Report to Shareholders

Q3 2016

Sienna Senior Living Inc.

Sienna
SENIOR LIVING

Management's Discussion and Analysis

(in thousands of Canadian Dollars)

Q3 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Basis of Presentation

The following Management's Discussion and Analysis ("**MD&A**") for Sienna Senior Living Inc. (formerly Leisureworld Senior Care Corporation) (the "**Company**" or "**Sienna**") provides a summary of the financial results for the three and nine months ended September 30, 2016. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016. 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, 2015 can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com. In accessing the Company's information, readers are reminded of the Company's predecessor name, Leisureworld Senior Care Corporation, and that the information of Leisureworld Senior Care Corporation is the information of the Company.

All references to "we", "our", "us" 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 the third party management business of the Company. The direct ownership of such residences, and operation of such business, are conducted by subsidiaries of the Company.

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 document, including tabular amounts, are expressed in thousands of Canadian dollars.

This document 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 housing 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 the Company's Chief Financial Officer, Nitin Jain, at 905-489-0787 or nitin.jain@siennaliving.ca.

Review and Approval by the Board of Directors

This MD&A is dated as of November 9, 2016, the date on which this report was approved by the Board of Directors of the Company, and is based on information available to management as of that date.

Company Profile

Sienna Senior Living Inc. was incorporated as "Leisureworld Senior Care Corporation" under the *Business Corporations Act* (Ontario) on February 10, 2010, and 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. Effective May 1, 2015, the Company changed its name to Sienna Senior Living Inc. pursuant to a Notice of Alteration filed with the British Columbia Registry Services on April 23, 2015, as further described below. The Company and its predecessors have been operating since 1972. The Company's business is carried on through a number of wholly-owned limited partnerships formed under the laws of the Province of Ontario.

The Company is listed on the Toronto Stock Exchange (the "**TSX**") under the trading symbol **SIA** (formerly **LW**). As of November 9, 2016, the following securities of the Company were outstanding: 46,056,379 common shares; and $45,083 in aggregate principal amount of convertible unsecured subordinated debentures (TSX symbol: **SIA.DB**, formerly **LW.DB**) which, in the aggregate, are convertible into 2,691,522 common shares (the "**Convertible Debentures**"). The Convertible Debentures have a maturity date of June 30, 2018. The increase in outstanding common shares during 2016 was primarily driven by the issuance of 8,728,500 common shares, which was inclusive of the exercise in full by the underwriters of the over-allotment option, with respect to the Acquisition (as defined in the "Significant Events" section below) on August 2, 2016.

The Company is one of Canada's largest owners of seniors living, serving the full continuum of independent living ("**IL**"), assisted living ("**AL**"), long-term care ("**LTC**") and specialized seniors programs and services through the operation of its 35 LTC homes (representing 5,733 beds), 13 retirement residences ("**RR**") (representing 1,429 suites), six seniors living residences providing both private-pay and funded long-term care ("**Baltic Properties**"), the Company's current 40% interest in Nicola Lodge ("**Nicola Lodge**") (together with the Baltic Properties, representing 1,017 beds), and the Company's current 50% interest in Pacific Seniors Management General Partnership ("**PSM**"), the manager and operator of the Baltic Properties. The Baltic Properties, Nicola Lodge and PSM are referred to collectively in this MD&A as "**Baltic**".

The Company also operates a management services business that provides third-party management services to LTC homes and RR communities in Ontario. The results of the management services business are now reflected under the LTC business division results in this MD&A.

On April 28, 2016, the Company completed the sale of its Preferred Health Care Services (**"PHCS"**), the ancillary home care ("**Home Care**") business of the Company.

The table below presents the properties owned and operated by the Company in Ontario and British Columbia:

NAME OF COMMUNITY	LOCATION	FUNDED	PRIVATE	TOTAL BEDS/ SUITES
Retirement				
Astoria Retirement Residence	Port Coquitlam, BC	—	135	135
Cedarvale Lodge Retirement & Care Community	Keswick, ON	—	130	130
Island Park Retirement Residence	Campbellford, ON	—	85	85
Lincoln Park Retirement Residence	Grimsby, ON	—	70	70
Mayfair Terrace Retirement Residence	Port Coquitlam, BC	—	86	86
Midland Gardens Seniors Apartments	Scarborough, ON	—	53	53
Pacifica Retirement Residence	Surrey, BC	—	130	130
Peninsula Retirement Residence	Surrey, BC	—	127	127
Red Oak Retirement Residence	Kanata, ON	—	158	158
Rideau Retirement Residence	Burnaby, BC	—	138	138
Royale Place Retirement Residence	Kingston, ON	—	136	136
Traditions of Durham Retirement Residence	Oshawa, ON	—	140	140
Trillium Retirement and Care Community	Kingston, ON	—	41	41
Total Retirement		**—**	**1,429**	**1,429**
Baltic				
Brookside Lodge	Surrey, BC	102	14	116
Lake Country Lodge	Lake Country, BC	45	45	90
Lakeview Lodge	West Kelowna, BC	100	14	114
Mariposa Gardens	Osoyoos, BC	114	31	145
Nicola Lodge	Port Coquitlam, BC	238	18	256
Ridgeview Lodge	Kamloops, BC	106	23	129
The Cascades	Chilliwack, BC	140	27	167
Total Baltic		**845**	**172**	**1,017**
Long-Term Care				
Altamont Care Community	West Hill, ON	159	—	159
Barnswallow Place Care Community	Elmira, ON	96	—	96
Bloomington Cove Care Community	Stouffville, ON	112	—	112
Bradford Valley Care Community	Bradford, ON	246	—	246
Camilla Care Community	Mississauga, ON	237	—	237
Case Manor Care Community	Bobcaygeon, ON	96	—	96
Cedarvale Lodge Retirement & Care Community	Keswick, ON	60	—	60
Cheltenham Care Community	Toronto, ON	170	—	170
Creedan Valley Care Community	Creemore, ON	95	—	95
Deerwood Creek Care Community	Etobicoke, ON	160	—	160
Fieldstone Commons Care Community	Scarborough, ON	224	—	224
Fountain View Care Community	Toronto, ON	158	—	158
Fox Ridge Care Community	Brantford, ON	122	—	122
Granite Ridge Care Community	Stittsville, ON	224	—	224
Harmony Hills Care Community	Toronto, ON	160	—	160
Hawthorn Woods Care Community	Brampton, ON	160	—	160
Langstaff Square Care Community	Richmond Hill, ON	160	—	160
Madonna Care Community	Orleans, ON	160	—	160
Maple Grove Care Community	Brampton, ON	160	—	160
Midland Gardens Care Community	Scarborough, ON	299	—	299
Muskoka Shores Care Community	Gravenhurst, ON	206	—	206

NAME OF COMMUNITY	LOCATION	FUNDED	PRIVATE	TOTAL BEDS/ SUITES
Norfinch Care Community	North York, ON	160	—	160
Orillia	Orillia, ON	160	—	160
Owen Hill Care Community	Barrie, ON	57	—	57
Rockcliffe Care Community	Scarborough, ON	204	—	204
Secord Trails Care Community	Ingersoll, ON	80	—	80
Silverthorn Care Community	Mississauga, ON	160	—	160
St. George Care Community	Toronto, ON	238	—	238
Streetsville Care Community	Mississauga, ON	118	—	118
Trillium Retirement and Care Community	Kingston, ON	190	—	190
Tullamore Care Community	Brampton, ON	159	—	159
Waters Edge Care Community	North Bay, ON	148	—	148
Weston Terrace Care Community	Toronto, ON	224	—	224
Woodbridge Vista Care Community	Woodbridge, ON	224	—	224
Woodhall Park Care Community	Brampton, ON	147	—	147
Total Long-Term Care		**5,733**	**—**	**5,733**
Total		**6,578**	**1,601**	**8,179**

Company Strategy & Objectives

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 - coworkers, volunteers, physicians and healthcare providers, suppliers, communities, families, clients, and residents.

Responsibility

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

Growth

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

We are dedicated to helping seniors live fully, every day. Our aim is to consistently improve the resident experience and to 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 our shareholders.

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

Strengthening our Operating Platform:

- Providing a consistent and high-quality resident experience; continuously enhancing our service and program offering
- Building a culture of high-performing, engaged employees and investing in talent management, leadership development, and systems to support our team to deliver on Sienna's brand promise
- Instituting our brand and operating standards across our portfolio
- Investing in our support services and systems including: human resource management, information technology, communications and financial management systems

Progress:

- AL services in all retirement residences are enabling residents to age in place
- Launched programs to improve the culinary and leisure experience in retirement residences
- All publicly reported quality and compliance indicators outperformed the provincial average
- Implemented new payroll system and upgrades to financial management system
- Enhanced employee learning and development with online learning system
- Improved employee collaboration with enhanced intranet functions
- Recipient of the Ontario Long Term Care Association Quality Improvement Innovation of the Year Award

Building our Brand Recognition:

- Developing the Sienna culture and consistently implementing service delivery across the Company to enable all residents and staff to experience our brand promise
- Communicating Sienna's brand strategy and proposition, internally and externally
- Leveraging a digital strategy to reach prospective residents and their families

Progress:

- ○ Rebranded the Company in 2015 to Sienna Senior Living and renamed each residence to align with the local community
- ○ Launched the digital strategy with enhanced online presence and social media
- ○ Customized marketing and community relations plans for each of our communities
- ○ In our 2015 Team Engagement Survey, 92% of team members indicated they are aware of the Sienna vision and mission and support the direction of our Company

Strong Balance Sheet and Liquidity:

- Creating a 10-year debt ladder to reduce refinancing risk and enhance ability to refinance at favourable rates
- Reducing leverage (measured as Debt to Gross Book Value)
- Increasing liquidity to deliver on Sienna's growth objectives
- Maintaining an A (low) rating on the Series B Debentures (as defined in the "Quarterly Financial Information" section below)

Progress:

- ○ A (low) rating on Series B Debentures confirmed by DBRS in annual review completed in Q4 2015
- ○ Completed the sale of PHCS in April 2016
- ○ Raised $138,347 in a public offering of Subscription Receipts (as defined in the "Significant Events" section below), the proceeds of which were used for the BC Acquisition (as defined in the "Significant Events" section below) and for general company purposes
- ○ Increased Interest Coverage Ratio by 0.2x
- ○ Increased year-over-year liquidity by approximately $19,000 and 29%

Growing the Company:

Our growth plan is based on three key components:

Organic Growth:

- Leveraging Sienna's platform for organic growth through occupancy rates, disciplined cost management, and expanding specialized programs across the continuum of seniors living
- Maintaining existing assets with preventative maintenance and ongoing capital improvements

Development:

- Leverage the redevelopment of older LTC homes in key Ontario markets to create seniors living campuses providing retirement IL, AL, memory care ("**MC**") and LTC
- Expanding additional seniors living capacity in existing Sienna residences with excess land

Acquisitions:

- Identifying opportunities to acquire high-quality seniors living assets in key markets in Canada; expanding our presence in private-pay, funded care and specialized programs

Progress:

- ○ Acquired Traditions of Durham, a high-quality RR in Oshawa on December 31, 2015
- ○ Completed the BC Acquisition (see "Significant Events" section below)
- ○ Planning for redevelopment of 2,200 class C LTC beds, subject to approvals and financial feasibility
- ○ Proceeding with retrofit of one older class C home, expected to be completed in 2017
- ○ Strong year-over-year results in Retirement, up 14.4% same property NOI increase
- ○ As at occupancy in Retirement up 2.7% year-over-year
- ○ Overall same property NOI increased by 2.6% year-over-year

Industry Overview

Please refer to the Company's MD&A for the year ended December 31, 2015, as well as the AIF, for a discussion of the Industry Overview.

Business Overview

Please refer to the Company's MD&A for the year ended December 31, 2015, as well as the AIF, for a discussion of the Business Overview.

2016 Outlook

Please refer to the Company's MD&A for the year ended December 31, 2015 for a discussion of the 2016 Outlook. Please also refer to the "Significant Events" section below for recent developments.

Non-IFRS Performance Measures

In this document, we use 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**") and earnings before interest, taxes, depreciation and amortization ("**EBITDA**"). The IFRS measurement most directly related to these measures is cash flow from operations. Please refer to the "Business Performance" section of this MD&A for a reconciliation of cash flow from operations to AFFO.

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

"**FFO**" is defined as NOI plus accretion interest on construction funding receivable and transaction costs, less cash interest, current income taxes, non-controlling interest, gain on Nicola Lodge option and administrative expenses. FFO is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and operate income-producing properties. The Company presents FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds From Operations for IFRS (Source: White Paper on Funds From Operations for IFRS - Revised April 2014). The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results.

"**OFFO**" is FFO adjusted for one-time items such as the tax shield resulting from the redemption premium payment for the previously outstanding Series A Senior Secured Debentures (the "**Series A Debentures**"), tax benefit from one-time items, interest income on Subscription Receipts funds held in escrow and dividend equivalents on Subscription Receipts (see "Significant Events" section below), and presentation of finance charges on a cash interest basis. Management is of the view that OFFO presents a better measure of earnings for the Company.

