actions and other lawsuits, labour proceedings, union complaints, inquiries, investigations and otherwise.

The Company has been named as a defendant in litigation related to its handling of the COVID-19 pandemic in its residences. There is risk that further litigation could be commenced by, or on behalf of, persons impacted by an outbreak at a Sienna residence which, even if not meritorious and even if covered by the Company’s insurance, could result in increased operating costs to the Company.

The impact of COVID-19 on the overall economy may adversely affect credit markets, which may make it more difficult for the Company to access credit or, if able to do so, it may be at a higher cost or on less favourable terms, potentially impacting, among other things, re-financings and our development plans and timelines. Governments and central banks have attempted to stabilize economic conditions through monetary and fiscal interventions, but it is not currently known how these interventions will impact the financial markets, interest rate volatility or the economy in general.

To the extent that interest rates increase as a result of the Bank of Canada’s actions or otherwise, the availability of refinancing alternatives for credit facilities and other loans may be reduced.

We are continuing to evaluate and consider the potential impact of the COVID-19 outbreak, which could result in some or all of these negative outcomes and adversely impact the business, operating results and financial condition of the Company. There can be no assurances that a pandemic, epidemic or outbreak of a contagious illness, such as COVID-19, would not have a material adverse effect on the business, operating results and financial condition of the Company.

Liability and insurance

The businesses which are carried on, directly or indirectly, by the Company entail an inherent risk of liability, including with respect to injury to or death of its residents. From time to time the Company is subject to lawsuits as a result of the nature of its businesses, including the proposed class actions described below. The market for insurance for the senior living sector has been challenging and has resulted in increased insurance costs for the Company. The Company maintains business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the businesses, historical experience, industry standards and coverage availability to the sector. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. There are certain types of risks, generally of a catastrophic nature, such as floods, earthquakes, power outages, war, terrorism or environmental contamination, which are either uninsurable or are not insurable on an economic basis. A successful claim against the Company not covered by, or in excess of, its insurance may have a material adverse impact on the business, operating results and financial condition of the Company. Claims against the Company, regardless of their merit or eventual outcome, also may have a material adverse impact on the ability to attract residents or expand the Company's business, and requires management of the Company to devote time to matters unrelated to the operation of the business. Sienna 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 million. 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 respect of 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 million, $16 million, $16 million and $25 million, 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 million.

On January 21, 2022, the Superior Court of Justice made an order consolidating the above proposed class actions in the form ordered by the Court. The aggregate amount of damages claimed in the consolidated claim is $260 million. The Court ordered that the proposed class actions, other than the consolidated claim, be stayed pending the outcome of the certification motion on the consolidated claim and that no other class proceedings may be commenced in Ontario in relation to the subject matter of the consolidated claim without leave of the Court. The consolidated claim, in effect, replaces all of the other proposed class actions.

None of the above proposed class action claims, including the consolidated claim, have been certified as a class action. The Company is currently reviewing the consolidated claim 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, including the consolidated claim, on the Company’s financial results.

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.

Labour intensive operations

The business of the Company is labour intensive, with labour related costs comprising a substantial portion of the Company's direct operating expenses. The Company's businesses compete with other providers with respect to attracting and retaining qualified personnel. Any shortage of qualified personnel and general inflationary pressures may require the Company to enhance its pay and benefits package to compete effectively for such personnel. LTC residences in British Columbia are subject to direct care hour requirements by the respective health authorities for funding eligibility. An increase in labour-related costs or a failure to attract, train and retain qualified and skilled personnel may have a material adverse impact on the business, operating results and financial condition of the Company.

Developments related to Pay Equity

The Company along with a number of other industry participants and the Ontario Government are currently engaged in proceedings with two unions regarding pay equity maintenance for employees at long-term care facilities, for which wages and benefits are typically funded by the MLTC. In October 2021, the Supreme Court of Canada denied leave to appeal and upheld the appellate court ruling that the proxy method should be used and comparisons should be made to an outside sector. The Company and the other participants in the long-term care sector are working with the unions and government to assess the impact of the ruling and establish a framework for pay equity suitable for the sector.

Given the current status of the proceedings and significant number of judgements required in establishing the pay equity framework, including ongoing discussions with two unions amongst the parties, that will impact the measurement of any potential provision, management has assessed the conditions required for a provision and have concluded that it is not possible to reliably measure the potential outflow of resources, and accordingly no provision has been recorded in the consolidated financial statements as at December 31, 2021.

Information technology risk

The Company is a party to agreements with third parties for hardware, software, network, telecommunications and other IT services in connection with its operations. The Company's efficient operation of its business depends, in part, on computer hardware and software systems and on how well the Company and its suppliers protect networks, equipment, systems and software against damage from a number of threats (including cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, malware, vandalism and theft). The Company's operations also depend on the timely maintenance, upgrade and replacement of systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in IT system failures, delays and/or increase in capital expenses. The failure of IT systems could, depending on the nature of any such failure, adversely impact the Company's reputation and may have a material adverse impact on the business, operating results and financial condition of the Company.

Government regulation

Both LTC residences and RRs are subject to extensive regulation with the potential for regulatory change. There can be no assurance that future regulatory changes affecting the seniors' housing industry would not have a material adverse impact on the business, operating results and financial condition of the Company.

All LTC residences and RRs are required to adhere to quality control, public health, infection control and other care-related operating standards. Accordingly, all LTC residences and RRs are subject to regulatory inspections to ensure compliance with applicable regulations and to investigate complaints, including complaints related to resident injury or death. It is not unusual for the stringent inspection procedures to identify deficiencies in operations. Every effort is made by the Company to correct legitimate problem areas that have been identified. It is possible that the Company may not be able to remedy deficiencies or address complaints within the time frames allowed or in a manner satisfactory to the applicable regulatory authority, which could lead to periods of enhanced monitoring and the imposition of sanctions (such as limiting admissions in the case of an LTC residence), which, in turn, may have a material adverse impact on the business, operating results and financial condition of the Company. Further, once deficiencies have been corrected, it could nonetheless take a period of time before public records note the compliance.

All RRs operating in Ontario are required to be licensed under the Retirement Homes Act (**"RHA"**) and are regulated under this statute. In British Columbia, the Community Care and Assisted Living Act (**"CCALA"**) provides consumer protection and regulation of independent living homes and assisted living facilities. All types of seniors' living residences providing personal support in British Columbia must be registered with the Assisted Living Registry. The Company has obtained all required licences and registrations. There can be no assurance that future regulatory changes affecting RRs would not have a material adverse impact on the business, operating results and financial condition of the Company.

LTC funding

The mandate of certain provincial and regional health regulators includes the authorization to determine the co-payment fees that residents pay to LTC residences. Provincial and regional health regulators also provide funding for care and support programs in LTC residences and subsidize accommodation costs for qualifying residents. Risk exists that provincial and regional health regulators may reduce the level of, or eliminate, such fees, payments or subsidies to residences in the future. There can be no assurance that the current level of such fees, payments and subsidies will be continued or that such fees, payments and subsidies will increase commensurate with expenses of operating LTC residences. A reduction of these fees, payments or subsidies may have a material adverse impact on the business, operating results and financial condition of the Company.

Funding adjustments in the current year

Reconciliations of funding versus actual expenses are performed annually, based on previous calendar years. Reconciliation of government assistance related to the pandemic and actual incremental expenses incurred related to the pandemic is to be performed for the twelve month period ending March 31, 2021. From time to time, the reconciliations will result in current year adjustments made in respect of prior years. These ‘‘prior period adjustments'' can have either a favourable or unfavourable impact on NOI generally related to differences identified in the reconciliation attributable to occupancy days, special circumstances and differences between projected and actual property tax.

Licence terms

In Ontario, the LTCHA establishes a licence term regime for all LTC residences. The licence terms for Company's residences ranging from 15 years for Class B and C residences to 30 years for Class A residences. Under the LTCHA, ultimate control of LTC licences in Ontario remains with the MLTC, including approval of new licences, and transfer, renewal or revocation of existing licences. Although the licence does not support any guarantee of continued operation beyond the term of the licence, based on the current demographics in Canada and the demand for LTC beds projected to increase, management of the Company is of the view that licences will continue to be renewed. In British Columbia, the CCALA establishes a licence term regime for all

LTC residences. A failure of the Company's LTC licences to be renewed or conditionally renewed may have a material adverse impact on the business, operating results and financial condition of the Company.

Labour relations

A majority of the employees working at the Company's properties are unionized with approximately 84% of employees represented by union locals of any of the Service Employees International Union, the Ontario Nurses Association, the BC Nurses' Association, the BC Government and Service Employees' Union, the Hospital Employees' Union, the Christian Labour Association of Canada, the Canadian Union of Public Employees, Healthcare Office and Professional Employees, Unifor, Ontario Public Service Employees Union, Workers United Canada Council or United Food and Commercial Workers. While the Company has traditionally maintained positive labour relations, there can be no assurance the Company will not at any time, whether in connection with a renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees, which may have a material adverse impact on the business, operating results and financial condition of the Company. Notwithstanding the foregoing, all LTC residences in Ontario are governed by the *Hospital Labour Disputes Arbitration Act* (Ontario), which prohibits strikes and lockouts in the seniors' living industry. Collective bargaining disputes in Ontario are more likely to be resolved through compulsory third party arbitration.

Privacy and cybersecurity risk

Information systems are vulnerable to security threats, including cybersecurity incidents. A cybersecurity incident is considered to be any intentional or unintentional material adverse event that threatens the confidentiality, integrity or availability of the Company’s information resources, including malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Moreover, cybersecurity attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. As a custodian of personal information, including health information, relating to residents and employees, the Company is exposed to the potential loss, misuse or theft of any such information, which could result in reputational damage, potential liability to third parties, additional regulatory scrutiny and fines and litigation and other costs and expenses.

The Company takes data privacy and protection seriously and has implemented processes, procedures and controls to help mitigate these risks. Access to personal data is controlled through physical security and information technology (“IT”) security measures, and employees are frequently trained in the safeguarding of sensitive information. For information stored with or processed by third parties, the Company undertakes due diligence prior to working with them and uses contractual means to ensure compliance to standards set by the Company. Additionally, the Company monitors and assesses risks surrounding collection, use, storage and protection practices of personal data. However, these measures, as well as its increased awareness of a risk of a cybersecurity incident, do not guarantee that its financial results would not be negatively impacted by such an incident.

Although to date the Company has not experienced any material losses relating to cybersecurity or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cybersecurity threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Capital intensive industry

The ability of the Company to maintain and enhance its properties in a suitable condition to meet regulatory standards, operate efficiently and remain competitive in its markets requires it to commit a portion of cash to its facilities and equipment. Significant future capital requirements may have a material adverse impact on the business, operating results and financial condition of the Company.

Real property ownership

All real property investments are subject to a degree of risk. They are affected by various factors, including changes in general economic conditions (such as the availability of long-term mortgage funding) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to residents, competition from other available space and various other factors, including increasing property taxes. In addition, fluctuations in interest rates may have a material adverse impact on the business, operating results and financial condition of the Company.

Damage to administrative operations or properties

The Company's ability to sustain or grow its business is heavily dependent on efficient, proper and uninterrupted operations at its properties. Power failures or disruptions, breakdown, failure or substandard performance of equipment, improper installation or operation of equipment and destruction of buildings, equipment and other facilities due to natural disasters or other causes could severely affect its ability to continue operations. While the Company does maintain certain insurance policies covering losses due to fire, lightning and explosions, there can be no assurance its coverage would be adequate to compensate the Company for the actual cost of replacing such buildings, equipment and infrastructure nor can there be any assurance that such events would not have a material adverse impact on the business, operating results and financial condition of the Company.

