Report to Shareholders

2019 Sienna Senior Living Inc.

Sienna
SENIOR LIVING

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

At the beginning of a new decade, I would like to reflect on the transformation of our Company over the past ten years. Since the IPO in 2010, Sienna's enterprise value has more than quadrupled; the Company generated a total shareholder return of over 250% and we have achieved inclusion in the S&P/TSX Composite Index. With over 12,000 team members, Sienna has evolved from a predominately long-term care business to one of Canada's leading seniors' living companies with a balanced portfolio of retirement and long-term care residences.

I ended 2019 by touring a number of our residences in Ontario and British Columbia, meeting with residents and team members. I continue to be in awe of the tremendous impact our team members make in our communities and in residents' lives. I also saw the challenges they manage and could not be prouder of our team's ability to provide the highest quality of service with compassion, resulting in an overall 81% resident satisfaction rate.

Operations

We operate at the intersection of three industries – hospitality, health care and real estate – all of which are undergoing change, driven by an aging demographic, new technologies, a tight labour market and changing consumer needs and preferences. Sienna is embracing these opportunities and will ensure that continued investments in its people, platform and properties will further strengthen Sienna's position as a high quality provider. Initiatives focusing on the resident experience, making enhancements to assisted living services, sales and marketing campaigns and winter promotions, and continued with suite and amenity upgrades at a number of our retirement residences will further support our operations in a growing sector.

Average same property occupancy in the retirement segment was 86.1% in Q4 2019. Contributing factors to the occupancy softness are related to the oversupply in the Ottawa market and new supply in the Kingston and South Surrey markets, in addition to temporary disruptions associated with property upgrades and renovations at a number of our residences.

Average occupancy in the long-term care segment remained high at 98.2% in Q4 2019. Generally high demand for long-term care and Sienna's high ranking in terms of quality and service provided are reflected in the waiting lists at each of Sienna's long-term care residences.

The Company's same property net operating income (**"NOI"**) was $38.0 million in Q4 2019 compared to $38.9 million in Q4 2018, largely as a result of lower occupancy in the retirement portfolio, while our full year operating margin remained consistent with the prior year. Q4 2019 Operating Funds from Operations ("**OFFO**") and Adjusted Funds from Operations (**"AFFO"**) per share remained at levels slightly below the prior year at 34.0 cents and 31.3 cents, respectively.

Capital Structure

Continuing with the trend we set over the past quarters, we further improved our balance sheet, ending 2019 with a debt to enterprise value of 43.7% and debt to gross book value of 46.0%, a 480 basis point and 170 basis point decrease from Q4 2018, respectively. In addition, we further lowered our weighted average cost of debt by 20 basis points year over year to 3.6% in Q4 2019. We intend to continue to optimize our capital structure by effectively managing our upcoming debt maturities and by maintaining a healthy level of liquidity.

During the fourth quarter, Sienna received a "BBB" investment grade credit rating with a "Stable" trend from DBRS. This provided the Company with additional financial flexibility, and supported Sienna's inaugural unsecured debt financing of $150 million in November for a 5-year term at 3.109%, which was used to pay down debt with higher interest rates and created a pool of unencumbered assets.

Social Responsibility

At Sienna, we are committed to initiatives aimed at creating positive experiences for all of our stakeholders in every community that we serve. We aim to be a community leader with respect to advocating and advancing access to quality service and care for seniors across the country. Our involvement in advancing research in seniors' living and collaboration with educational institutions helps us innovate and adopt best practices at Sienna. We support marginalized seniors and those suffering with Alzheimer's or related dementia through our company-wide charitable giving program "Sienna for Seniors". We are also progressing on our company-wide green strategy, which focuses on reducing the consumption of water, energy, plastics and paper.

Outlook

I am very optimistic about our company and our sector, and feel confident about Sienna's long-term growth potential from a balanced portfolio and future development opportunities.

Sienna's long-term care portfolio is expected to generate 2020 NOI in line with 2019. We expect our quality indicators in the long-term care portfolio to remain high and to receive positive results with respect to the third-party accreditation of our Ontario long-term care residences, which will be completed by the second quarter of 2020.

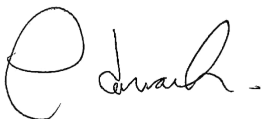
In our retirement portfolio, we expect a mid-single digit decline in same property NOI for the first half of 2020. We are working towards occupancy improvements in the second half of 2020, which we expect will generate low single-digit NOI growth in the second half of 2020, with further growth potential in 2021.

Sienna has the people, operating platform and properties to achieve long-term success, is nimble in adapting to and embracing change and is focused on providing best-in-class services to seniors.

On behalf of our management team and our Board of Directors, I would like to thank our team members for their dedication to making a difference in the lives of our residents and my fellow shareholders for your continued support.

If you have any questions, please contact me at 905-477-4006 or at investors@siennaliving.ca.

Yours truly,



Lois Cormack
President and Chief Executive Officer

Management's Discussion and Analysis

(in thousands of Canadian Dollars)

Management's Discussion and Analysis

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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, 2019. This MD&A should be read in conjunction with the Company's annual audited consolidated financial statements ("**consolidated financial statements**") for the year ended December 31, 2019. 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, 2018, can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

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

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

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

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

Additional Information

Additional information relating to the Company can be found on the Company's website at www.siennaliving.ca, by accessing the Company's public filings on SEDAR, or by contacting Nitin Jain, the Company's Chief Financial Officer and Chief Investment Officer, at 905-489-0787 or nitin.jain@siennaliving.ca.

Review and Approval by the Board of Directors

This MD&A is dated as of February 19, 2020, 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 one of Canada's leading seniors' living providers serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care (“**LTC**” or “**Long-term Care**”) through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. The Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; 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	3,283	—	—	3,283
Long-term Care[2]	43	—	180	6,688	6,868
Total	**70**	**3,283**	**180**	**6,688**	**10,151**

Notes:
1. 82.7% and 17.3% of total beds/suites are located in Ontario and British Columbia, respectively.
2. 5.4% of total LTC beds and suites are partially owned. Nicola Lodge and Glenmore Lodge are referred to collectively as the "**Option Properties**", of which the Company owns 40% of Nicola Lodge and 77% of Glenmore Lodge as at December 31, 2019.

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 formed under the laws of the Province of Ontario, except for the Option Properties (as defined in footnote 2 above), which are owned through joint ventures between the Company and each of WVJ II General Partnership and WVJ Properties (Nicola) Ltd. (each an affiliate of Pacific Seniors Management Investments Ltd.).

As at February 19, 2020, the Company had 66,966,826 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 capex**", and collectively with NOI, FFO, OFFO, AFFO and EBITDA, the "**Non-IFRS Measures**").

"**NOI**" is defined as property revenue net of property operating expenses.

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

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

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

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

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

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

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

and accordingly, these measures may not be comparable to measures presented by other publicly traded entities.

Key Performance Indicators

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

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

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

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

	Three Months Ended			Year Ended		
Thousands of Canadian dollars, except occupancy, share and ratio data	**2019**	2018	Change	**2019**	2018	Change
OCCUPANCY						
Retirement same property - Average occupancy[1]	**86.1%**	91.8%	(5.7%)	**87.9%**	91.7%	(3.8%)
Retirement - Average total occupancy[1]	**85.0%**	91.8%	(6.8%)	**87.4%**	91.7%	(4.3%)
LTC - Average total occupancy	**98.2%**	98.5%	(0.3%)	**98.3%**	98.4%	(0.1%)
LTC - Average private occupancy	**97.9%**	98.6%	(0.7%)	**98.1%**	98.3%	(0.2%)
FINANCIAL						
Revenue	**172,160**	169,455	2,705	**669,733**	641,984	27,749
Operating expenses	**134,303**	130,556	3,747	**512,873**	490,772	22,101
Same property NOI	**37,993**	38,899	(906)	**150,961**	151,212	(251)
Total NOI	**37,857**	38,899	(1,042)	**156,860**	151,212	5,648
EBITDA[3]	**31,392**	33,436	(2,044)	**132,076**	130,930	1,146
Net income	**1,112**	302	810	**7,547**	9,883	(2,336)
OFFO[4]	**22,754**	23,550	(796)	**91,886**	90,477	1,409
AFFO[4][5]	**20,883**	21,738	(855)	**93,186**	93,065	121
Total assets[6]	**1,692,600**	1,753,200	(60,600)	**1,692,600**	1,753,200	(60,600)
PER SHARE INFORMATION						
Net income per share, basic	**0.017**	0.006	0.011	**0.114**	0.155	(0.041)
Net income per share, diluted	**0.017**	0.006	0.011	**0.114**	0.155	(0.041)
OFFO per share, basic[4]	**0.340**	0.357	(0.017)	**1.382**	1.418	(0.036)
OFFO per share, diluted[4]	**0.340**	0.357	(0.017)	**1.382**	1.405	(0.023)
AFFO per share, basic[4][5]	**0.313**	0.329	(0.016)	**1.402**	1.459	(0.057)
AFFO per share, diluted[4][5]	**0.313**	0.329	(0.016)	**1.402**	1.445	(0.043)
Dividends per share	**0.234**	0.230	0.004	**0.926**	0.908	0.018
Payout ratio[4][5][7]	**74.8%**	69.9%	4.9%	**66.0%**	62.2%	3.8 %

Thousands of Canadian dollars, except occupancy, share and ratio data	Three Months Ended 2019	2018	Change	Year Ended 2019	2018	Change
FINANCIAL RATIOS						
Debt to enterprise value	**43.7%**	48.5%	(4.8%)	**43.7%**	48.5%	(4.8%)
Debt to gross book value as at period end	**46.0%**	47.7%	(1.7%)	**46.0%**	47.7%	(1.7)%
Weighted average cost of debt as at period end	**3.6%**	3.8%	(0.2%)	**3.6%**	3.9%	(0.3%)
Debt to Adjusted EBITDA as at period end	**6.7**	6.9	(0.2)	**6.7**	6.9	(0.2)
Interest coverage ratio	**3.7**	3.8	(0.1)	**3.9**	3.9	—
Debt service coverage ratio	**1.6**	1.8	(0.2)	**1.8**	2.0	(0.2)
Weighted average term to maturity as at period end	**4.5**	4.7	(0.2)	**4.5**	4.7	(0.2)
CHANGE IN SAME PROPERTY NOI						
Retirement			(3.7%)			(0.3%)
LTC[8]			(1.2%)			1.4%
Total			(2.3%)			0.7%

Notes:

1. The difference between Retirement same property occupancy and Retirement total occupancy is the results from January 1, 2019 to March 27, 2019 for the portfolio of ten Ontario seniors' living residences acquired on March 28, 2018, and the expansion at Island Park Retirement Residence, which is in lease-up period since it opened in July 2019.
2. The quarter-over-quarter and year-over-year decline in Retirement same property occupancy and Retirement total occupancy is primarily related to the oversupply in the Ottawa market and new supply in the Kingston and South Surrey markets, in addition to temporary disruptions associated with property upgrades and renovations at a number of properties.
3. EBITDA for Q4 2019 decreased by $2,044 to $31,392 compared to Q4 2018 primarily due to a decrease in same property NOI. EBITDA for the year ended December 31, 2019 increased by $1,146 to $132,076 over the comparable prior year period primarily due to the acquisition of the Acquired Properties (defined in the "Operating Results" section), partially offset by an increase in mark-to-market adjustments on share-based compensation and non-recurring administrative expenses.
4. OFFO and AFFO for the three and twelve months ended December 31, 2019 include mark-to-market (recovery) expense adjustments on share-based compensation of ($424) and $1,027, respectively (2018 - ($582) and ($1,038), respectively).
5. AFFO is impacted by the timing of maintenance capex spend.
6. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
7. The payout ratio for Q4 2019 and the year ended December 31, 2019 increased 4.9% and 3.8% over the comparable period respectively, due to the Company's increase in its monthly dividend per share in Q4 2019 and a decrease in the Company's AFFO per share.
8. Year-over-year change in same property NOI for LTC excludes the prior year tax refund of $1,254 recorded in Q1 2018.

Fourth Quarter 2019 Summary

In 2019, we continued to focus on operating and financing initiatives and have made great progress with respect to fully integrating our retirement portfolio and operating platform. We made investments in our people, platform and properties, including $9.5 million of maintenance capex in addition to a $2.7 million capital allowance for properties that were acquired in 2018.

With respect to our people strategy, a centralized approach to recruitment, on-boarding, learning and leadership development has improved the quality and delivery of our programs, and supports our goal to build and maintain a highly engaged and talented team and great culture for years to come. With a high level of employee engagement, our team's ability to provide the highest quality of service resulted in an overall 81% resident satisfaction rate.

Sienna's Q4 2019 results underscore the benefits of owning a high quality and balanced portfolio of retirement and LTC residences. As the seniors' living sector continues to scale up to accommodate the growth over the course of the next two decades, we believe that operating a balanced portfolio is a competitive advantage.

Occupancy - Average occupancy in the LTC portfolio remained high at 98.2% in Q4 2019, compared to Q4 2018. Average same property occupancy in the Retirement portfolio was 86.1% in Q4 2019. Contributing factors to the occupancy softness in the Retirement portfolio are related to the oversupply in the Ottawa market and new supply in the Kingston and South Surrey markets, in addition to temporary disruptions associated with property upgrades and renovations at a number of our residences.

Revenue increased by 1.6% in Q4 2019, or $2,705, to $172,160, compared to Q4 2018. The increase was mainly a result of inflationary increases and timing of flow-through funding in the LTC segment and rental rate increase in the Retirement segment, partially offset by occupancy softness in the Retirement segment.

Operating Expenses increased by 2.9% in Q4 2019, or $3,747, to $134,303, compared to Q4 2018. The increase was mainly a result of inflationary increases and timing of expenses associated with flow-through funding in the LTC segment.

NOI decreased by 2.7% in Q4 2019, or $1,042, to $37,857, compared to Q4 2018, mainly related to softness in Retirement occupancy.

Net income was $1,112 for Q4 2019, representing an increase of $810 over the comparable prior year period. The increase was primarily related to fair value adjustments on interest rate swap contracts in Q4 2019, partially offset by higher deferred income taxes and lower NOI.

OFFO decreased by 3.4% in Q4 2019, or $796, to $22,754 over the comparable prior year period. OFFO per share decreased by 4.8% in Q4 2019, or $0.017, to $0.340 over the comparable prior year period. The decrease was primarily related to lower NOI and non-recurring administrative expenses, partially offset by lower interest expense and lower current income taxes.

AFFO decreased by 3.9% in Q4 2019, or $855, to $20,883 over the comparable prior year period. AFFO per share decreased by 4.9% in Q4 2019, or $0.016, to $0.313 over the comparable prior year period. The decrease was primarily related to the decrease in OFFO noted above.

Debt - The Company further lowered its debt to enterprise value to 43.7%, a 480 basis points ("**bps**") reduction year-over-year from 48.5%; lowered its debt to gross book value to 46.0%, a 170 bps reduction year-over-year from 47.7%; decreased its debt to Adjusted EBITDA ratio to 6.7 years from 6.9 years in Q4 2018, and lowered its weighted average cost of debt to 3.6% in Q4 2019 from 3.8% in Q4 2018.

Outlook

Sienna is one of Canada's leading high quality owners and operators with a balanced portfolio of retirement and long-term care residences. With a sophisticated operating platform, extensive management expertise in seniors' living and an industry-leading balance sheet, Sienna is very well positioned to achieve sustainable long-term growth and provide great resident experience.

Retirement

Heading into 2020, we will continue to build on our investments in our people, platform and properties, focusing on the resident experience, assisted living services, sales and marketing campaigns, management efficiencies, and suite and amenity upgrades at a number of our retirement residences.

For the first half of 2020, we expect a mid-single digit decline in same property NOI. We are working towards improvements in the second half of 2020, which we expect will generate low single-digit NOI growth in the second half of 2020, with further growth potential in 2021.

LTC

Sienna's long-term care portfolio is expected to generate 2020 NOI in line with 2019. Generally high demand for long-term care and Sienna's high ranking in terms of quality and service provided are reflected in the waiting lists at each of Sienna's long-term care residences. We expect our quality indicators in the long-term care portfolio to remain high and to receive positive results with respect to the third-party accreditation of our Ontario long-term care residences, which will be completed by the second quarter of 2020.

Capital Allocation

We are committed to constantly upgrading the quality of our portfolio and will continue to focus on maintaining a balanced portfolio mix of retirement and LTC residences through strategic acquisitions, potential dispositions of non-core assets, in addition to development opportunities. We are committing 1.3% to 1.5% of revenues for maintenance capital, including significant investments in suite and amenity upgrades.

Sienna's development plans include the development of free-standing retirement residences with joint venture partners and intensification opportunities at certain existing retirement residences. The development of seniors' living 'campuses' are subject to regulatory approvals and financial feasibility. Sienna continues to collaborate with industry associations and government authorities in seeking solutions for the development of new LTC beds.

With respect to intensification at our retirement residences, we expect our recently completed expansion of Island Park in Campbellford, Ontario to achieve stabilized occupancy by mid-2021. We also plan to start an expansion at our Kingsmere Retirement Residence in Alliston, Ontario, comprising approximately 60 suites by mid-2020, with an estimated 8% to 10% return and an expected completion date in 2021.

Capital Structure Optimization

Continuing with the trend we set over the past quarters, we intend to optimize our capital structure by effectively managing our upcoming debt maturities, maintaining a healthy level of liquidity and keeping a pool of unencumbered assets. Sienna's "BBB" investment grade credit rating with a "Stable" trend from DBRS supported the Company's unsecured debt financing in November 2019 and is expected to provide the company with

additional financial flexibility in the future.