"**AFFO**" is defined as OFFO plus the principal portion of construction funding received, amounts received for income guarantees and non-cash deferred share unit compensation expenses less maintenance capital expenditures ("**maintenance capex**"). Management believes AFFO is useful in the assessment of the Company's operating performance for valuation purposes, and is also a relevant measure of the ability of the Company to earn cash and pay dividends to shareholders.

"**EBITDA**" is defined as earnings before interest, taxes, depreciation and amortization, construction funding proceeds and non-recurring items.

The above measures should not be construed as alternatives to net income (loss) 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.

Significant Events

Acquisition of a Seniors Living Portfolio in British Columbia

On August 2, 2016, the Company completed the acquisition (the "**BC Acquisition**") of a portfolio of seniors living assets in British Columbia, consisting of: two IL RR communities (the "**IL Properties**") and the Baltic Properties (Baltic Properties together with the IL Properties, the "**Acquired Properties**"); options to acquire up to a 100% interest, with the purchase price for the initial 50% interest at a discount to fair market value, in two additional newly built seniors living assets, Nicola Lodge and Glenmore Lodge (the "**Option Properties**"); and a 50% interest in PSM, the manager and operator of the Baltic Properties.

The aggregate purchase price for the Purchased Assets was $254,900, less $2,075 to be spent at the Company's discretion on capital expenditures for the Acquired Properties (the "**Purchase Price**"), which was financed through a combination of: (i) the assumption of $134,958 in existing mortgages, at a weighted average interest rate of 4.0% and a weighted average term to maturity of 5.9 years; (ii) the private placement of $10,000 of common shares of the Company at the Offering Price (defined below); and (iii) net proceeds of the Company's bought deal public offering of subscription receipts ("**Subscription Receipts**") described below.

On May 6, 2016, the Company completed a bought deal public offering of 8,728,500 Subscription Receipts at a price of $15.85 per Subscription Receipt (the "**Offering Price**"), for total gross proceeds of $138,347, which was inclusive of the exercise in full by the underwriters of the over-allotment option (the "**Offering**").

Each Subscription Receipt represented the right to receive one common share in the capital of the Company, at no additional consideration on the closing of the Acquisition. While the Subscription Receipts remained outstanding, holders thereof were entitled to receive payments per Subscription Receipt equal to the per common share dividends, if any, actually paid or payable to holders of common shares of the Company in respect of all record dates for such dividends occurring from the closing date of the Offering to, but excluding, the last day on which the Subscription Receipts remain outstanding, to be paid to holders of Subscription Receipts concurrently with the payment date of each such dividend on the common shares.

As a result of the completion of the BC Acquisition on August 2, 2016, each outstanding Subscription Receipt was automatically exchanged for one common share of the Company, resulting in the issuance of 8,728,500 common shares in aggregate to the holders of Subscription Receipts.

Acquisition of 40% interest in Nicola Lodge

On September 15, 2016, the Company completed the acquisition of an initial 40% interest in Nicola Lodge, a 256-bed seniors living residence in British Columbia. The 40% interest was purchased for $27,600, which reflects the negotiated discount to fair market value, before closing costs and subject to customary closing adjustments. The purchase price was partially financed through an assumption of the existing property-level mortgage of $18,098 (representing the Company's 40% interest), with a term maturing in August 2041 and bearing interest at a rate of 5.0%. The remainder of the purchase price was paid using the Company's available cash.

Exercise of option to acquire 40% interest in Glenmore Lodge

On September 15, 2016, the Company also exercised its first option to acquire an initial 40% interest in Glenmore Lodge, a 118-bed seniors living residence currently under construction in British Columbia. The operations at Glenmore Lodge are expected to commence in the first quarter of 2017. Sienna expects to complete the acquisition of its initial 40% interest in Glenmore Lodge within 90 days following commencement of operations. The purchase price to be paid by Sienna for its 40% interest will be $12,600, which reflects the negotiated discount to fair market value, before closing costs and subject to customary closing adjustments.

The purchase price is expected to be financed through an assumption of the property-level mortgage of approximately $8,700 (representing Sienna's 40% interest), with an expected term of 15 years and bearing interest at a rate of approximately 4.7%. The remainder of the purchase price is expected to be paid using the Company's available cash.

Key Performance Indicators

Management 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 uses OFFO as an operating and financial performance measure. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **AFFO and AFFO per Share**: These indicators are used by management to help measure the Company’s ability to pay dividends. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.

- **Payout Ratio**: Management monitors the ratio of dividends per share to basic AFFO per share to ensure the Company adheres to its dividend policy, in line with the Company's objectives.
- **Debt Service Coverage Ratio**: This ratio is useful for management to ensure it is in compliance with its financial covenants.
- **Debt to Gross Book Value**: In conjunction with the debt service coverage ratio, management monitors this 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 the then current market parameters.
- **Debt to 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 by debt rating agencies to assess an entity's ability to service its debt obligations.
- **Weighted Average Term to Maturity**: This indicator is used by management to monitor its debt maturities.
- **Same Property Percent Change in NOI**: This measure is similar to "same-store sales" measures used in the retail business and is intended to measure the period over period performance of the same asset base, excluding assets undergoing new development, redevelopment or demolition.

The above key performance indicators used by management to assess the overall financial performance of the Company's operations should not be construed as alternatives to net income (loss) 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 calculating 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 three and nine months ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars, except occupancy, share and ratio data	**2016**	2015	Change	**2016**	2015	Change
OCCUPANCY						
LTC - Average total occupancy	**99.0%**	99.1%	-0.1%	**98.8%**	98.6%	0.2%
LTC - Average private occupancy	**99.9%**	99.9%	—%	**99.9%**	99.7%	0.2%
Retirement - Average occupancy	**93.9%**	90.2%	3.7%	**92.6%**	88.0%	4.6%
Retirement - As at occupancy	**95.0%**	92.3%	2.7%	**95.0%**	92.3%	2.7%
Baltic - Average total occupancy	**98.1%**	n/a	n/a	**98.1%**	n/a	n/a
Baltic - Average private occupancy	**95.8%**	n/a	n/a	**95.8%**	n/a	n/a
FINANCIAL						
NOI [(1)]	**26,406**	22,444	3,962	**70,413**	63,392	7,021
OFFO [(1)]	**15,474**	11,497	3,977	**37,674**	31,554	6,120
AFFO [(1)]	**17,220**	13,256	3,964	**43,875**	37,271	6,604
PER SHARE INFORMATION						
OFFO per share, basic	**0.362**	0.316	0.046	**0.975**	0.867	0.108
OFFO per share, diluted	**0.349**	0.306	0.043	**0.942**	0.843	0.099
AFFO per share, basic	**0.403**	0.364	0.039	**1.136**	1.025	0.111
AFFO per share, diluted	**0.387**	0.351	0.036	**1.092**	0.989	0.103
Dividends per share	**0.225**	0.225	—	**0.675**	0.675	—
Payout ratio (basic AFFO)	**55.8%**	61.8%	(5.4)%	**59.4%**	65.9%	(6.5)%
FINANCIAL RATIOS						
Debt service coverage ratio	**2.1**	2.3	(0.2)	**2.0**	2.1	(0.1)
Debt to gross book value as at period end	**52.2%**	54.7%	(2.5)%	**52.2%**	54.7%	(2.5)%
Weighted average cost of debt as at period end	**3.9%**	3.8%	0.1%	**3.8%**	3.8%	—%
Debt to EBITDA from continuing operations ratio as at period end	**8.4**	7.7	0.7	**8.4**	7.7	0.7
Interest coverage ratio	**3.7**	3.5	0.2	**3.5**	3.3	0.2
Weighted average term to maturity as at period end	**4.7**	4.8	(0.1)	**4.7**	4.8	(0.1)

SAME PROPERTY PERCENT CHANGE IN NOI	Three Months Ended	Nine Months Ended
Long-term Care	-0.8%	1.2%
Retirement	14.4%	15.9%
Baltic	n/a	n/a
Total	2.6%	4.5%

Note:

1. These amounts include the Q3 2016 net operating loss of $18 (2015 - NOI of $569) and NOI for the nine months ended September 30, 2016 of $382 (2015 - $1,499) from the discontinued operations of PHCS.

Quarterly Financial Information

Thousands of dollars, except occupancy and per share data	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
Revenue from continuing operations [1]	**130,418**	**115,226**	**114,232**	**118,380**	114,341	110,890	109,010	113,269
Income from continuing operations before depreciation and amortization, net finance charges, transaction costs and the provision for (recovery of) income taxes [1]	**21,995**	**18,025**	**16,640**	**17,005**	17,397	15,658	15,066	15,616
Net (loss) income from continuing operations [1]	**(364)**	**(642)**	**(101)**	**1,730**	2,915	988	(40)	(432)
Per share basic and diluted [1]	**(0.01)**	**(0.02)**	**0.00**	**0.05**	0.07	0.02	0.00	(0.01)
Net (loss) income from discontinued operations [2]	**(7)**	**(10)**	**305**	**541**	419	402	390	636
Per share basic and diluted [2]	**0.00**	**0.00**	**0.01**	**0.01**	0.01	0.01	0.01	0.02
OFFO - Basic	**15,474**	**11,385**	**10,815**	**11,453**	11,497	10,448	9,609	10,445
Per share	**0.36**	**0.31**	**0.30**	**0.31**	0.32	0.29	0.26	0.29
Per share diluted	**0.35**	**0.30**	**0.29**	**0.30**	0.31	0.28	0.26	0.29
AFFO - Basic	**17,220**	**13,466**	**13,189**	**12,180**	13,256	12,179	11,836	11,204
Per share	**0.40**	**0.37**	**0.36**	**0.33**	0.36	0.34	0.33	0.31
Per share diluted	**0.39**	**0.35**	**0.35**	**0.32**	0.35	0.32	0.32	0.31
Dividends declared	**9,652**	**8,232**	**8,217**	**8,205**	8,196	8,188	8,175	8,164
Per share	**0.23**	**0.23**	**0.23**	**0.23**	0.23	0.23	0.23	0.23
Occupancy								
LTC - Average total occupancy	**99.0%**	**98.8%**	**98.6%**	**98.8%**	99.1%	98.5%	98.1%	98.8%
LTC - Average private occupancy	**99.9%**	**99.9%**	**99.7%**	**99.9%**	99.9%	99.7%	99.0%	99.8%
Retirement - Average occupancy	**93.9%**	**92.3%**	**92.0%**	**93.4%**	90.2%	87.0%	86.9%	85.9%
Retirement - As at occupancy	**95.0%**	**93.5%**	**91.5%**	**93.6%**	92.3%	88.8%	86.8%	86.8%
Baltic - Average total occupancy	**98.1%**	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a
Baltic - Average private occupancy	**95.8%**	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a
Total assets	**1,212,546**	**1,066,969**	**939,477**	**951,469**	912,933	924,919	932,798	946,763
Total debt [3]	**746,570**	**605,344**	**623,513**	**629,068**	593,633	602,960	612,733	616,081

Notes:

1. These amounts exclude the results of PHCS (discontinued operations) and prior period comparative figures have been restated accordingly.
2. Net loss for Q2 2016 excludes the gain on sale of PHCS of $7,719, net of taxes of $2,142.
3. Total debt includes the Convertible Debentures and is net of amounts paid into the principal reserve fund on the Series B Senior Secured Debentures ("**Series B Debentures**").

The Company's quarterly financial results are impacted by various factors including, but not limited to, the timing of acquisitions, seasonality of utility expenses, timing of resident co-payment changes, government funding rate increases in the flow-through envelopes and the timing of revenue recognition to match spending within the flow-through envelopes, and capital market and financing activities.

The Company recorded Ministry of Health and Long-Term Care ("**MOHLTC**") reconciliation adjustments that impacted revenue and NOI during the three and nine months ended September 30, 2016 and the comparative prior year periods. The adjustments relate to the difference between the Company's annual reconciliation filings with the MOHLTC and the MOHLTC's assessments of those filings, primarily for 2012. These adjustments are based on confirmation with the MOHLTC and the Company's best estimate of the probability of payment (recovery) of the outstanding amounts, based on recent information and interpretation of the funding mechanism.

A discussion of the operating results for the three and nine months ended September 30, 2016 compared to the comparative prior year periods is provided below under the section "Operating Results".