Environmental liabilities

The Company is subject to various environmental laws and regulations under which it could become liable for the costs of removing or remediating certain hazardous, toxic or regulated substances released on or in the properties it owns or manages, or disposed of at other locations, in some cases regardless of whether or not the Company knew of or was responsible for their presence. The failure to address such issues may adversely affect the Company's ability to sell properties or to borrow using properties as collateral and/or could potentially result in claims against the Company. Notwithstanding the above, management of the Company is not aware of any material non-compliance, liability or other claim in connection with any of the Company's owned properties or those it manages. It is the Company's operating policy to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring or financing any property, or to otherwise obtain applicable reliance letters in respect thereof. Where Phase I environmental site assessments identify sufficient environmental concerns or recommend further assessments, Phase II or Phase III environmental site assessments are conducted.

Environmental laws and regulations may change and the Company may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations may have a material adverse impact on the business, operating results and financial condition of the Company.

Acquisitions, dispositions and development

The success of the Company's business acquisition, disposition and development activities will be determined by numerous factors, including the ability of the Company to identify suitable acquisition or development targets, competition for transactional opportunities, purchase and sale price, ability to obtain adequate financing on reasonable terms, financial performance of acquired businesses and the ability of the Company to effectively integrate and operate acquired businesses. Acquisitions, dispositions and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the Company's operations and financial results. Representations and warranties given by such third parties to the Company may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Further, the acquired businesses may not meet financial or operational expectations of performance due to unexpected costs associated with the acquisition or development of an acquired property, as well as the general investment risks inherent in any real estate investment. In addition, the letters of intent and purchase or sale agreements entered into with third parties with respect to such acquisitions or dispositions, as applicable, are generally subject to certain closing conditions, and in some cases, the granting of regulatory approvals. Such acquisitions or dispositions may not be completed due to the failure to satisfy closing conditions or the failure to receive required regulatory approvals and certain funds paid by the Company may not be recoverable. Moreover, new acquisitions may require significant attention from management of the Company or capital expenditures that would otherwise be allocated to existing businesses. Any failure by the Company to identify suitable targets for acquisition or disposition, or to operate acquired businesses effectively, may have a material adverse impact on the business, operating results and financial condition of the Company.

The Company is pursuing development activities with partners. These activities create development-specific risks, including liens, constructions delays, increasing costs, labour disputes, delays in obtaining municipal and regional approvals and disputes with development partners.

Redevelopment of Class B and C residences

The redevelopment of the Company's Class B and Class C beds in Ontario require regulatory approvals and may include significant capital outlays. To the extent such redevelopment plans proceed on significantly different timing or terms, including with respect to budgets or the levels of expected funding, there may be a material adverse impact on the business, operating results and financial condition of the Company.

Joint venture interests

The Company has entered into several joint-venture arrangements in respect of certain of the Company's seniors' housing operations and continues to seek more such opportunities. Joint-venture arrangements have the benefit of sharing the risks associated with ownership and management of properties, including those risks described elsewhere in this section. However, if joint venture arrangements or partnerships do not perform as expected or default on financial obligations, the Company has an associated risk. The

Company aims to reduce this risk by seeking to negotiate contractual rights upon default, by entering into agreements with financially stable partners and by working with partners who have a successful record of operating and completing development projects.

Financing risk

The Company expects its working capital needs and capital expenditure needs to increase in the future as it continues to expand and enhance its portfolio. The Company's ability to raise additional capital will depend on the financial success of its current business and the successful implementation of its key strategic initiatives as well as, financial, economic and market conditions and other factors, some of which are beyond its control. No assurance can be given that it will be successful in raising the required capital at reasonable cost and at the required times, or at all. Further equity financings may have a dilutive effect on the value of the Company's common shares. If the Company is unsuccessful in raising additional capital, it may not be able to continue its business operations and advance its growth initiatives, which may have a material adverse impact on the business, operating results and financial condition of the Company.

The Company is in compliance with its financial covenants as at December 31, 2020. However, there can be no assurance that future covenant requirements will be met. The Company’s bank lines and other debt may be affected by its ability to remain in compliance with their respective terms. If the Company does not remain in compliance with its financial covenants, its ability to amend the covenants or refinance its debt may be affected.

A portion of the Company's cash flow is devoted to servicing its debt and there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on its debt. If the Company were unable to meet such interest or principal payments, it may be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. If this were to occur, it may have a material adverse impact on the business, operating results and financial condition of the Company. The Company is subject to the risk that its existing indebtedness may not be able to be refinanced at maturity or that the terms of any refinancing may not be as favourable as the terms of its existing indebtedness. If the Company requires additional debt financing, its lenders may require it to agree to restrictive covenants that could limit its flexibility in conducting future business activities or that contain provisions that, upon an event of default, result in the acceleration of repayment of amounts owed and that restrict the amount of dividends, if any, that may be paid to its shareholders. Some of the Company's current debt instruments include such covenants.

Credit ratings

The credit ratings assigned to the Company are an assessment of the Company's ability to pay its obligations. The Company received a BBB investment grade credit rating with a Stable trend from DBRS Limited. DBRS Limited has also assigned a rating BBB, with a Stable trend, to the Company's Series A Unsecured Debentures and Series B Unsecured Debentures. There is no assurance the Company will continue to receive such credit ratings. Thus, real or anticipated changes in the Company's credit ratings may affect its capital structure.

Reliance on key personnel

The Company's success depends upon the retention of senior management. There can be no assurance that the Company would be able to find qualified replacements for the individuals who make up its senior management team if their services were no longer available. The loss of services of one or more members of such senior management team may have a material adverse impact on the business, operating results and financial condition of the Company. The Company does not currently carry any “key man” life insurance in respect of any of its executives.

Competition

Numerous other seniors' living residences, predominantly RRs, compete with the Company's RRs in seeking residents. The existence of competing owners and competition for the Company's residents may have a material adverse impact on the Company's ability to attract residents to its seniors' living residences and on the rents charged, and may have a material adverse impact on the business, operating results and financial condition of the Company.

Geographic concentration

A majority of the business and operations of the Company is conducted in Ontario, although the Company also has a significant presence in British Columbia. The fair value of the Company's assets and the income generated therefrom may be adversely impacted by changes in local and regional economic conditions in either jurisdiction.

Tax rules and regulations

The Company is subject to audits from federal and provincial tax jurisdictions and is therefore subject to risk in the interpretation of tax legislation and regulations. Tax rules and regulations are complex and require careful review by the Company’s tax management and its external tax consultants. Differences in interpretation of tax rules and regulations could result in tax assessments and penalties for the untimely payment of the determined tax liability, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Relating to a Public Company and Common Shares

Volatile market price for securities of the Company

The market price for securities of the Company, including the common shares, may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in estimates of future results of operations of the Company or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- additions to, or departures of, the Company's senior management and other key personnel;
- imposition or removal of re-sale restrictions on common shares issued pursuant to exemptions under applicable securities laws;
- sales or anticipated sales of additional securities, including common shares;

- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and

- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets may experience price and volume fluctuations that affect the market prices of equity securities of companies and that are unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the securities of the Company may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, social and governance practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the securities of the Company by those institutions, which in turn may adversely affect the market price of the Company's securities, including the common shares. There can be no assurance that fluctuations in price and volume will not occur due to these and other factors.

Sienna Senior Living Inc. ("SSLI") is a holding company

SSLI is a holding company and a substantial portion of its assets consist of the partnership units of its subsidiaries. As a result, investors in SSLI are subject to the risks attributable to its subsidiaries. As a holding company, SSLI conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete existing or future opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to SSLI. The ability of these entities to pay distributions to SSLI depends on their operating results and may be subject to applicable laws and regulations and to contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to SSLI.

Dividend policy

Commencing with the December 2012 dividend, the Board established a dividend policy authorizing the declaration and payment of an annual dividend of $0.90 per common share, to be paid to holders of common shares on a monthly basis. The annual dividend increased by 2% to $0.918 per common share starting with the September 2018 dividend for shareholders of record on August 31, 2018. The annual dividend was further increased by 2% to $0.936 per common share starting with the September 2019 dividend for shareholders of record on August 30, 2019. Any determination to pay cash dividends is at the discretion of the Board after taking into account such factors as the Company's financial condition, results of operations, current and anticipated cash needs, regulatory capital requirements, the requirements of any future financing agreements and other factors that the Board may deem relevant. Cash dividends are not guaranteed and may fluctuate or cease based on the performance of the Company.

Compliance with financial reporting and other requirements as a public company

The Company is subject to reporting and other obligations under applicable Canadian securities laws and Toronto Stock Exchange rules, including Canadian Securities Administrators ("**CSA**") National Instrument 52-109 ("**NI 52-109**"). These reporting and other obligations place significant demands on the Company's management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause the Company to fail to meet its reporting obligations or result in material misstatements in its consolidated financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed, which could also cause investors to lose confidence in the Company's reported financial information, which could result in a lower trading price of its securities.

Management of the Company does not expect the Company's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management of the Company's override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Future sales of the Company's securities by directors and executive officers

Subject to compliance with applicable securities laws, officers and directors and their associates may sell some or all of their securities in the Company in the future. No prediction can be made as to the effect, if any, such future sales will have on the market price of the Company's securities prevailing from time to time. However, the future sale of a substantial number of securities by the Company's officers and directors and their associates, or the perception that such sales could occur, may have a material adverse impact on prevailing market prices for the Company's securities.

Conflicts of interest

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies and consequently there exists the possibility for such directors and officers to be in a position of conflict. Pursuant to applicable law, any decision made by any of such directors and officers involving the Company must be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.

Dilution and future sales of the Company's securities

The Company's articles permit the issuance of an unlimited number of common shares and an unlimited number of preferred shares, and shareholders have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion, subject to compliance with applicable laws, to determine the price and the terms of issue of further issuances of common shares and preferred shares.

Controls and Procedures

Disclosure controls and procedures

Management of the Company is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported, on a timely basis, to senior management of the Company, including the President and Chief Executive Officer and the Chief Financial Officer, so that they can make appropriate decisions regarding public disclosure. The Company's system of disclosure controls and procedures include, but are not limited to, its Code of Business Conduct and Ethics, Disclosure & Insider Trading Policy, Whistleblower Policy, clearly articulated corporate values, procedures in place to systematically identify matters warranting consideration of disclosure by its Disclosure Committee, verification processes for financial and non-financial metrics and information contained in annual and interim filings (including the consolidated financial statements, MD&A, AIF and other documents and external communications), and detailed policies outlining the delegation of authority within the Company.

As required by NI 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, a quarterly evaluation of the adequacy of the design and effective operation of the Company's disclosure controls and procedures was conducted, under the supervision of and with the participation of management of the Company (including the President and Chief Executive Officer, and the Chief Financial Officer) as at December 31, 2021. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the President and Chief Executive Officer, and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at December 31, 2021.