Market Supply and Demand - Retirement

We operate at the intersection of threes industries - hospitality, health care and real estate - all of which are undergoing significant change, driven by an aging demographic, new technologies, a tight labour market, and changing consumer needs and preferences. With the population of seniors expected to grow significantly over the next two decades, one of the sector's key challenges is to match the growing demand for seniors' residences with new supply.

We have included a table below that summarizes the supply in certain of Sienna's markets.

Region	Sienna Portfolio (as at December 31, 2019)[1]	New Supply (under construction)[2]	Required new suites by 2023 (to keep 2018 capture rate)[2][3]		
	Number of suites	Number of suites	2018 capture rate	Number of suites	Undersupply of suites
Eastern Ontario	535	682	11.4%	699	17
Ottawa	400	582	13.5%	702	120
Central Ontario	1,102	1,326	8.5%	2,193	867
Toronto GTA	571	1,646	5.2%	4,579	2,933
Lower Mainland, BC	622	778	4.6%	1,874	1,096
	3,230	**5,014**	**6.0%**	**10,047**	**5,033**

[1] Excludes Midland Gardens Senior Apartments due to its unique service platform compared to retirement residences

[2] Source: CBRE

[3] The 2018 capture rate is the existing supply of retirement suites divided by the population of seniors aged 75 and above. The undersupply of retirement suites is the difference between the number of new suites required in 2023 to maintain the 2018 capture rate and the new supply of retirement suites under construction.

The study includes retirement residences currently under construction in the catchment areas of Sienna's Retirement Residences and outlines how the supply relates to the growing demand in each of these markets, assuming that the capture rate will remain at the 2018 level for each catchment area.

The study indicates that by 2023, demand will outpace supply. Rising construction costs and licensing requirements in the seniors' living sector are anticipated to limit oversupply. While some volatility is expected in the next two to three years as the market is adjusting to increased supply, we expect that oversupply will be limited to a small number of markets.

Significant Events

Issued $150 Million of 3.109% Series A Senior Unsecured Debentures

On November 4, 2019, the Company issued $150,000 aggregate principal amount of series A senior unsecured debentures (the "**Series A Debentures**"). The Series A Debentures bear interest at a rate of 3.109% per annum and mature on November 4, 2024. Sienna has used the net proceeds from the Series A Debentures to repay part of the Company's existing long-term debt with higher interest rates and created a pool of unencumbered assets, and for general corporate purposes.

Our Vision, Mission and Values

Our Vision

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

Our Mission

To help you live fully, every day.

Our Values

Respect

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

Passion

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

Teamwork

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

Responsibility

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

Growth

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

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

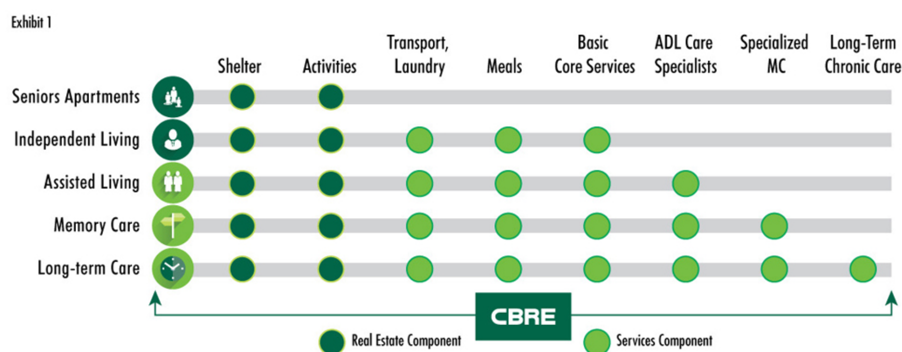
- **Independent Living ("IL")**: IL provides the privacy and freedom of home combined with the convenience and security of on-call assistance and a maintenance-free environment. Residents typically have the option of purchasing à la carte services including meal packages, housekeeping, transportation and laundry. It is typically apartment-style accommodation with a full kitchenette and is private-pay. Tenure may be rental or some form of ownership, such as 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: CBRE Limited, Valuation & Advisory Services. (2017). Seniors Housing & Healthcare.

Company Strategy and Objectives

Sienna's strategic objectives and progress are summarized as follows:

Strong Operating Platform:

- Investing in the operating and sales platform in all Retirement Residences;
- Implementing a people strategy aimed at recruiting, retaining and developing a high performing and engaged team;
- Providing a great resident experience by helping residents to live fully every day;
- Adopting innovative technology and practices to support operational efficiency;
- Advancing Sienna's brand in every community served.

Progress:

- The Company maintains an overall high level of resident satisfaction at 81% and exceeds national quality indicator benchmarks as reported by the Canadian Institute for Health Information.
- Enhancing Sienna's AL services offered to residents at our Retirement Residences to reduce attrition to LTC
- Marketing and sales campaigns in every local community, including community outreach and earned media coverage
- Preparing for the third-party Commission on Accreditation of Rehabilitation Facilities ("**CARF**") accreditation of Sienna's Ontario LTC portfolio on quality of care standards
- Investing in our team through enhancements to the talent acquisition strategy, recruitment, on-boarding and leadership development
- Active flu vaccination and prevention campaigns to minimize the severity and duration of the flu season

Maintaining Strong Balance Sheet and Liquidity:

- Financing of acquisitions/development for the continued growth of the Company;
- Creating a 10-year debt maturity ladder to reduce refinancing risk and enhance the ability to refinance at favourable rates;
- Optimizing leverage (measured as debt to gross book value);
- Maintaining liquidity (measured as available funds from existing credit facilities plus available cash on hand) to deliver on Sienna's growth objectives;
- Maintaining a favourable A (low) credit rating on the 3.474% Series B Senior Secured Debentures, with an aggregate outstanding principal amount of $287,000 and a maturity date of February 3, 2021 ("**Series B Debentures**");
- Maintaining a stable investment grade "BBB" credit rating for Sienna;
- Maintaining a pool of unencumbered assets;
- Issuing unsecured debt as a new source of capital to provide the Company with additional financial flexibility to achieve Sienna's growth objectives.

Progress:

- On November 4, 2019, the Company issued $150 million of Series A Debentures with a 5-year term, bearing interest at a rate of 3.109% per annum
- In November 2019, Sienna received a "BBB" investment grade credit rating with a "Stable" trend from DBRS, highlighting the strength of its balance sheet, balanced portfolio and sophisticated operating platform
- Confirmed A (low) rating by DBRS with a stable outlook for the Series B Debentures in March 2019
- On November 27, 2019, the Company repurchased and reduced $35,000 notional amount of the outstanding Series B Debentures at a 1.575% premium, for a settlement amount of $35,551 ("**Repurchase of Series B Debentures**")
- Created a pool of unencumbered assets over $300 million
- Decreased year-over-year debt to gross book value by 170 bps to 46.0% as at December 31, 2019
- Decreased year-over-year debt to Adjusted EBITDA to 6.7 years as at December 31, 2019, compared to 6.9 years in the comparable prior year period
- Decreased weighted average cost of debt to 3.6% as at December 31, 2019, compared to 3.9% in the comparable prior year period

Growing the Company:

Sienna's growth plan is based on three key components:

Organic Growth:

- Growing Sienna's portfolio organically through rate increases, improving occupancy and expanding services to meet resident needs;
- Maintaining existing assets with preventative maintenance and ongoing capital improvements;
- Continuing to invest in Sienna's team culture and operating platform to deliver a great resident experience and maintain disciplined cost management.

Development:

- Developing free-standing retirement residences with joint venture partners in certain markets with adequate demand;
- Expanding seniors' living capacity in existing Retirement Residences with excess land;
- Responding to requests for proposals, where feasible.

Acquisitions:

- Strategic and disciplined acquisitions of high-quality seniors' living residences in key markets in Canada;
- Expanding Sienna's Retirement portfolio.

Progress:

- In October, Lois Cormack was included in the Financial Post's CEO 100 Scorecard 2019, which ranks the leaders of Canadian companies based on their 2-year return to investors. Our CEO's ranking at the 45th place is the second highest within the healthcare sector and first amongst the three female CEOs included in the list.
- Enhancements to suites and amenity spaces in retirement residences acquired in 2018, consistent with the Sienna brand, as part of a $5 million capital expenditure program
- Successful opening of a 57-suite expansion at Island Park Retirement Residence in Campbellford, Ontario in July 2019
- Expect to start an expansion at Kingsmere Retirement Residence of approximately 60 suites in Alliston, Ontario by mid-2020. Management is forecasting an estimated 8% to 10% return and an expected completion date in 2021.

Environmental, Social and Governance (ESG) Responsibility

Sienna's approach to corporate social responsibility is based upon the premise that each of the communities in which we operate is unique. The Company has committed to initiatives aimed at creating positive experiences for its stakeholders and making its operations more sustainable. Sienna's commitment to corporate social responsibility includes the following environmental, social and governance initiatives and results:

Environmental

The Company is continuously looking for ways to make its operations more sustainable and focuses on updating its infrastructure through key initiatives, including:

- Increasing water conservation by installing Flow Management Devices (FMD), a water-saving technology; and
- Decreasing energy consumption by replacing lighting systems, older appliances, fixtures and equipment with more energy-efficient alternatives and whenever possible, participate in ENERGY STAR programs.

Social

Resident Experience

Sienna's mission is to help residents to live fully, every day. The Company's residences provide seniors with the type of services and care they need, when they need it in a home-like, secure residential setting and offer a range of rich, rewarding experiences during a stage of life many perceive as daunting. Sienna's commitment to a positive resident experience is exhibited through the following:

- **Quality of care:** As leaders in our sector, we leverage technology and best practices to constantly set new benchmarks for quality. Sienna's residences are accredited through a third party, CARF, every three years. Sienna's current standing is exceptional at 98% compliance to all standards. Sienna's residential care facilities in British Columbia are accredited by the Accreditation Canada program, with 99.3% of the standards being met.
- **Resident satisfaction:** Sienna maintains an overall high level of resident satisfaction at 81% and exceeds national quality indicator benchmarks as reported by the Canadian Institute for Health Information.

Community Investment

The Company strives to give back in a number of meaningful ways, including the following initiatives:

- **Sienna for Seniors:** Launched in 2017, "Sienna for Seniors" is an integrated, company-wide charitable giving program. The program supports marginalized seniors and those suffering with Alzheimer's or related dementia in the local communities that the Company serves. In 2019, over $0.2 million was raised, and a total of $0.6 million has been raised since inception of "Sienna for Seniors". Funds remain in the community in which they were raised, supporting charities with seniors-focused programs that include the regional Alzheimer Societies, and other local charities.

- **Community leader in Canadian seniors' living communities:** Sienna is an active leader in the Canadian Association of Long Term Care, Ontario Long Term Care Association, Ontario Retirement Communities Association, BC Care Providers Association and BC Seniors Living Association. In each of these associations, Sienna plays an important role in advocating for sound policy and advancing quality care.

- **Volunteer programs:** The Company is deeply involved in every community in which it operates. Sienna has hundreds of volunteers who give their time and bring the warmth of human connection to residents living in Sienna's long term care communities.

Employee Engagement

The Company creates a positive experience for Sienna employees through the following programs:

- **Learning & development:** Learning and development is a top priority at Sienna. Many learning opportunities are offered internally and include orientation, on-boarding and on-line learning for team members with both mandatory and optional modules that can be accessed at any time. In addition, the following learning tools are offered:

    - Sienna Academy: a portal that provides a one-stop-shop for users to access curated content developed internally and externally. Its purpose is to help Sienna team members grow their careers through flexible, on demand learning that is relevant and engaging;

    - Take the Lead: monthly virtual micro learning focused on leadership development; and

    - Manager Essentials: a blended online and in-person learning opportunity to develop foundational people skills for effective day to day management of teams.

- **Sienna Impact Awards:** To acknowledge the dedication and outstanding contributions of team members, Sienna introduced the Sienna Impact Award in early 2019. The Impact Award, which is considered the highest honour within Sienna, recognizes individuals who have made a significant positive impact company-wide, sector-wide, or across an entire division in the Company.

- **Award-winning corporate culture:** Sienna is named one of Canada's Most Admired Corporate Cultures by Waterstone Human Capital, a leading executive search and professional recruitment firm. This award highlights the Company's commitment to cultivating and sustaining a great culture and supporting its employees, which ultimately drives growth and performance.

Research & Innovation

The Company's involvement and support of advancing research in seniors' living includes the following projects and research partners:

- a program aimed to reduce emergency room transfers in cooperation with the William Osler Health System;

- the promotion of open communication between families, residents and team members in cooperation with the Alzheimer Society of Canada;

- the promotion of increased participation of older adults in making care decisions in a collaborative environment in cooperation with the Lawrence S. Bloomberg Faculty of Nursing, University of Toronto and Baycrest Health Sciences; and

- a study focused on the impact of nutrition in long-term care communities in cooperation with the University of Waterloo and Schlegel Research Institute for Aging.

- Sienna collaborates with over 60 local educational institutions to innovate and bring best practices in seniors' living and care to its residences. With a focus on diversity, the partnerships with these institutions facilitate student placements, applied research, and continuous professional development. Sienna places a strong emphasis on being part of every community it serves through hiring locally within its communities.

Governance

As one of Canada's leading providers of seniors' residences, Sienna is committed to maintaining the highest ethical standards through a strong governance framework and an experienced Board of Directors.

Diversity and Inclusion

The Company is focused on bringing together a multitude of perspectives, and is committed to being a leader in diversity, which includes, but is not limited to, gender, sexual preference, disability, age, ethnicity, culture and religion.

Sienna is a known leader in gender diversity and has a well-rounded, independent and experienced Board of Directors, which adheres to the highest standards of governance. In 2019, Sienna remained one of the most diverse companies listed on the TSX when it comes to gender diversity. As of December 31, 2019, 43% of the Company's Board of Directors and 83% of the Company's senior executive team is comprised of female leaders, a testament to Sienna's commitment to recruiting, promoting and retaining women in leadership roles in the organization.

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 and per share data	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	172,160	167,947	165,957	163,669	169,455	165,048	162,124	145,357
Operating Expenses	134,303	127,785	126,028	124,757	130,556	124,529	122,734	112,953
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	11,693	15,495	14,809	12,624	13,970	15,737	15,292	14,757
Net income	1,112	3,763	2,230	442	302	5,000	3,548	1,033
Per share basic	0.017	0.057	0.034	0.007	0.006	0.076	0.055	0.018
Per share diluted	0.017	0.057	0.034	0.007	0.006	0.076	0.055	0.018
OFFO	22,754	24,208	23,602	21,322	23,550	23,973	24,343	18,609
Per share basic	0.340	0.364	0.356	0.322	0.357	0.365	0.380	0.316
Per share diluted	0.340	0.364	0.356	0.322	0.357	0.365	0.374	0.309
AFFO(1)	20,883	24,492	24,428	23,383	21,738	24,414	26,137	20,774
Per share basic(1)	0.313	0.368	0.368	0.353	0.329	0.372	0.405	0.353
Per share diluted(1)	0.313	0.368	0.368	0.353	0.329	0.372	0.400	0.344
Dividends declared	15,626	15,483	15,241	15,196	15,145	14,995	14,620	13,523
Per share	0.234	0.233	0.230	0.230	0.230	0.228	0.225	0.225
Occupancy								
Retirement - Average total occupancy	85.0%	85.8%	88.4%	90.4%	91.8%	91.4%	91.6%	92.6%
Retirement - As at total occupancy	84.7%	85.1%	87.3%	89.4%	91.6%	91.8%	91.3%	92.6%
LTC - Average total occupancy	98.2%	98.2%	98.3%	98.2%	98.5%	98.7%	98.3%	97.9%
LTC - Average private occupancy	97.9%	98.0%	98.1%	98.3%	98.6%	98.6%	98.0%	97.9%
Debt to enterprise value as at period end	43.7%	43.0%	39.7%	44.0%	48.5%	47.1%	50.1%	48.0%
Debt to gross book value as at period end	46.0%	46.5%	46.6%	47.8%	47.7%	48.3%	49.4%	50.3%
Debt to Adjusted EBITDA as at period end	6.7	6.6	6.7	7.1	6.9	6.9	7.5	8.2
Interest coverage ratio	3.7	4.0	4.0	3.8	3.8	4.0	4.1	3.8
Total assets(2)	1,692,600	1,708,163	1,715,479	1,738,577	1,753,200	1,746,612	1,800,952	1,759,189
Total debt(3)	956,312	965,113	962,742	987,640	984,917	985,694	1,025,857	1,022,128
Weighted average shares outstanding - basic	66,749,273	66,566,747	66,384,395	66,171,723	65,957,631	66,752,737	66,384,395	58,829,148
Weighted average shares outstanding - diluted	66,749,273	66,566,747	66,384,395	66,171,723	65,957,631	66,752,737	66,384,395	61,485,143

Notes:

1. Effective Q3 2018, deferred share unit compensation expense is not added back to calculate AFFO. The prior quarters have been restated to reflect this change.
2. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
3. The total debt is net of amounts paid into the principal reserve fund on the Series B Debentures. Total debt as at and prior to Q1 2018 included the Company's 4.65% extendible convertible unsecured debentures ("**Convertible Debentures**"), which were fully redeemed as at May 23, 2018 (the "**Redemption Date**").