Operating Results

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

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2016**	2015	Change	**2016**	2015	Change
Revenue	**130,418**	114,341	16,077	**359,876**	334,241	25,635
Expenses						
Operating	**103,994**	92,466	11,528	**289,845**	272,348	17,497
Administrative	**4,429**	4,477	(48)	**13,371**	13,769	(398)
	108,423	96,943	11,480	**303,216**	286,117	17,099
Income from continuing operations before depreciation and amortization, net finance charges, transaction costs and the provision for (recovery of) income taxes	**21,995**	17,398	4,597	**56,660**	48,124	8,536
Other expenses						
Depreciation and amortization	**11,134**	8,083	3,051	**30,024**	26,498	3,526
Net finance charges	**7,121**	5,360	1,761	**19,571**	15,738	3,833
Transaction costs	**4,172**	34	4,138	**7,373**	304	7,069
Total other expenses	**22,427**	13,477	8,950	**56,968**	42,540	14,428
(Loss) income from continuing operations before the provision for (recovery of) income taxes	**(432)**	3,921	(4,353)	**(308)**	5,584	(5,892)
Provision for (recovery of) income taxes						
Current	**624**	793	(169)	**2,507**	1,175	1,332
Deferred	**(692)**	213	(905)	**(1,708)**	546	(2,254)
	(68)	1,006	(1,074)	**799**	1,721	(922)
Net (loss) income from continuing operations	**(364)**	2,915	(3,279)	**(1,107)**	3,863	(4,970)
Net (loss) income from discontinued operations, net of taxes	**(7)**	419	(426)	**7,999**	1,103	6,896
Net (loss) income	**(371)**	3,334	(3,705)	**6,892**	4,966	1,926
Net (loss) income attributable to:						
Shareholders of the Company	**(445)**	3,334	(3,779)	**6,818**	4,966	1,852
Non-controlling interest	**74**	—	74	**74**	—	74
	(371)	3,334	(3,705)	**6,892**	4,966	1,926
Total assets	**1,212,546**	912,933	299,613	**1,212,546**	912,933	299,613
Total debt (net of principal reserve fund)	**746,570**	593,633	152,937	**746,570**	593,633	152,937

Revenue Breakdown

The following table represents the revenue breakdown for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2016**	2015	Change	**2016**	2015	Change
Long-term Care (1)						
Same property	**106,570**	103,269	3,301	**310,207**	302,725	7,482
Total Long-term Care Revenue	106,570	103,269	3,301	310,207	302,725	7,482
Retirement						
Same property	**12,064**	11,212	852	**35,471**	32,445	3,026
Transaction (2)	**2,967**	—	2,967	**5,662**	—	5,662
Total Retirement Revenue	15,031	11,212	3,819	41,133	32,445	8,688
Baltic						
Transaction (3)	**8,816**	—	8,816	**8,816**	—	8,816
Total Baltic Revenue	8,816	—	8,816	8,816	—	8,816
Home Care (Discontinued Operations)						
Same property	**—**	4,590	(4,590)	**5,278**	13,088	(7,810)
Total Home Care (Discontinued Operations) Revenue	—	4,590	(4,590)	5,278	13,088	(7,810)
Total Revenue						
Same property from continuing operations	**118,634**	114,481	4,153	**345,678**	335,170	10,508
Discontinued operations	—	4,590	(4,590)	**5,278**	13,088	(7,810)
Transaction (2)	**11,783**	—	11,783	**14,478**	—	14,478
MOHLTC reconciliation adjustments	**—**	—	—	**(277)**	(511)	234
Intersegment eliminations	**1**	(140)	141	**(3)**	(418)	415
Total Revenue	130,418	118,931	11,487	365,154	347,329	17,825

Notes:

1. Beginning in Q1 2016, the results for the management services division are reflected under the LTC division and prior period comparative figures have been restated accordingly.
2. The amount represents the combined results of Traditions of Durham ("**Traditions**"), which was acquired on December 31, 2015, and the results of the IL Properties, which were acquired on August 2, 2016. See "Significant Events" section above.
3. The amount represents the combined results from the acquisition of the Baltic Properties, PSM and Nicola Lodge, which were acquired in Q3 2016. See "Significant Events" section above.

Operating Expense Breakdown

The following table represents the operating expense breakdown for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2016**	2015	Change	**2016**	2015	Change
Long-term Care (1)						
Same property	**89,768**	86,330	3,438	**261,582**	254,665	6,917
Total Long-term Care Expenses	**89,768**	86,330	3,438	**261,582**	254,665	6,917
Retirement						
Same property	**6,419**	6,276	143	**18,852**	18,101	751
Transaction (2)	**1,761**	—	1,761	**3,369**	—	3,369
Total Retirement Expenses	**8,180**	6,276	1,904	**22,221**	18,101	4,120
Baltic						
Transaction (3)	**6,045**	—	6,045	**6,045**	—	6,045
Total Baltic Expenses	**6,045**	—	6,045	**6,045**	—	6,045
Home Care (Discontinued Operations)						
Same property	**18**	4,021	(4,003)	**4,896**	11,589	(6,693)
Total Home Care (Discontinued Operations) Expenses	**18**	4,021	(4,003)	**4,896**	11,589	(6,693)
Total Operating Expenses						
Same property from continuing operations	**96,187**	92,606	3,581	**280,434**	272,766	7,668
Discontinued operations	**18**	4,021	(4,003)	**4,896**	11,589	(6,693)
Transaction (2)	**7,806**	—	7,806	**9,414**	—	9,414
Intersegment eliminations	**1**	(140)	141	**(3)**	(418)	415
Total Operating Expenses	**104,012**	96,487	7,525	**294,741**	283,937	10,804

Notes:

1. Beginning in Q1 2016, the results for the management services division are reflected under the LTC division and prior period comparative figures have been restated accordingly.
2. The amount represents the combined results of Traditions, which was acquired on December 31, 2015, and the results of the IL Properties, which were acquired on August 2, 2016. See "Significant Events" section above.
3. The amount represents the combined results from the acquisition of the Baltic Properties, PSM and Nicola Lodge, which were acquired in Q3 2016. See "Significant Events" section above.

Net Operating Income Breakdown

The following table represents the net operating income breakdown for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2016**	2015	Change	**2016**	2015	Change
Long-term Care [1]						
Same property	**16,802**	16,939	(137)	**48,625**	48,060	565
Total Long-term Care NOI	**16,802**	16,939	(137)	**48,625**	48,060	565
Retirement						
Same property	**5,645**	4,936	709	**16,619**	14,344	2,275
Transaction [2]	**1,206**	—	1,206	**2,293**	—	2,293
Total Retirement NOI	**6,851**	4,936	1,915	**18,912**	14,344	4,568
Baltic						
Transaction [3]	**2,771**	—	2,771	**2,771**	—	2,771
Total Baltic NOI	**2,771**	—	2,771	**2,771**	—	2,771
Home Care (Discontinued Operations)						
Same property	**(18)**	569	(587)	**382**	1,499	(1,117)
Total Home Care (Discontinued Operations) NOI	**(18)**	569	(587)	**382**	1,499	(1,117)
Total NOI						
Same property from continuing operations	**22,447**	21,875	572	**65,244**	62,404	2,840
Discontinued operations	**(18)**	569	(587)	**382**	1,499	(1,117)
Transaction [2]	**3,977**	—	3,977	**5,064**	—	5,064
MOHLTC reconciliation adjustments	—	—	—	**(277)**	(511)	234
Total NOI	**26,406**	22,444	3,962	**70,413**	63,392	7,021

Notes:

1. Beginning in Q1 2016, the results for the management services division are reflected under the LTC division and prior period comparative figures have been restated accordingly.
2. The amount represents the combined results of Traditions, which was acquired on December 31, 2015, and the results of the IL Properties, which were acquired on August 2, 2016. See "Significant Events" section above.
3. The amount represents the combined results from the acquisition of the Baltic Properties, PSM and Nicola Lodge, which were acquired in Q3 2016. See "Significant Events" section above.

For the Quarter

Revenue

Same property revenues from continuing operations for Q3 2016 increased by $4,153 to $118,634, compared to Q3 2015. LTC revenues increased by $3,301 to $106,570, compared to Q3 2015, primarily attributable to funding changes in the flow-through envelopes, along with higher preferred accommodation rates and other accommodation revenues. RR same property revenues for Q3 2016 increased by $852 to $12,064, compared to Q3 2015, primarily attributable to increases in occupancy and year-over-year rent increases.

The acquisitions of Traditions in Q4 2015 and the IL Properties in Q3 2016 contributed to incremental revenues of $2,967 over Q3 2015. Baltic contributed $8,816 of revenue for Q3 2016 (2015 - $nil).

Operating Expenses

Same property operating expenses from continuing operations for Q3 2016 increased by $3,581 to $96,187, compared to Q3 2015. LTC operating expenses increased by $3,438 to $89,768, compared to Q3 2015, which was primarily attributable to higher flow-through envelope expenses. RR same property operating expenses for Q3 2016 increased by $143 to $6,419, compared to Q3 2015. The increase was primarily attributable to higher variable expenses resulting from gains in occupancy.

The acquisitions of Traditions in Q4 2015 and the IL Properties in Q3 2016 resulted in incremental operating expenses of $1,761 over Q3 2015. Baltic contributed $6,045 of operating expenses for Q3 2016 (2015 - $nil).

NOI

Same property NOI from continuing operations for Q3 2016 increased by $572 to $22,447, compared to Q3 2015. LTC's NOI remained relatively stable at $16,802 for Q3 2016 compared to Q3 2015. RR's same property NOI for Q3 2016 increased by $709 to $5,645, compared to Q3 2015.

The increase was primarily attributable to increases in occupancy. The acquisitions of Traditions in Q4 2015 and the IL Properties in Q3 2016 contributed $1,206 to NOI over Q3 2015. Baltic contributed $2,771 to NOI for Q3 2016 (2015 - $nil).

Due to the seasonality of certain operating expenses and occupancy activities, trends which may appear in operating margins may be merely coincidental, and readers should not rely on net operating margin calculations herein.

Administrative Expenses

Administrative expenses for Q3 2016 of $4,429 were substantially flat compared to $4,477 in Q3 2015.

Depreciation and Amortization

Depreciation and amortization for Q3 2016 increased by $3,051 to $11,134 compared to Q3 2015. The increase was primarily attributable to the acquisitions of Traditions in Q4 2015 and the Acquired Properties and Nicola Lodge in Q3 2016, higher depreciation on building assets and higher amortization on intangible assets.

Net Finance Charges

Net finance charges from continuing operations for Q3 2016 increased by $1,761 to $7,121 compared to Q3 2015. The increase was primarily attributable to dividend equivalents on the Subscription Receipts (net of interest income on funds held in escrow from issuance of Subscription Receipts) and incremental mortgage interest expense from Traditions, the Acquired Properties and Nicola Lodge.

Transaction Costs

Transaction costs for the three months ended September 30, 2016 were $4,172 compared to $34 in the comparative prior year period. The increase of $4,138 was primarily attributable to higher transactional activity, as described in the "Significant Events" section above.

Income Taxes

Income tax expense from continuing operations for Q3 2016 decreased by $1,074 to a recovery of $68 compared to Q3 2015. The current income tax expense from continuing operations was $624 for Q3 2016, compared to $793 in Q3 2015. The decrease in the current income tax expense over Q3 2015 was primarily attributable to incremental mortgage interest expense on the Acquired Properties, Traditions and Nicola Lodge, partially offset by the non-deductible dividend equivalent payments on the Subscription Receipts, and tax depreciation in excess of the transaction costs not currently deductible.

The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.46% (2015 - 26.49%). The deferred income tax recovery for continuing operations of $692 in Q3 2016 represents a decrease in income tax expense of $905 over the comparable prior year period, primarily as a result of deferred tax items associated with the Acquired Properties and Nicola Lodge.

For the Year to Date

Revenue

Same property revenues from continuing operations for the nine months ended September 30, 2016 increased by $10,508 to $345,678 compared to the comparative prior year period. LTC revenues increased by $7,482 to $310,207, primarily attributable to funding changes in the flow-through envelopes, along with higher preferred accommodation rates and other accommodation revenues. RR same property revenues for the nine months ended September 30, 2016 increased by $3,026 to $35,471, compared to the comparative prior year period, primarily attributable to increases in occupancy and year-over-year rent increases.

The acquisitions of Traditions in Q4 2015 and the IL Properties in Q3 2016 contributed to incremental revenues of $5,662 over the comparative prior year period. Baltic contributed $8,816 of revenue for the nine months ended September 30, 2016 (2015 - $nil).

Operating Expenses

Same property operating expenses from continuing operations for the nine months ended September 30, 2016 increased by $7,668 to $280,434, compared to the comparative prior year period. LTC operating expenses increased by $6,917 to $261,582, compared to the comparable prior year period, primarily attributable to higher flow-through envelope expenses. RR same property operating expenses for the nine months ended September 30, 2016 increased by $751 to $18,852 compared to the comparative prior year period, primarily attributable to higher variable expenses resulting from gains in occupancy.

The acquisitions of Traditions in Q4 2015 and the IL Properties in Q3 2016 resulted in incremental operating expenses of $3,369 over the comparable prior year period. Baltic recorded $6,045 of operating expenses for the nine months ended September 30, 2016 (2015 - $nil).

NOI

Same property NOI from continuing operations of $65,244 for the nine months ended September 30, 2016 represented an increase of $2,840 over the comparative prior year period. LTC's NOI increased by $565 to $48,625 for the nine months ended September 30, 2016, compared to the comparative prior year period, primarily attributable to increased preferred accommodation rates and disciplined cost management.

RR's same property NOI increased by $2,275 to $16,619 compared to the comparative prior year period, primarily due to increases in occupancy. The acquisitions of Traditions in Q4 2015 and the IL Properties in Q3 2016 contributed to incremental NOI of $2,293 over the comparative prior year period. Baltic contributed $2,771 of NOI for the nine months ended September 30, 2016 (2015 - $nil).

Due to the seasonality of certain operating expenses and occupancy activities, trends which may appear in operating margins may be merely coincidental, and readers should not rely on net operating margin calculations herein.

Administrative Expenses

Administrative expenses for the nine months ended September 30, 2016 decreased by $398 to $13,371 compared to the comparative prior year period. The decrease was primarily due to one-time rebranding costs which were incurred in the comparative prior year period but not in the nine months ended September 30, 2016.