Internal control over financial reporting

Management of the Company is also responsible for establishing and maintaining appropriate internal control over financial reporting. The Company's internal control over financial reporting include, but are not limited to, detailed policies and procedures related to financial accounting, reporting and controls and systems that process and summarize transactions. The Company's procedures for financial reporting also include the active involvement of qualified financial professionals, senior management and the Company's Audit Committee.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable, and not absolute, assurance with respect to the reliability of financial reporting and the preparation and presentation of financial statements for external purposes in accordance with IFRS. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including any instances of fraud, have been detected. Controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people or by management's override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

As also required by NI 52-109, management, including the President and Chief Executive Officer and the Chief Financial Officer, evaluated the adequacy of the design (quarterly) and operating effectiveness (annually) of the Company's internal control over financial reporting as defined in NI 52-109, as at December 31, 2021. In making this assessment, management, including the President and Chief Executive Officer and the Chief Financial Officer, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013). This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls, and a conclusion about this evaluation. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the design and operation of the internal control over financial reporting were effective as at December 31, 2021, in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

Changes in internal control over financial reporting

During the year ended December 31, 2021, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

2021 Report to Shareholders

Consolidated Financial Statements

Management's Responsibility for Financial Reporting

The consolidated financial statements are the responsibility of the management of Sienna Senior Living Inc. (the **"Company"**), and have been approved by the Board of Directors of the Company. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts that are based on estimates and judgments. Financial information contained elsewhere in this report is consistent with the consolidated financial statements.

The Company maintains a system of internal controls that are designed to provide reasonable assurance that the financial records are reliable and accurate and form a proper basis for the preparation of the consolidated financial statements.

The consolidated financial statements have been examined by the Board of Directors and by its Audit Committee. The Audit Committee meets with management to review the activities of each, and reports to the Board of Directors. The auditor has direct and full access to the Audit Committee and meets with the Audit Committee both with and without management present on a quarterly basis. The Board of Directors, directly and through its Audit Committee, oversees management's responsibilities and is responsible for reviewing and approving the consolidated financial statements.

The external auditor, Deloitte LLP, has audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Shareholders their opinion on the consolidated financial statements. The following report of Deloitte LLP outlines the scope of their examination and their opinion on the consolidated financial statements.

"Nitin Jain"

Nitin Jain
President and Chief Executive Officer

"Karen Hon"

Karen Hon
Chief Financial Officer and Senior Vice President

Markham, Canada
February 24, 2022

Deloitte LLP
Bay Adelaide East
8 Adelaide Street West,
Suite 200
Toronto ON M5H 0A9
Canada

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Independent Auditor's Report

To the Shareholders and the Board of Directors of
Sienna Senior Living Inc.

Opinion

We have audited the consolidated financial statements of Sienna Senior Living Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of changes in equity, operations, comprehensive income and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditor's report.

Other Matter

The consolidated financial statements of Sienna Senior Living Inc. for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on February 18, 2021.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

February 24, 2022

Independent auditor's report

To the Shareholders of Sienna Senior Living Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sienna Senior Living Inc. and its subsidiaries (together, the Company) as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Patrizia Perruzza.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 18, 2021

Consolidated Statements of Financial Position
As at December 31, 2021 and December 31, 2020

Thousands of Canadian dollars

	Notes	**December 31, 2021**	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		**29,053**	95,677
Accounts receivable and other receivables		**21,469**	18,092
Prepaid expenses and deposits		**10,483**	6,950
Government funding receivable	4	**7,745**	5,732
Construction funding receivable	4, 8	**8,987**	9,667
Assets held for sale	6	**18,005**	—
Income taxes recoverable		—	7,503
		95,742	143,621
Non-current assets			
Government funding receivable	4	**18,999**	908
Derivative assets	4	**501**	—
Restricted cash	7	**4,047**	3,411
Construction funding receivable	4, 8	**17,231**	26,331
Investment in joint venture	27	**6,297**	2,323
Property and equipment	9	**1,102,791**	1,132,071
Intangible assets	10	**195,915**	201,798
Goodwill	11	**167,666**	167,666
Total assets		**1,609,189**	1,678,129
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	12	**126,789**	108,692
Government funding payable	4	**50,721**	18,540
Current portion of long-term debt	4, 13	**51,150**	135,707
Income taxes payable		**904**	—
Derivative liabilities	4	**905**	2,226
		230,469	265,165
Non-current liabilities			
Long-term debt	4, 13	**899,134**	896,917
Deferred income taxes	15	**53,050**	47,985
Government funding payable	4	**7,520**	2,671
Share-based compensation liability	18	**10,247**	9,682
Derivative liabilities	4	**2,916**	8,267
Total liabilities		**1,203,336**	1,230,687
EQUITY			
Shareholders' equity		**405,853**	447,442
Total equity		**405,853**	447,442
Total liabilities and equity		**1,609,189**	1,678,129

Commitments and contingencies (Note 28)

See accompanying notes.

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

"Dino Chiesa"	"Stephen Sender"
Dino Chiesa	Stephen Sender
Chair and Director	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	16	**—**	**—**	**—**	**—**	**—**
Net income		**—**	**—**	**20,648**	**—**	**20,648**
Long-term incentive plan	16	**187**	**—**	**—**	**—**	**187**
Share purchase loan	16	**325**	**—**	**—**	**—**	**325**
Dividends	16, 17	**—**	**—**	**(62,749)**	**—**	**(62,749)**
Balance, December 31, 2021		**879,028**	**203**	**(473,378)**	**—**	**405,853**

	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	16	3,393	—	—	—	3,393
Net loss		—	—	(24,487)	—	(24,487)
Other comprehensive income		—	—	—	711	711
Long-term incentive plan	16	46	—	—	—	46
Share purchase loan	16	26	—	—	—	26
Dividends	16, 17	—	—	(62,732)	—	(62,732)
Balance, December 31, 2020		878,516	203	(431,277)	—	447,442

See accompanying notes.

Consolidated Statements of Operations
Years ended December 31, 2021 and 2020

Thousands of Canadian dollars, except share and per share data

	Notes	Year ended December 31, 2021	2020
Revenue	22, 26	**668,494**	664,233
Expenses			
Operating expenses, net of government assistance		**526,353**	538,223
Depreciation and amortization		**53,069**	77,659
Administrative	23	**31,270**	33,486
Share of net loss in joint venture	27	**30**	565
	24	**610,722**	649,933
Income before net finance charges, transaction costs and provision for (recovery of) income taxes		**57,772**	14,300
Net finance charges	14	**27,380**	47,065
Transaction costs		**2,359**	1,672
Total net finance charges and transaction costs		**29,739**	48,737
Income (loss) before provision for (recovery of) income taxes		**28,033**	(34,437)
Provision for (recovery of) income taxes			
Current		**2,320**	(5,660)
Deferred		**5,065**	(4,290)
	15	**7,385**	(9,950)
Net income (loss)		**20,648**	(24,487)
Net income (loss) per share (basic and diluted)	16	**$0.31**	($0.37)
Weighted average number of common shares outstanding	16	**67,039,123**	67,014,611

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)
Years ended December 31, 2021 and 2020

Thousands of Canadian dollars

	Notes	**Year ended December 31, 2021**	2020
Net income (loss)		**20,648**	(24,487)
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		—	711
Total comprehensive income (loss)		**20,648**	(23,776)

See accompanying notes.

Thousands of Canadian dollars

	Notes	Year ended December 31, 2021	2020
OPERATING ACTIVITIES			
Net income (loss) for the year		**20,648**	(24,487)
Add (deduct) items not affecting cash			
Depreciation of property and equipment	9	**45,651**	45,288
Amortization of intangible assets	10	**7,418**	32,371
Current income tax expense (recovery)		**2,320**	(5,660)
Deferred income tax expense (recovery)		**5,065**	(4,290)
Share of net loss in joint venture	27	**30**	565
Share-based compensation expense (recovery)	18	**1,440**	(70)
Net finance charges	14	**27,380**	47,065
Gain on disposal of property and equipment	9	**—**	(102)
		109,952	90,680
Non-cash changes in working capital			
Accounts receivable and other receivables		**(2,614)**	(4,423)
Prepaid expenses and deposits		**(3,533)**	(2,951)
Accounts payable and other liabilities		**3,737**	12,157
Government funding, net		**(97,216)**	(71,659)
		(99,626)	(66,876)
Interest paid on long-term debt		**(29,117)**	(36,798)
Net settlement payment on interest rate swap contracts		**(2,773)**	(1,438)
Income taxes refunded (paid)		**5,938**	(762)
Government assistance related to pandemic expenses		**114,142**	84,431
Cash provided by operating activities		**98,516**	69,237
INVESTING ACTIVITIES			
Purchase of property and equipment		**(40,296)**	(19,166)
Government assistance related to capital expenditures		**16,920**	—
Proceeds from disposal of property and equipment	9	**—**	861
Purchase of intangible assets	10	**(1,535)**	(564)
Amounts received from construction funding	8	**11,049**	12,599
Interest received from cash	14	**456**	1,196
Investment in joint venture	27	**(4,004)**	(2,888)
Change in restricted cash	7	**(636)**	(800)
Cash used in investing activities		**(18,046)**	(8,762)
FINANCING ACTIVITIES			
Repayment of long-term debt	13	**(308,323)**	(461,173)
Proceeds from long-term debt	13	**224,998**	503,096
Deferred financing costs		**(1,020)**	(3,625)
Change in principal reserve fund		**—**	35,452
Dividends paid	17	**(62,749)**	(59,324)
Cash (used in) provided by financing activities		**(147,094)**	14,426
(Decrease) increase in cash and cash equivalents during the year		**(66,624)**	74,901
Cash and cash equivalents, beginning of year		**95,677**	20,776
Cash and cash equivalents, end of year		**29,053**	95,677

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 December 31, 2021, the Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**", "**Retirement Residences**" or "**RET**"); 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 December 31, 2021, the Company had outstanding 67,039,123 common shares.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (**"IFRS"**).

The consolidated financial statements were approved by the Board of Directors for issuance on February 24, 2022.

3 Summary of significant accounting policies, judgments and estimation uncertainty

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for derivatives, which are measured at fair value.

Basis of preparation

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below under the heading "Significant judgments and estimates."

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimate is revised and in future periods, if affected.

The following accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

Basis of consolidation and business combinations

The consolidated financial statements comprise the financial statements of the Company and its direct and indirect subsidiaries, as well as its proportionate share of interest in joint arrangements. The financial statements of the subsidiaries and joint arrangements are prepared for the same reporting periods as the Company, using consistent accounting policies.

The acquisition method of accounting is used to account for the acquisition of subsidiaries and joint arrangements. Total consideration for the acquisition is measured at the fair value of the assets transferred and equity instruments issued on the date of acquisition. Transaction costs related to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities assumed are measured at their fair value at the date of acquisition. The excess of fair value of consideration transferred above the fair value of the identifiable net assets acquired is recorded as goodwill, with any negative goodwill recognized in net income on the acquisition date.

Subsidiaries are 100% owned and controlled by the Company. Subsidiaries are consolidated in these consolidated financial statements from the date of acquisition where control is transferred to the Company and continue to be consolidated until the date when the Company no longer controls the subsidiary.

All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

Joint arrangements

Joint arrangements are jointly controlled by the Company and a third party in terms of decision making. Joint arrangements can be classified as either joint operations or joint ventures depending on the Company's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement. A joint operation is where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is where the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint operations are proportionately consolidated in these consolidated financial statements from the date when joint control is transferred to the Company and continues to be proportionately consolidated until the date when the Company no longer has joint control over the joint operation.

Joint ventures are included in the Company's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the joint venture from the date of acquisition, increased by the Company's contributions and reduced by distributions received. The Company's share of joint venture profit or loss is included in the consolidated statements of operations and comprehensive income or loss. A joint venture is considered to be impaired if there is objective evidence of impairment, as a result of one or more events that occurred after initial recognition of the joint venture, and that event has a negative impact on future cash flows of the joint venture that can be reliably estimated.