The Company's quarterly financial results are impacted by various factors including, but not limited to, the timing of acquisitions, occupancy levels, timing of maintenance capital expenditures, seasonality of utility expenses, timing of resident co-payment increases, timing of funding rate increases or additional funding, and capital market and financing activities.

Financial results for the past eight quarters reflect the impact of the acquisition of the Acquired Properties for $382,000 in Q1 2018, as well as a strong operating platform and management team. Please refer to the Company's 2018 annual MD&A for further discussion of these acquisitions.

In 2018, the Company increased its monthly dividend per share by 2%, starting with the September payment payable to shareholders of record on August 31, 2018. In 2019, the Company again increased its monthly dividend per share by 2%, commencing with the September payment payable to shareholders of record on August 30, 2019.

The Company has strengthened its balance sheet over the past eight quarters. Its debt to enterprise value has improved to 43.7% as at Q4 2019 from 48.0% as at Q1 2018. Its debt to gross book value has improved to 46.0% as at Q4 2019 from 50.3% as at Q1 2018. Debt to adjusted EBITDA has decreased to 6.7 as at Q4 2019 from 8.2 as at Q1 2018.

A discussion of the operating results for the year ended December 31, 2019 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, 2019, 2018 and 2017:

Thousands of Canadian dollars, except per share data	2019	2018	2017
Revenue	669,733	641,984	557,690
Income before net finance charges, transaction costs and the provision for (recovery of) income taxes	54,621	59,756	60,023
Net income	7,547	9,883	21,815
Per share basic and diluted	0.114	0.155	0.452
OFFO [(1)]	91,886	90,477	64,815
Per share basic [(1)]	1.382	1.418	1.369
Per share diluted [(1)]	1.382	1.405	1.328
AFFO [(1)(2)]	93,186	93,065	70,623
Per share basic [(1)(2)]	1.402	1.459	1.492
Per share diluted [(1)(2)]	1.402	1.445	1.444
Dividends declared	61,546	58,283	42,660
Per share	0.926	0.908	0.900
Total assets [(3)]	1,692,600	1,753,200	1,394,858
Total debt [(4)]	956,312	984,917	818,951

Notes:
1. Effective January 1, 2019, IFRS 16, Leases was adopted. The comparative periods' non-IFRS performance measures for OFFO and AFFO have been restated to include the impact of IFRS 16, Leases.
2. Effective Q3 2018, deferred share unit compensation earned is not added back to calculate AFFO. The comparative periods have been restated to reflect this change.
3. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
4. Total debt includes the Convertible Debentures and is net of amounts paid into the principal reserve fund on the Series B Debentures.

Operating Results

Retirement

The Company's Retirement portfolio consists of 27 RRs, five of which are located in British Columbia and 22 of which are located in Ontario. The Company's Retirement portfolio operates in well located markets and generated 22.2% of overall revenues and 43.1% of total NOI in Q4 2019.

Long-term Care

The Company's LTC portfolio contributed 77.8% of the Company's revenues and generated 56.9% of its NOI in Q4 2019. Effective July 1, 2019, the regulated resident co-payment per diem rate for basic accommodation in Class A, B and C homes increased by 2.3% to $62.18 per bed per day. For new admissions to private and semi-private accommodation in Class A homes, the regulated resident co-payment per diem premiums increased by 2.3% to $26.64 and $12.78 per bed per day, with existing residents in such preferred accommodations being grandfathered at historical rates. For Class B and C homes, the regulated resident co-payment per diem premiums have increased by 2.3% to $19.17 and $8.52 per bed per day for private and semi-private accommodation, respectively.

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

Thousands of Canadian dollars	Three Months Ended			Year Ended		
	2019	2018	Change	**2019**	2018	Change
Revenue	**172,160**	169,455	2,705	**669,733**	641,984	27,749
Expenses						
Operating	**134,303**	130,556	3,747	**512,873**	490,772	22,101
Depreciation and amortization	**19,699**	19,466	233	**77,455**	71,174	6,281
Administrative	**6,465**	5,463	1,002	**24,784**	20,282	4,502
	160,467	155,485	4,982	**615,112**	582,228	32,884
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	**11,693**	13,970	(2,277)	**54,621**	59,756	(5,135)
Net finance charges	**6,475**	12,925	(6,450)	**38,533**	36,457	2,076
Transaction costs	**961**	1,088	(127)	**3,068**	10,390	(7,322)
Total other expenses	**7,436**	14,013	(6,577)	**41,601**	46,847	(5,246)
Income (loss) before provision for (recovery of) income taxes	**4,257**	(43)	4,300	**13,020**	12,909	111
Provision for (recovery of) income taxes						
Current	**776**	1,159	(383)	**6,098**	7,632	(1,534)
Deferred	**2,369**	(1,504)	3,873	**(625)**	(4,606)	3,981
	3,145	(345)	3,490	**5,473**	3,026	2,447
Net income	**1,112**	302	810	**7,547**	9,883	(2,336)
Total assets	**1,692,600**	1,753,200	(60,600)	**1,692,600**	1,753,200	(60,600)
Total debt (net of principal reserve fund)	**956,312**	984,917	(28,605)	**956,312**	984,917	(28,605)

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	**2019**	2018	Change	**2019**	2018	Change
Revenue						
Same property[1]	**171,966**	169,455	2,511	**655,510**	641,984	13,526
Acquisitions and development[1][2]	**194**	—	194	**14,223**	—	14,223
Total Revenue	**172,160**	169,455	2,705	**669,733**	641,984	27,749
Operating Expenses						
Same property[1]	**133,973**	130,556	3,417	**504,549**	490,772	13,777
Acquisitions and development[1][2]	**330**	—	330	**8,324**	—	8,324
Total Operating Expenses	**134,303**	130,556	3,747	**512,873**	490,772	22,101
NOI						
Same property[1]	**37,993**	38,899	(906)	**150,961**	149,958	1,003
Same property - prior year tax refund	**—**	—	—	**—**	1,254	(1,254)
Acquisitions and development[1][2]	**(136)**	—	(136)	**5,899**	—	5,899
Total NOI	**37,857**	38,899	(1,042)	**156,860**	151,212	5,648

Notes:

1. Acquisitions and development includes the financial and operating results from January 1, 2019 to March 27, 2019 of the portfolio of ten Ontario seniors' living residences acquired on March 28, 2018, which consists of 1,245 private-pay ISL and AL suites (the "**Acquired Properties**"). Effective March 28, 2019, the financial results of the Acquired Properties were re-classified from "acquisitions and development" to "same property" in the table above.
2. Effective Q3 2019, the financial results of the 57-suite expansion at Island Park Retirement Residence are included in "acquisitions and development".

Fourth Quarter 2019 Operating Results

The Company's total same property revenues for Q4 2019 increased by $2,511 to $171,966, compared to Q4 2018. LTC's same property revenues for Q4 2019 increased by $3,450 to $133,915, compared to Q4 2018, mainly due to inflationary increases and timing of flow-through funding. Retirement's same property revenues for Q4 2019 decreased by $939 to $38,051, compared to Q4 2018, due to occupancy softness, partially offset by annual rental rate increases in line with market conditions. Revenues from acquisitions and development were $194 (2018 - $nil) for Q4 2019 and represent revenues from the Island Park Retirement Residence expansion, which was completed during Q3 2019.

The Company's total same property operating expenses for Q4 2019 increased by $3,417 to $133,973, compared to Q4 2018. LTC's same property operating expenses for Q4 2019 increased by $3,722 to $112,388, compared to Q4 2018, mainly due to inflationary increases and timing of expenses associated with flow-through funding. Retirement same property operating expenses for Q4 2019 decreased by $305 to $21,585, compared to Q4 2018, due to a decrease in variable operating expenses in accordance with occupancy levels. Acquisitions and development operating expenses were $330 (2018 - $nil) for Q4 2019.

The Company's total same property NOI for Q4 2019 decreased by $906 to $37,993, compared to Q4 2018. LTC's same property NOI for Q4 2019 decreased by $272 to $21,527 compared to Q4 2018 due to timing of expenses. Retirement's same property NOI for Q4 2019 decreased by $634 to $16,466, compared to Q4 2018. Acquisitions and development NOI was $(136) (2018 - $nil) for Q4 2019.

Due to the seasonality of certain operating expenses such as utilities and maintenance, occupancy levels 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, 2019 Operating Results

The Company's total same property revenues for the year ended December 31, 2019 increased by $13,526 to $655,510, over the comparable prior year period. LTC's same property revenues increased by $14,402 to $516,427, over the comparable prior year period, mainly due to additional and inflationary increases in flow-through funding. Retirement's same property revenues decreased by $876 to $139,083, over the comparable prior year period, due to lower occupancy, partially offset by annual rental rate increases in line with market conditions. Acquisitions and development revenues were $14,223 (2018 - $nil) for the year ended December 31, 2019, of which the Acquired Properties contributed $13,927 (2018 - $nil) from January 1, 2019 to March 27, 2019.

The Company's total same property operating expenses for the year ended December 31, 2019 increased by $13,777 to $504,549, over the comparable prior year period. LTC's same property operating expenses, excluding the prior year tax refund, increased by $13,182 to $428,072, over the comparable prior year period, mainly due to expenses associated with flow-through funding and annual inflationary increases. Retirement's same property operating expenses decreased by $659 to $76,477, over the comparable prior year period, due to a decrease in variable operating expenses in accordance with occupancy levels. Acquisitions and development operating expenses were $8,324 (2018 - $nil) for the year ended December 31, 2019, of which the Acquired Properties contributed $7,840 (2018 - $nil) from January 1, 2019 to March 27, 2019.

The Company's total same property NOI for the year ended December 31, 2019 increased by $1,003 to $150,961, excluding the prior year tax refund, over the comparable prior year period. LTC's same property NOI, excluding the prior year tax refund, increased by $1,220 to $88,355, over the comparable prior year period. Retirement's same property NOI decreased by $217 to $62,606, over the comparable prior year period, while operating margins remained consistent with the prior year. Acquisitions and development NOI was $5,899 (2018 - $nil) for the year ended December 31, 2019, of which the Acquired Properties contributed $6,087 (2018 - $nil) from January 1, 2019 to March 27, 2019.

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

Net Operating Income by Segment

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

Retirement

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

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2019**	2018	Change	**2019**	2018	Change
Retirement Revenue						
Same property[1]	**38,051**	38,990	(939)	**139,083**	139,959	(876)
Acquisitions and development[1][2]	**194**	—	194	**14,223**	—	14,223
Total Retirement Revenue	**38,245**	38,990	(745)	**153,306**	139,959	13,347
Retirement Expenses						
Same property[1]	**21,585**	21,890	(305)	**76,477**	77,136	(659)
Acquisitions and development[1][2]	**330**	—	330	**8,324**	—	8,324
Total Retirement Expenses	**21,915**	21,890	25	**84,801**	77,136	7,665
Retirement NOI						
Same property[1]	**16,466**	17,100	(634)	**62,606**	62,823	(217)
Acquisitions and development[1][2]	**(136)**	—	(136)	**5,899**	—	5,899
Total Retirement NOI	**16,330**	17,100	(770)	**68,505**	62,823	5,682

Notes:
1. Effective March 28, 2019, the financial results of the Acquired Properties were re-classified from "acquisitions and development" to "same property" in the table above. Accordingly, "acquisitions and development" include the financial results of the Acquired Properties' from January 1, 2019 to March 27, 2019.
2. Effective Q3 2019, the financial results of the 57-suite expansion at Island Park Retirement Residence are included in "acquisitions and development".

Fourth Quarter 2019 Retirement Results

Retirement's same property revenues for Q4 2019 decreased by $939 to $38,051, compared to Q4 2018, primarily attributable to lower occupancy, partially offset by rental rate increases in line with market conditions.

Retirement's same property operating expenses for Q4 2019 decreased by $305 to $21,585, compared to Q4 2018, due to a decrease in variable operating expenses in accordance with occupancy levels.

Retirement's same property NOI for Q4 2019 decreased by $634 to $16,466, compared to Q4 2018.

Year Ended December 31, 2019 Retirement Results

Retirement's same property revenues for the year ended December 31, 2019 decreased by $876 to $139,083, over the comparable prior year period, primarily attributable to lower occupancy, partially offset by rental rate increases in line with market conditions. The Acquired Properties were re-classified from acquisitions and development to same property starting March 28, 2019.

Retirement's same property operating expenses for the year ended December 31, 2019 decreased by $659 to $76,477, over the comparable prior year period, mainly due to lower labour costs consistent with lower occupancy and lower property expenses, partially offset by customary inflationary increases in wages.

Retirement's same property NOI for the year ended December 31, 2019 decreased by $217 to $62,606, over the comparable prior year period, while operating margins remained consistent with the prior year.

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	**2019**	2018	Change	**2019**	2018	Change
Long-term Care Revenue						
Same property	**133,915**	130,465	3,450	**516,427**	502,025	14,402
Total Long-term Care Revenue	**133,915**	130,465	3,450	**516,427**	502,025	14,402
Long-term Care Expenses						
Same property	**112,388**	108,666	3,722	**428,072**	414,890	13,182
Same property - prior year tax refund	—	—	—	—	(1,254)	1,254
Total Long-term Care Expenses	**112,388**	108,666	3,722	**428,072**	413,636	14,436
Long-term Care NOI						
Same property	**21,527**	21,799	(272)	**88,355**	87,135	1,220
Same property - prior year tax refund	—	—	—	—	1,254	(1,254)
Total Long-term Care NOI	**21,527**	21,799	(272)	**88,355**	88,389	(34)

Fourth Quarter 2019 Long-term Care Results

LTC's same property revenues for Q4 2019 increased by $3,450 to $133,915, compared to Q4 2018, primarily attributable to inflationary increases and timing of flow-through funding.

LTC's same property operating expenses for Q4 2019 increased by $3,722 to $112,388, compared to Q4 2018, due to inflationary increases and timing of expenses associated with flow-through funding.

LTC's same property NOI for Q4 2019 decreased by $272 to $21,527 compared to Q4 2018.

Year Ended December 31, 2019 Long-term Care Results

LTC's same property revenues for the year ended December 31, 2019 increased by $14,402 to $516,427, over the comparable prior year period, primarily attributable to additional and inflationary increases in flow-through funding.

LTC's same property operating expenses for the year ended December 31, 2019, excluding the prior year tax refund, increased by $13,182 to $428,072, over the comparable prior year period, due to expenses associated with flow-through funding and annual inflationary increases.

LTC's same property NOI for the year ended December 31, 2019, excluding the prior year tax refund, increased by $1,220 to $88,355 over the comparable prior year period.

Depreciation and Amortization

Fourth Quarter 2019

Depreciation and amortization for Q4 2019 increased by $233 to $19,699, compared to Q4 2018, due to higher amortization on computer hardware and software, partially offset by full amortization on certain customer relationships.

Year Ended December 31, 2019

Depreciation and amortization for the year ended December 31, 2019 increased by $6,281 to $77,455, over the comparable prior year period, due to the acquisition of the Acquired Properties in Q1 2018, partially offset by the full amortization on certain customer relationships.

Administrative Expenses

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	**2019**	2018	Change
Administrative expenses, excluding share-based compensation	**6,444**	5,665	779	**21,909**	19,751	2,158
Share-based compensation	**21**	(202)	223	**2,875**	531	2,344
Total administrative expenses	**6,465**	5,463	**1,002**	**24,784**	20,282	4,502

Fourth Quarter 2019

Administrative expenses for Q4 2019 increased by $1,002 to $6,465, compared to Q4 2018, due to non-recurring expenses and an increase of $158 in mark-to-market adjustments on share-based compensation.

Year Ended December 31, 2019

Administrative expenses for the year ended December 31, 2019 increased by $4,502 to $24,784, over the comparable prior year period, primarily related to an increase of $2,162 in mark-to-market adjustments on share-based compensation, increase in expenses due to Company's growth from acquisitions in 2018 and non-recurring expenses.

Net Finance Charges

	Three months ended December 31,			Year ended December 31,		
	2019	2018	Change	**2019**	2018	Change
Finance costs						
Interest expense on long-term debt	**9,078**	9,355	(277)	**36,602**	34,851	1,751
Interest expense on Convertible Debentures	**—**	—	—	**—**	844	(844)
Fees on revolving credit facilities	**129**	107	22	**432**	347	85
Amortization of financing charges and fair value adjustments on acquired debt	**729**	482	247	**2,296**	2,046	250
Amortization of loss on bond forward contract	**362**	235	127	**1,073**	919	154
Fair value (gain) loss on interest rate swap contracts	**(2,874)**	3,530	(6,404)	**2,526**	1,056	1,470
	7,424	13,709	(6,285)	**42,929**	40,063	2,866
Finance income						
Interest income on construction funding receivable	**552**	608	(56)	**2,159**	2,553	(394)
Other interest income[1]	**397**	176	221	**2,237**	1,053	1,184
	949	784	165	**4,396**	3,606	790
Net finance charges	**6,475**	12,925	(6,450)	**38,533**	36,457	2,076

Notes:

1. Includes $nil and $1,346 interest income on a GST rebate for a prior year for the three months and the year ended December 31, 2019, respectively (2018 - $nil and $nil, respectively), net of $551 premium paid on the Repurchase of Series B Debentures, for the three months and the year ended December 31, 2019 (2018 - $nil).

Fourth Quarter 2019

Net finance charges for Q4 2019 decreased by $6,450 to $6,475, compared to Q4 2018, primarily attributable to fair value adjustments on interest rate swap contracts in Q4 2019 and lower interest expense on long-term debt.