Depreciation and Amortization

Depreciation and amortization for the nine months ended September 30, 2016 increased by $3,526 to $30,024 compared to the comparative prior year period. The increase was primarily attributable to the acquisitions of Traditions in Q4 2015 and the Acquired Properties and Nicola Lodge in Q3 2016, higher depreciation on building assets and higher amortization on intangible assets.

Net Finance Charges

Net finance charges from continuing operations for the nine months ended September 30, 2016 were $19,571, compared to $15,738 for the comparative prior year period. The increase of $3,833 was primarily attributable to incremental mortgage interest expense from Traditions, the Acquired Properties and Nicola Lodge and dividend equivalents on the Subscription Receipts (net of interest income on funds held in escrow from issuance of Subscription Receipts).

Transaction Costs

Transaction costs for the nine months ended September 30, 2016 were $7,373 compared to $304 in the comparative prior year period. The increase of $7,069 was primarily attributable to higher transactional activity, as described in the "Significant Events" section above.

Income Taxes

The income tax expense from continuing operations for the nine months ended September 30, 2016 was $799, compared to $1,721 in the comparative prior year period. The current income tax expense from continuing operations was $2,507 compared to $1,175 for the nine months ended September 30, 2015. The increase of $1,332 compared to the comparative prior year period was primarily temporary differences not currently deductible (net of tax depreciation and capital loss claimed), non-deductible dividend equivalent payments, and prior period's tax shield related to the debenture refinancing, which was not available during the nine months ended September 30, 2016.

The current income taxes have been calculated at the weighted average combined corporate tax rate of 26.46% (2015 - 26.49%). The deferred income tax recovery from continuing operations of $1,708 represents a decrease in deferred income tax expense of $2,254 over the comparative prior year period, primarily as a result of benefitting from the deferred tax items associated with the Acquired Properties and Nicola Lodge, offset by book to filing adjustments.

Business Performance

Adjusted Funds from Operations

The following table represents the reconciliation of net income to FFO, OFFO and AFFO for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars, except share and per share data	**2016**	2015	Change	**2016**	2015	Change
Net income from continuing operations	**(364)**	2,915	(3,279)	**(1,107)**	3,863	(4,970)
Deferred income tax expense (recovery)	**(692)**	213	(905)	**(1,708)**	546	(2,254)
Depreciation and amortization	**10,790**	8,041	2,749	**29,343**	26,402	2,941
Transaction costs	**4,172**	34	4,138	**7,373**	304	7,069
Net settlement payment on interest rate swap contracts	**57**	84	(27)	**187**	247	(60)
Net (loss) income from discontinued operations, net of taxes[1], depreciation and net finance income	**(14)**	420	(434)	**288**	1,106	(818)
Gain on Nicola Lodge option (net of taxes)	**(188)**	—	(188)	**(188)**	—	(188)
Non-controlling interest	**(74)**	—	(74)	**(74)**	—	(74)
Loss (gain) on interest rate swap contracts	**512**	154	358	**865**	(116)	981
Funds from operations (FFO)	**14,199**	11,861	2,338	**34,979**	32,352	2,627
Depreciation and amortization - corporate	**344**	42	302	**681**	97	584
Net accretion of fair value increment on long-term debt	**(160)**	(153)	(7)	**(495)**	(473)	(22)
Amortization of deferred financing charges	**321**	323	(2)	**909**	916	(7)
Amortization of loss on bond forward contract	**215**	208	7	**635**	611	24
Dividend equivalents on subscription receipts	**655**	—	655	**1,964**	—	1,964
Interest income on subscription receipts funds held in escrow	**(43)**	—	(43)	**(155)**	—	(155)
Net settlement payment on interest rate swap contracts	**(57)**	(84)	27	**(187)**	(247)	60
Tax benefit from capital loss carryforwards	**—**	—	—	**(861)**	—	(861)
Tax shield due to redemption premium on Series A Debentures	**—**	(700)	700	**—**	(2,078)	2,078
MOHLTC reconciliation adjustment, net of taxes	**—**	—	—	**204**	376	(172)
Operating funds from operations (OFFO)	**15,474**	11,497	3,977	**37,674**	31,554	6,120
Deferred share unit compensation earned	**383**	410	(27)	**964**	895	69
Income support	**59**	—	59	**198**	27	171
Construction funding principal	**2,371**	2,285	86	**7,223**	6,939	284
Maintenance capex	**(1,067)**	(936)	(131)	**(2,184)**	(2,144)	(40)
Adjusted funds from operations (AFFO)	**17,220**	13,256	3,964	**43,875**	37,271	6,604
Adjusted funds from operations (AFFO)	**17,220**	13,256	3,964	**43,875**	37,271	6,604
Dividends declared	**(9,652)**	(8,196)	(1,456)	**(26,101)**	(24,559)	(1,542)
Operating cash flow retained	**7,568**	5,060	2,508	**17,774**	12,712	5,062
Basic FFO per share	**0.332**	0.326	0.006	**0.906**	0.889	0.017
Basic OFFO per share	**0.362**	0.316	0.046	**0.975**	0.867	0.108
Basic AFFO per share	**0.403**	0.364	0.039	**1.136**	1.025	0.111
Weighted average common shares outstanding - Basic	**42,755,089**	36,421,923		**38,628,264**	36,377,284	
Diluted FFO per share	**0.321**	0.315	0.006	**0.877**	0.864	0.013
Diluted OFFO per share	**0.349**	0.306	0.043	**0.942**	0.843	0.099
Diluted AFFO per share	**0.387**	0.351	0.036	**1.092**	0.989	0.103
Weighted average common shares outstanding - Diluted	**45,495,827**	39,168,192		**41,357,082**	39,123,553	

Note:

1. Three months ended September 30, 2016 - current income tax recovery of $4 (2015 - current income taxes of $97).
   Nine months ended September 30, 2016 - current income taxes of $97 (2015 - $396).

Reconciliation of diluted FFO, OFFO and AFFO

	Three Months Ended			Nine Months Ended		
Thousands of Dollars	**2016**	2015	Change	**2016**	2015	Change
FFO, Basic	**14,199**	11,861	2,338	**34,979**	32,352	2,627
Net financing charges on convertible debt	**551**	660	(109)	**1,756**	1,958	(202)
Current income tax expense adjustment	**(146)**	(175)	29	**(465)**	(519)	54
FFO, Diluted	**14,604**	12,346	2,258	**36,270**	33,791	2,479
OFFO, Basic	**15,474**	11,497	3,977	**37,674**	31,554	6,120
FFO dilutive adjustment, net	**405**	485	(80)	**1,291**	1,439	(148)
OFFO, Diluted	**15,879**	11,982	3,897	**38,965**	32,993	5,972
AFFO, Basic	**17,220**	13,256	3,964	**43,875**	37,271	6,604
OFFO dilutive adjustment, net	**405**	485	(80)	**1,291**	1,439	(148)
AFFO, Diluted	**17,625**	13,741	3,884	**45,166**	38,710	6,456

For the Quarter

FFO

FFO increased by $2,338 to $14,199, compared to Q3 2015. The increase was primarily attributable to improved NOI contribution from same properties, Traditions, the Acquired Properties and Nicola Lodge, and lower current income tax expense (see "Income Taxes" discussion in the "Operating Results section above), partially offset by incremental mortgage interest expense from Traditions, the Acquired Properties and Nicola Lodge, and dividend equivalents on Subscription Receipts.

OFFO

OFFO increased by $3,977 to $15,474, compared to Q3 2015. The increase was primarily related to the increase in FFO noted above, excluding the impact of dividend equivalent payments on Subscription Receipts.

AFFO

AFFO increased by $3,964 to $17,220, compared to Q3 2015. The increase was principally related to the increase in OFFO noted above.

For the Year to Date

FFO

FFO for the nine months ended September 30, 2016 increased by $2,627 to $34,979 compared to the comparative prior year period. The increase was primarily attributable to improved NOI contribution from same properties, Traditions, the Acquired Properties and Nicola Lodge, and lower administrative expenses, partially offset by dividend equivalents on Subscription Receipts, net of interest income on funds received from Subscriptions Receipts held in escrow, incremental mortgage interest expense from Traditions, the Acquired Properties and Nicola Lodge, and an increase in the current income tax expense (see "Income Taxes" discussion in the "Operating Results section above).

OFFO

OFFO for the nine months ended September 30, 2016 increased by $6,120 to $37,674 compared to the comparative prior year period. The increase was primarily attributable to the increase in NOI, partially offset by a higher current income tax expense before the tax benefit from capital loss carryforwards and incremental mortgage interest expense from Traditions, the Acquired Properties and Nicola Lodge.

AFFO

AFFO for the nine months ended September 30, 2016 increased by $6,604 to $43,875 compared to the comparative prior year period. The increase was primarily attributable to the increase in OFFO as noted above.

Reconciliation of Cash from Operations to Adjusted Funds from Operations

The following table represents the reconciliation of cash provided by operations to AFFO for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2016**	2015	Change	**2016**	2015	Change
Cash provided by operating activities	**5,348**	11,874	(6,526)	**27,380**	32,543	(5,163)
Gain on Nicola Lodge option (net of taxes)	**(188)**	—	(188)	**(188)**	—	(188)
Non-controlling interest	**(74)**	—	(74)	**(74)**	—	(74)
Construction funding principal	**2,371**	2,285	86	**7,223**	6,939	284
Transaction costs	**4,172**	34	4,138	**7,373**	304	7,069
Income support adjustment	**—**	—	—	**—**	(201)	201
MOHLTC reconciliation adjustment, net of taxes	**—**	—	—	**204**	376	(172)
Maintenance capex	**(1,067)**	(936)	(131)	**(2,184)**	(2,144)	(40)
Net change in working capital, interest and taxes	**6,717**	772	5,945	**4,365**	1,762	2,603
Tax shield due to redemption premium on Series A Debentures	**—**	(700)	700	**—**	(2,078)	2,078
Restricted share units and long-term incentive plan expense	**(59)**	(73)	14	**(224)**	(230)	6
Adjusted funds from operations (AFFO)	**17,220**	13,256	3,964	**43,875**	37,271	6,604
Adjusted funds from operations (AFFO)	**17,220**	13,256	3,964	**43,875**	37,271	6,604
Dividends declared	**(9,652)**	(8,196)	(1,456)	**(26,101)**	(24,559)	(1,542)
Operating cash flow retained	**7,568**	5,060	2,508	**17,774**	12,712	5,062
Dividend reinvestment	**673**	624	49	**2,025**	1,784	241
Cash retained after dividend reinvestment	**8,241**	5,684	2,557	**19,799**	14,496	5,303

Operating cash flow retained is equal to AFFO less dividends declared. Operating cash flow retained for the three and nine months ended September 30, 2016 was $7,568 (2015 - $5,060) and $17,774 (2015 - $12,712), respectively.

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.

Liquidity and Capital Resources

Financial Position Analysis

The following table represents the summary of cash flows for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2016**	2015	Change	**2016**	2015	Change
Cash flow from operations before non-cash working capital items	**18,258**	18,267	(9)	**58,474**	50,049	8,425
Non-cash changes in working capital	**(3,110)**	5	(3,115)	**3,567**	1,129	2,438
Interest and taxes paid, swap settlement, and discontinued operations	**(9,789)**	(6,288)	(3,501)	**(26,479)**	(18,452)	(8,027)
Cash flow (used in) provided by discontinued operations	**(11)**	(110)	99	**(8,182)**	(183)	(7,999)
Cash provided by (used in):						
Operating activities	**5,348**	11,874	(6,526)	**27,380**	32,543	(5,163)
Investing activities	**(114,050)**	(334)	(113,716)	**(103,049)**	(330)	(102,719)
Financing activities	**114,353**	(15,569)	129,922	**78,034**	(41,283)	119,317
Increase (decrease) in cash	**5,651**	(4,029)	9,680	**2,365**	(9,070)	11,435
Cash	**28,710**	19,963	8,747	**28,710**	19,963	8,747

For the Quarter

Operating Activities

For Q3 2016, operating activities provided $5,348 in cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes totaled $18,258.
- Decrease in prepaid expenses and deposits provided $4,104.
- Partially offset by interest paid on long-term debt of $8,732, decrease in accounts payable and accrued liabilities of $5,389, increase in accounts receivable and other assets of $388, change in net government funding balances of $1,496, and incomes taxes paid of $1,000.

For Q3 2015, operating activities provided $11,874 in cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes totaled $18,267.
- Increase in accounts payable and accrued liabilities provided $828, primarily related to the timing of wage and benefit accruals.
- Decrease in prepaid expenses and deposits of $548.
- Income tax refund received of $1,807.
- Partially offset by interest paid on long-term debt of $8,011, change in net government funding balances of $513, and increase in accounts receivable and other assets of $858.

Investing Activities

Investing activities for Q3 2016 used $114,050 in cash, which was primarily attributable to the following:

- Cash used in the BC Acquisition of $103,634 and the acquisition of Nicola Lodge of $9,496.
- Increase in restricted cash of $2,420, primarily for the contributions to the Series B Debentures principal reserve fund in the amount of $1,590.
- Purchase of equipment of $1,320 and intangible assets of $513.
- Partially offset by construction funding received in the amount of $3,270.