Revenue recognition

Revenue includes amounts earned from the operation of LTC, RRs and management fees associated with the operation of managed LTC and retirement residences. A significant portion of the LTC revenue is earned from health authorities. In accordance with IFRS 15*, Revenue from Contracts with Customers* ("IFRS 15"), revenue is recognized to depict the transfer of goods or services to customers at an amount the Company expects to be entitled to in exchange for those goods or services.

Long-term care revenue

LTC revenue is recognized in the period in which the services are rendered. The performance obligation of providing accommodation and care to LTC residents is met through passage of time and when the bundled services are rendered. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur, such that funding from the applicable health authorities is recognized to the extent that the funding requirements are met.

Ontario's LTC sector is regulated by the Ministry of Long-Term Care (**"MLTC"**), which provides funding to LTC residences for care. Operational funding is received monthly and is recognized to the extent that an eligible expense has been incurred. Funding that is not spent in accordance with the MLTC guidelines in the current year is recorded as government funding payable. The exception to this is the Other Accommodation funding, which is recognized as the services are rendered. The Company also receives funding for LTC minor capital expenditures, capital cost, accreditation and pay equity obligations, and reimbursement for up to 85% of property tax costs.

Co-payment revenue from residents for accommodation is recognized based on the number of resident days in the period multiplied by the per diem amounts legislated by the MLTC to the extent that the amounts are deemed to be collectible. Revenue for each Ontario LTC residence is recognized based on full occupancy if the Ontario LTC residence is expected to have an occupancy rate of 97% or above. For occupancy levels above 90% and below 97%, the adjustment range is up to 2% over actual occupancy. There is no adjustment to occupancy below the 90% threshold. From January 1, 2020 to January 31, 2022, MLTC has waived this revenue adjustment, such that funding is provided based on full occupancy.

The funding contracts between LTC operators and the applicable health authorities in British Columbia are on a per diem basis, adjusted annually, for resident services provided and capital cost of the residences, and outline the hours of direct care required by a resident per day, minimum occupancy thresholds and minimum levels of professional staffing. If the requirements in the funding contracts are not met, the funding per diem may be clawed back. In addition, there is resident co-payment revenue which is based on the number of resident days in the period multiplied by the per diem amounts legislated by the applicable health authorities which is recognized to the extent that the amounts are deemed to be collectible. Each resident's co-payment is determined by the applicable health authority and is based on individual resident income levels. Resident co-payments in excess of certain thresholds are clawed back by the applicable health authorities to the base funding per diem.

In British Columbia, operators may designate a number of beds for private-pay LTC whereby the operator provides the same level of care and services to the resident as in the funded beds. Revenue is recognized as the services are rendered.

Retirement residence revenue

Residents pay for accommodations on a monthly basis and the revenue is recognized when the service is rendered. Residents pay for other services on a monthly basis and the performance obligation of providing the other services is met over time as the services are rendered.

Management services revenue

The Company earns a management fee based on a percentage of gross revenues of the operations for managing LTC and retirement residences for third parties. Revenue is recognized when the services are rendered.

Government assistance

Government assistance is recognized only to the extent that eligible expenses have been incurred, and when the Company has reasonable assurance that the assistance will be received and the Company will comply with all relevant conditions attached to the assistance. Funding may be clawed back if the eligibility criteria are not met or funding is not spent. Government assistance is recognized as a reduction of related expenses and recognized over the period necessary to match the related expenses in these consolidated statements of operations and comprehensive income.

Assets held for sale

Assets are classified as held for sale when their carrying amount is to be recovered primarily through a sale transaction rather than from continuing use. Assets held for sale in its present condition and the sale is considered highly probable within one year. Assets held for sale are measured at the lower of carrying amount and fair value less costs of disposal.

Construction funding receivable

In Ontario, the MLTC provides funding to LTC residences constructed after April 1, 1998 on a per bed per diem basis to support the costs of developing or redeveloping an eligible LTC home over 20 to 25 years. The construction funding receivable is initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The fair value will differ from the carrying value due to changes in interest rates.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are capitalized to the asset's carrying amount or are recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the cost will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repair and maintenance costs are charged to net income during the period in which they are incurred.

The Company records depreciation at rates designed to depreciate the cost of the property and equipment less the estimated residual value over the estimated useful lives. The annual depreciation rates and methods are as follows:

Land	Not depreciated
Buildings	10 to 55 years straight-line
Furniture and fixtures	3 to 10 years straight-line
Automobiles	5 years straight-line
Computer hardware	3 to 5 years straight-line
Circulating equipment	3 years straight-line
Construction in progress	Not depreciated

Land includes land currently in use or held for future development, which is valued at cost.

The Company allocates the initial cost of an item of property and equipment to its significant components and depreciates separately each such component. Residual values, method of depreciation and useful lives of the assets are reviewed at least annually and are adjusted if appropriate. Gains and losses on disposals of property and equipment are included in net income.

Circulating equipment is comprised of china, linen, glassware and silverware in circulation, which is valued at cost. The cost of acquiring a basic stock and any substantial replacement incurred thereafter is capitalized, with the original cost written off to the consolidated statements of operations.

Construction in progress includes costs incurred for properties under construction but not yet completed, including cost of funds used to finance the construction, and is valued at cost. No depreciation is recorded on the assets until the construction is completed and the related assets are available for use. Once construction is completed, construction in progress, including cost of funds used to finance the construction, is transferred to the respective property and equipment categories, and depreciation on such assets begins.

Intangible assets

Intangible assets include LTC licences, resident relationships, service contracts and computer software that is not integral to the computer hardware included in property and equipment. Intangible assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite lives are measured at cost less accumulated impairment losses and are not amortized. The annual amortization rates and methods are as follows:

Licences	Not amortized
Resident relationships	2 to 3 years straight-line
Service contracts	2 to 8 years straight-line
Computer software	5 years straight-line

Goodwill

Goodwill arises on the acquisition of subsidiaries, and is the excess of the purchase consideration over the fair value attributable to the net identifiable assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (**"CGUs"**), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount. The recoverable amount of the CGU is determined as the higher of its value in use or the fair value less costs of disposal. Fair value is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset. These cash flows are discounted to arrive at the recoverable amount. In assessing fair value, the estimated future cash flows covering a five-year period are derived from the most recent financial budget, adjusted where appropriate to reflect market participant assumptions. Cash flows beyond the five-year period are extrapolated using the estimated growth rate. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Impairment of property and equipment and finite-lived intangible assets

The Company reviews the carrying amounts of its property and equipment and finite lived intangible assets at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

Impairment of indefinite-lived intangible assets

The Company accounts for long-term care licences as indefinite-lived intangible assets. These indefinite-lived intangible assets do not generate largely independent cash inflows and are therefore tested as part of the CGUs to which they belong. The Company has defined each owned residence to be a CGU. CGUs that contain indefinite-lived intangibles are tested for impairment annually and whenever there is an indication of impairment. The carrying value of each CGU is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount.

For certain CGUs, the Company places reliance on a past test for the recoverable amount of CGUs that meet the following criteria: (i) net assets of the home have not changed significantly since most recent test; (ii) most recent test resulted in a fair value that exceeded the carrying amount by a substantial margin, and (iii) based on events and circumstances that have changed since the most recent test, the likelihood that the fair value has reduced to below the current carrying amount is remote.

For the remaining CGUs, fair value is determined using the direct capitalization method. This method considers capitalization rates derived from transactions involving properties comparable to the subject properties. The capitalization rate is applied to a stabilized single-year estimate of net operating income to determine fair value. The significant assumptions used in the valuation include capitalization rates and growth rates.

Cash and cash equivalents

Cash and cash equivalents include deposits held with Canadian chartered banks and short-term investments with original maturities of 3 months or less, are accounted for at amortized cost, which approximates fair value. Interest earned is recorded in the consolidated statements of operations.

Accounts receivable and other receivables

Accounts receivable and other receivables are initially recorded at fair value and subsequently are measured at amortized cost. The carrying value of accounts receivable and other receivables, after consideration of the provision for doubtful accounts, approximates their fair value due to the short-term maturity of these instruments.

Restricted cash

Restricted cash consists of deposits held with Canadian chartered banks and capital maintenance reserves required for certain mortgages. Restricted cash is measured at amortized cost, which approximates fair value.

Government funding receivable/payable

The government funding balances are measured at amortized cost. Government funding receivable/ payable represents the difference between the amounts earned and those received from the health authorities, which are non-interest bearing. The carrying value of the government funding closely approximates its fair value due to the relatively short term nature and low discount rates for these balances.

Long-term debt

The Company's long-term debt and corresponding deferred financing cost is initially recorded at fair value and is subsequently measured at amortized cost using the effective interest method. The fair value of the Company's long-term debt is subject to changes in interest rates and the Company's credit rating.

Derivatives for which hedge accounting has not been applied

The Company has interest rate swap contracts and total return swap contracts for which hedge accounting has not been applied. These interest rate swap contracts and total return swap contracts are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value. The changes in fair value are recorded in net finance charges of the consolidated statements of operations.

Impairment of financial assets

Financial assets are reviewed at each consolidated statement of financial position date to assess whether there is objective evidence that indicates an impairment of a financial asset. If such evidence exists, the Company recognizes an impairment loss measured as the excess of the carrying amount over the fair value of the asset, which is reflected in net income.

Transaction costs

Transaction costs are incremental costs directly related to the acquisition of an asset, costs incurred for pre-acquisition research, the issuance of a financial liability or equity, or development related activities. Transaction costs associated with the acquisition of an asset are capitalized as part of the asset. The Company incurs transaction costs primarily through business acquisitions, development of assets and the issuance of debt or shares, and classifies these costs with the related debt, or as a reduction of the value of the proceeds received for the share issuance. Transaction costs associated with business acquisitions are expensed as incurred. Transaction costs associated with the issuance of debt are netted against long-term debt as deferred financing costs and are amortized through interest expense using the effective interest method over the life of the related debt instrument. Transaction costs directly attributable to the issuance of shares are recognized as a reduction of share capital.

Restructuring costs

A provision for restructuring costs is recognized when there is a present obligation resulting from a past event, it is probable that there will be an outflow of resources to settle the obligation, and a reliable estimate of the obligation can be made. The restructuring costs are included in administrative expenses in these consolidated statements of operations and comprehensive income.

Leases

The company applies IFRS 16*, Leases* ("IFRS 16"), to account for its leases using a simplified approach.

The Company leases its office space and equipments. Rental contracts are typically made for fixed periods of 5 years for equipments and 10 years for office space. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The right-of-use asset is depreciated over the remaining term of the lease and recognized as depreciation expense. The lease liability was initially recognized at the present value of the remaining lease payments at the commencement date, discounted at the Company's incremental borrowing rate of 3.87%. After initial recognition, the lease liability is subsequently measured at its amortized cost using the effective interest method.

In accordance with the practical expedients of IFRS 16, the Company has elected to not recognize right-of-use assets or lease liabilities for any leases with a term shorter than twelve months and leases with low values.

Earnings per share

Basic earnings per share (**"EPS"**) is calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

Share-based compensation

The Company applies the fair value method of accounting for share-based compensation. The loans offered to senior executives related to the long-term incentive plan were recorded as a reduction to shareholders' equity. The fair value of restricted share units, deferred share units and executive deferred share units are measured based on the closing price of the Company's shares and performance multiplier, as applicable, at each reporting date. The expense related to share-based compensation is recognized in administrative expenses.

The Company has entered into cash-settle share swap contracts ("**Total Return Swap**") to manage its cash flow exposure under the share-based compensation plans. The change in fair values, interest expense and dividends earned on the total return swap contracts are recognized in administrative expenses.