Year Ended December 31, 2019

Net finance charges for the year ended December 31, 2019 increased by $2,076 to $38,533, over the comparable prior year period, primarily attributable to fair value adjustments on interest rate swap contracts and incremental interest expense due to the acquisition of the Acquired Properties in Q1 2018. This increase was partially offset by interest income received on a GST rebate for a prior year, a decrease in interest expense on a bridge loan used to finance the acquisition of the Acquired Properties which was fully repaid in Q3 2018, and lower interest expense on Convertible Debentures which were fully redeemed in May 2018.

Transaction Costs

Fourth Quarter 2019

Transaction costs for Q4 2019 decreased by $127 to $961 compared to Q4 2018, primarily attributable to the acquisition and integration costs for the Acquired Properties in 2018.

Year Ended December 31, 2019

Transaction costs for the year ended December 31, 2019 decreased by $7,322 to $3,068, over the comparable prior year period, primarily attributable to the acquisition and integration costs for the Acquired Properties in 2018.

Income Taxes

Fourth Quarter 2019

Income tax expense for Q4 2019 increased by $3,490 to $3,145, compared to Q4 2018. The current income tax expense for Q4 2019 decreased by $383 to $776 compared to Q4 2018, primarily attributable to an increase in tax depreciation associated with new legislation enacted in Q2 2019 to accelerate depreciation. The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.57% (2018 - 26.57%). The deferred income tax expense for Q4 2019 increased by $3,873 to $2,369 compared to Q4 2018, primarily attributable to the tax amortization of share issuance costs.

Year Ended December 31, 2019

Income tax expense for the year ended December 31, 2019 increased by $2,447 to $5,473, over the comparable prior year period. The current income tax expense for the year ended December 31, 2019 decreased by $1,534 to $6,098 over the comparable prior year period, primarily attributable to an increase in tax depreciation associated with new legislation enacted in Q2 2019 to accelerate depreciation. This was partially offset by an increase in mark-to-market adjustments on share-based compensation and fair value adjustments on interest rate swap contracts, which are both currently not deductible. The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.57% (2018 - 26.57%). The deferred income tax recovery for the year ended December 31, 2019 decreased by $3,981 to $625 over the comparable prior year period, primarily attributable to the tax amortization of share issuance costs, partially offset by the items currently not deductible as described above.

Business Performance

Adjusted Funds from Operations

The IFRS measure most directly comparable to FFO and OFFO is "net income" The following table represents the reconciliation of "net income" to FFO and OFFO for the periods ended 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	**2019**	2018	Change	**2019**	2018	Change
Net income	**1,112**	302	810	**7,547**	9,883	(2,336)
Deferred income tax expense (recovery)	**2,369**	(1,504)	3,873	**(625)**	(4,606)	3,981
Depreciation and amortization	**18,799**	18,879	(80)	**73,978**	69,281	4,697
Transaction costs	**961**	1,088	(127)	**3,068**	10,390	(7,322)
Fair value (gain) loss on interest rate swap contracts	**(2,874)**	3,530	(6,404)	**2,526**	1,056	1,470
IFRS 16 adjustment	**—**	57	(57)	**—**	218	(218)
Funds from operations (FFO)	**20,367**	22,352	(1,985)	**86,494**	86,222	272
Depreciation and amortization - corporate	**900**	587	313	**3,477**	1,893	1,584
Amortization of financing charges and fair value adjustments on acquired debt	**729**	482	247	**2,296**	2,046	250
Amortization of loss on bond forward contract	**362**	235	127	**1,073**	919	154
Net settlement payment on interest rate swap contracts	**(96)**	(138)	42	**(423)**	(729)	306
Tax shield due to the settlement of the bond-lock hedge	**(59)**	(59)	—	**(236)**	(236)	—
Other interest expense (income)	**551**	—	551	**(795)**	—	(795)
IFRS 16 adjustment	**—**	91	(91)	**—**	362	(362)
Operating funds from operations (OFFO)	**22,754**	23,550	(796)	**91,886**	90,477	1,409
Income support	**—**	57	(57)	**—**	766	(766)
Construction funding	**2,667**	2,713	(46)	**10,780**	10,675	105
Maintenance capex	**(4,538)**	(4,582)	44	**(9,480)**	(8,853)	(627)
Adjusted funds from operations (AFFO)	**20,883**	21,738	(855)	**93,186**	93,065	121
Adjusted funds from operations (AFFO)	**20,883**	21,738	(855)	**93,186**	93,065	121
Dividends declared	**(15,626)**	(15,145)	(481)	**(61,546)**	(58,283)	(3,263)
AFFO retained	**5,257**	6,593	(1,336)	**31,640**	34,782	(3,142)
Basic FFO per share	**0.305**	0.340	(0.035)	**1.301**	1.352	(0.051)
Basic OFFO per share	**0.340**	0.357	(0.017)	**1.382**	1.418	(0.036)
Basic AFFO per share	**0.313**	0.329	(0.016)	**1.402**	1.459	(0.057)
Weighted average common shares outstanding - Basic	**66,749,273**	65,957,631		**66,469,888**	63,792,328	
Diluted FFO per share	**0.305**	0.340	(0.035)	**1.301**	1.342	(0.041)
Diluted OFFO per share	**0.340**	0.357	(0.017)	**1.382**	1.405	(0.023)
Diluted AFFO per share	**0.313**	0.329	(0.016)	**1.402**	1.445	(0.043)
Weighted average common shares outstanding - Diluted	**66,749,273**	65,957,631		**66,469,888**	64,817,549	

Reconciliation of diluted FFO, OFFO and AFFO

Thousands of Canadian dollars	Three Months Ended 2019	2018	Change	Year Ended 2019	2018	Change
FFO, Basic	**20,367**	22,352	(1,985)	**86,494**	86,222	272
Net financing charges on convertible debt	—	—	—	—	1,043	(1,043)
Current income tax expense adjustment	—	—	—	—	(276)	276
FFO, Diluted	**20,367**	22,352	(1,985)	**86,494**	86,989	(495)
OFFO, Basic	**22,754**	23,550	(796)	**91,886**	90,477	1,409
Interest expense on Convertible Debentures	—	—	—	—	844	(844)
Current income tax expense adjustment	—	—	—	—	(223)	223
OFFO, Diluted	**22,754**	23,550	(796)	**91,886**	91,098	788
AFFO, Basic	**20,883**	21,738	(855)	**93,186**	93,065	121
Interest expense on Convertible Debentures	—	—	—	—	844	(844)
Current income tax expense adjustment	—	—	—	—	(223)	223
AFFO, Diluted	**20,883**	21,738	(855)	**93,186**	93,686	(500)

Fourth Quarter 2019 Performance

For Q4 2019, basic FFO decreased by $1,985 to $20,367, compared to Q4 2018. The decrease was primarily due to a decrease in same property NOI and non-recurring administrative expenses, partially offset by lower current income taxes.

For Q4 2019, basic OFFO decreased by $796 to $22,754, compared to Q4 2018. The decrease was primarily attributable to the decrease in basic FFO noted above and lower interest expense.

For Q4 2019, basic AFFO decreased by $855 to $20,883, compared to Q4 2018. The decrease in AFFO was principally related to the decrease in basic OFFO noted above.

Year Ended December 31, 2019 Performance

FFO for the year ended December 31, 2019 increased by $272 to $86,494 over the comparative prior year period. The increase was primarily attributable to the Acquired Properties transaction that closed in late Q1 2018, same property NOI growth in LTC, lower current income taxes and a prior year tax refund, partially offset by incremental interest expense due to the Acquired Properties and an increase in administrative expenses, primarily related to mark-to-market adjustments on share-based compensation and non-recurring expenses.

OFFO for the year ended December 31, 2019 increased by $1,409 to $91,886 over the comparative prior year period. The increase was primarily attributable to NOI growth and lower current income taxes, partially offset by an increase in interest expense and an increase in administrative expenses, primarily related to mark-to-market adjustments on share-based compensation and non-recurring expenses.

AFFO for the year ended December 31, 2019 increased by $121 to $93,186 over the comparative prior year period. The increase was principally related to the increase in OFFO noted above, partially offset by an increase in maintenance capital expenditures mainly due to the acquisition of the Acquired Properties.

Construction Funding

The Company receives construction funding subsidies from the Ontario government 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 MOHLTC approval on the development or redevelopment and completing the construction in accordance with a development agreement signed with the MOHLTC. 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, 2019, 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, 2020 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
2020	1,708	10,891	12,599
2021	1,271	9,778	11,049
2022	877	9,102	9,979
2023	552	6,237	6,789
2024	356	3,084	3,440
Thereafter	1,175	7,795	8,970
	5,939	**46,887**	**52,826**

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 the year ended December 31, 2019, $552 and $2,159 (2018 - $608 and $2,553) of interest income on construction funding receivable was recognized, respectively, and an adjustment of $2,667 and $10,780 (2018 - $2,713 and $10,675) was made to AFFO for construction funding principal received.

Maintenance Capital Expenditures

The Company monitors all of its properties for ongoing maintenance. As part of the capital investments' monitoring process, items are assessed and prioritized based on the urgency and necessity of the expenditure to improve or upgrade the condition of buildings, or to meet residents' needs and enhance residents' experience. 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	**2019**	2018	**2019**	2018
Building improvements	**860**	922	**1,792**	1,481
Mechanical and electrical	**455**	546	**1,791**	1,431
Suite renovations and common area upgrades	**2,002**	1,278	**3,572**	3,155
Communications and information systems	**81**	1,299	**336**	1,378
Furniture, fixtures and equipment	**1,140**	537	**1,989**	1,408
Total maintenance capital expenditures	**4,538**	4,582	**9,480**	8,853

Building Improvements

Building improvements 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. These investments are made to extend the life of or improve the Company's capital assets and can also result in energy savings and lower maintenance costs over time.

Suite Renovations and Common Area Upgrades

Suite renovations and common area upgrades are expenditures to maintain or improve the marketability of the Company's properties, to enhance the residents' experience and can contribute to higher rental rates on suite turnover. Flooring and carpeting replacements and upgrades 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, upgrading, or improving 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:

Thousands of Canadian dollars	Three Months Ended			Year Ended		
	2019	2018	Change	**2019**	2018	Change
Cash provided by operating activities	**24,694**	36,904	(12,210)	**85,919**	87,383	(1,464)
Construction funding principal	**2,667**	2,713	(46)	**10,780**	10,675	105
Transaction costs	**961**	1,088	(127)	**3,068**	10,390	(7,322)
Income support adjustment[1]	**—**	(99)	99	**—**	(99)	99
Tax shield due to settlement of the bond-lock hedge	**(59)**	(59)	—	**(236)**	(236)	—
Maintenance capex	**(4,538)**	(4,582)	44	**(9,480)**	(8,853)	(627)
Net change in working capital, interest and taxes	**(3,356)**	(14,340)	10,984	**4,266**	(6,515)	10,781
Restricted share units and long-term incentive plan expense	**(37)**	(35)	(2)	**(336)**	(260)	(76)
Other interest expense (income)	**551**	—	551	**(795)**	—	(795)
IFRS 16 adjustment	**—**	148	(148)	**—**	580	(580)
Adjusted funds from operations (AFFO)	**20,883**	21,738	(855)	**93,186**	93,065	121
Adjusted funds from operations (AFFO)	**20,883**	21,738	(855)	**93,186**	93,065	121
Dividends declared	**(15,626)**	(15,145)	(481)	**(61,546)**	(58,283)	(3,263)
AFFO retained	**5,257**	6,593	(1,336)	**31,640**	34,782	(3,142)
Dividend reinvestment	**3,389**	3,302	87	**13,674**	10,962	2,712
AFFO retained after dividend reinvestment	**8,646**	9,895	(1,249)	**45,314**	45,744	(430)

Notes:
1. Included with this reconciliation is an income support adjustment which was recorded as transaction costs in Q4 2018.

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.

The following table summarizes the dividends declared in relation to cash flows from operating activities for the periods ended December 31:

Thousands of Canadian dollars	Three Months Ended			Year Ended		
	2019	2018	Change	**2019**	2018	Change
Cash flows from operating activities	**24,694**	36,904	(12,210)	**85,919**	87,383	(1,464)
Dividends declared	**15,626**	15,145	481	**61,546**	58,283	3,263
Excess of cash flows from operating activities over dividends declared	**9,068**	21,759	(12,691)	**24,373**	29,100	(4,727)

Financial Position Analysis

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for December 31, 2019 compared to December 31, 2018.

Thousands of Canadian dollars	**2019**	2018	Change
Total assets	**1,692,600**	1,753,200	(60,600)
Total liabilities	**1,162,115**	1,185,549	(23,434)
Total equity	**530,485**	567,651	(37,166)

Total assets decreased by $60,600 to $1,692,600 primarily due to the amortization of customer relationships, depreciation of property and equipment and construction funding payments received, partially offset by purchase of property and equipment.

Total liabilities decreased by $23,434 to $1,162,115 primarily due to the repayment of long-term debt of $230,206, of which $35,000 was for the Repurchase of Series B Debentures. This was partially offset by $202,875 from the re-financing of long-term debt and issuance of Series A Debentures, an increase of $3,007 to the share-based compensation liability primarily driven by mark-to-market adjustments and addition of a lease liability of $2,600.

Total equity decreased by $37,166 to $530,485 primarily due to the payment of dividends, partially offset by contributions from net income and dividend reinvestments.

Cash Flow Analysis

The following table represents the summary of cash flows for the periods ended December 31, 2019:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2019**	2018	Change	**2019**	2018	Change
Cash provided by (used in):						
Operating activities	**24,694**	36,904	(12,210)	**85,919**	87,383	(1,464)
Investing activities	**(4,016)**	(10,032)	6,016	**(5,798)**	(327,583)	321,785
Financing activities	**(22,302)**	(13,086)	(9,216)	**(82,213)**	244,303	(326,516)
(Decrease)/increase in cash during the period	**(1,624)**	13,786	(15,410)	**(2,092)**	4,103	(6,195)
Cash, end of period	**20,776**	22,868		**20,776**	22,868	

Fourth Quarter 2019

Cash flows provided by operating activities for the three months ended December 31, 2019 decreased by $12,210 to $24,694 primarily due to decrease in non-cash changes in working capital.

Cash flows used in investing activities for the three months ended December 31, 2019 decreased by $6,016 to $4,016 primarily due to a decrease in the purchase of property and equipment.

Cash flows used in financing activities for the three months ended December 31, 2019 increased by $9,216 to $22,302 primarily due to an increase in the repayment of long-term debt, including $35,000 for the Repurchase

of Series B Debentures, partially offset by an increase in proceeds from long-term debt, including the issuance of Series A Debentures.

Year Ended December 31, 2019

Cash flows provided by operating activities for the year ended December 31, 2019 decreased by $1,464 to $85,919 primarily due to a decrease in non-cash changes in working capital and an increase in interest paid on long-term debt from Acquired Properties, partially offset by NOI generated by the Acquired Properties and lower transaction costs.

Cash flows used in investing activities for the year ended December 31, 2019 decreased by $321,785 to $5,798 primarily due to acquisitions in Q1 and Q2 2018 totalling $300,504, a GST rebate for a prior year received in Q1 2019 of $4,147 and a decrease in the purchase of property and equipment.

Cash flows provided by financing activities for the year ended December 31, 2019 decreased by $326,516 to cash flows used of $82,213 primarily due to the Company's offering of common shares in Q1 2018 to finance the acquisition of the Acquired Properties of $175,079 net of share issuance costs, and a decrease in net proceeds from the financing/re-financing of long-term debt.

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 2020 and beyond, including required working capital, capital expenditures, and currently scheduled interest payments on debt, from cash on hand, cash flow from operations and its committed, but unutilized borrowing capacity.

As at December 31, 2019, the Company's liquidity was $144,049, as follows:

Thousands of Canadian dollars	**December 31, 2019**	December 31, 2018
Available funds from credit facilities	**123,273**	101,957
Cash and cash equivalents	**20,776**	22,868
Total	**144,049**	124,825

As at December 31, 2019, the Company had a working capital deficiency (current liabilities less current assets) of $92,954, primarily attributable to the current portion of long-term debt of $44,447, which are mortgages due within the next 12 months. To support the Company's working capital deficiency, the Company plans to use its operating cash flows, proceeds from refinancing its debt and, if necessary, will pursue debt or equity financing to provide the Company with additional financial flexibility, all of which management of the Company believes to be sufficient to address this working capital deficiency. In addition, the Company is in the process of refinancing its credit facilities due in 2020 and has a history of successfully refinancing credit facilities.

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 and secured debentures, conventional property-level secured mortgages and bank credit facilities and loans.

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 $95,631 as at December 31, 2019. The Company plans to capitalize on external growth opportunities and refinance mortgages to build its debt maturity ladder around the Series B Debentures to reduce risk when these debentures mature in 2021. In March 2019, DBRS confirmed the A (low) rating for the Series B Debentures. In Q4 2019, the Company received a "BBB" investment grade credit rating with a "Stable" trend from DBRS.