For Q3 2015, investing activities used $334 in cash, which was primarily attributable to the following:

- Increase in restricted cash of $1,563, primarily for the contributions to the Series B Debentures principal reserve fund in the amount of $1,514.
- Purchase of equipment of $1,532 and intangible assets of $557.
- Partially offset by construction funding received in the amount of $3,270.

Financing Activities

Financing activities in Q3 2016 provided $114,353 in cash, which was primarily attributable to the following:

- Proceeds from issuance of common shares and Subscription Receipts of $137,942.
- Partially offset by repayment of long-term debt of $13,559, relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities, dividend equivalent payments on Subscription Receipts of $1,309 and dividends paid in the quarter of $8,273.

For Q3 2015, financing activities used $15,569 in cash, which was primarily attributable to the following:

- Dividends paid in the quarter of $7,569.
- Repayment of long-term debt of $7,887 relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities.

For the Year to Date

Operating Activities

For the nine months ended September 30, 2016, operating activities provided $27,380 in cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes totaled $58,474.
- Change in net government funding balances provided $2,793.
- Decrease in prepaid expenses and deposits provided $2,684.
- Partially offset by decrease in accounts payable and accrued liabilities of $4,001, interest paid on long-term debt of $21,892, use of cash in discontinued operations of $8,182 and incomes taxes paid of $4,400.

For the nine months ended September 30, 2015, operating activities provided $32,543 in cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes totaled $50,049.
- Income tax refund received of $1,807.
- Change in net government funding balances provided $6,282 of cash due to timing of receipts.
- Partially offset by interest paid on long-term debt of $20,012, increase in accounts receivable and other assets of $1,427, increase in prepaid expenses and deposits of $1,624 and decrease in accounts payable and accrued liabilities of $2,330.

Investing Activities

Investing activities for the nine months ended September 30, 2016 used $103,049 in cash, which was primarily attributable to the following:

- Cash used in the BC Acquisition of $110,007 and in the acquisition of Nicola Lodge of $9,496.
- Increase in restricted cash of $5,695.
- Cash used in purchase of equipment of $2,587 and intangible assets of $1,675.
- Partially offset by funding received in the amount of $9,810 and cash provided by discontinued operations of $16,409.

For the nine months ended September 30, 2015, investing activities used $330 in cash, which was primarily attributable to the following:

- Increase in restricted cash of $5,279.
- Purchase of equipment of $3,547 and intangible assets of $1,424.
- Partially offset by construction funding received in the amount of $9,810.

Financing Activities

Financing activities in the nine months ended September 30, 2016 provided $78,034 in cash, which was primarily attributable to the following:

- Proceeds from issuance of common shares and Subscription Receipts of $137,483.
- Partially offset by repayment of long-term debt of $33,756 relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities, dividends paid of $23,359, and dividend equivalent payments on Subscription Receipts of $1,964.

For the nine months ended September 30, 2015, financing activities used $41,283 in cash, which was primarily attributable to the following:

- Dividends paid of $22,760.
- Repayment of long-term debt of $18,129 relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities.

Capital Resources

The Company's total debt as at September 30, 2016 was $746,570 (December 31, 2015 - $629,068), net of the Series B Debentures principal reserve fund of $15,521 (December 31, 2015 - $10,725). The increase of $117,502 was primarily related to mortgage liabilities assumed from the acquisition of the BC portfolio, partially offset by monthly payments to the Series B Debentures' principal reserve fund, payments toward mortgage liabilities and voluntary repayments on the Company's credit facilities. The Company has credit facilities totaling $101,000. As at September 30, 2016, the Company had drawn $42,500 from these facilities, leaving $58,500 available to be drawn.

As at September 30, 2016, the Company had a working capital deficiency of $139,233 arising primarily from the current portion of long-term debt of $121,374, relating to the portion of mortgage liabilities and credit facilities due within a twelve-month period. To support the Company's working capital deficiency, the Company plans to use its operating cash flows and, if necessary, undrawn credit facilities, which management believes will be sufficient to address this capital deficiency. The Company intends to refinance its long-term debt at market terms and conditions.

Liquidity and Capital Commitments

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 2016, 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.

Capital Commitments

The Company monitors all of its properties for capital requirements. As part of the monitoring exercise, items are assessed and prioritized based on the urgency and necessity of the expenditure.

Debt Strategy

Management's objectives are to access and maintain the lowest cost of debt with the most flexible terms available. The Company's debt strategy involves the use of four types of debt: secured debentures, conventional property-specific secured mortgages, bank credit facilities and the Convertible Debentures.

Management'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. This is a multi-year strategy which will take considerable time to execute. In fiscal 2016 and beyond, the Company plans to capitalize on external growth opportunities and refinance mortgages to build the 10-year debt maturity ladder around the Series B Debentures so as to reduce risk when this debenture matures.

The Company has adopted interest coverage guidelines which are consistent with the coverage covenants contained in its bank credit facility agreements. Interest coverage ratios provide an indication of the ability to service or pay interest charges relating to the underlying debt. Some interest coverage ratios, as defined in certain debt instruments, may be defined differently and there may be unique calculations depending on the lender.

Interest Coverage Ratio

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 September 30:

	Three Months Ended		Nine Months Ended	
Thousands of dollars, except ratio	**2016**	2015	**2016**	2015
Net finance charges from continuing operations	**7,121**	5,360	**19,571**	15,738
Add (deduct):				
Net accretion of fair value adjustments on long-term debt	**160**	153	**495**	473
Amortization of deferred financing charges	**(321)**	(323)	**(909)**	(916)
Amortization of loss on bond forward contracts	**(215)**	(208)	**(635)**	(611)
Dividend equivalents on subscription receipts	**(655)**	—	**(1,964)**	—
Interest income on construction funding receivable	**899**	985	**2,586**	2,871
Interest income on subscription receipts funds held in escrow	**43**	—	**155**	—
Other interest income	**319**	47	**451**	106
(Loss) gain on interest rate swap contracts	**(512)**	(154)	**(865)**	116
Net finance charges, adjusted	**6,839**	5,860	**18,885**	17,777
EBITDA from continuing operations	**25,265**	20,668	**66,747**	58,445
Interest coverage ratio	**3.7**	3.5	**3.5**	3.3

The following table represents the reconciliation of net (loss) income to EBITDA for the periods ended September 30:

	Three Months Ended		Nine Months Ended	
Thousands of dollars	**2016**	2015	**2016**	2015
Net (loss) income from continuing operations	**(364)**	2,915	**(1,107)**	3,863
Net finance charges	**7,121**	5,360	**19,571**	15,738
(Recovery of) provision for income taxes from continuing operations	**(68)**	1,006	**799**	1,721
Depreciation and amortization	**11,134**	8,083	**30,024**	26,498
Transaction costs	**4,172**	34	**7,373**	304
MOHLTC reconciliation adjustments	**—**	—	**277**	511
Proceeds from construction funding	**3,270**	3,270	**9,810**	9,810
EBITDA from continuing operations	**25,265**	20,668	**66,747**	58,445

Debt Service Coverage Ratio

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 takes into consideration the payments into the Series B Debentures principal reserve fund as part of the debt service costs. EBITDA adjusted, as referenced below, is presented in accordance with defined terms in certain covenant calculations. The following is the calculation for the periods ended September 30:

Thousands of dollars, except ratio	Three Months Ended 2016	2015	Nine Months Ended 2016	2015
Net finance charges from continuing operations	**7,121**	5,360	**19,571**	15,738
Add (deduct):				
Net accretion of fair value adjustments on long-term debt	**160**	153	**495**	473
Amortization of deferred financing charges	**(321)**	(323)	**(909)**	(916)
Amortization of loss on bond forward contracts	**(215)**	(208)	**(635)**	(611)
Dividend equivalents on subscription receipts	**(655)**	—	**(1,964)**	—
Interest income on construction funding receivable	**899**	985	**2,586**	2,871
Interest income on subscription receipts funds held in escrow	**43**	—	**155**	—
Other interest income	**319**	47	**451**	106
(Loss) gain on interest rate swap contracts	**(512)**	(154)	**(865)**	116
Net finance charges, adjusted	**6,839**	5,860	**18,885**	17,777
Principal repayments [(1)]	**2,559**	1,887	**6,756**	5,629
Principal reserve fund	**1,590**	1,514	**4,726**	4,454
Total debt service	**10,988**	9,261	**30,367**	27,860
EBITDA from continuing operations	**25,265**	20,668	**66,747**	58,445
Deduct:				
Maintenance capex	**(1,067)**	(936)	**(2,184)**	(2,144)
Cash income taxes	**(1,000)**	1,807	**(4,400)**	1,807
EBITDA from continuing operations, adjusted	**23,198**	21,539	**60,163**	58,108
Debt service coverage ratio	**2.1**	2.3	**2.0**	2.1

Note:

1. During the three and nine months ended September 30, 2016, the Company made voluntary payments of $11,000 (2015 - $6,000) and $27,000 (2015 - $12,500), respectively, toward its credit facilities, which have been excluded from the debt service coverage ratio calculation.

Debt to EBITDA Ratio

Debt to EBITDA ratio is an indicator of the approximate number of years required for current cash flows to repay all indebtedness.

Thousands of dollars, except ratio	September 30 2016	2015
Total indebtedness		
Series B Debentures	**322,000**	322,000
Series B Debentures - Principal reserve fund	**(15,521)**	(9,205)
Credit facilities	**42,500**	53,500
Mortgages	**352,440**	185,507
Convertible debentures	**45,083**	46,000
	746,502	597,802
EBITDA from continuing operations (quarterly annualized)	**88,996**	77,927
Debt to EBITDA from continuing operations	**8.4**	7.7

Debt Profile

The debt profile is presented to depict the weighted average interest rates based on the nature of the underlying debt instrument classification between fixed and floating rate.

	Weighted Average Debt							
	Three Months Ended				Nine Months Ended			
	2016	**Rate (%)**	2015	Rate (%)	**2016**	**Rate (%)**	2015	Rate (%)
Fixed Rate								
Debentures	**322,000**	**3.47%**	322,000	3.47%	**322,000**	**3.47%**	322,000	3.47%
Mortgages	**352,971**	**4.26%**	186,305	4.56%	**355,299**	**4.26%**	188,170	4.56%
Convertible Debentures	**45,279**	**4.65%**	46,000	4.65%	**45,708**	**4.65%**	46,000	4.65%
Total Fixed	**720,250**	**3.94%**	554,305	3.94%	**723,007**	**3.89%**	556,170	3.94%
Floating Rate								
Credit facilities	**46,804**	**2.68%**	55,652	2.61%	**57,887**	**2.68%**	60,998	2.81%
Mortgages	**128**	**4.00%**	—	—%	**128**	**4.00%**	—	—%
Total Floating	**46,932**	**2.68%**	55,652	2.61%	**58,015**	**2.68%**	60,998	2.81%
Total Debt	**767,182**	**3.86%**	609,957	3.82%	**781,022**	**3.84%**	617,168	3.83%

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.

	September 30	
Thousands of dollars, except ratio	**2016**	2015
Total indebtedness		
Series B Debentures	**322,000**	322,000
Series B Debentures - Principal reserve fund	**(15,521)**	(9,205)
Credit facilities	**42,500**	53,500
Mortgages	**352,440**	185,507
Convertible Debentures	**45,083**	46,000
	746,502	597,802
Total assets	**1,212,546**	912,933
Accumulated depreciation on property and equipment	**139,161**	112,267
Accumulated amortization on intangible assets	**77,935**	66,718
Gross book value	**1,429,642**	1,091,918
Debt to Gross Book Value	**52.2%**	54.7%

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, pursuant to 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, 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 factors such as the Company's needs and the market and economic conditions at the time of the transaction.

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

As at September 30, 2016, the Company had $58,500 available to be drawn from its credit facilities.

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 period.

Contractual Obligations and Other Commitments

Long-term Debt

Year	Series B Debentures	Floating Rate Debt	Convertible Debentures	Amortizing Debt Regular Principal Payments	Amortizing Debt Principal Due at Maturity	**Total**	% of Total	Weighted Average Interest on Maturing Debt
2016	—	—	—	3,546	10,015	**13,561**	1.8%	4.2%
2017	—	42,500	—	12,424	65,192	**120,116**	15.8%	3.9%
2018	—	—	45,083	11,424	25,430	**81,937**	10.7%	5.0%
2019	—	—	—	9,684	65,142	**74,826**	9.8%	4.5%
2020	—	—	—	6,059	19,992	**26,051**	3.4%	3.5%
2021	322,000	—	—	6,178	—	**328,178**	43.1%	3.5%
2022	—	—	—	6,123	4,003	**10,126**	1.3%	3.3%
2023	—	—	—	5,563	25,732	**31,295**	4.1%	3.1%
2024	—	—	—	5,011	20,617	**25,628**	3.4%	4.2%
2025	—	—	—	3,669	—	**3,669**	0.5%	—%
Thereafter	—	—	—	21,582	25,054	**46,636**	6.1%	4.3%
	322,000	**42,500**	**45,083**	**91,263**	**261,177**	**762,023**	100.0%	
Mark-to-market adjustment arising from acquisition						**4,827**		
Less: Deferred financing costs						**(3,905)**		
Less: Deferred financing costs on convertible debentures						**(706)**		
Less: Equity component of convertible debentures						**(148)**		
						762,091		

Convertible Debentures

The Company has Convertible Debentures outstanding with an aggregate principal amount of $45,083, convertible at $16.75 per common share. The Convertible Debentures have a maturity date of June 30, 2018 and bear interest at 4.65% per annum, which is payable semi-annually in June and December.