Employee benefits

Short-term benefits

Short-term employee benefit obligations, including vacation and bonus payments, are measured on an undiscounted basis and are expensed as the related service is provided. Assuming the obligation can be reasonably estimated, liabilities are recognized for the amounts expected to be paid within the next 12 months as the Company has an obligation to pay the amount as a result of past service provided by the employee. These benefits are recorded in accounts payable and other liabilities.

Long-term benefits

Payments to group retirement savings plans are based on a percentage of gross wages and charged to expense as incurred.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Income taxes are comprised of current and deferred taxes. Income taxes are recognized in the consolidated statements of operations except to the extent they relate to items recognized directly in other comprehensive income or shareholders' equity. Income tax balances are also recorded on initial recognition of a deferred tax asset or liability arising from business combinations.

Current taxes are the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to taxes payable in respect of previous years.

In general, deferred taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are also recognized on business acquisitions. Deferred taxes are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset. This applies when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Segmented reporting

IFRS 8, *Operating Segments*, requires reportable segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to the segment and assessing its performance. The Company has determined that its CODM is the President and Chief Executive Officer. The CODM measures and evaluates the performance of the Company's operating segments based on net (loss) income, which is consistent with segmented information reported for the year ended December 31.

The Company operates solely within Canada, hence, no geographical segment disclosures are presented. Segmented information is presented in respect of business segments, based on management's internal reporting structure.

Impact of COVID-19

In response to the global COVID-19 pandemic, various measures have been introduced by Canadian federal and provincial governments and other regulatory authorities to mitigate the transmission of COVID-19 and its variants, including vaccination programs and mandates, COVID-19 screening and testing requirements, social distancing recommendations, temporary access restrictions, capacity limits in multi-bed rooms in long-term care residences and self-isolation requirements, some of which remain in effect. The nature and extent of these measures may change depending on the efficacy of ongoing vaccination programs, the emergence of new variants of the COVID-19 virus, and any resurgence of COVID-19 cases. As a result of the continuously evolving circumstances surrounding COVID-19, estimation uncertainty remains with respect to certain of Sienna’s significant judgments and estimates.

In the preparation of these consolidated financial statements, the Company has incorporated the potential impact of COVID-19 into its estimates and assumptions that may affect the carrying amounts of its assets and liabilities and the reported amount of its revenue and expenses using the best available information as at December 31, 2021. Actual results could differ from those estimates. The estimates and assumptions that Sienna considers critical and/or could be impacted by COVID-19 include those in respect of the accounting and recognition of pandemic prevention and containment funding, pandemic capital expenditures funding recognition, presentation and disclosure, and the estimate of any probable losses in respect of litigation and disclosure of such claims and contingent liabilities. Refer to Notes 9, 24 and 28 for further details.

Significant judgments and estimates

The preparation of these consolidated financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are discussed below.

Long-term care licences

In Ontario, the Long-Term Care Homes Act, 2007 ("**LTCHA**") contains a licence term regime for all LTC residences which will result in licence terms for the Company's residences ranging from 15 years for Class B and C residences to 30 years for Class A residences. Under the LTCHA, ultimate control of LTC licences in Ontario remains with the MLTC, including approval of new licences, and transfer, renewal or revocation of existing licences. Although the licence does not support any guarantee of continued operation beyond the term of the licence, based on the current demographics in Canada and the demand for LTC beds projected to increase, management of the Company is of the view that licences will continue to be renewed.

In British Columbia, the LTC licences have an indefinite term.

Impairment analysis of indefinite-lived intangible assets (significant estimate)

The determination of the recoverable amount of CGUs for purposes of the impairment analysis is considered a significant estimate. Significant assumptions used in the discounted cash flow model include discount and growth rates.

Accounting standards issued but not yet applied

Amendments to IAS 1, Presentation of Financial Statements

The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date. The amendments also clarify that the 'settlement' of a liability refers to the transfer to the counterparty of cash, equity instruments, and/or other assets or services. Early application is permitted. The Company intends to adopt the amendments to IAS 1 on the required effective date of January 1, 2023. The Company is in the process of assessing the impact of this amendment.

There are no other accounting standards issued but not yet applied that would be expected to have a material impact on the Company.

4 Financial instruments

Fair value of financial instruments

Financial assets and liabilities are initially recognized on the date they are originated at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the Company's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In cases where the fair value option is chosen for financial liabilities, the portion of fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than net income, unless this creates an accounting mismatch.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Impairment of a financial asset is assessed using an expected credit loss model. The Company applies the simplified approach permitted by IFRS 9, *Financial Instruments* ("IFRS 9"), which uses a lifetime expected loss allowance for all applicable financial assets. To measure the expected credit losses, financial assets are grouped based on the shared credit risk characteristics and the days past due. Accounts receivable, government funding receivable and construction funding receivable are subject to the impairment requirements of IFRS 9.

Financial liabilities classified as amortized cost are measured using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in net income in the consolidated statements of operations over the expected life of the debt.

A financial liability is derecognized when the Company's contractual obligations are discharged, cancelled or expired.

With respect to debt modifications, the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate are recognized in the consolidated statements of operations during the year. When there is a substantial modification of the terms of an existing financial liability, this will be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the 10% test is passed, the Company performs a qualitative assessment to consider if the changes in the terms of the liability significantly affect the economic risks of the liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

Financial instruments are comprised of cash, accounts receivable and other receivables, construction funding receivable, government funding receivable/payable, restricted cash, accounts payable and other liabilities, long-term debt and interest rate swap contracts.

The following is a summary of the accounting model the Company elected to apply to each of its significant categories of financial instruments:

	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Accounts receivable and other receivables	Amortized cost
Construction funding receivable	Amortized cost
Government funding receivable	Amortized cost
Restricted cash	Amortized cost
Accounts payable and other liabilities	Amortized cost
Government funding payable	Amortized cost
Long-term debt	Amortized cost
Convertible debentures	Amortized cost
Interest rate swap contracts	Fair value through profit or loss

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). The interest rate swap contracts are the only financial instruments carried at fair value through profit or loss and are considered to be Level 2 instruments. The carrying values of cash, accounts receivable and other receivables, prepaid expenses and deposits, government funding receivable, and accounts payable and other liabilities and government funding payable approximate fair value.

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

	As at December 31, 2021		As at December 31, 2020	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets				
Construction funding receivable	**26,218**	**27,230**	35,998	38,337
Financial liabilities				
Long-term debt	**950,284**	**974,298**	1,032,624	1,064,913

The fair value of construction funding receivable is estimated by discounting the expected future cash flows using current applicable rates for Government of Ontario bonds of comparable maturity plus a risk premium. The fair value as at December 31, 2021 for the construction funding receivable was discounted using rates between 0.55% (2020 - 0.69%) and 2.95% (2020 - 2.50%).

The fair values of mortgages and credit facilities at variable rates approximate their carrying values (Note 13). The fair values of mortgages and debentures at fixed rates are estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. The fair value as at December 31, 2021 for the fixed-rate debt was discounted using rates between 1.57% (2020 - 1.32%) and 4.00% (2020 - 3.69%).

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

Impairment charges on accounts receivable are discussed below. All finance income and costs from financial instruments have been disclosed in Note 14.

In December 2020, the Company entered into a Total Return Swap for 400,000 shares with a Canadian financial institution to manage its cash flow exposure under the share-based compensation plans. The Company hedged an additional 120,000 shares in August 2021 and 100,000 shares in December 2021. As at December 31, 2021, a total of 620,000 shares have been hedged. Under the Total Return Swap contracts, the Company makes periodic interest payments based on the total value of the notional amount of shares hedged, and in return, upon settlement at maturity, receives the total return on the number of shares hedged and receives or remits the net difference between the total value of the notional equity amount and the total proceeds from the sale of the underlying shares. The equity notional value of the Total Return Swap is $8,920 and the fair value is $9,318 as at December 31, 2021, with the change in fair value recognized in administrative expenses.

Maturities of financial instruments

For the years ending December 31, 2022 through 2026 and thereafter, the Company has estimated that the following undiscounted cash flows including interest, if applicable, will arise from its government funding receivable/payable, interest rate swap contracts, total return swaps, construction funding receivable and long-term debt at the consolidated statements of financial position dates:

	As at December 31, 2021					
	2022	**2023**	**2024**	**2025**	**2026**	**Thereafter**
Government funding receivable/payable						
Cash inflows	7,745	18,999	—	—	—	—
Cash outflows	(50,721)	(7,520)	—	—	—	—
	(42,976)	11,479	—	—	—	—
Interest rate swap contracts						
Cash inflows	4,411	3,909	2,921	1,839	1,384	1,218
Cash outflows	(5,316)	(4,677)	(3,582)	(2,321)	(1,760)	(1,744)
	(905)	(768)	(661)	(482)	(376)	(526)
Total return swaps						
Cash inflows	—	—	502	—	—	—
Cash outflows	—	—	(104)	—	—	—
	—	—	398	—	—	—
Construction funding receivable						
Cash inflows	9,979	6,789	3,440	2,142	1,945	4,883
Long-term debt						
Cash outflows	(82,114)	(108,642)	(243,214)	(68,046)	(219,867)	(358,526)
Net cash outflows	**(116,016)**	**(91,142)**	**(240,037)**	**(66,386)**	**(218,298)**	**(354,169)**

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

Nature and extent of risks arising from financial instruments

The following discussion is limited to the nature and extent of risks arising from financial instruments. The Company's normal operating, investing and financing activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk. Although the Company has purchases in both Canadian and United States dollars, it does not have significant exposure to foreign currency risk as all operations are located in Canada. The Company does not have significant exposure to price risk as most of its revenues are regulated by the health authorities. The Company's overall risk management process is designed to identify, manage and mitigate business risk, which includes financial risk.

Interest rate risk

Interest rate risk arises as the fair value of future cash flows from a financial instrument can fluctuate because of changes in market interest rates. The Company is subject to interest rate risk on mortgages at variable rates associated with certain residences, which is offset by interest rate swap contracts. The Company has not applied hedge accounting for these interest rate swap contracts. Interest rates, maturities and security affecting the interest rate and credit risk of the Company's financial liabilities have been disclosed in Note 13. The notional value of the interest rate swap contracts is $150,055 and is currently subjected to a weighted average interest rate of 3.66% as at December 31, 2021.

The Company's credit facilities are, and future borrowings may be, at variable rates of interest, which expose the Company to the risk of interest rate volatility.

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, accounts receivable and other receivables, restricted cash, construction funding receivable, government funding receivable and interest rate swap contracts. The Company is exposed to credit risk from its residents and customers. However, the Company has a significant number of residents and customers, which minimizes concentration of credit risk. The credit risk related to amounts owed by LTC residents is further mitigated by the Company's ability to recover certain amounts written off from the health authorities. Management's estimate of expected credit losses is established using a provision methodology based on historical experience, and the receivable is written off when it is uncollectible. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of operations.

The continuity of the expected credit losses for trade receivables is as follows:

Balance, January 1, 2020	914
Provision for receivables during the year	2
Receivables written off during the year	—
Balance, December 31, 2020	916
Provision for receivables during the year	90
Balance, December 31, 2021	**1,006**

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

The aging analysis of these receivables, net of expected credit losses, is as follows:

	2021	2020
0 - 30 days	**1,586**	1,229
31 - 60 days	**634**	546
61 - 90 days	**462**	509
Over 90 days	**2,311**	1,739
	4,993	4,023

Rent collections from resident payments since the beginning of the COVID-19 pandemic in March 2020 up to the month of January 2022 have remained similar to pre-pandemic levels, with no significant change to the Company's expected credit losses.