The Company's total debt is comprised as follows:

Thousands of Canadian dollars	**December 31, 2019**	December 31, 2018
Series A Debentures	**150,000**	—
Series B Debentures	**287,000**	322,000
Credit facilities and loans	**—**	76,500
Mortgages	**561,938**	626,617
Lease liability	**2,448**	—
	1,001,386	1,025,117
Fair value adjustments on acquired debt	**3,689**	4,243
Less: Deferred financing costs	**(13,311)**	(13,234)
Less: Series B Debentures principal reserve fund	**(35,452)**	(31,209)
Total debt	**956,312**	984,917

The Company's total debt as at December 31, 2019 was $956,312 (December 31, 2018 - $984,917), which is net of the Series B Debentures' principal reserve fund of $35,452 (December 31, 2018 - $31,209). The decrease of $28,605 was primarily related to the Repurchase of Series B Debentures, repayments to the Company's credit facilities and mortgages, and monthly contributions to the Series B Debentures' principal reserve fund, partially offset by the issuance of the Series A Debentures and the re-financing of property-level mortgages.

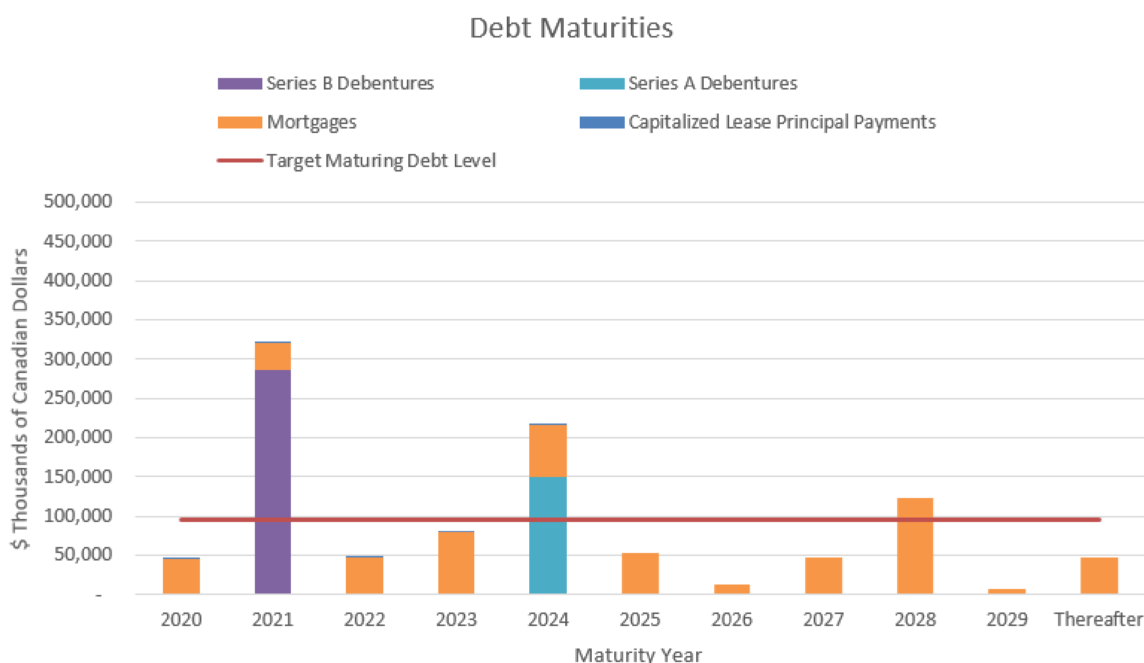
The following table summarizes the scheduled principal maturities of the Company's long-term debt commitments as at December 31, 2019:

Year	Series A Debentures[1]	Series B Debentures[2]	Capitalized Lease Principal Payments[3]	Mortgages: Regular Principal Repayments	Mortgages: Principal Due at Maturity	Mortgages: Weighted Average Interest Rate on Maturing Mortgages	**Total**	Consolidated Weighted Average Interest Rate on Maturing Debt
2020		—	631	20,833	24,791	**3.49%**	**46,255**	3.49%
2021		287,000	525	20,773	13,426	**3.36%**	**321,724**	3.47%
2022		—	494	19,396	28,169	**4.21%**	**48,059**	4.21%
2023		—	435	17,632	60,824	**4.14%**	**78,891**	4.14%
2024	150,000	—	363	15,846	50,104	**4.10%**	**216,313**	3.41%
2025		—	—	12,311	41,065	**4.81%**	**53,376**	4.81%
2026		—	—	12,347	—	**-**	**12,347**	-
2027		—	—	11,650	35,115	**3.29%**	**46,765**	3.29%
2028		—	—	6,619	115,703	**3.36%**	**122,322**	3.36%
2029		—	—	2,193	5,477	**3.65%**	**7,670**	3.65%
Thereafter		—	—	14,174	33,490	**5.00%**	**47,664**	5.00%
	150,000	**287,000**	**2,448**	**153,774**	**408,164**	**3.86%**	**1,001,386**	3.64%
Fair value adjustments on acquired debt							**3,689**	
Less: Deferred financing costs							**(13,311)**	
							991,764	

Notes:

1. The interest rate for the Series A Debentures is 3.109%.
2. The interest rate for the Series B Debentures is 3.474%.
3. The weighted average interest rate for capitalized lease principal payments is 3.87% for each year.

The following graph provides a breakdown of the Company's debt maturities:



Series A Senior Unsecured Debentures

The Series A Debentures issued on November 4, 2019 bear interest at a rate of 3.109%, payable semi-annually in May and November of each year and mature on November 4, 2024.

The balances related to the Series A Debentures are as follows:

Thousands of Canadian dollars	**December 31, 2019**	December 31, 2018
Series A Debentures	**150,000**	—
Less: Deferred financing costs	**(1,334)**	—
	148,666	—

Series B Senior Secured Debentures

The Series B Debentures mature on February 3, 2021, and are collateralized by the assets of Leisureworld Senior Care LP, a subsidiary of the Company and its subsidiary partnerships and guaranteed by the subsidiary partnerships. The Series B Debentures bear interest at a rate of 3.474%, payable semi-annually in February and August of each year.

As part of the issuance of the Series B Debentures, a principal reserve fund was established by the Company and is controlled by an external third party trustee for the benefit and security of the holders of the Series B Debentures. The Company is required to fund the principal reserve fund in accordance with a defined schedule over the term of the Series B Debentures. The Company can only use the fund to redeem, purchase or repay principal of the Series B Debentures. The Company, in conjunction with the issuance of the Series B Debentures,

entered into an interest rate swap contract, to effectively fix the interest rate earned on the principal reserve fund at 2.82%.

The balances related to the Series B Debentures are as follows:

Thousands of Canadian dollars	**December 31, 2019**	December 31, 2018
Series B Debentures	**287,000**	322,000
Less: Series B principal reserve fund	**(35,452)**	(31,209)
Less: Deferred financing costs	**(565)**	(1,190)
	250,983	289,601

Credit Facilities and Loans

The Company has a combined total borrowing capacity of $123,273 pursuant to its credit facilities and, as at December 31, 2019, has drawn $nil from the facilities.

The Company's subsidiary, The Royale LP, has a credit agreement with a Canadian lender for a revolving credit facility of $105,000 (the "**Royale Credit Facility**"). The Royale Credit Facility has a current borrowing capacity of $94,773 and matures on March 31, 2020. This facility is intended to be used for general corporate purposes, including the short-term financing of future acquisitions. Borrowings under the Royale Credit Facility can take place by way of loans (at the Canadian prime rate plus 75 bps per annum), bankers' acceptances ("**BAs**") (at 175 bps per annum over the floating BA rate) and letters of credit (at 175 bps per annum). The Royale Credit Facility is secured by the assets of three Retirement Residences of the Company and guaranteed by Sienna, and is subject to certain customary financial and non-financial covenants, including restrictions on the pledging of assets and the maintenance of various financial covenants. As at December 31, 2019, the Company had drawn $nil under the Royale Credit Facility.

The Company had a credit agreement with a Canadian lender for a non-revolving facility of $29,000 which was due on March 27, 2020 and was available by way of BAs (at 175 bps per annum over the floating BA rate) or loans (at the Canadian prime rate plus 50 bps per annum). This loan is secured by the assets of one of the Company's residences and was subject to certain customary financial and non-financial covenants. As at December 31, 2019, the Company fully repaid this facility.

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

Thousands of Canadian dollars	**December 31, 2019**	December 31, 2018
Credit facilities and loans drawn	**—**	76,500
Less: Deferred financing costs	**(20)**	(290)
	(20)	76,210

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 Canada Mortgage and Housing Corporation ("**CMHC**"). As at December 31, 2019, 49.3% of the Company's total property-level mortgages were insured by CMHC, which is a year-over-year increase of 6.9%.

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

Thousands of Canadian dollars	**December 31, 2019**	December 31, 2018
Mortgages at fixed rates	**401,185**	436,668
Mortgages at variable rates	**160,753**	189,949
Fair value adjustments on acquired debt	**3,689**	4,243
Less: Deferred financing costs	**(11,392)**	(11,755)
	554,235	619,105

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

	December 31, 2019			December 31, 2018
	Fixed Rate[1]	**Variable Rate**	**Total**	Total
Weighted average interest rate	3.87%	3.49%	**3.86%**	4.00%
Weighted average term to maturity (years)	6.2	0.5	**6.1**	6.6

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

Lease Liability

The lease liability as at December 31, 2019 of $2,448 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 Debentures	DBRS	BBB	Stable
Series B Debentures	DBRS	A (low)	Stable

Financial Covenants

The Company is in compliance with all financial covenants on its borrowings as at December 31, 2019. 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.

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	**2019**	2018	**2019**	2018
Net finance charges	**6,475**	12,925	**38,533**	36,457
Add (deduct):				
Amortization of financing charges and fair value adjustments on acquired debt	**(729)**	(482)	**(2,296)**	(2,046)
Amortization of loss on bond forward contract	**(362)**	(235)	**(1,073)**	(919)
Interest income on construction funding receivable	**552**	608	**2,159**	2,553
Other interest income	**397**	176	**2,237**	1,053
Gain/(loss) on interest rate swap contracts	**2,970**	(3,392)	**(2,103)**	(327)
Net finance charges, adjusted	**9,303**	9,600	**37,457**	36,771
Adjusted EBITDA	**34,611**	36,757	**145,015**	144,158
Interest coverage ratio	**3.7**	3.8	**3.9**	3.9

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

	Three Months Ended		Year Ended	
Thousands of Canadian dollars	**2019**	2018	**2019**	2018
Net income	**1,112**	302	**7,547**	9,883
Net finance charges	**6,475**	12,925	**38,533**	36,457
Provision for income taxes	**3,145**	(345)	**5,473**	3,026
Depreciation and amortization	**19,699**	19,466	**77,455**	71,174
Transaction costs	**961**	1,088	**3,068**	10,390
Proceeds from construction funding	**3,219**	3,321	**12,939**	13,228
Adjusted EBITDA	**34,611**	36,757	**145,015**	144,158

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. The following calculation includes the

payments to the Series B Debentures' principal reserve fund as part of the debt service costs. 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	**2019**	2018	**2019**	2018
Net finance charges	**6,475**	12,925	**38,533**	36,457
Add (deduct):				
Amortization of financing charges and fair value adjustments on acquired debt	**(729)**	(482)	**(2,296)**	(2,046)
Amortization of loss on bond forward contract	**(362)**	(235)	**(1,073)**	(919)
Interest income on construction funding receivable	**552**	608	**2,159**	2,553
Other interest income	**397**	176	**2,237**	1,053
Gain/(loss) on interest rate swap contracts	**2,970**	(3,392)	**(2,103)**	(327)
Net finance charges, adjusted	**9,303**	9,600	**37,457**	36,771
Principal repayments[(1)]	**5,933**	5,770	**24,976**	21,034
Principal reserve fund[(2)]	**2,523**	1,823	**7,943**	7,285
Total debt service	**17,759**	17,193	**70,376**	65,090
Adjusted EBITDA	**34,611**	36,757	**145,015**	144,158
Deduct:				
Maintenance capex	**(4,538)**	(4,582)	**(9,480)**	(8,853)
Cash income taxes	**(1,800)**	(1,800)	**(7,200)**	(7,090)
Adjusted EBITDA (for covenant calculations)	**28,273**	30,375	**128,335**	128,215
Debt service coverage ratio	**1.6**	1.8	**1.8**	2.0

Note:

1. During the three months and year ended December 31, 2019, the Company made voluntary payments of $89,500 and $137,000 (2018 - $13,000 and $251,000) toward its credit facilities and loans, respectively, 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.
2. Excludes $3,700 drawdown of the principle reserve fund, which was used to fund the Repurchase of Series B Debentures.

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, 2019.

	December 31	
Thousands of Canadian dollars, except ratio	**2019**	2018
Total indebtedness		
Series A Debentures	**150,000**	—
Series B Debentures	**287,000**	322,000
Series B Debentures - Principal reserve fund	**(35,452)**	(31,209)
Credit facilities and loans	**—**	76,500
Mortgages	**561,938**	626,617
Lease liability	**2,448**	—
	965,934	993,908
Adjusted EBITDA	**145,015**	144,158
Debt to Adjusted EBITDA	**6.7**	6.9

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.

	December 31	
Thousands of Canadian dollars, except ratio	**2019**	2018
Total indebtedness		
Series A Debentures	**150,000**	—
Series B Debentures	**287,000**	322,000
Series B Debentures - Principal reserve fund	**(35,452)**	(31,209)
Credit facilities and loans	**—**	76,500
Mortgages	**561,938**	626,617
Lease liability	**2,448**	—
	965,934	993,908
Total assets	**1,692,600**	1,753,200
Accumulated depreciation on property and equipment	**258,851**	216,020
Accumulated amortization on intangible assets	**149,227**	114,603
Gross book value	**2,100,678**	2,083,823
Debt to gross book value	**46.0%**	47.7%

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 five years and thereafter.

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, 2019. Please refer to those statements for further details.

Changes in Accounting Policies

Leases

On January 1, 2019, the Company adopted and applied IFRS 16, Leases ("**IFRS 16**") using the modified retrospective approach with no retrospective adjustment to the Company's consolidated opening retained earnings and prior year's consolidated financial statements. IFRS 16 introduces a single lessee accounting model

and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. 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.

The comparative period's non-IFRS performance measures for FFO, OFFO and AFFO are restated to reflect IFRS 16 as if it was adopted on January 1, 2017. The IFRS adjustment to increase FFO represents a reduction in operating expenses and administrative expenses, offset by lease interest expense and depreciation of right-of-use assets. The IFRS 16 adjustment to increase OFFO and AFFO represents the add-back of depreciation on right-of-use corporate assets. The comparative period's financial ratios in the "Financial Covenants" section are not restated for IFRS 16 as the impact is not material. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distribution between operating leases and finance leases being retained.

IFRIC 23, Uncertainty over Income Tax Treatments

International Financial Reporting Interpretations Committee ("**IFRIC**") Interpretation 23, Uncertainty over Income Tax Treatments, was effective for reporting periods beginning on or after January 1, 2019. IFRIC 23 clarifies the recognition and measurement requirements under IAS 12, Income Taxes, when there is uncertainty over income tax treatments. As at January 1, 2019, the Company applied IFRIC 23, and there was no material impact on the Company's consolidated financial statements as there are no known material uncertain tax positions.

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.

Assets acquired and liabilities assumed in acquisitions

Property and equipment, intangible assets and liabilities from acquisitions were initially recorded at their estimated fair values.

Indefinite-lived intangible assets

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 MOHLTC, 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 licenses have an indefinite term.

Goodwill and indefinite-lived intangible asset impairment analysis

On an annual basis, the Company uses the fair value less costs of disposal valuation model to assess whether goodwill and indefinite-lived intangible assets may be impaired. If the results of operations in a future period are adverse to the estimates used for impairment testing, an impairment charge may be triggered at that point, or a reduction in useful economic life may be required. Any impairment losses are recognized in net income. Impairment losses on goodwill are permanent. The significant estimates used in the valuation model include the discount rates and growth assumptions.

Deferred taxes

Deferred tax assets and liabilities require management's judgment in determining the amounts to be recognized. In particular, judgment is used when assessing the extent to which deferred tax assets should be recognized with consideration given to the timing and level of future taxable income.

Income taxes

The actual tax on the results for the period is determined in accordance with tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for tax to be paid on past profits, which are recognized in the consolidated financial statements. The Company considers the estimates, assumptions and judgments to be reasonable but this can involve complex issues, which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the consolidated financial statements.

Accounting Standards Issued But Not Yet Applied

Amendments to IFRS 3, Business Combinations

In October 2018, the IASB published amendments to IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendments clarify the definition of a business, as well as provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted.

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

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”.

Business risks

The Company is subject to general business risks inherent in the seniors' housing sector. These risks include fluctuations in levels of occupancy and the inability to achieve adequate other accommodation or preferred accommodation revenue or annual increases (including anticipated increases) in resident rates. The inability to achieve such rate increases could occur as a result of, among other factors, new supply in a given catchment area, regulations controlling LTC funding or regulations controlling rents for RRs. Additional risks include possible future changes in labour relations; increases in labour costs, other personnel costs, and other operating costs; competition from or oversupply of other similar properties; changes in conditions of the Company's properties or general economic conditions; the imposition of increased or new taxes; capital expenditure requirements; health-related risks, natural disasters and disease outbreaks. Moreover, there is no assurance that future occupancy rates at the Company's residences will be consistent with historical occupancy rates achieved. Any one of, or a combination of, these factors 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 and 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 are required to be licensed under the Retirement Homes Act ("**RHA**") to operate in Ontario and RRs in Ontario 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 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. 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 which results 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 MOHLTC, 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.