Operating Leases

The Company has a 10-year operating lease with respect to its Markham, Ontario office, which expires on October 31, 2024. The lease includes the assignment of the Company's obligation under its office lease in Vaughan, Ontario which expires in August 2019. As well, there are various operating leases for office and other equipment that expire over the next five years and thereafter.

Related Party Transactions

As at September 30, 2016, the Company has amounts outstanding from certain key management of $1,038 (December 31, 2015 - $877) in relation to the long-term incentive plan issuance and share purchase loans, which have been recorded as a reduction to shareholders' equity. The loans bear interest at the prime rate and are due on demand. The underlying common shares have been pledged as security against the respective loans.

As at September 30, 2016, the Company also has amounts outstanding from certain key management of $113 (December 31, 2015 - $nil) in relation to the purchase of the Subscription Receipts. The loans have a term of one year and bear an interest rate of 3%. The common shares received upon the exchange of Subscription Receipts on August 2, 2016 are pledged as security against the respective loans.

Key Performance Drivers

Please refer to the Company's MD&A for the year ended December 31, 2015 for a discussion of certain factors that drive the performance of the Company.

Critical Accounting Estimates and Accounting Policies

The critical accounting estimates used by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2015. Please refer to those consolidated financial statements for further details.

In preparing the unaudited condensed interim consolidated financial statements ("interim consolidated financial statements"), the accounting policies utilized are consistent with those utilized in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2015 other than those described below. The annual audited consolidated financial statements for the year ended December 31, 2015 are available on SEDAR or may be accessed on the Company's website.

Basis of consolidation and business combinations

The interim consolidated financial statements comprise the financial statements of Sienna 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 Sienna, 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 the fair value of the consideration transferred above the fair value of the identifiable net assets acquired is recoded as goodwill, with any negative goodwill recognized in net income (loss) on the acquisition date.

Subsidiaries are 100% owned and controlled by the Company, with the exception of PSM which is only 50% owned by the Company but is controlled by the Company for accounting purposes. Subsidiaries are consolidated in these interim 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. Non-controlling interest represents the 50% interest in PSM that is not held by the Company.

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 as a joint operation since it has rights to the assets and obligations for the liabilities related to Nicola Lodge. Joint operations are proportionately consolidated in these interim 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.

Significant Judgments and Estimates

The critical accounting estimates used by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2015 which are available on SEDAR or the Company's website. Please refer to those consolidated financial statements for further detail.

Risk Factors and Risks Relating to a Public Company and Common Shares

The Company's final short form prospectus dated April 29, 2016, which is available on SEDAR, contains detailed discussions of risks and uncertainties that could affect the Company, its properties and holders of its securities.

Controls and Procedures

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

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

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

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

Forward-Looking Statements

This document contains forward-looking information based on management’s current expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for the Company as of the date of this MD&A. Forward-looking statements involve significant known and unknown risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. Such known and unknown risks, uncertainties and other factors may cause the actual results to be materially different from any future results expressed or implied by such forward-looking statements. When used in this MD&A, such statements use words such as "may", "might", "will", "expect", "believe", "plan", "budget", "should", "could", "would", "anticipate", "estimate", "forecast", "intend", "continue", "project", "schedule" and other similar terminology. The forward-looking statements contained in this MD&A are based on information currently available to management and that management currently believes are based on reasonable assumptions. However, neither the Company nor management can ensure actual results will be consistent with these forward-looking statements. These forward-looking statements are as of the date of this MD&A, and the Company and its management assume no obligation to update or revise them to reflect new events or circumstances except as required by securities laws. Readers are cautioned not to place undue reliance on any forward-looking statements.

Consolidated Financial Statements

(in thousands of Canadian Dollars)

Q3 2016

Sienna Senior Living Inc.

Sienna
SENIOR LIVING

Condensed Interim Consolidated Financial Statements

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

Thousands of dollars

	Notes	**September 30, 2016**	December 31, 2015
ASSETS			
Current assets			
Cash		**28,710**	26,345
Accounts receivable and other assets	16	**7,043**	7,227
Income support		**402**	550
Prepaid expenses and deposits		**3,239**	1,664
Government funding receivable		**3,500**	3,124
Construction funding receivable		**10,061**	9,680
		52,955	48,590
Government funding receivable		**227**	1,570
Interest rate swap contract	6	**1,633**	1,393
Restricted cash	7	**18,488**	12,793
Construction funding receivable		**67,281**	74,886
Property and equipment		**761,414**	588,332
Intangible assets		**203,322**	125,101
Goodwill		**107,226**	98,804
Total assets		**1,212,546**	951,469
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	13	**64,407**	62,195
Government funding payable		**2,649**	2,720
Current portion of long-term debt	8	**121,374**	18,838
Income taxes payable		**2,822**	2,484
Interest rate swap contract	6	**936**	233
		192,188	86,470
Long-term debt	8	**596,488**	576,173
Convertible debentures	9	**44,229**	44,782
Deferred income taxes	11	**60,879**	59,973
Government funding payable		**3,372**	1,475
Share-based compensation liability	14	**5,011**	3,685
Obligation to purchase interest in PSM	20	**2,100**	—
Interest rate swap contract	6	**3,302**	2,032
Total liabilities		**907,569**	774,590
EQUITY			
Shareholders' equity		**304,961**	176,879
Non-controlling interest	20	**16**	—
Total equity		**304,977**	176,879
Total liabilities and equity		**1,212,546**	951,469

See accompanying notes.

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

"Dino Chiesa"	*"Janet Graham"*
Dino Chiesa	Janet Graham
Chairman and Director	Director

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)

Thousands of dollars

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2016		**374,967**	**515**	**89**	**(195,240)**	**(3,452)**	**176,879**	**—**	**176,879**
Issuance of shares	12	**146,819**	**—**	**—**	**—**	**—**	**146,819**	**—**	**146,819**
Net income	20	**—**	**—**	**—**	**6,818**	**—**	**6,818**	**74**	**6,892**
Other comprehensive income		**—**	**—**	**—**	**—**	**467**	**467**	**—**	**467**
Long-term incentive plan	12, 14	**30**	**—**	**32**	**—**	**—**	**62**	**—**	**62**
Share purchase loan	12	**17**	**—**	**—**	**—**	**—**	**17**	**—**	**17**
Dividends	13	**—**	**—**	**—**	**(26,101)**	**—**	**(26,101)**	**—**	**(26,101)**
Distributions		**—**	**—**	**—**	**—**	**—**	**—**	**(58)**	**(58)**
Balance, September 30, 2016		**521,833**	**515**	**121**	**(214,523)**	**(2,985)**	**304,961**	**16**	**304,977**

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2015		372,373	515	59	(169,713)	(4,055)	199,179	—	199,179
Issuance of shares	12	1,932	—	—	—	—	1,932	—	1,932
Net income		—	—	—	4,966	—	4,966	—	4,966
Other comprehensive income		—	—	—	—	449	449	—	449
Long-term incentive plan	14	22	—	30	—	—	52	—	52
Share purchase loan		17	—	—	—	—	17	—	17
Dividends	13	—	—	—	(24,559)	—	(24,559)	—	(24,559)
Balance, September 30, 2015		374,344	515	89	(189,306)	(3,606)	182,036	—	182,036

See accompanying notes.

Condensed Interim Consolidated Statements of Operations
(Unaudited)
Thousands of dollars, except share and per share data

	Notes	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenue	17, 19	**130,418**	114,341	**359,876**	334,241
Expenses					
Operating		**103,994**	92,466	**289,845**	272,348
Administrative		**4,429**	4,477	**13,371**	13,769
	18	**108,423**	96,943	**303,216**	286,117
Income from continuing operations before depreciation and amortization, net finance charges, transaction costs and provision for (recovery of) income taxes		**21,995**	17,398	**56,660**	48,124
Depreciation and amortization		**11,134**	8,083	**30,024**	26,498
Net finance charges	10	**7,121**	5,360	**19,571**	15,738
Transaction costs		**4,172**	34	**7,373**	304
Total other expenses		**22,427**	13,477	**56,968**	42,540
(Loss) income from continuing operations before provision for (recovery of) income taxes		**(432)**	3,921	**(308)**	5,584
Provision for (recovery of) income taxes from continuing operations					
Current		**624**	793	**2,507**	1,175
Deferred		**(692)**	213	**(1,708)**	546
	11	**(68)**	1,006	**799**	1,721
Net (loss) income from continuing operations		**(364)**	2,915	**(1,107)**	3,863
Net (loss) income from discontinued operations, net of taxes	4	**(7)**	419	**7,999**	1,103
Net (loss) income		**(371)**	3,334	**6,892**	4,966
Net (loss) income attributable to:					
Shareholders of the Company		**(445)**	3,334	**6,818**	4,966
Non-controlling interest	20	**74**	—	**74**	—
		(371)	3,334	**6,892**	4,966
Net (loss) income attributable to shareholders of the Company					
Basic and diluted net (loss) income from continuing operations per share	12	**($0.01)**	$0.07	**($0.03)**	$0.10
Basic net income from discontinued operations per share	12	**$0.00**	$0.01	**$0.21**	$0.03
Diluted net income from discontinued operations per share	12	**$0.00**	$0.01	**$0.19**	$0.03
Weighted average number of common shares outstanding - basic	12	**42,755,089**	36,421,923	**38,628,264**	36,377,284
Weighted average number of common shares outstanding - diluted	12	**45,495,827**	39,168,192	**41,357,082**	39,123,553

See accompanying notes.

Thousands of dollars, except share and per share data

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2016**	2015	**2016**	2015
Net (loss) income		**(371)**	3,334	**6,892**	4,966
Items that may be subsequently reclassified to the consolidated statements of operations:					
Realized loss on bond forward contracts, net of tax	11	158	153	467	449
Total comprehensive (loss) income		**(213)**	3,487	**7,359**	5,415

See accompanying notes.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
Thousands of dollars

	Notes	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
OPERATING ACTIVITIES					
Net (loss) income		**(371)**	3,334	**6,892**	4,966
Add (deduct) items not affecting cash					
Depreciation of property and equipment		**7,840**	6,066	**20,812**	18,134
Amortization of intangible assets		**3,294**	2,017	**9,212**	8,364
Current income taxes		**624**	793	**2,507**	1,175
Deferred income taxes		**(692)**	213	**(1,708)**	546
Share-based compensation	14	**442**	484	**1,188**	1,126
Net finance charges	10	**7,121**	5,360	**19,571**	15,738
		18,258	18,267	**58,474**	50,049
Non-cash changes in working capital					
Accounts receivable and other assets		**(388)**	(858)	**1,893**	(1,427)
Prepaid expenses and deposits		**4,104**	548	**2,684**	(1,624)
Accounts payable and accrued liabilities		**(5,389)**	828	**(4,001)**	(2,330)
Income support		**59**	—	**198**	228
Government funding, net		**(1,496)**	(513)	**2,793**	6,282
		(3,110)	5	**3,567**	1,129
Interest paid on long-term debt and convertible debentures		**(8,732)**	(8,011)	**(21,892)**	(20,012)
Net settlement payment on interest rate swap contracts		**(57)**	(84)	**(187)**	(247)
Income taxes (paid) refunded		**(1,000)**	1,807	**(4,400)**	1,807
Cash used in operating activities of discontinued operations	5	**(11)**	(110)	**(8,182)**	(183)
Cash provided by operating activities		**5,348**	11,874	**27,380**	32,543
INVESTING ACTIVITIES					
Purchase of property and equipment		**(1,320)**	(1,532)	**(2,587)**	(3,547)
Purchase of intangible assets		**(513)**	(557)	**(1,675)**	(1,424)
Amounts received from construction funding		**3,270**	3,270	**9,810**	9,810
Interest received from cash		**63**	48	**192**	110
Acquisition of the BC Portfolio	4	**(103,634)**	—	**(110,007)**	—
Acquisition of Nicola Lodge	4	**(9,496)**	—	**(9,496)**	—
Change in restricted cash	7	**(2,420)**	(1,563)	**(5,695)**	(5,279)
Cash provided by discontinued operations	5	**—**	—	**16,409**	—
Cash used in investing activities		**(114,050)**	(334)	**(103,049)**	(330)
FINANCING ACTIVITIES					
Net proceeds from issuance of common shares and subscription receipts	12	**137,942**	—	**137,483**	—
Dividend equivalents paid on Subscription Receipts		**(1,309)**	—	**(1,964)**	—
Interest received from Subscription Receipts funds		**43**	—	**155**	—
Share issuance costs		**—**	—	**(21)**	(27)
Repayment of long-term debt		**(13,559)**	(7,887)	**(33,756)**	(18,129)
Deferred financing costs		**(433)**	(113)	**(446)**	(367)
Distributions to non-controlling interest		**(58)**	—	**(58)**	—
Dividends paid	13	**(8,273)**	(7,569)	**(23,359)**	(22,760)
Cash provided by (used in) financing activities		**114,353**	(15,569)	**78,034**	(41,283)
Increase (decrease) in cash during the period		**5,651**	(4,029)	**2,365**	(9,070)
Cash, beginning of period		**23,059**	23,992	**26,345**	29,033
Cash, end of period		**28,710**	19,963	**28,710**	19,963

See accompanying notes.