The Company is also exposed to credit risk through the amounts receivable from the health authorities. The Company has assessed the credit risk associated with the amounts owed by the health authorities as low, as they are receivable from governments. Management has also assessed the credit risk associated with the interest rate swap contracts, restricted cash, cash and cash equivalent balances as low given the counterparties are major Canadian financial institutions that have been accorded investment grade ratings by a primary rating agency.

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 December 31, 2021. 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 December 31, 2021, the Company had negative working capital (current liabilities less current assets) of $134,727 (December 31, 2020 - $121,544). To support the Company's working capital deficiency, the Company has available cash from operations, access to multiple sources of financing and has a history of successfully refinancing credit facilities.

Sensitivity analysis

IFRS requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Company's financial position, performance and fair value of cash flows associated with the Company's financial instruments to changes in market variables. The sensitivity analysis provided discloses the effect on the consolidated statements of operations as at December 31, 2021 assuming that a reasonably possible change in the relevant risk variable has occurred as at December 31, 2021. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities where available or historical data.

The sensitivity analysis has been prepared based on December 31, 2021 balances and on the basis that the balances, the ratio of fixed to variable rates of debt and the derivatives as at December 31, 2021 are all constant. Excluded from this analysis are all non-financial assets and liabilities that are not classified as financial instruments.

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

The sensitivity analysis provided is hypothetical and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced as the Company's actual exposure to market rates may change. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in the market variable and the change in fair values or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

		Year Ended December 31, 2021	
		Market risk	
		-1%	+1%
	Fair value	Comprehensive income	Comprehensive income
Financial assets:			
Restricted cash(1)	4,047	(19)	19
Total return swap contracts(2)	501	—	—
Financial liabilities:			
Debt at variable rates subject to interest rate risk(1)	16,155	(133)	133
Total return swap contracts(2)	103	—	—
Interest rate swap contracts(1)	3,718	(4,346)	4,358

		Year ended December 31, 2020	
		Market risk	
		-1%	+1%
	Fair value	Comprehensive income	Comprehensive income
Financial assets:			
Restricted cash(1)	3,411	(299)	299
Financial liabilities:			
Debt at variable rates subject to interest rate risk(1)	191,574	1,150	(1,150)
Interest rate swap contracts(1)	10,493	(6,870)	6,870
Total return swap contracts(2)	757	—	—

(1) Market risk represents interest rate sensitivity
(2) Market risk represents share price sensitivity

Any changes in the interest payable under the mortgages at variable rates would be offset by a change in the cash flows from the related swap contracts.

5 Capital management

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

The Company's objectives when managing capital are to: (i) maintain a capital structure that provides financing options to the Company for accessing capital, on commercially reasonable terms, without exceeding its debt capacity, pursuant to limitations in its credit facilities, or taking on undue risks; (ii) maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments and 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, issue additional long-term debt, issue 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 such things as the Company's needs, market, and economic conditions at the time of the transaction.

The Board of Directors reviews the level of monthly dividends paid on a quarterly basis.

The Company has property-level mortgages that are secured by each of the underlying properties' assets, guaranteed by the Company and are subject to certain customary financial and non-financial covenants. The Company is in compliance with all financial covenants on its borrowings. However, there can be no assurance that covenant requirements will be met at all times in the future. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt could be affected.

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

6 Assets held for sale

On August 30, 2021, the Company entered into an agreement to sell Rideau Retirement Residence with 138 suites in British Columbia. The disposition was completed on January 31, 2022 (Note 29).

On November 4, 2021, the Company entered into an agreement to sell Camilla Care Community with 236 Class C beds in Ontario. The sale is expected to be completed during the three months ending March 31, 2022, and is subject to regulatory approvals and other customary closing conditions.

Property and equipment of $18,005 (Note 9) being sold as part of these dispositions have been classified as assets held for sale as at December 31, 2021.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Once they have been classified as held for sale, depreciation ceases.

7 Restricted cash

Restricted cash comprises the capital maintenance reserve funds required for certain property-level mortgages. As at December 31, 2021, the Company has $4,047 in restricted cash (December 31, 2020 - $3,411).

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

8 Construction funding receivable

As at December 31, 2021, the Company is eligible to receive funding from the Government of Ontario of approximately $26,218 (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 December 31, 2021, the condition for the funding has been met.

As at December 31, 2021, the weighted average remaining term of the construction funding is approximately 6.2 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	1,269
Less: Construction funding payments received	(11,049)
As at December 31, 2021	**26,218**

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

9 Property and equipment

	Land	Buildings [3]	Furniture and fixtures	Automobiles	Computer hardware	Circulating equipment	Construction -in-progress	Right-of-use building and equipment [1]	Total
Cost									
At January 1, 2020	139,063	1,194,752	69,143	1,211	10,477	1,177	1,435	3,049	1,420,307
Transfers	(500)	(234)	(55)	—	(7)	—	—	—	(796)
Additions	—	8,798	5,596	1,072	1,104	88	4	—	16,662
At December 31, 2020	138,563	1,203,316	74,684	2,283	11,574	1,265	1,439	3,049	1,436,173
Disposals	—	—	—	(36)	—	—	—	—	(36)
Transferred to Held for Sale (Note 6)	(6,210)	(12,766)	(2,517)	(87)	(92)	(58)	—	—	(21,730)
Additions [2][3]	—	22,821	4,674	18	2,753	64	4,059	23	34,412
At December 31, 2021	**132,353**	**1,213,371**	**76,841**	**2,178**	**14,235**	**1,271**	**5,498**	**3,072**	**1,448,819**
Accumulated depreciation									
At January 1, 2020	—	227,281	26,674	776	3,244	207	—	669	258,851
Charges for the year	—	34,351	7,529	189	2,146	405	—	668	45,288
Dispositions	—	(14)	(18)	—	(5)	—	—	—	(37)
At December 31, 2020	—	261,618	34,185	965	5,385	612	—	1,337	304,102
Transferred to Held for Sale (Note 6)	—	(2,134)	(1,389)	(87)	(66)	(49)	—	—	(3,725)
Charges for the year	—	34,001	8,366	348	1,999	414	—	523	45,651
At December 31, 2021	**—**	**293,485**	**41,162**	**1,226**	**7,318**	**977**	**—**	**1,860**	**346,028**
Net book value									
At December 31, 2020	138,563	941,698	40,499	1,318	6,189	653	1,439	1,712	1,132,071
At December 31, 2021	**132,353**	**919,886**	**35,679**	**952**	**6,917**	**294**	**5,498**	**1,212**	**1,102,791**

(1) Includes right-of-use building and related depreciation of $2,250 and $1,157, respectively (December 31, 2020 - $2,270 and $387, respectively), and the right-of-use equipment and related depreciation of $799 and $703, respectively (December 31, 2020 - $791 and $282, respectively).

(2) Includes pandemic capital expenditures for the year ended December 31, 2021 of $13,970 (2020 - $2,504), reduced by related government assistance for the year ended December 31, 2021 of $13,980 (2020 - $2,003). Also includes capital expenditures for the year ended December 31, 2021 of $2,940, reduced by eligible operational government funding for the year ended December 31, 2021 of $2,940.

(3) During the year ended December 31, 2021, the Company recognized a remediation provision of $11,000 (2020 - nil) and a corresponding asset in property and equipment for one of its long-term care communities. The work is expected to be completed in 2022.

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

10 Intangible assets

	Licences	Resident relationships	Service contracts	Computer software	Total
Cost					
At January 1, 2020	190,945	167,572	10,968	13,347	382,832
Additions	—	—	—	564	564
At December 31, 2020	190,945	167,572	10,968	13,911	383,396
Additions	—	—	—	1,535	1,535
At December 31, 2021	**190,945**	**167,572**	**10,968**	**15,446**	**384,931**
Accumulated amortization					
At January 1, 2020	—	133,332	10,066	5,829	149,227
Charges for the year	—	29,551	82	2,738	32,371
At December 31, 2020	—	162,883	10,148	8,567	181,598
Charges for the year	—	4,689	797	1,932	7,418
At December 31, 2021	**—**	**167,572**	**10,945**	**10,499**	**189,016**
Net book value					
At December 31, 2020	190,945	4,689	820	5,344	201,798
At December 31, 2021	**190,945**	**—**	**23**	**4,947**	**195,915**

11 Goodwill

Cost and carrying value, at December 31, 2021 and 2020	**167,666**

For the 2021 goodwill impairment analysis, the Company used an average post-tax discount rate of approximately 5.27% (2020 - 5.01%) across the CGUs and an average growth rate of 2.00% (2020 - 1.50%). The Company has not recognized any goodwill impairment losses.

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

12 Accounts payable and other liabilities

	December 31, 2021	December 31, 2020
Accounts payable and other liabilities [1]	**53,946**	38,492
Accrued wages and benefits	**62,702**	61,539
Accrued interest payable	**4,912**	3,432
Dividends payable (Note 17)	**5,229**	5,229
Total	**126,789**	108,692

[1] As at December 31, 2021, the Company recognized a remediation provision of $11,000 and a corresponding asset in property and equipment for one of its long-term care communities. The work is expected to be completed in 2023.

13 Long-term debt

	Interest rate	**Maturity date**	**December 31, 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	March 19, 2025	**12,000**	187,000
Mortgages at fixed rates	1.65% - 5.80%	2022-2041	**351,046**	374,248
Mortgages at variable rates	Floating	2022-2029	**145,121**	155,244
Lease liability	3.39% - 3.87%	2021-2024	**1,312**	1,817
			959,479	1,043,309
Fair value adjustments on acquired debt			**2,683**	3,177
Less: Deferred financing costs			**(11,878)**	(13,862)
Total debt			**950,284**	1,032,624
Less: Current portion			**51,150**	135,707
			899,134	896,917

Principal repayments on long-term debt are as follows:

2022	52,450
2023	79,088
2024	216,520
2025	65,576
2026	187,544
Thereafter	358,301
	959,479

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

Continuity of debt

The following table is the long-term debt continuity for the year ended December 31, 2021:

	Debentures	Mortgages payables	Credit Facilities	Lease Liabilities	**Total**
As at January 1, 2020	435,101	554,215	—	2,448	991,764
Proceeds from financing	175,000	14,727	314,000	—	503,727
Repayments	(287,000)	(47,173)	(127,000)	—	(461,173)
Deferred financing costs	(50)	(1,024)	(2,551)	—	(3,625)
Amortization of financing charges and fair value adjustments on acquired debt	616	1,290	656	—	2,562
Amortization of lease liability	—	—	—	(631)	(631)
As at December 31, 2020	323,667	522,035	185,105	1,817	1,032,624
Proceeds from financing	125,000	—	99,998	—	224,998
Repayments	—	(33,323)	(275,000)	—	(308,323)
Deferred financing costs	—	(30)	(990)	—	(1,020)
Amortization of financing charges and fair value adjustments on acquired debt	533	1,341	636	—	2,510
Amortization of lease liability	—	—	—	(505)	(505)
As at December 31, 2021	**449,200**	**490,023**	**9,749**	**1,312**	**950,284**

Series A Unsecured Debentures

On November 4, 2019, the Company issued $150,000 aggregate principal amount of series A senior unsecured debentures ("**Series A Debentures**"). The Series A Debentures 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 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 A Debentures. Prior to October 4, 2024 (the "**Series A 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) the face amount of the Series A Debentures to be redeemed including accrued and unpaid interest to the redemption date. After the Series A Par Call Date, the redemption is 100% of the principal amount outstanding of the Series A Debentures with accrued and unpaid interest. The Canada Yield Price is defined as a price equal to the price of the debenture 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 0.37%.