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, sales 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 sales, as applicable, are generally subject to certain closing conditions, and in some cases, the granting of regulatory approvals. Such acquisitions or sales 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 developing 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 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 at least one joint-venture arrangement in respect of certain of the Company's seniors' housing operations and continues to seek more opportunities to do so. 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 reduced 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, 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 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, 2019. 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. 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 could 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 customary 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 of A (low), with a Stable trend, to the Company's Series B 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.

Labour relations

Employees working at the the Company's properties are unionized with approximately 83% of employees represented by union locals of either 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 the Province of 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.

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.

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 on its executives.

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 will 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.

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.

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 funds) 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.

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. Management of the Company expects that from time to time the Company may be subject to lawsuits as a result of the nature of its businesses. The Company maintains business, cyber, 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 and industry standards. 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.

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, with 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.

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.

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 by 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 outstanding common shares;
- sales or perceived 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, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the securities of the Company by those institutions, which 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.

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 affiliates 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 affiliates, 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 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 and Chief Investment 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 and Chief Investment Officer) as at December 31, 2019. 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 and Chief Investment Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at December 31, 2019.

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 and Chief Investment 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, 2019. In making this assessment, management, including the President and Chief Executive Officer and the Chief Financial Officer and Chief Investment 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 and Chief Investment Officer have concluded that the design and operation of the internal control over financial reporting were effective as at December 31, 2019, 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, 2019, 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 and the seniors' housing industry 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, and that could cause actual results to differ from those that are disclosed in or implied by such forward-looking statements. The words "plans", "expects", "scheduled", "estimates", "intends", "budgets", "anticipates", "projects", "forecasts", "believes", "continues", 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 current AIF.

Consolidated Financial Statements

(in thousands of Canadian Dollars)

2019 Report to Shareholders

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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, PricewaterhouseCoopers 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 PricewaterhouseCoopers LLP outlines the scope of their examination and their opinion on the consolidated financial statements.

"Lois Cormack"

Lois Cormack
President and Chief Executive Officer

"Nitin Jain"

Nitin Jain
Chief Financial Officer and Chief Investment Officer

Markham, Canada
February 19, 2020

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, 2019 and 2018, and its financial performance and its cash flows for the years 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 statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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.

Other information

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 19, 2020

	Notes	**December 31, 2019**	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		**20,776**	22,868
Accounts receivable and other assets		**13,554**	11,566
Prepaid expenses and deposits		**3,999**	4,031
Government funding receivable	5	**4,050**	4,582
Construction funding receivable	5, 6	**10,889**	10,893
Interest rate swap contracts	5	**387**	409
Income taxes receivable		**1,065**	392
		54,720	54,741
Non-current assets			
Government funding receivable	5	**740**	626
Interest rate swap contracts	5	**352**	1,631
Restricted cash	8	**38,063**	33,462
Construction funding receivable	5, 6	**35,998**	46,223
Property and equipment	9	**1,161,456**	1,182,483
Intangible assets	10	**233,605**	266,368
Goodwill	11	**167,666**	167,666
Total assets		**1,692,600**	1,753,200
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**96,383**	98,416
Government funding payable	5	**6,371**	5,261
Current portion of long-term debt	5, 12	**44,447**	113,888
Interest rate swap contracts	5	**473**	401
		147,674	217,966
Non-current liabilities			
Long-term debt	5, 12	**947,317**	902,238
Deferred income taxes	15	**52,022**	54,246
Government funding payable	5	**2,722**	2,456
Share-based compensation liability	18	**9,827**	6,820
Interest rate swap contracts	5	**2,553**	1,823
Total liabilities		**1,162,115**	1,185,549
EQUITY			
Shareholders' equity		**530,485**	567,651
Total equity		**530,485**	567,651
Total liabilities and equity		**1,692,600**	1,753,200

See accompanying notes.

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

"Dino Chiesa"
Dino Chiesa
Chair and Director

"Janet Graham"
Janet Graham
Director

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2019		**859,005**	**—**	**203**	**(290,059)**	**(1,498)**	**567,651**
Issuance of shares	16	**15,976**	**—**	**—**	**—**	**—**	**15,976**
Net income		**—**	**—**	**—**	**7,547**	**—**	**7,547**
Other comprehensive income		**—**	**—**	**—**	**—**	**787**	**787**
Long-term incentive plan	16, 18	**45**	**—**	**—**	**—**	**—**	**45**
Share purchase loan	16	**25**	**—**	**—**	**—**	**—**	**25**
Dividends	16, 17	**—**	**—**	**—**	**(61,546)**	**—**	**(61,546)**
Balance, December 31, 2019		**875,051**	**—**	**203**	**(344,058)**	**(711)**	**530,485**

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2018		639,361	515	157	(241,659)	(2,174)	396,200
Issuance of shares	13, 16	219,568	(515)	—	—	—	219,053
Net income		—	—	—	9,883	—	9,883
Other comprehensive income		—	—	—	—	676	676
Long-term incentive plan	16, 18	52	—	46	—	—	98
Share purchase loan	16	24	—	—	—	—	24
Dividends	16, 17	—	—	—	(58,283)	—	(58,283)
Balance, December 31, 2018		859,005	—	203	(290,059)	(1,498)	567,651

See accompanying notes.

	Notes	Year ended December 31, 2019	2018
Revenue	24, 27	**669,733**	641,984
Expenses			
Operating		**512,873**	490,772
Depreciation and amortization		**77,455**	71,174
Administrative		**24,784**	20,282
	25	**615,112**	582,228
Income before net finance charges, transaction costs and provision for (recovery of) income taxes		**54,621**	59,756
Net finance charges	14	**38,533**	36,457
Transaction costs		**3,068**	10,390
Total other expenses		**41,601**	46,847
Income before provision for (recovery of) income taxes		**13,020**	12,909
Provision for (recovery of) income taxes			
Current		**6,098**	7,632
Deferred		**(625)**	(4,606)
	15	**5,473**	3,026
Net income		**7,547**	9,883
Basic and diluted net income per share	16	**$0.11**	$0.15
Weighted average number of common shares outstanding - basic	16	**66,469,888**	63,792,328
Weighted average number of common shares outstanding - diluted	16	**66,469,888**	64,817,549

See accompanying notes.

	Notes	Year ended December 31, 2019	2018
Net income		**7,547**	9,883
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	15	787	676
Total comprehensive income		**8,334**	10,559

See accompanying notes.

	Notes	Year ended December 31, 2019	2018
OPERATING ACTIVITIES			
Net income		**7,547**	9,883
Add (deduct) items not affecting cash			
Depreciation of property and equipment		**42,831**	38,814
Amortization of intangible assets		**34,624**	32,360
Current income taxes		**6,098**	7,632
Deferred income tax recoveries		**(625)**	(4,606)
Share-based compensation	18	**2,875**	531
Net finance charges	14	**38,533**	36,457
		131,883	121,071
Non-cash changes in working capital			
Accounts receivable and other assets		**(1,918)**	(3,313)
Prepaid expenses and deposits		**32**	(2,030)
Accounts payable and accrued liabilities		**(1,315)**	12,520
Income support		**—**	865
Government funding, net		**1,794**	1,560
		(1,407)	9,602
Interest paid on long-term debt and convertible debentures		**(36,934)**	(35,471)
Net settlement payment on interest rate swap contracts		**(423)**	(729)
Income taxes paid		**(7,200)**	(7,090)
Cash provided by operating activities		**85,919**	87,383
INVESTING ACTIVITIES			
Purchase of property and equipment, net of adjustments	9	**(19,306)**	(40,076)
Purchase of intangible assets	10	**(1,861)**	(3,082)
Amounts received from construction funding	6	**12,939**	13,228
Interest received from cash	14	**2,788**	1,053
Acquisition of Glenmore Lodge	4	**—**	(2,796)
Acquisition of ten seniors' living residences	4	**—**	(297,708)
Change in restricted cash	8	**(358)**	1,798
Cash used in investing activities		**(5,798)**	(327,583)
FINANCING ACTIVITIES			
Gross proceeds from issuance of common shares	16	**—**	184,017
Share issuance costs		**—**	(8,938)
Redemption of convertible debentures	13	**—**	(12,956)
Repayment of long-term debt	12	**(230,206)**	(301,926)
Proceeds from long-term debt	12	**202,875**	448,987
Deferred financing costs		**(2,927)**	(11,350)
Change in principal reserve fund	8, 12	**(4,243)**	(7,285)
Dividends paid	17	**(47,712)**	(46,246)
Cash (used in) provided by financing activities		**(82,213)**	244,303
Decrease/(increase) in cash and cash equivalents during the year		**(2,092)**	4,103
Cash and cash equivalents, beginning of year		**22,868**	18,765
Cash and cash equivalents, end of year		**20,776**	22,868

See accompanying notes.

1 Organization

Sienna Senior Living Inc. (the "**Company**") and its predecessors have been operating since 1972. The Company is one of Canada's leading seniors' living providers 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, 2019, the Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL and AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to 13 seniors' living residences in British Columbia and Ontario.

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

The Company's business is carried on through a number of wholly owned limited partnerships formed under the laws of the Province of Ontario, except for the Option Properties (as defined in Note 3), which are owned through joint ventures between the Company and each of WVJ II General Partnership and WVJ Properties (Nicola) Ltd. (each an affiliate of Pacific Seniors Management Investments Ltd.).

As at December 31, 2019, the Company had outstanding 66,839,013 common shares.

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.

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 19, 2020.

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.

Joint arrangements are jointly controlled by the Company and a third party in terms of decision making. The Company has classified its joint arrangement in Nicola Lodge and Glenmore Lodge (collectively, the "**Option Properties**") as a joint operation since it has rights to the assets and obligations for the liabilities related to Nicola Lodge and Glenmore Lodge. Joint operations are proportionately consolidated in these consolidated financial statements from the date when joint control is transferred to the Company and continue to be proportionately consolidated until the date when the Company no longer has joint control over the joint operation.

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

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, 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 Health and Long-Term Care (**"MOHLTC"**), 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 MOHLTC 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 structural compliance premiums, 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 MOHLTC 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.

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.

Construction funding receivable

In Ontario, the MOHLTC 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 placed in 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, which is the higher of value in use and 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, including any expansion prospects, and its eventual disposal. 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 non-financial 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. Finite and indefinite lived long-lived assets are tested for impairment at the lowest level at which they generated largely independent cash inflows. The Company has defined each owned residence to be a CGU. Residences are tested for impairment annually if the CGU contains an indefinite lived licence or if there is an indication of impairment. Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

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, 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.

Financial instruments are comprised of cash, accounts receivable and other assets, construction funding receivable, government funding receivable/payable, restricted cash, accounts payable and accrued 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 IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable and other assets	Loans and receivables	Amortized cost
Construction funding receivable	Loans and receivables	Amortized cost
Government funding receivable	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Government funding payable	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost
Interest rate swap contracts	Fair value through profit or loss	Fair value through profit or loss

Cash and cash equivalents

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

Accounts receivable and other assets

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

Construction funding receivable

Construction funding receivable is initially recorded at fair value and subsequently is measured at amortized cost using the effective interest method. The fair value will differ from the carrying value due to changes in interest rates.

Restricted cash

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

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are initially recorded at fair value and subsequently are measured at amortized cost, which approximates fair value due to the short-term nature of the instruments.

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.

Convertible debentures

The Company had convertible unsecured subordinated debentures, convertible into common shares of the Company. These convertible debentures had a debt and equity component, with the liability portion recorded initially at fair value and subsequently carried at amortized cost.

Derivatives for which hedge accounting has not been applied

The Company has interest rate swap contracts for which hedge accounting has not been applied. These interest rate 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 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 at 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 a financial asset or the issuance of a financial liability or equity. The Company incurs transaction costs primarily through business acquisitions 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.

Interest bearing debt obligations

All interest bearing debt obligations are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing debt obligations are subsequently measured at their amortized cost using the effective interest method.

Leases

IFRS 16, Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaced IAS 17 Leases for reporting periods beginning on or after January 1, 2019. This new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Company adopted and applied this standard effective January 1, 2019 using the modified retrospective approach. Prior to January 1, 2019, the Company applied the lessee accounting in IAS 17 where operating leases were not recorded on the consolidated statement of financial position.

As at January 1, 2019, the Company, as a lessee, recognized $3,049 as a right-of-use asset and a lease liability for an office lease and office equipment using a simplified approach where the asset and liability are identical. 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 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. There was no restatement of prior year consolidated financial statements as a result of the changes in the Company's accounting policies.

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.

Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issuance of shares are recognized as a reduction from shareholders' equity.

Dividends

Dividends on common shares are recognized in the consolidated financial statements in the period in which the dividends are declared by the Board of Directors of the Company.

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. The Company's dilutive instruments included the convertible debentures, which were fully redeemed during the year ended December 31, 2018 (Note 13).

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 (**"LTIP"**) were recorded as a reduction to shareholders' equity. Fair value of the shares is measured at the grant date using the Cox-Ross-Rubinstein binomial tree model. The fair value of restricted share units (**"RSUs"**), deferred share units (**"DSUs"**) and executive deferred share units (**"EDSUs"**) are measured based on the closing price of the Company's shares and performance multiplier at each reporting date. The expense related to share-based compensation is 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 accrued 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.

International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 23, Uncertainty over Income Tax Treatments, was effective for reporting periods beginning on or after January 1, 2019. IFRIC 23 clarifies the recognition and measurement requirements under IAS 12, Income Taxes, when there is uncertainty over income tax treatments. As at January 1, 2019, the Company applied IFRIC 23, and there was no material impact on the Company's consolidated financial statements as there are no known material uncertain tax positions.

Segmented reporting

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.

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.

Assets acquired and liabilities assumed in acquisitions

Property and equipment, intangible assets and liabilities from acquisitions were initially recorded at their estimated fair values.

Indefinite-lived intangible assets

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 MOHLTC, 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 licenses have an indefinite term.

Goodwill and indefinite lived intangible asset impairment analysis

On an annual basis, the Company uses the fair value less cost of disposal valuation model to assess whether goodwill and indefinite lived intangible assets may be impaired. If the results of operations in a future period are adverse to the estimates used for impairment testing, an impairment charge may be triggered at that point, or a reduction in useful economic life may be required. Any impairment losses are recognized in net income. Impairment losses on goodwill are permanent. The significant estimates used in the valuation model include discount rates and growth assumptions.

Income taxes
The actual tax on the results for the period is determined in accordance with tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for tax to be paid on past profits, which are recognized in the consolidated financial statements. The Company considers the estimates, assumptions and judgments to be reasonable but this can involve complex issues, which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the consolidated financial statements.

Deferred taxes
Deferred tax assets and liabilities require management's judgment in determining the amounts to be recognized. In particular, judgment is used when assessing the extent to which deferred tax assets should be recognized with consideration given to the timing and level of future taxable income.

Accounting standards issued but not yet applied

Amendments to IFRS 3, Business Combinations
In October 2018, the IASB published amendments to IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendments clarify the definition of a business, as well as provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted.

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

4 Acquisitions

There were no acquisitions during the year ended December 31, 2019.

Acquisitions during the year ended December 31, 2018

The total net purchase price of acquisitions during the year ended December 31, 2018 was allocated to the assets and liabilities as follows:

Acquisition date	March 28, 2018	May 1, 2018
	Portfolio of Ten Seniors' Living Residences	Additional 16% interest in Glenmore Lodge
Assets		
Accounts receivable and other assets	287	57
Prepaid expenses	201	—
Property and equipment	273,500	4,288
Intangible assets	64,070	1,766
Goodwill	45,930	85
Total assets	383,988	6,196
Liabilities		
Accounts payable and accrued liabilities	1,990	—
Long-term debt	76,560	3,400
Total liabilities	78,550	3,400
Net assets acquired	305,438	2,796
Cash consideration	297,708	2,796
Acquisition deposit	7,730	—
Total consideration	305,438	2,796

Portfolio of 10 seniors' living residences

On March 28, 2018, the Company completed the acquisition of a portfolio of 10 seniors' living residences in Ontario (the "**Acquisition**"), consisting of private-pay ISL and AL retirement residences (the "**Acquired Properties**"). The Acquired Properties consist of 1,245 private-pay suites, and are located in the Greater Toronto Area and the Greater Ottawa Area.

As part of the Acquisition, the Company assumed existing property-level mortgages in the amount of $53,060 with a fair value of $54,560, bearing interest at rates ranging from 3.42% to 5.80% and maturing from September 30, 2022 to June 1, 2040. The Company also assumed a non-revolving credit facility in the amount of $22,000 and negotiated a $7,000 increase (Note 12).

To finance the Acquisition, the Company drew $115,000 under the Bridge Loan (Note 12), increased borrowings by $5,997 on a property-level mortgage and drew $7,000 under the increased non-revolving credit facility (Note 12), and completed the Acquisition Offering (Note 16).

Acquisition of an additional 16% interest in Glenmore Lodge

On May 1, 2018, the Company acquired an additional 16% interest in Glenmore Lodge, increasing the Company's interest in Glenmore Lodge from 61% to 77% ("**Step Up Acquisition of Glenmore**").

The Company has applied business combination accounting for the acquisition of the additional interest in Glenmore Lodge, which is considered to be a joint operation and the activities of Glenmore Lodge constitute a business.

As part of the Step Up Acquisition of Glenmore, the Company assumed an additional 16% of the existing property-level mortgage in the amount of $3,497 with a fair value of $3,400, bearing interest at a rate of 4.68% and maturing on April 1, 2032.

Transaction costs expensed related to the Acquisition and the Step Up Acquisition of Glenmore for the year ended December 31, 2019 were $833 (2018 - $8,167).