1 Organization

Sienna Senior Living Inc. was incorporated as "Leisureworld Senior Care Corporation" under the Business Corporations Act (Ontario) on February 10, 2010, and 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. Effective May 1, 2015, the Company changed its name to Sienna Senior Living Inc. pursuant to a Notice of Alteration filed with the British Columbia Registry Services on April 23, 2015, as further described below. The Company and its predecessors have been operating since 1972. The Company's business is carried on through a number of wholly-owned limited partnerships formed under the laws of the Province of Ontario.

The Company is listed on the Toronto Stock Exchange (the **"TSX"**) under the trading symbol **SIA** (formerly LW). As at September 30, 2016, the following securities of the Company were outstanding: 46,041,884 common shares; $45,083 in aggregate principal amount of extendible convertible unsecured subordinated debentures (TSX symbol: **SIA.DB**) (formerly LW.DB) which, in aggregate, are convertible into 2,691,523 common shares (Note 10).

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.

The Company is one of Canada's largest owners of seniors living, serving the full continuum of independent living ("**IL**"), assisted living ("**AL**"), long-term care ("**LTC**") and specialized seniors programs and services through the operation of its 35 LTC homes (representing 5,733 beds), 13 retirement residences (**"RR"**) (representing 1,429 suites), six seniors living residences providing both private-pay and funded long-term care ("**Baltic Properties**"), the Company's current 40% interest in Nicola Lodge ("**Nicola Lodge**") (together with the Baltic Properties, representing 1,017 beds), and the Company's current 50% interest in Pacific Seniors Management General Partnership ("**PSM**"), the manager and operator of the Baltic Properties. The Baltic Properties, Nicola Lodge and PSM are referred to collectively as "**Baltic**". The Company also operates a management services business that provides third-party management services to LTC homes and RR communities in Ontario. On April 28, 2016, the Company completed the sale of Preferred Health Care Services (**"PHCS"**), the ancillary home care (**"Home Care"**) business of the Company (Note 5).

2 Basis of preparation

These unaudited condensed interim consolidated financial statements (**"interim consolidated financial statements"**) have been prepared in accordance with International Accounting Standard (**"IAS"**) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (**"IASB"**). The interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards (**"IFRS"**).

The interim consolidated financial statements were approved by the Board of Directors for issuance on November 9, 2016.

3 Summary of significant accounting policies, judgments and estimation uncertainty

In preparing these interim consolidated financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2015, other than those described below.

Basis of consolidation and business combinations

The interim 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 recoded as goodwill, with any negative goodwill recognized in net income (loss) on the acquisition date.

Subsidiaries are 100% owned and controlled by the Company, with the exception of PSM which is only 50% owned by the Company but is controlled by the Company for accounting purposes. Subsidiaries are consolidated in these interim 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. Non-controlling interest represents the 50% interest in PSM that is not held by the Company.

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 as a joint operation since it has rights to the assets and obligations for the liabilities related to Nicola Lodge. Joint operations are proportionately consolidated in these interim 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.

Significant judgments and estimates

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2015.

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

4 Acquisitions

*British Columbia Portfolio ("**BC Portfolio**")*

On August 2, 2016, the Company completed the acquisition ("**BC Acquisition**") of a portfolio of seniors living assets in British Columbia ("**BC**"), consisting of:

- two IL RR communities (**"IL Properties**") and the Baltic Properties (Baltic Properties together with the IL Properties, the "**Acquired Properties**")
- options to acquire up to a 100% interest, with the purchase price for the initial 50% interest being at a discount to fair market value, in two additional newly built seniors living assets ("**Options**"), Nicola Lodge and Glenmore Lodge ("**Option Properties**"); and
- a 50% interest in PSM, the manager and operator of the Baltic Properties.

The acquisition of the BC Portfolio comprises in total 636 LTC beds and 348 retirement suites.

The total net purchase price of $115,228 was allocated to the assets and liabilities on a preliminary basis as follows:

Assets	
Cash	780
Accounts receivable and other assets	2,971
Prepaid expenses	488
Property and equipment	170,683
Intangible assets	75,992
Goodwill	12,686
Total assets	263,600
Liabilities	
Accounts payable and accrued liabilities	5,308
Long-term debt	138,950
Deferred income taxes	4,114
Total liabilities	148,372
Net assets acquired	115,228
Cash consideration	106,425
Share consideration	10,928
Capital expenditures allowance	(2,075)
Income support	(50)
Total consideration	115,228

As part of the total purchase consideration for the BC Acquisition, the Company negotiated a $2,075 capital expenditures allowance and a $50 income support agreement with the vendor, which was immediately recognized as a reduction to the purchase price.

Transaction costs expensed related to the BC Acquisition for the nine months ended September 30, 2016 were $5,135.

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

Nicola Lodge

On September 15, 2016, the Company completed the acquisition of an initial 40% interest of a seniors living residence containing 256 beds located in Port Coquitlam, BC ("**Nicola Lodge**").

The total net purchase price of $11,789 was allocated to the assets and liabilities on a preliminary basis as follows:

Assets	
Cash	694
Accounts receivable and other assets	43
Prepaid expenses	29
Property and equipment	20,216
Intangible assets	9,766
Goodwill	413
Deferred income taxes	77
Total assets	31,238
Liabilities	
Accounts payable and accrued liabilities	407
Long-term debt	19,042
Total liabilities	19,449
Net assets acquired	11,789

Transaction costs expensed related to the Nicola Lodge acquisition for the nine months ended September 30, 2016 were $108.

The net assets were acquired at a discount to fair market value due to the partial exercise of the Option acquired from the BC Acquisition, resulting in a cash consideration of $9,936.

Glenmore Lodge

On September 15, 2016, the Company also exercised its first option to acquire an initial 40% interest in Glenmore Lodge, a 118-bed seniors living residence currently under construction in British Columbia. The operations at Glenmore Lodge are expected to commence in the first quarter of 2017. Sienna expects to complete the acquisition of its initial 40% interest in Glenmore Lodge within 90 days following commencement of operations. The purchase price to be paid by Sienna for its 40% interest will be $12,600, which reflects the negotiated discount to fair market value, before closing costs and subject to customary closing adjustments.

BC Acquisition and Nicola Lodge

If the acquisitions of the BC Portfolio and the 40% interest in Nicola Lodge had taken place on January 1, 2016, the consolidated revenue and consolidated net income for the Company for the nine months ended September 30, 2016 would have been estimated to be approximately $405,953 and $8,870, respectively.

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

5 Discontinued operations

On April 28, 2016, the Company completed the sale of its Home Care business, PHCS, for cash proceeds of $16,409. The Company recorded a gain on sale of $7,719, net of taxes of $2,142.

The following table summarizes the net (loss) income from discontinued operations:

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	2015
Revenue	—	4,590	**5,278**	13,088
Expenses	**18**	4,021	**4,896**	11,589
(Loss) income before depreciation, net finance income and provision for (recovery of) income taxes	**(18)**	569	**382**	1,499
Depreciation	—	—	—	1
Net finance income	—	(1)	**(3)**	(4)
Gain on sale	—	—	**(9,861)**	—
Total other income	—	(1)	**(9,864)**	(3)
(Loss) income before provision for (recovery of) income taxes	**(18)**	570	**10,246**	1,502
(Recovery of) provision for income taxes				
Current	**(11)**	150	**2,232**	396
Deferred	—	1	**15**	3
	(11)	151	**2,247**	399
Net (loss) income from discontinued operations	**(7)**	419	**7,999**	1,103

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

6 Financial instruments

Fair value of financial instruments

The Company's use of 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) in the valuation of financial instruments are as follows as at September 30, 2016 and December 31, 2015:

	As at September 30, 2016			
		Fair value		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Construction funding receivable	**77,342**	—	—	**85,038**
Interest rate swap contract	**1,633**	—	**1,633**	—
Financial Liabilities				
Long-term debt	**717,862**	—	**736,755**	—
Convertible debentures	**44,229**	**47,788**	—	—
Interest rate swap contract	**4,238**	—	**4,238**	—

	As at December 31, 2015			
		Fair value		
	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Construction funding receivable	84,566	—	—	91,859
Interest rate swap contract	1,393	—	1,393	—
Financial Liabilities				
Long-term debt	595,011	—	617,151	—
Convertible debentures	44,782	47,840	—	—
Interest rate swap contract	2,265	—	2,265	—

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 the 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 September 30, 2016. A failure by the Company to comply with the obligations in these credit agreements could result in a default, which, if not rectified or waived, could permit acceleration of the relevant indebtedness.

As at September 30, 2016, the Company had negative working capital of $139,233 (December 31, 2015 - $37,880). The change in the negative working capital from December 31, 2015 primarily relates to the portion of mortgage liabilities and credit facilities due within a twelve-month period. To support the Company's working capital deficiency, the Company will use its operating cash flows and, if necessary, undrawn credit facilities.

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

7 Restricted cash

Restricted cash comprises the Series B Senior Secured Debentures (**"Series B Debentures"**) principal reserve fund, a capital maintenance reserve fund required for certain mortgages and an employee benefits reserve for the employees of the homes to which the Company provides management services.

	September 30, 2016	December 31, 2015
Series B Debentures principal reserve fund	**15,521**	10,725
Capital maintenance reserve	**2,384**	1,488
Benefits reserve	**583**	580
Restricted cash	**18,488**	12,793

8 Long-term debt

	Interest rate	**Maturity date**	**September 30, 2016**	December 31, 2015
Series B Debentures	3.474%	February 3, 2021	**322,000**	322,000
Credit facilities	Floating	April/May 2017	**42,500**	69,500
Mortgages at fixed rates	3.04% - 7.11%	2016 - 2024	**338,534**	192,028
Mortgage at variable rate	Floating	April 16, 2029	**13,906**	14,260
			716,940	597,788
Mark-to-market adjustments on acquisitions			**4,827**	1,252
Deferred financing costs			**(3,905)**	(4,029)
Total debt			**717,862**	595,011
Less: current portion			**121,374**	18,838
			596,488	576,173

Credit facilities

The Red Oak Retirement Residence and Royale Place Retirement Residence (**"Ontario Portfolio"**) have a $57,000 revolving credit facility (**"Revolving Credit Facility"**) that bears interest at 187.5 basis points (**"bps"**) per annum over the floating 30-day Banker's Acceptance (**"BA"**) rate and is secured by the Ontario Portfolio assets of the Company’s subsidiary, The Royale LP, guaranteed by the Company and is subject to certain customary financial and non-financial covenants. During the three and nine months ended September 30, 2016, the Company repaid $11,000 and $27,000, respectively, against this credit facility. The revolving credit facility is due on April 26, 2017. As at September 30, 2016, the Company had drawn $20,000 under this credit facility (December 31, 2015 - $47,000).

The Astoria Retirement Residence (**"Astoria"**) has a $22,500 credit facility (**"Credit Facility"**) that bears interest at 187.5 bps per annum over the floating 30-day BA rate and is secured by Astoria's assets, guaranteed by the Company and is subject to certain customary financial and non-financial covenants. The credit facility is due on May 22, 2017. As at September 30, 2016, the Company had drawn $22,500 under this credit facility (December 31, 2015 - $22,500).

Mortgages at fixed rates

As part of the BC Acquisition, the Company assumed mortgages in the amount of $135,139 with a fair value of $138,264. The mortgages assumed bear fixed interest rates ranging from 2.31% to 5.61% with maturity dates through to 2028. The mortgages are secured by a first charge on all BC Portfolio assets owned by the Company and located at the respective properties, and are subject to certain customary financial and non-financial covenants.

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

As part of the Nicola Lodge acquisition, the Company assumed a mortgage in the amount of $18,098 with a fair value of $19,042 for its 40% interest in Nicola Lodge. The mortgage assumed bears a fixed interest rate of 5.00% and matures in 2041. The mortgage is secured by a first charge on all Nicola Lodge assets owned by the Company and located at the property, and is subject to certain customary financial and non-financial covenants.

9 Convertible debentures

The Company has extendible convertible unsecured subordinated debentures outstanding with an aggregate principal amount of $45,083 (**"Convertible Debentures"**). These debentures are convertible into common shares of the Company at $16.75 per common share. The Convertible Debentures have a maturity date of June 30, 2018, and bear interest at 4.65% per annum, which is payable semi-annually in June and December.

Upon 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 is subsequently carried at amortized cost. The Company incurred financing costs of $2,111 related to the Convertible Debentures, which are amortized over their term using the effective interest method and recognized as part of net finance charges. During the three and nine months ended September 30, 2016, $289 and $917, respectively, worth of convertible debentures were converted into 17,253 and 54,744, respectively, common shares. As at September 30, 2016, $706 (December 31, 2015 - $1,009) of financing costs remain to be amortized and $148 (December 31, 2015 - $209) of fair value adjustment remains to be accreted.