Series B Senior Unsecured Debentures

On October 2, 2020, the Company issued $175,000 aggregate principal amount of series B senior unsecured debentures ("**Series B Unsecured Debentures**"). The Series B Unsecured Debentures bear interest at a rate of 3.450% per annum, payable semi-annually in February and August of each year and mature on February 27, 2026.

The Series B 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 B Unsecured Debentures. Prior to January 27, 2026 (the "**Series B 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 Series B Par Call Date, the redemption price is 100% of the principal amount outstanding of the Series B 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 Series B Par Call Date equal to the Government of Canada Yield calculated on the date the Company gives notice of redemption plus 0.775%.

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 "**Series C 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 Series C 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 Series C 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

On March 19, 2020 the Company entered into a credit agreement for $200,000 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 banker's acceptances ("**BA**s") at 145 basis points ("**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. As at December 31, 2021, the Company had drawn $12,000 (2020 - $87,000), under the Unsecured Revolving Credit Facility.

The Company has a non-revolving acquisition loan facility totaling $6,000 that matures on June 6, 2025. Borrowings under the credit facility are available by way of loans at the Canadian prime rate plus 75 bps per annum and BAs at 175 bps per annum over the floating BA rate.

The Company has other property credit facilities totaling $2,500 that can be accessed for working capital purposes. Borrowings are available by way of loans at the Canadian prime rate plus 50 bps per annum.

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

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

	December 31, 2021	December 31, 2020
Credit facilities available	**208,500**	208,500
Amounts drawn under credit facilities	**12,000**	87,000
Remaining available balance under credit facilities	**196,500**	121,500

On October 2, 2020, the Company entered into a credit agreement for a $100,000 secured credit facility (the "**Secured Credit Facility**"). On June 4, 2021, the Company fully repaid the Secured Credit Facility using proceeds from the Series C Unsecured Debentures.

Mortgages

The following table summarizes the scheduled maturities of the Company's property-level mortgages as at December 31, 2021:

	Mortgages			
Year	Regular principal payments	Principal due at maturity	**Total**	% of Total
2022	19,898	32,050	**51,948**	10.5 %
2023	17,821	60,824	**78,645**	15.9 %
2024	16,049	50,104	**66,153**	13.3 %
2025	12,511	41,065	**53,576**	10.8 %
2026	12,544	—	**12,544**	2.5 %
2027	11,844	35,115	**46,959**	9.5 %
2028	6,809	115,703	**122,512**	24.7 %
2029	2,379	21,127	**23,506**	4.7 %
2030	1,410	9,230	**10,640**	2.1 %
Thereafter	11,921	17,763	**29,684**	6.0 %
	113,186	382,981	**496,167**	100.0 %

14 Net finance charges

	Year ended December 31,	
	2021	2020
Finance costs		
Interest expense on mortgages	**15,554**	17,373
Interest expense on debentures	**12,748**	13,705
Interest expense on credit facilities	**2,075**	2,867
Interest expense on right-of-use assets	**61**	84
Redemption premium paid	**160**	2,815
Amortization of financing charges and fair value adjustments on acquired debt	**2,510**	2,562
Amortization of loss on bond forward contract	**—**	964
Net settlement payment on interest rate swap contracts	**2,773**	1,438
Fair value (gain) loss on interest rate swap contracts	**(6,776)**	8,206
	29,105	50,014
Finance income		
Interest income on construction funding receivable	**1,269**	1,710
Other interest income	**456**	1,239
	1,725	2,949
Net finance charges	**27,380**	47,065

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

15 Income taxes

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

	Year ended December 31, 2021	2020
Income (loss) before provision for (recovery of) income taxes	**28,033**	(34,437)
Canadian combined income tax rate	**26.57 %**	26.57 %
Income tax expense (recovery)	**7,448**	(9,151)
Adjustments to income tax provision (recovery):		
Non-deductible items	**161**	127
Book to filing adjustment	**(225)**	(639)
Other items charged to equity	**1**	(287)
Provision for (recovery of) income taxes	**7,385**	(9,950)

The following are the deferred tax assets (liabilities) recognized by the Company and movements thereon during the year ended December 31, 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)
Charge to net income	(1,283)	(701)	(337)	(3,049)	(5,370)
Book to filing adjustment	269	—	—	36	305
As at December 31, 2021	**(54,464)**	**443**	**899**	**72**	**(53,050)**

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

16 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	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 purchase loan	—	26
Balance, December 31, 2020	67,039,123	878,516
Long-term incentive plan, net of loans receivable	—	187
Share purchase loan	—	325
Balance, December 31, 2021	**67,039,123**	**879,028**

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 year.

17 Dividends

For the year ended December 31, 2021**,** the Company paid monthly dividends of $0.078 per common share totaling $62,749 (2020 - $59,324). Dividends payable of $5,229 are included in accounts payable and other liabilities as at December 31, 2021 (December 31, 2020 - $5,229). Subsequent to December 31, 2021, the Board of Directors declared dividends of $0.078 per common share for January and February 2022 totaling $10,458.

18 Share-based compensation

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

Certain employees (**"Employees"**) may be awarded restricted share units ("**RSUs**"). Starting with the awards in connection with the year ended December 31, 2018, a portion of the RSUs granted have performance based vesting criteria. For this particular portion of the RSUs, the number of RSUs to ultimately vest will be determined based on a performance multiplier having a possible range of 50% (whereby half of the subject RSUs vest) to 150% (whereby one and a half times the number of the subject RSUs vest). All other terms of the RSUP apply to these RSU awards having a performance based vesting criteria.

Employees are awarded the number of notional shares equal to a portion of their compensation amount divided by the volume weighted average closing price of common shares for the five trading days preceding the date of grant or redemption ("**Average Closing Price**") on the grant date. Employees participating in the RSUP are entitled to receive notional distributions per RSU equal to the amount of dividends paid per common share. Such distributions will be granted to the Employee in the form of additional RSUs equal to the dividend amount divided by the Average Closing Price as of the day such dividend was declared.

RSU awards granted vest on the third anniversary of the grant date and the related compensation expense is recognized over the three-year vesting period. On vesting of the RSUs, the Employees have the option to redeem all or a portion of vested RSUs in cash or receive one common share of the Company for each RSU redeemed. Any lump sum payment in cash will be calculated by multiplying the number of RSUs to be redeemed for cash by the Average Closing Price as of the applicable vesting date. The value of each RSU is measured at each reporting date and is equivalent to the market value of a common share of the Company at the reporting date.

During the year ended December 31, 2021, 96,608 RSUs (2020 - 19,551) were granted pursuant to the RSUP. Total expenses related to the RSUP for the year ended December 31, 2021 were $434 (2020 - $137), including mark-to-market adjustments and net of forfeitures, which were recognized in administrative expenses. During the year ended December 31, 2021, 9,712 RSUs vested (2020 - 1,318) and were settled in cash, resulting in a decrease of $135 to the share-based compensation liability (2020 - $18). The total liability recorded as part of the share-based compensation liability as at December 31, 2021 was $650 (December 31, 2020 - $351).

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 RSUs granted is as follows:

	Number of RSUs
Outstanding, January 1, 2020	23,159
Granted	19,551
Dividends reinvested	2,151
Settled in cash	(1,318)
Outstanding, December 31, 2020	43,543
Granted	96,608
Forfeited	(4,687)
Dividend reinvested	5,215
Settled in cash	(9,712)
Outstanding, December 31, 2021	**130,967**

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

Each member of the Board of Directors (the "**Board**") who is not also an employee of the Company (the **"Member**") is eligible to participate in the DSUP and is entitled to elect to contribute his or her base retainer fees to the DSUP. Fees for each Member vary depending on his or her role on the Board. The Member's meeting fees are excluded from eligible DSUP contributions. In satisfaction of such fees, the Member was credited that number of deferred share units ("**DSUs**") equal to the quotient obtained by dividing the fees payable by the Average Closing Price.

Members are notionally entitled to receive distributions per DSU equal to the amount of dividends paid per Common Share. Such distributions are credited as additional DSUs. The number of DSUs credited for each dividend is equal to the aggregate amount of such dividend divided by the Average Closing Price.

DSUs vest immediately upon grant and may be redeemed only when a Member no longer serves on the Board for any reason (and is not otherwise employed by the Company). Redemptions are paid out in cash.

During the year ended December 31, 2021, 42,140 DSUs (2020 - 49,190) were granted pursuant to the DSUP. Total expenses (recoveries) related to the DSUP for the year ended December 31, 2021 were $1,371 (2020 - $(219)), 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 December 31, 2021 was $6,829 (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	42,140
Dividends reinvested	26,239
Outstanding, December 31, 2021	**454,379**

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

Each executive officer and such other officers or employees ("**EDSUP Member**") as the Board of Directors may determine from time to time, at his or her discretion, is entitled to elect to have up to 100% of his or her annual base incentive awards contributed to the EDSUP.

In satisfaction of such contribution to the EDSUP, the EDSUP Member is credited that number of executive deferred share units ("EDSUs") equal to the quotient obtained by dividing the amount of the contribution by the Average Closing Price immediately preceding the date of payment. Dividends earned on such EDSUs will be credited to the EDSUP Member's account in the form of additional EDSUs, which are calculated using the same methodology as the original grant.

EDSUs vest on the third anniversary of the date on which the EDSUs are granted (except for EDSUs credited in respect of short-term incentive awards, which vest immediately once granted), or otherwise at the discretion of the Board of Directors, but may be redeemed only when an EDSUP Member no longer serves the Company. Redemptions are paid out in cash.

During the year ended December 31, 2021, 30,672 (2020 - 88,796) EDSUs were granted. Total expenses related to the EDSUP for the year ended December 31, 2021 were $284 (2020 - $12), including mark-to-market adjustments, which were recognized in administrative expenses. During the year ended December 31, 2021, 103,948 EDSUs vested (2020 - 48,283) and settled in cash. The total liability recorded related to the EDSUP as a part of the share-based compensation liability as at December 31, 2021 was $2,768 (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 of the Company 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 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	(5,858)
Dividends reinvested	2,795
Settled in cash	(103,948)
Outstanding, December 31, 2021	**230,255**

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

Share-based compensation expense (recovery), under Notes 19 and 20, includes a fair value loss (gain) on Total Return Swap contracts for the year ended December 31, 2021 of $(649) (2020 - $nil), and mark-to-market expense (recovery) on share-based compensation liability for the year ended December 31, 2021 of $433, respectively (2020 - $(3,299)).

19 Employee salaries and benefits

Payroll costs for all employees, including key management, for continuing operations consist of:

	Year ended December 31,	
	2021	2020
Salaries and short-term employee benefits	**440,435**	446,344
Group retirement savings plan	**7,788**	7,294
Termination benefits	**276**	7,120
Share-based compensation	**1,440**	(1,883)
	449,939	458,875

20 Key management compensation

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

	Year ended December 31,	
	2021	2020
Salaries and short-term employee benefits	**5,389**	4,073
Share-based compensation (recovery) expense (Note 18)	**1,365**	(1,883)
Restructuring costs	**—**	5,279
	6,754	7,469

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

21 Trust funds

The Company maintains separate trust accounts on behalf of its LTC residents, which are not included in these consolidated financial statements. The total balance in the trust bank accounts as at December 31, 2021 was $1,348 (December 31, 2020 - $1,259).