If the Acquisition and Step Up Acquisition of Glenmore had taken place on January 1, 2018, it is estimated the consolidated revenue and consolidated net income for the Company for the year ended December 31, 2018 would have been approximately $656,184 and $7,954, respectively.

5 Financial instruments

Fair value of financial instruments

The Company uses a fair value hierarchy to categorize the type of valuation techniques from which fair values are derived. Financial instruments are valued using unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), inputs that are observable for the assets or liabilities either directly or indirectly (Level 2) and inputs for assets or liabilities that are not based on observable market data (Level 3). 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 value of Series B Debentures' principal reserve fund, government funding receivables and payables approximates fair value.

The following financial instruments are at amortized cost and the fair value is disclosed as follows as at December 31, 2019 and December 31, 2018:

	As at December 31, 2019		As at December 31, 2018	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets				
Construction funding receivable	**46,887**	**48,678**	57,116	58,958
Financial liabilities				
Long-term debt	**991,764**	**980,349**	1,016,126	1,003,057

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, 2019 for the construction funding receivable was discounted using rates between 2.31% (2018 - 2.10%) and 3.05% (2018 - 3.66%).

The fair values of mortgages and credit facilities at variable rates approximate their carrying values (Note 12). 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, 2019 for the fixed-rate debt was discounted using rates between 2.49% (2018 - 2.83%) and 4.11% (2018 - 4.76%).

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

Maturities of financial instruments

For the years ending December 31, 2020 through 2024 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, construction funding receivable and long-term debt at the consolidated statements of financial position dates:

	As at December 31, 2019					
	2020	2021	2022	2023	2024	Thereafter
Government funding receivable/payable						
Cash inflows	4,050	740	—	—	—	—
Cash outflows	(6,371)	(2,722)	—	—	—	—
	(2,321)	(1,982)	—	—	—	—
Interest rate swap contracts						
Cash inflows	6,243	5,238	4,975	4,372	3,240	4,965
Cash outflows	(6,329)	(5,600)	(5,316)	(4,677)	(3,582)	(5,816)
	(86)	(362)	(341)	(305)	(342)	(851)
Construction funding receivable						
Cash inflows	12,599	11,049	9,979	6,789	3,440	8,970
Long-term debt						
Cash outflows	87,319	305,706	73,420	92,911	233,207	318,816
Net cash outflows	**97,511**	**314,411**	**83,058**	**99,395**	**236,305**	**326,935**

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. The Company is not exposed to foreign currency risk as all operations are located in Canada and all purchases are contracted in Canadian dollars. 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 adopted 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 12.

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 assets, 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, 2018	1,014
Provision for receivables during the year	106
Receivables written off during the year	(106)
Balance, December 31, 2018	1,014
Receivables written off during the year	(100)
Balance, December 31, 2019	**914**

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

	2019	2018
0 - 30 days	**1,493**	1,280
31 - 60 days	**688**	500
61 - 90 days	**488**	64
Over 90 days	**704**	104
	3,373	1,948

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, 2019. 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, 2019, the Company had negative working capital (current liabilities less current assets) of $92,954 (December 31, 2018 - $163,225). To support the Company's working capital deficiency, the Company has available cash from operations and, if necessary, will pursue debt or equity financing to provide the Company with additional financial flexibility. The Company is also in the process of refinancing the credit facilities due in 2020 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, 2019 assuming that a reasonably possible change in the relevant risk variable has occurred as at December 31, 2019. 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, 2019 balances and on the basis that the balances, the ratio of fixed to variable rates of debt and the derivatives as at December 31, 2019 are all constant. Excluded from this analysis are all non-financial assets and liabilities that are not classified as financial instruments.

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.

		Interest rate risk	
		-1%	**+1%**
	Fair value	**Comprehensive income**	**Comprehensive income**
Financial assets:			
Restricted cash	38,063	(371)	371
Interest rate swap contracts	739	(3,029)	3,029
Financial liabilities:			
Debt at variable rates subject to interest rate risk	4,993	380	(380)
Interest rate swap contracts	3,026	(5,143)	5,143

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.

6 Construction funding receivable

As at December 31, 2019, the Company is eligible to receive gross funding from the Ontario government of approximately $46,887 (December 31, 2018 - $57,116) 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, 2019, the condition for the funding has been met.

As at December 31, 2019, 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 Ontario government bond rates.

The following table summarizes the construction funding activity:

As at January 1, 2018	64,614
Additions[(1)]	3,177
Add: Interest income earned	2,553
Less: Construction funding payments received	(13,228)
As at December 31, 2018	57,116
Additions[(1)]	551
Add: Interest income earned	2,159
Less: Construction funding payments received	(12,939)
As at December 31, 2019	**46,887**

[(1)]During 2018, the Company received an increase in construction funding for one of its long-term care residences retroactive to the date of redevelopment completion of the residence. During 2019, the construction funding term was adjusted to 25 years from 20 years. This construction funding was recorded as a reduction to the property and equipment cost.

7 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 and 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 $287,000 Series B Senior Secured Debentures (**"Series B Debentures"**) and $20,000 revolving credit facility (Note 12) are collateralized by all assets of Leisureworld Senior Care LP (**"LSCLP"**), a subsidiary of the Company, and its subsidiary partnerships and guaranteed by the subsidiary partnerships. Under its

Master Trust Indenture, LSCLP is subject to certain financial and non-financial covenants including a debt service coverage ratio defined as income from operations and construction funding to debt service.

The Royale LP Revolving Credit Facility (the "**Royale Credit Facility**") (Note 12) is secured by the assets of three retirement residences of the Company, and is subject to certain customary financial and non-financial covenants, including restrictions on the pledging of assets and the maintenance of various financial covenants.

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.

8 Restricted cash

Restricted cash comprises the Series B Debentures' principal reserve fund and capital maintenance reserve funds required for certain property-level mortgages.

	December 31, 2019	December 31, 2018
Series B Debentures' principal reserve fund	**35,452**	31,209
Capital maintenance reserve	**2,611**	2,253
Restricted cash	**38,063**	33,462

9 Property and equipment

	Land	Buildings	Furniture and fixtures	Automobiles	Computer hardware	Circulating equipment	Construction-in-progress	Right-of-use building and equipment [2]	Total
Cost									
At January 1, 2018	109,404	928,703	36,825	779	2,498	1,119	4,488	—	1,083,816
Acquisition of Acquired Properties	20,546	230,194	22,356	404	—	—	—	—	273,500
Acquisition of additional 16% interest in Glenmore Lodge	459	3,434	395	—	—	—	—	—	4,288
Transfers [1]	—	2,061	257	—	—	—	(2,318)	—	—
Additions	8,654	11,719	3,394	11	6,615	2	6,504	—	36,899
At December 31, 2018	139,063	1,176,111	63,227	1,194	9,113	1,121	8,674	—	1,398,503
Adjustments [3]		(4,698)	—	—	—	—	—	3,049	(1,649)
Transfers	—	12,106	709	—	249	—	(13,064)	—	—
Additions	—	11,233	5,207	17	1,115	56	5,825	—	23,453
At December 31, 2019	**139,063**	**1,194,752**	**69,143**	**1,211**	**10,477**	**1,177**	**1,435**	**3,049**	**1,420,307**
Accumulated depreciation									
At January 1, 2018	—	160,436	15,363	412	995	—	—	—	177,206
Charges for the year	—	33,031	5,043	182	558	—	—	—	38,814
At December 31, 2018	—	193,467	20,406	594	1,553	—	—	—	216,020
Charges for the year	—	33,814	6,268	182	1,691	207	—	669	42,831
At December 31, 2019	**—**	**227,281**	**26,674**	**776**	**3,244**	**207**	**—**	**669**	**258,851**
Net book value									
At December 31, 2018	139,063	982,644	42,821	600	7,560	1,121	8,674	—	1,182,483
At December 31, 2019	**139,063**	**967,471**	**42,469**	**435**	**7,233**	**970**	**1,435**	**2,380**	**1,161,456**

[1]Transfers from construction-in-progress to buildings and furniture and fixtures are net of construction funding from the health authority of $3,177 for the year ended December 31, 2018.

[2]Due to the adoption of IFRS 16, Leases, on January 1, 2019 as discussed in Note 3, the right-of-use building and related depreciation of $2,250 and $383, respectively, and the right-of-use equipment and related depreciation of $799 and $286, respectively, were added to Property and Equipment.

[3]The adjustments to buildings are related to a GST rebate for a prior year for $4,147, and construction funding from the health authority of $551 for the year ended December 31, 2019.

10 Intangible assets

	Licences	Resident relationships	Service contracts	Computer software	Total
Cost					
At January 1, 2018	189,282	103,399	10,968	8,404	312,053
Acquisition of Acquired Properties	—	64,070	—	—	64,070
Acquisition of additional 16% interest in Glenmore Lodge	1,663	103	—	—	1,766
Additions	—	—	—	3,082	3,082
At At December 31, 2018	190,945	167,572	10,968	11,486	380,971
Additions	—	—	—	1,861	1,861
At December 31, 2019	**190,945**	**167,572**	**10,968**	**13,347**	**382,832**
Accumulated amortization					
At January 1, 2018	—	70,684	9,440	2,119	82,243
Charges for the year	—	30,541	360	1,459	32,360
At December 31, 2018	—	101,225	9,800	3,578	114,603
Charges for the year	—	32,107	266	2,251	34,624
At December 31, 2019	**—**	**133,332**	**10,066**	**5,829**	**149,227**
Net book value					
At December 31, 2018	190,945	66,347	1,168	7,908	266,368
At December 31, 2019	**190,945**	**34,240**	**902**	**7,518**	**233,605**

11 Goodwill

Cost and carrying value, at January 1, 2018	121,651
Acquisition of the Acquired Properties	45,930
Acquisition of 16% of Glenmore Lodge	85
Cost and carrying value, at December 31, 2019 and 2018	**167,666**

For the 2019 goodwill impairment analysis, the Company used an average post-tax discount rate of approximately 4.61% (2018 - 4.69%) across the CGUs and an average growth rate of 2.21% (2018 - 1.64%) before considering expansion projects. The Company has not recognized any goodwill impairment losses.

12 Long-term debt

	Interest rate	Maturity date	December 31, 2019	December 31, 2018
Series A Debentures	3.109%	November 4, 2024	**150,000**	—
Series B Debentures	3.474%	February 3, 2021	**287,000**	322,000
Credit facilities	Floating	2020	**—**	76,500
Mortgages at fixed rates	2.83% - 5.80%	2020-2041	**401,185**	436,668
Mortgages at variable rates	Floating	2020-2029	**160,753**	189,949
Lease liability	3.87%	2021-2024	**2,448**	—
			1,001,386	1,025,117
Fair value adjustments on acquired debt			**3,689**	4,243
Less: Deferred financing costs			**(13,311)**	(13,234)
Total debt			**991,764**	1,016,126
Less: Current portion			**44,447**	113,888
			947,317	902,238

Principal repayments on long-term debt are as follows:

2020	46,255
2021	321,724
2022	48,059
2023	78,891
2024	216,313
Thereafter	290,144
	1,001,386

Continuity of debt

The following table is the long-term debt continuity for the year ended December 31, 2019:

	Current portion of long-term debt and long-term debt
As at January 1, 2019	1,016,126
Proceeds from long-term debt	202,875
Repayment of long-term debt[(1)]	(229,655)
Deferred financing costs	(2,927)
Amortization of financing charges and fair value adjustments on acquired debt	2,296
Addition of lease liability	3,049
	991,764

[(1)]Excludes $551 premium paid on the Repurchase of Series B Debentures.

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 "**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 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 Secured Debentures

The Series B Debentures had a face value of $322,000, but on November 27, 2019, the Company repurchased and reduced $35,000 notional amount of the outstanding Series B Debentures at a 1.575% premium, for a settlement amount of $35,551 ("**Repurchase of Series B Debentures**"). The Series B Debentures mature on February 3, 2021, and are collateralized by the assets of LSCLP and its subsidiary partnerships and guaranteed by the subsidiary partnerships. The Series B Debentures bear interest at a rate of 3.474%, payable semi-annually in February and August of each year.

The Series B Debentures may be redeemed in whole or in part at the option of the Company at any time, on not less than 15 days' and not more than 30 days' notice to the holders of the Series B Debentures. The redemption price is the greater of: (i) the face amount of the Series B Debentures to be redeemed; and (ii) the price that will provide a yield to the remaining average life of such Series B Debentures equal to the Canada Yield Price, in each case together with accrued and unpaid interest. The Canada Yield Price is defined as a price equal to the price of the debenture calculated to provide an annual yield to maturity equal to the Government of Canada Yield plus 0.375%.

Principal Reserve Fund for Series B Debentures

As part of the issuance of the Series B Debentures, a principal reserve fund was established by the Company and is controlled by an external third party trustee for the benefit and security of the holders of the Series B Debentures. The Company is required to fund the principal reserve fund in accordance with a defined schedule over the term of the Series B Debentures. The Company can only use the fund to redeem, purchase or repay principal of the Series B Debentures. For the Repurchase of Series B Debentures, $3,700 of the principle reserve fund was used to fund the repurchase. The Company, in conjunction with the issuance of the Series B Debentures, entered into an interest rate swap contract, to effectively fix the interest rate earned on the principal reserve fund at 2.82%.

Required contributions to the principal reserve fund are as follows:

2020	6,555
2021	93
	6,648

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where the Company currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The principal reserve fund arrangement described above does not meet the criteria for offsetting in the consolidated statements of financial position but still allows for the related amounts to be set-off in certain circumstances.

The following table presents the financial instruments that may be subject to enforceable master netting arrangements or other similar agreements were not offset as at December 31, 2019 and 2018 and shows in the ‘Net amount’ column what the net impact would be on the Company’s consolidated statements of financial position if the set-off rights were exercised in the circumstance described above. As at December 31, 2019 and 2018, no recognized financial instruments are offset in the consolidated statements of financial position.

	As at December 31, 2019		
	Gross amount presented in the consolidated statements of financial position	Related accounts not set-off in the consolidated statements of financial position (Note 8)	Net amount
Financial liabilities:			
Series B Debentures	287,000	(35,452)	251,548

	As at December 31, 2018		
	Gross amount presented in the consolidated statements of financial position	Related accounts not set-off in the consolidated statements of financial position (Note 8)	Net amount
Financial liabilities:			
Series B Debentures	322,000	(31,209)	290,791

Credit facilities

The Royale Credit Facility has a borrowing capacity of $94,773 and matures on March 31, 2020. Borrowings under the Royale Credit Facility can take place by way of loans at the Canadian prime rate plus 75 bps per annum, banker's acceptances ("**BAs**") at 175 bps per annum over the floating BA rate, and letters of credit at 175 bps per annum. The Royale Credit Facility is secured by the assets of three retirement residences, and is subject to certain customary financial and non-financial covenants, including restrictions on the pledging of assets and the maintenance of various financial covenants. As at December 31, 2019, the Company had drawn $nil under the Royale Credit Facility (2018 - $29,000).

LSCLP has a $20,000 revolving credit facility, which can be accessed for working capital purposes. This facility is collateralized by the assets of LSCLP and its subsidiary partnerships and is guaranteed by the subsidiary partnerships. Borrowings can take place by way of BAs at 150 bps per annum over the floating BA rate, loans at the Canadian prime rate plus 50 bps per annum, and letters of credit at 150 bps per annum. As at December 31, 2019, the Company had no amounts drawn on this facility (2018 - $nil). During the year ended December 31, 2019, charges related to standby fees totalled $71 (2018 - $88).

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.

On March 28, 2018, the Company entered into a credit agreement with a Canadian lender for an acquisition term loan facility of $115,000 due one year from the closing of the Acquisition (the "**Bridge Loan**"). Borrowings under the Bridge Loan were available by way of BAs at 200 bps per annum over the floating BA rate and loans at the Canadian prime rate plus 100 bps per annum. The Bridge Loan was secured by a pool of properties, and was subject to certain customary financial and non-financial covenants. As at December 31, 2018, the Bridge Loan was fully repaid.

On March 28, 2018, the Company entered into a credit agreement with a Canadian lender for a non-revolving facility of $29,000, of which $22,000 was assumed on the Acquisition and $7,000 represented an increase in the facility. Borrowing on this facility was available by way of BAs at 175 bps per annum over the floating BA rate or loans at an interest rate of the Canadian prime rate plus 50 bps per annum. This loan was secured by the assets of one of the Acquired Properties. As at December 31, 2019, this facility was fully repaid.

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

	December 31, 2019	December 31, 2018
Credit facilities available	**123,273**	178,457
Amounts drawn under credit facilities	—	76,500
Remaining available balance under credit facilities	**123,273**	101,957

Mortgages

The following table summarizes the scheduled maturities of the Company's property-level mortgages as at December 31, 2019:

	Mortgages			
Year	Regular principal payments	Principal due at maturity	**Total**	% of Total
2020	20,833	24,791	**45,624**	8.1%
2021	20,773	13,426	**34,199**	6.1%
2022	19,396	28,169	**47,565**	8.5%
2023	17,632	60,824	**78,456**	14.0%
2024	15,846	50,104	**65,950**	11.7%
2025	12,311	41,065	**53,376**	9.5%
2026	12,347	—	**12,347**	2.2%
2027	11,650	35,115	**46,765**	8.3%
2028	6,619	115,703	**122,322**	21.7%
2029	2,193	5,477	**7,670**	1.4%
Thereafter	14,174	33,490	**47,664**	8.5%
	153,774	408,164	**561,938**	100.0%

Mortgages assumed from acquisitions during the year ended December 31, 2018

As part of the Acquisition, the Company assumed existing property-level mortgages in the aggregate amount of $75,060 with a fair value of $76,560, bearing interest at rates ranging from 3.42% to 5.80% and maturing from September 30, 2022 to June 1, 2040. The Company also increased availability by $5,997 on an assumed property-level mortgage, available by way of BAs at 150 bps per annum over the floating BA rate or loans at the Canadian prime rate plus 25 bps per annum, which has been fixed at an interest rate of 3.62% through an interest rate swap, maturing on February 10, 2025. The mortgages are secured by certain of the Acquired Properties, and are subject to certain customary financial and non-financial covenants.