22 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. 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. During the year ended December 31, 2021, the Company received approximately $614,938 (2020 - $450,437) in respect of these licences and pandemic related funding.

Approximately 74% and 50% (2020 - 71% and 67%) of revenue from the Company's Ontario LTC residences and British Columbia LTC residences is received from the applicable health authorities, respectively. The rest of the LTC segment's revenues are received from resident co-payments.

23 Administrative expenses

	Year ended December 31,	
	2021	2020
General and administrative expenses	**27,566**	22,585
Restructuring costs	**—**	6,534
Pandemic related expenses	**2,264**	6,250
Share-based compensation expense (recovery) (Note 18, 24)	**1,440**	(1,883)
Total administrative expenses	**31,270**	33,486

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

24 Expenses by category

	Year ended December 31,	
	2021	2020
Salaries, benefits and other people costs	**415,047**	403,489
Depreciation and amortization	**53,069**	77,659
Food	**30,696**	30,580
Purchased services and non-medical supplies	**24,824**	23,802
Utilities	**18,306**	17,063
Property taxes	**14,252**	15,309
Restructuring costs	**—**	6,534
Share-based compensation expense (recovery) [1] (Note 18, 23)	**1,440**	(1,883)
Other	**58,044**	49,153
Total expenses before net pandemic expenses (recoveries)	**615,678**	621,706
Pandemic labour	**79,037**	78,990
Personal protective equipment	**5,641**	8,683
Other pandemic related expenses[2]	**8,658**	14,637
Government assistance[3]	**(98,292)**	(74,083)
Net pandemic (recoveries) expenses	**(4,956)**	28,227
Total expenses	**610,722**	649,933

[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 year ended December 31, 2021, the LTC segment received retroactive pandemic funding of $17,176 related to pandemic expenses incurred in excess of available government funding during the year ended December 31, 2020.

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

25 Subsidiaries

The following are the significant subsidiaries of the Company, all of which are included in these consolidated financial statements:

		Percentage of equity interest	
Name	**Country of incorporation**	**December 31, 2021**	December 31, 2020
Leisureworld Senior Care LP (Ontario)	Canada	100 %	100 %
2063412 Investment LP (Ontario)	Canada	100 %	100 %
2063414 Investment LP (Ontario)	Canada	100 %	100 %
2063415 Investment LP (Ontario)	Canada	100 %	100 %
2067475 Investment LP (Ontario)	Canada	100 %	100 %
Vigour Limited Partnership (Ontario)	Canada	100 %	100 %
The Royale LP (Ontario)	Canada	100 %	100 %
The Royale Development LP (Ontario)	Canada	100 %	100 %
The Royale West Coast LP (Ontario)	Canada	100 %	100 %
Sienna Baltic Development LP	Canada	100 %	100 %
2371281 Investment LP (Ontario)	Canada	100 %	100 %
Sienna Management LP (Ontario)	Canada	100 %	100 %
Sienna Ontario RH 2017 LP (Ontario)	Canada	100 %	100 %
SSLI1 Development LP (Ontario)	Canada	100 %	100 %

26 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 British Columbia and 22 of which are located in 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

	Year ended December 31, 2021			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	147,977	537,795	64,044	749,816
Less: Internal revenue	—	17,278	64,044	81,322
Net revenue	147,977	520,517	—	668,494
Operating expense, net of government assistance [2]	94,544	431,809	—	526,353
Depreciation and amortization	27,025	22,820	3,224	53,069
Administrative expense [2]	—	—	31,270	31,270
Share of net loss in joint venture	—	—	30	30
Income (loss) before net finance charges, transaction costs and provision for income taxes	26,408	65,888	(34,524)	57,772
Finance costs	6,539	6,519	16,047	29,105
Finance income	(1)	(1,363)	(361)	(1,725)
Transaction costs	—	—	2,359	2,359
Provision for income taxes	—	—	7,385	7,385
Net income (loss)	19,870	60,732	(59,954)	20,648
Purchase of property and equipment [3]	6,281	10,483	6,612	23,376
Purchase of intangible assets	7	—	1,528	1,535

(1) For the year ended December 31, 2021, the Retirement segment recognized accommodation revenues of $72,509 and service revenues of $75,468.

(2) Includes net pandemic expense (recovery) of $2,241 for Retirement, $(9,461) for LTC and $2,264 for corporate, eliminations and other.

(3) Includes pandemic capital expenditures for the year ended December 31, 2021 of $13,970 (2020 - $2,504), reduced by related government assistance for the year ended December 31, 2021 of $13,980 (2020 - $2,003). Also includes capital expenditures for the year ended December 31, 2021 of $2,940, reduced by eligible operational government funding for the year ended December 31, 2021 of $2,940.

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

	Year ended December 31, 2020			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	149,862	531,099	64,867	745,828
Less: Internal revenue	—	16,728	64,867	81,595
Net revenue	149,862	514,371	—	664,233
Operating expense, net of government assistance [2]	92,292	445,931	—	538,223
Depreciation and amortization	50,209	23,036	4,414	77,659
Administrative expense [2]	—	—	33,486	33,486
Share of net loss in joint venture	—	—	565	565
Income (loss) before net finance charges, transaction costs and recovery of income taxes	7,361	45,404	(38,465)	14,300
Finance costs	20,632	16,809	12,573	50,014
Finance income	—	(2,546)	(403)	(2,949)
Transaction costs	—	—	1,672	1,672
Recovery of income taxes	—	—	(9,950)	(9,950)
Net (loss) income	(13,271)	31,141	(42,357)	(24,487)
Purchase of property and equipment, net of disposals	8,619	6,002	2,041	16,662
Purchase of intangible assets	—	—	568	568

[1] For the year ended December 31, 2020, the Retirement segment recognized accommodation revenues of $70,435 and service revenues of $79,427.
[2] Includes net pandemic expense of $3,997 for Retirement, $17,980 for LTC and $6,250 for corporate, eliminations and other.

	As at December 31, 2021			
	Retirement	**LTC**	**Corporate, eliminations and other**	**Total**
Total assets	740,655	847,762	20,772	**1,609,189**

	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

27 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 has 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 Joint Venture as at January 1, 2020	—
Contributions to joint venture	2,888
Share of net loss in joint venture	(565)
Investment in Joint Venture as at December 31, 2020	2,323
Contributions to joint venture	4,004
Share of net loss in joint venture	(30)
Investment in Joint Venture as at December 31, 2021	**6,297**

	December 31, 2021	December 31, 2020
Current assets	**354**	167
Long-term assets	**12,520**	3,448
Total assets	**12,874**	3,615
Current liabilities	**1,095**	297
Long-term liabilities	**2,783**	—
Total liabilities	**3,878**	297
Net assets	**8,996**	3,318
Share of net investment in joint venture	**6,297**	2,323

	Year ended December 31	
	2021	2020
Expenses	**43**	807
Net loss	**(43)**	(807)
Share of net loss in joint venture	**(30)**	(565)

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.

	December 31, 2021	December 31, 2020
Current assets	**3,853**	3,318
Long-term assets	**97,322**	99,745
Total assets	**101,175**	103,063
Current liabilities	**6,694**	6,725
Long-term liabilities	**62,280**	63,633
Total liabilities	**68,974**	70,358
Net assets	**32,201**	32,705
Share of net assets	**16,479**	16,667

As at December 31, 2021, the Company's share of net assets in Nicola Lodge and Glenmore Lodge was \$9,016 and \$7,463, respectively (December 31, 2020 - \$9,233 and \$7,434, respectively).

	Year ended December 31,	
	2021	2020
Revenue	**31,664**	31,724
Expenses		
Operating, net[1]	**23,986**	24,394
Depreciation and amortization	**2,638**	2,737
	26,624	27,131
Income before net finance charges	**5,040**	4,593
Net finance charges	**2,861**	2,966
Net income	**2,179**	1,627
Share of net income in joint venture	**1,202**	852

[1] Includes net pandemic expenses for the year ended December 31, 2021 of \$251 (2020 - \$568).

For the year ended December 31, 2021, the Company's share of net income in Nicola Lodge and Glenmore Lodge was \$517 and \$685, respectively (2020 - \$435 and \$417, respectively).

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

28 Commitments and contingencies

The Company has a ten-year lease with respect to its corporate office located in Markham, which expires on October 31, 2024. The Company also has various leases for office and other equipment.

Lease payments in respect of the remaining years for leases are as follows:

	Total[1]
2022	1,224
2023	1,036
2024	818
2025	8
2026	2
Thereafter	2
	3,090

[1] Includes payments that are not eligible for capitalization under IFRS 16. Such payments are primarily for servicing and maintenance of office equipment, variable common area costs for the office lease, leases with terms shorter than twelve months and leases with low values.

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance other than the deductible amounts of the claims. Management believes the final outcome of such matters will not have a material adverse impact on the business, operating results and financial condition of the Company. However, actual outcomes may differ from management's expectations.

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.

On January 21, 2022, the Superior Court of Justice made an order consolidating the above proposed class actions in the form ordered by the Court. The aggregate amount of damages claimed in the consolidated claim is $260,000. The Court ordered that the proposed class actions, other than the consolidated claim, be stayed pending the outcome of the certification motion on the consolidated claim and that no other class proceedings may be commenced in Ontario in relation to the subject matter of the consolidated claim without leave of the Court. The order is presently being reviewed and is subject to appeal. If the order stands, the consolidated claim will, in effect, replace all of the other proposed class actions.

None of the above claims, including the consolidated claim, have been certified as a class action. The Company is currently reviewing the consolidated claim 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, including the consolidated claim, on the Company's financial results.

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.

Pay Equity Claim Proceedings

The Company along with a number of other industry participants and the Ontario Government are currently engaged in proceedings with two unions regarding pay equity maintenance for employees at long-term care facilities, for which wages and benefits are typically funded by the MLTC. In October 2021, the Supreme Court of Canada denied leave to appeal and upheld the appellate court ruling that the proxy method should be used and comparisons should be made to an outside sector. The Company and the other participants in the long-term care sector are working with the unions and government to assess the impact of the ruling and establish a framework for pay equity suitable for the sector.

Given the current status of the proceedings and significant number of judgements required in establishing the pay equity framework, including ongoing discussions with two unions amongst the parties, that will impact the measurement of any potential provision, management has assessed the conditions required for a provision and have concluded that it is not possible to reliably measure the potential outflow of resources, and accordingly no provision has been recorded in the consolidated financial statements as at December 31, 2021.

29 Subsequent Events

Acquisition of a 50% ownership interest in a retirement residences portfolio

On February 3, 2022, the Company entered into an agreement to acquire a 50% ownership interest in a $307.5 million portfolio of eleven private-pay retirement residences in Ontario and Saskatchewan, financed through a combination of: (i) $150 million acquisition term loan at 145 bps per annum over the floating BA rate for a 12-month term from the closing of the acquisition, that the Company expects to refinance post-closing; (ii) proceeds from the previously announced dispositions of Rideau Retirement Residence and Camilla Care Community; and (iii) draws on the Company's existing credit facilities. The Company will acquire the portfolio in partnership with Sabra Health Care REIT Inc., who is acquiring the other 50% interest, with the Company as the manager of the portfolio.

The acquisition is subject to regulatory approvals and other customary closing conditions, and is expected to be completed in late Q2 2022.

Disposition of one retirement residence

The disposition of Rideau Retirement Residence (Note 6) was completed on January 31, 2022. The gross proceeds on the sale were $33,250 and the carrying amount of capital assets disposed was $16,321. The property-level mortgage with an outstanding balance of $21,539 as at January 31, 2022 has been discharged on the closing date of the transaction.

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