As part of the Step Up Acquisition of Glenmore, the Company assumed an additional 16% of the existing property-level mortgage in the amount of $3,497 with a fair value of $3,400, bearing interest at a rate of 4.68% and maturing on April 1, 2032.

13 Convertible debentures

As at May 23, 2018 (the "**Redemption Date**"), the Company exercised its right to redeem all of its outstanding 4.65% extendible convertible unsecured subordinated debentures due June 30, 2018 ("**Convertible Debentures**"). The Convertible Debentures were redeemed at a redemption price equal to $1,000 per $1,000 principal amount of Convertible Debentures plus $18.22, representing accrued and unpaid interest up to but excluding the Redemption Date, for a total redemption amount of $1,018.22 per $1,000 principal amount of Convertible Debentures.

On issuance, the debt and equity components of the Convertible Debentures were bifurcated with $45,593 classified as a liability and $515 classified as equity attributable to the conversion option. The equity component included a deferred tax asset of $108. The liability portion of the Convertible Debentures was initially recorded at fair value and subsequently carried at amortized cost. The Company incurred financing costs of $2,111 related to the Convertible Debentures, which were amortized over their term using the effective interest method and are recognized as part of net finance charges. During the year ended December 31, 2018, $31,553 of Convertible Debentures were converted into 1,883,755 common shares (at $16.75 per common share) and, on the Redemption Date, $12,956 of Convertible Debentures were redeemed in cash by the Company.

14 Net finance charges

	Year ended December 31,	
	2019	2018
Finance costs		
Interest expense on long-term debt	**36,602**	34,851
Interest expense on Convertible Debentures	**—**	844
Fees on revolving credit facilities	**432**	347
Amortization of financing charges and fair value adjustments on acquired debt	**2,296**	2,046
Amortization of loss on bond forward contract	**1,073**	919
Fair value loss on interest rate swap contracts	**2,526**	1,056
	42,929	40,063
Finance income		
Interest income on construction funding receivable	**2,159**	2,553
Other interest income[1]	**2,237**	1,053
	4,396	3,606
Net finance charges	**38,533**	36,457

[1] Includes $1,346 interest income on a GST rebate for a prior year recorded in the year ended December 31, 2019 (2018 -$nil), net of $551 premium paid on the repurchase of Series B Debentures.

15 Income taxes

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

	Year ended December 31,	
	2019	2018
Income before provision for income taxes	**13,020**	12,909
Canadian combined income tax rate	**26.57%**	26.57%
Income tax expense	**3,459**	3,430
Adjustments to income tax provision:		
Non-deductible items	**263**	125
Book to filing adjustment	**49**	192
Other items charged to equity	**1,702**	(721)
Provision for income taxes	**5,473**	3,026

The following are the major deferred tax assets (liabilities) recognized by the Company and movements thereon during the year:

	Depreciable tangible and intangible assets	**Share issuance**	**Construction funding interest**	**Other**	**Total**
As at January 1, 2018	(66,495)	2,057	3,067	1,709	(59,662)
Due to acquisitions during the year	—	—	—	399	399
Credit (charge) to net income	5,738	(150)	(656)	(533)	4,399
Book to filing adjustment	(85)	108	—	(215)	(192)
Charge to other comprehensive income	—	—	—	(243)	(243)
Credit to equity	—	1,164	—	(111)	1,053
As at December 31, 2018	(60,842)	3,179	2,411	1,006	(54,246)
Credit (charge) to net income	2,684	(1,037)	(574)	1,920	2,993
Book to filing adjustment	(463)	14	—	(34)	(483)
Charge to other comprehensive income	—	—	—	(286)	(286)
As at December 31, 2019	**(58,621)**	**2,156**	**1,837**	**2,606**	**(52,022)**

The loss on bond forward contracts on the consolidated statements of comprehensive income is net of tax for the year ended December 31, 2019 of $286 (2018 - $243).

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

	Common shares	Amount
Balance, January 1, 2018	53,054,642	639,361
Dividend reinvestment plan	663,131	10,962
Issued common shares, net of issuance costs	12,326,664	208,606
Long-term incentive plan, net of loans receivable	13,712	52
Share-based compensation	—	24
Balance, December 31, 2018	66,058,149	859,005
Dividend reinvestment plan	757,284	13,674
Issued common shares, net of deferred taxes (Notes 13 and 18)	23,580	2,302
Long-term incentive plan, net of loans receivable (Note 18)	—	45
Share-based compensation (Note 18)	—	25
Balance, December 31, 2019	**66,839,013**	**875,051**

On February 9, 2018, the Company completed an offering of 9,066,000 common shares at a price of $17.65 per common share, on a bought deal basis, for gross proceeds of $160,015. On February 22, 2018, the syndicate of underwriters elected, pursuant to the terms of the underwriting agreement in respect of the offering, to exercise its over-allotment option in full, resulting in the issuance of an additional 1,359,900 common shares for additional gross proceeds of $24,002. The aggregate gross proceeds of the offering, including the exercise of the over-allotment option, were $184,017 (the "**Acquisition Offering**").

Dividend reinvestment plan

The Company has established a dividend reinvestment plan 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.

Net income per share

Basic net income per share is calculated using the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated by assuming all convertible securities have been converted at the time of issuance. Any charges or returns on the convertible securities, on an after-tax basis, are removed from net income.

The following table reconciles the numerator and denominator of the basic and diluted income per share calculation:

	Year ended December 31,	
	2019	2018
Reconciliation of net income used as the numerator		
Net income	**7,547**	9,883
Net income used in calculating basic income per share	**7,547**	9,883
Net finance charges on Convertible Debentures	—	1,043
Current income tax adjustment	—	(276)
Net income used in calculating diluted income per share	**7,547**	10,650
Weighted average number of common shares used as the denominator		
Weighted average number of common shares - basic	**66,469,888**	63,792,328
Shares issued if all Convertible Debentures were converted	—	1,025,221
Weighted average number of common shares - diluted[1]	**66,469,888**	64,817,549

[1]The weighted average number of diluted common shares calculation accounts for the Convertible Debentures that converted into common shares as of the Redemption Date.

17 Dividends

The Company paid dividends at $0.0765 per month per common share from January 1, 2019 to September 12, 2019, and $0.078 per month per common share effective September 13, 2019, totaling $47,712 for the year ended December 31, 2019 (2018 - $46,246). Dividends payable of $5,214 are included in accounts payable and accrued liabilities as at December 31, 2019 (December 31, 2018 - $5,054). Subsequent to December 31, 2019, the Board of Directors declared dividends of $0.078 per common share for January and February 2020 totaling $10,441.

18 Share-based compensation

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

*Long-term incentive plan (**"LTIP"**)*

The LTIP has been terminated, with the grant on February 15, 2018 being the final grant under the LTIP, and no further grants will be made.

For the LTIP in connection with the year ended December 31, 2017 and prior periods, certain senior executives ("**Participants**") were be awarded incentive amounts on an annual basis based on performance targets being achieved. Participants had the option to purchase the number of common shares equal to their eligible incentive amount divided by the volume weighted average closing price of common shares on the TSX for the five trading days (**"Average Closing Price"**) prior to date of grant. At most, 95% of the eligible incentive amount could be financed by a loan from the Company to the Participant for the purpose of investing in the LTIP and bearing interest at the Canadian prime rate per annum, fixed at the time of the loan. The loan and interest are due and payable 10 years (formerly five years) from the grant date. Until the loan has been repaid in full, the related shares will be pledged to the Company as security against the outstanding balance of the loan and any cash dividends declared on such shares will be applied against the outstanding balance of the loan, first to interest then to principal. The outstanding loan balances pertain to previous years' LTIP grants.

On February 15, 2018, incentive award amounts entitling eligible Participants to acquire 13,712 common shares were granted in connection with the year ended December 31, 2017. On the grant date, the Company provided loans to the Participants for a portion of the common shares purchased, and the Participants paid $12 towards the purchase of common shares. This payment was recorded as an increase to share capital. Related to the LTIP in the year ended December 31, 2019, the Company recorded an increase of $45 to share capital (2018 - $52) and $nil to contributed surplus (2018 - $46). As at December 31, 2019, the outstanding loan balance totalled $913 (December 31, 2018 - $958). Total expense related to the LTIP for the year ended December 31, 2019 was $nil (2018 - $46).

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

Certain employees (**"Employees"**) may be awarded restricted share units ("**RSUs**"). Starting for 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 Average Closing Price on the grant date. Employees participating in the RSUP are entitled to receive notional distributions equal to the amount of dividends 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, 2019, 11,045 RSUs (2018 - 23,508) were granted pursuant to the RSUP. Total expenses related to the RSUP for the year ended December 31, 2019 were $336 (2018 - $214), including mark-to-market adjustments and net of forfeitures, which were recognized in administrative expenses. During the year ended December 31, 2019, 29,738 RSUs vested and 19,353 were settled in shares and 10,385 in cash, resulting in a decrease of $533 to the share-based compensation liability. The total liability recorded as part of the share-based compensation liability as at December 31, 2019 was $232 (December 31, 2018 - $429).

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

	Number of RSUs
Outstanding, January 1, 2018	37,736
Granted	23,508
Dividend equivalents	2,341
Settled in cash	(8,222)
Settled in shares	(8,787)
Outstanding, December 31, 2018	46,576
Granted	11,045
Forfeited	(6,555)
Dividend equivalents	1,831
Settled in cash	(10,385)
Settled in shares	(19,353)
Outstanding, December 31, 2019	23,159

*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. For periods up to December 31, 2019, the Company matched all DSUs so credited, such that the number of DSUs credited was equal in value to two times the contributed fees.

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 so 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.

Total expenses related to the DSUP for the year ended December 31, 2019 were $1,457 (2018 - $95), including mark-to-market adjustments, which were recognized in administrative expenses. During the year ended December 31, 2019, $nil (2018 - $800) of DSUs were redeemed in cash. The total liability recorded related to the DSUP as a part of the share-based compensation liability as at December 31, 2019 was $5,677 (December 31, 2018 - $4,220). The value of each deferred share unit is measured at each reporting date and is equivalent to the market value of a common share of the Company as at the reporting date.

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

During the year ended December 31, 2015, the Board approved the adoption of its amended and restated EDSUP for executive officers and such other officers or employees ("**EDSUP Member**") as the Board of Directors may determine from time to time. Each EDSUP Member, 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. For the grants in connection with the year ended December 31, 2017 and prior periods, the Company matched all executive deferred share units ("**EDSUs**") so credited in respect of long-term incentive awards up to a maximum of 25% of the long-term incentive awards (up to 35% in the case of the Chief Executive Officer), or such other amount as the Board of Directors determined. The Company matching of EDSU contributions has been terminated, with the grant on February 15, 2018 being the final grant with the Company matching under the EDSUP.

In satisfaction of such contribution to the EDSUP, the EDSUP Member is credited that number of 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, 2019, 52,038 (2018 - 33,481) EDSUs were granted. Total expenses related to the EDSUP for the year ended December 31, 2019 were $1,082 (2018 - $176), including mark-to-market adjustments, which were recognized in administrative expenses. During the year ended December 31, 2019, 20,322 and 10,095 EDSUs vested, which will be settled on February 3, 2020 and by November 5, 2020, respectively. The total liability recorded related to the EDSUP as a part of the share-based compensation liability as at December 31, 2019 was $3,918 (December 31, 2018 - $2,171). 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.

19 Employee salaries and benefits

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

	Year ended December 31,	
	2019	2018
Salaries and short-term employee benefits	**366,696**	354,511
Group retirement savings plan	**8,257**	7,966
Termination benefits	**1,618**	1,806
Share-based compensation	**2,875**	531
	379,446	364,814

20 Key management compensation

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

	Year ended December 31,	
	2019	2018
Salaries and short-term employee benefits	**4,359**	4,052
Share-based compensation	**2,875**	531
	7,234	4,583

21 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]
2020	1,734
2021	1,381
2022	1,210
2023	1,022
2024	801
Thereafter	6
	6,154

[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.

22 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, 2019 was $1,244 (December 31, 2018 - $1,367).

23 Related party transactions

As at December 31, 2019, the Company had amounts outstanding from certain key management of $1,264 (December 31, 2018 - $1,334) in relation to grants under the LTIP and related share purchase loans (see Note 18), which have been recorded as a reduction to shareholders' equity. The terms of the LTIP provide for the loans to bear interest at the Canadian prime rate prevailing at the Company's bank at the time of grant. The underlying common shares have been pledged as security against the respective loans.

24 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. During the year ended December 31, 2019, the Company received approximately $359,880, respectively (2018 - $352,745) in respect of these licences.

Approximately 67% and 66% (2018 - 67% and 66%) 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.

25 Expenses by category

	Year ended December 31,	
	2019	2018
Salaries, benefits and other people costs	**394,208**	378,143
Depreciation and amortization	**77,455**	71,174
Food	**30,894**	29,756
Purchased services and non-medical supplies	**24,478**	20,410
Property taxes	**15,252**	14,702
Utilities	**16,271**	16,401
Other	**56,554**	51,642
Total expenses	**615,112**	582,228

26 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, 2019**	December 31, 2018
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%
2067474 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 LP	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%
Sienna Senior Living Management LP (Ontario)	Canada	100%	100%

27 Segmented information

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

The Company is comprised of the following main business segments:

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

	Year ended December 31, 2019			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	153,306	532,351	63,982	749,639
Less: Internal revenue	—	15,924	63,982	79,906
Net revenue	153,306	516,427	—	669,733
Operating expense	84,801	428,072	—	512,873
Depreciation and amortization	51,083	22,430	3,942	77,455
Administrative expense	—	—	24,784	24,784
Income (loss) before net finance charges, transaction costs and recovery of income taxes	17,422	65,925	(28,726)	54,621
Finance costs	18,850	22,490	1,589	42,929
Finance income	—	(4,109)	(287)	(4,396)
Transaction costs	—	—	3,068	3,068
Provision for income taxes	—	—	5,473	5,473
Net income (loss)	(1,428)	47,544	(38,569)	7,547
Purchase of property and equipment	14,659	7,936	858	23,453
Purchase of intangible assets	38	6	1,817	1,861

[1] For the year ended December 31, 2019, the Retirement segment recognized accommodation revenues of $69,421 and service revenues of $83,885.

	Year ended December 31, 2018			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	139,959	517,612	61,305	718,876
Less: Internal revenue	—	15,587	61,305	76,892
Net revenue	139,959	502,025	—	641,984
Operating expense	77,136	413,636	—	490,772
Depreciation and amortization	46,175	22,372	2,627	71,174
Administrative expense	—	—	20,282	20,282
Income (loss) before net finance charges, transaction costs and provision for income taxes	16,648	66,017	(22,909)	59,756
Finance costs	15,713	21,571	2,779	40,063
Finance income	—	(3,140)	(466)	(3,606)
Transaction costs	—	—	10,390	10,390
Provision for income taxes	—	—	3,026	3,026
Net income (loss)	935	47,586	(38,638)	9,883
Purchase of property and equipment, net of disposals	289,966	19,813	4,908	314,687
Purchase of intangible assets	64,145	1,780	2,993	68,918

[1] For the year ended December 31, 2018, the Retirement segment recognized accommodation revenues of $61,546 and service revenues of $78,413.

	As at December 31, 2019			
	Retirement	**LTC**	**Corporate, eliminations and other**	**Total**
Total assets	**792,556**	**880,786**	**19,258**	**1,692,600**

	As at December 31, 2018			
	Retirement	LTC	Corporate, eliminations and other	Total
Total assets	828,815	907,970	16,415	1,753,200

28 Joint arrangements

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 consolidated financial statements.

	December 31, 2019	December 31, 2018[1]
Current assets	**3,080**	2,829
Long-term assets	**102,317**	104,937
Total assets	**105,397**	107,766
Current liabilities	**4,784**	3,874
Long-term liabilities	**64,867**	66,547
Total liabilities	**69,651**	70,421
Net assets	**35,746**	37,345
Share of net assets	**18,246**	19,113

[1] On May 1, 2018 the Company acquired an additional 16% interest in Glenmore Lodge, increasing the Company's interest in Glenmore Lodge from 61% to 77%.

As at December 31, 2019, the Company's share of net assets in Nicola Lodge and Glenmore Lodge was $10,057 and $8,189, respectively (December 31, 2018 - $10,453 and $8,660, respectively).

	Year ended December 31,	
	2019	2018
Revenue	**29,752**	28,593
Expenses		
Operating	**21,358**	19,809
Depreciation and amortization	**2,843**	3,097
	24,201	22,906
Income before net finance charges	**5,551**	5,687
Net finance charges	**2,886**	2,993
Net income	**2,665**	2,694
Share of net income	**1,383**	1,365

For the year ended December 31, 2019, the Company's share of net income in Nicola Lodge and Glenmore Lodge was $725 and $658 (2018 - $723 and $642), respectively.

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