10 Net finance charges

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Finance costs				
Interest expense on long-term debt	**6,014**	5,162	**16,700**	15,738
Interest expense on convertible debentures	**551**	559	**1,656**	1,657
Fees on revolving credit facility	**217**	55	**342**	135
Net accretion of the fair value adjustments on long-term debt	**(160)**	(153)	**(495)**	(473)
Amortization of deferred financing charges	**321**	323	**909**	916
Amortization of loss on bond forward contract	**215**	208	**635**	611
Net settlement payment on interest rate swap contracts	**57**	84	**187**	247
Dividend equivalents on Subscription Receipts	**655**	—	**1,964**	—
Loss (gain) on interest rate swap contracts	**512**	154	**865**	(116)
	8,382	6,392	**22,763**	18,715
Finance income				
Interest income on construction funding receivable	**899**	985	**2,586**	2,871
Other interest income	**319**	47	**451**	106
Interest income on Subscription Receipts funds	**43**	—	**155**	—
	1,261	1,032	**3,192**	2,977
Net finance charges from continuing operations	**7,121**	5,360	**19,571**	15,738

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

11 Income taxes

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
(Loss) income from continuing operations before provision for income taxes	**(432)**	3,921	**(308)**	5,584
Canadian combined income tax rate	**26.46%**	26.49%	**26.46%**	26.49%
Income tax (recovery) expense	**(114)**	1,039	**(81)**	1,479
Adjustments to income tax provision:				
Non-deductible items	**353**	24	**802**	94
Book to filing adjustment	**(10)**	—	**322**	148
Other items	**(297)**	(57)	**(244)**	—
Income tax (recovery) expense from continuing operations	**(68)**	1,006	**799**	1,721

The effective tax rate for discontinued operations for the three and nine months ended September 30, 2016 is 59.06% and 21.92%, respectively (2015 - 26.70% and 26.54%, respectively). The provision for (recovery of) income taxes for discontinued operations is disclosed in Note 5.

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

	Accelerated tax depreciation	Intangible assets	Share issuance	Construction funding interest	Other	Total
As at January 1, 2015	(63,058)	(6,072)	1,164	5,712	3,566	(58,688)
Credit (charge) to net loss	3,535	(256)	(625)	(987)	(2,215)	(548)
Book to filing adjustment	(251)	224	—	(11)	(482)	(520)
Charge to other comprehensive income	—	—	—	—	(217)	(217)
As at December 31, 2015	(59,774)	(6,104)	539	4,714	652	(59,973)
Due to acquisitions of BC Portfolio and Nicola Lodge	(4,162)	(995)	—	—	1,119	(4,038)
Credit (charge) to net income (loss)	1,821	1,818	(250)	(685)	(622)	2,082
Book to filing adjustment	(46)	(236)	(5)	—	(34)	(321)
Charge to other comprehensive income (loss)	—	—	—	—	(168)	(168)
Credit to equity	—	—	1,539	—	—	1,539
As at September 30, 2016	**(62,161)**	**(5,517)**	**1,823**	**4,029**	**947**	**(60,879)**

The realized loss on bond forward contracts on the interim consolidated statements of comprehensive income is net of tax for the three and nine months ended September 30, 2016 of $57 and $168, respectively (2015 - $55 and $162, respectively).

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

12 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, 2015	36,299,038	372,373
Long-term incentive plan, net of loans receivable (Note 14)	11,669	28
Share purchase loan	—	22
Dividend reinvestment plan	158,388	2,396
Issued common shares (Note 14)	9,776	148
Balance, December 31, 2015	36,478,871	374,967
Long-term incentive plan, net of loans receivable (Note 14)	13,288	30
Share purchase loan	—	17
Dividend reinvestment plan	125,801	2,025
Issued common shares, net of share issuance costs (Note 14)	64,509	(4,481)
Common shares issued in exchange of Subscription Receipts	8,728,500	138,347
Common shares issued to partial seller of BC Acquisition	630,915	10,928
Balance, September 30, 2016	**46,041,884**	**521,833**

On May 6, 2016, the Company completed a bought deal public offering of 8,728,500 subscription receipts ("**Subscription Receipts**") at a price of $15.85 per Subscription Receipt ("**Offering Price**"), for total gross proceeds of $138,347, which was inclusive of the exercise in full by the underwriters of the over-allotment option ("**Offering**").

Each Subscription Receipt represented the right to receive one common share in the capital of the Company, at no additional consideration on the closing of the Acquisition. While the Subscription Receipts remained outstanding, holders thereof were entitled to receive payments per Subscription Receipt equal to the per common share dividends, if any, actually paid or payable to holders of common shares of the Company in respect of all record dates for such dividends occurring from the closing date of the Offering to, but excluding, the last day on which the Subscription Receipts remain outstanding, to be paid to holders of Subscription Receipts concurrently with the payment date of each such dividend on the common shares.

As a result of the completion of the BC Acquisition on August 2, 2016, each outstanding Subscription Receipt was automatically exchanged for one common share of the Company, resulting in the issuance of 8,728,500 common shares in aggregate to the holders of Subscription Receipts.

On August 2, 2016, the Company issued 630,915 common shares in a private placement as part of the purchase price paid to the partial seller for the BC Acquisition.

As at September 30, 2016 , the Company incurred issuance costs of $8,096, which consisted of $5,534 in underwriters' fees and other issuance costs of $2,562.

Dividend reinvestment plan

The Company has established a dividend reinvestment plan for eligible holders of the Company's common shares, which allows participants to reinvest their cash dividends paid in respect of their common shares in additional common shares at a 3% discount.

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

Earnings per share

Basic net income (loss) per share is calculated using the weighted average number of common shares outstanding during the year. Diluted net income (loss) 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 (loss) from continuing operations.

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Reconciliation of net (loss) income used as the numerator				
Net (loss) income from continuing operations	**(364)**	2,915	**(1,107)**	3,863
Less: Net income attributable to non-controlling interest	**74**	—	**74**	—
Net (loss) income used in calculating basic income from continuing operations per share	**(438)**	2,915	**(1,181)**	3,863
Net finance charges on convertible debentures	**654**	660	**1,980**	1,958
Current income tax adjustment	**(174)**	(175)	**(525)**	(519)
Net income used in calculating diluted income from continuing operations per share	**42**	3,400	**274**	5,302
Weighted average number of common shares used as the denominator				
Weighted average number of common shares - basic	**42,755,089**	36,421,923	**38,628,264**	36,377,284
Shares issued if all convertible debentures were converted	**2,740,738**	2,746,269	**2,728,818**	2,746,269
Weighted average number of common shares - diluted	**45,495,827**	39,168,192	**41,357,082**	39,123,553

13 Dividends

The Company paid dividends at $0.075 per month per common share totaling $8,273 for the three months ended and $23,359 for the nine months ended September 30, 2016 (2015 - $7,569 and $22,760, respectively). Dividends payable of $3,454 are included in accounts payable and accrued liabilities as at September 30, 2016 (December 31, 2015 - $2,737). Subsequent to September 30, 2016, the Board of Directors declared dividends of $0.075 per common share for October 2016 totaling $2,747. These dividends have not been recorded in these interim consolidated financial statements.

14 Share-based compensation

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

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

On February 24, 2016, incentive award amounts entitling eligible senior executives (**"Participants"**) to acquire 13,288 common shares were granted pursuant to the LTIP. On the grant date, the Participants paid $11 towards the acquisition of common shares. This payment was recorded as an increase in share capital. Related to the LTIP in the nine months ended September 30, 2016, the Company recorded an increase of $30 in share capital (2015 - $22) and $32 in contributed surplus (2015 - $30). As at September 30, 2016, the outstanding loan balance was $610 (December 31, 2015 - $430). Total expense related to the LTIP for the three and nine months ended September 30, 2016 was $nil and $32, respectively (2015 - $nil and $30, respectively).

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

The fair value of LTIP awards granted was determined by using the Cox-Ross-Rubinstein binomial tree model. The following table summarizes the market based rates and assumptions as well as projections of certain inputs used in determining the fair values used in this model:

Valuation date	February 24, 2016	February 25, 2015
Fair value at grant date	$15.68	$14.80
Volatility	16.67%	15.78%
Monthly discrete dividend	$0.075	$0.075
Risk-free rate	1.37%	1.79%
Annual interest rate on Participant's loan	3.00%	3.00%
Forfeiture rate	0.00%	0.00%

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

During the nine months ended September 30, 2016, 16,706 restricted share units ("**RSUs**") (2015 - 17,007) were granted pursuant to the RSUP. Total expenses related to the RSUP for the three and nine months ended September 30, 2016 were $59 and $192, respectively (2015 - $74 and $201, respectively), net of forfeitures. During the nine months ended September 30, 2016, 10,727 RSUs vested and were settled in cash and shares, resulting in a decrease of $173 to share-based compensation liability. The total liability recorded as part of share-based compensation liability as at September 30, 2016 was $319 (December 31, 2015 - $300).

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

	Number of RSUs
Outstanding, December 31, 2015	33,564
Granted	16,706
Dividends reinvested	1,590
Settled in cash	(962)
Settled in shares	(9,765)
Outstanding, September 30, 2016	**41,133**

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

Total expenses related to the DSUP for the three and nine months ended September 30, 2016 were $121 and $586, respectively (2015 - $377 and $836, respectively), which was recognized in administrative expenses. The total liability recorded related to the DSUP as a part of the share-based compensation liability as at September 30, 2016 was $3,757 (December 31, 2015 - $3,171). The value of each deferred share unit is measured at each reporting date and is equivalent to the fair value of a common share of the Company at the reporting date.

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

During the nine months ended September 30, 2016, 35,543 (2015 - 21,922) executive deferred share units were granted. Total expenses related to the EDSUP for the three and nine months ended September 30, 2016 were $262 and $378, respectively (2015 - $33 and $59, respectively), which was recognized in administrative expenses. The total liability recorded related to the EDSUP as a part of the share-based compensation liability as at September 30, 2016 was $935 (December 31, 2015 - $214).

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

15 Key management compensation

The remuneration of key management is set out below in aggregate for each of the categories specified in IAS 24, Related Party Disclosures.

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Salaries and short-term employee benefits	**771**	520	**2,186**	1,611
Termination benefits	**—**	—	**—**	259
Share-based compensation	**442**	481	**1,188**	1,115
	1,213	1,001	**3,374**	2,985

16 Related party transactions

As at September 30, 2016, the Company has amounts outstanding from certain key management of $1,038 (December 31, 2015 - $877) in relation to the LTIP issuance and share purchase loans, which have been recorded as a reduction to shareholders' equity. The loans bear interest at the prime rate and are due on demand. The underlying common shares have been pledged as security against the respective loans.

As at September 30, 2016, the Company also has amounts outstanding from certain key management of $113 (December 31, 2015 - $nil) in relation to the purchase of Subscription Receipts. The loans have a term of one year and bear an interest rate of 3%. The common shares received upon exchange of the Subscription Receipts on August 2, 2016 are pledged as security against the respective loans.

17 Economic dependence

The Company holds licences related to each of its LTC homes and receives funding from the Ministry of Health and Long-Term Care (**"MOHLTC"**) related to those licences. Funding is received on or about the 22nd of each month. During the three and nine months ended September 30, 2016, the Company received approximately $72,618 and $220,546, respectively (2015 - $72,417 and $215,752, respectively) in respect of these licences for flow-through envelope revenues and other MOHLTC funded initiatives.

18 Expenses by nature

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Salaries, benefits and other people costs	**80,344**	71,833	**225,433**	211,925
Food	**5,747**	4,852	**15,499**	14,259
Purchased services and non-medical supplies	**4,406**	3,985	**12,371**	11,767
Property taxes	**3,393**	3,275	**9,929**	9,821
Utilities	**3,749**	2,956	**10,720**	9,512
Other	**10,784**	10,042	**29,264**	28,833
Total expenses from continuing operations	**108,423**	96,943	**303,216**	286,117

19 Segmented information

Segmented information is presented in respect of the Company’s business segments. The primary format, business segments, is 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:

- LTC business - LTC includes 35 owned LTC homes and the management of third party LTC homes;
- Retirement - Retirement includes 13 owned RR communities;
- Baltic - Baltic includes six Baltic properties, the Company's current 40% interest in Nicola Lodge and PSM;
- Corporate, Eliminations and Other - This segment represents the results of head office, intercompany eliminations and other items that are not allocable to the segments; and
- Discontinued operations - Discontinued operations are comprised of the Home Care business that was divested on April 28, 2016 (Note 5).

The significant accounting policies of the reportable operating segments are the same as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2015, other than those described in Note 3.

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

	Three months ended September 30, 2016						
	Long-Term Care	**Retirement**	**Baltic**	**Corporate, Eliminations and Other**	**Total From Continuing Operations**	**Home Care - Discontinued Operations**	**Total**
Gross revenue	**108,894**	**15,031**	**9,056**	**9,712**	**142,693**	**—**	**142,693**
Less: Internal revenue	**2,324**	**—**	**240**	**9,711**	**12,275**	**—**	**12,275**
Net revenue	**106,570**	**15,031**	**8,816**	**1**	**130,418**	**—**	**130,418**
Income (loss) before depreciation and amortization, net finance transaction costs and the provision for income taxes	**16,802**	**6,851**	**2,771**	**(4,429)**	**21,995**	**(18)**	**21,977**
Depreciation of property and equipment	**4,312**	**2,667**	**799**	**62**	**7,840**	**—**	**7,840**
Amortization of intangible assets	**664**	**2,158**	**189**	**283**	**3,294**	**—**	**3,294**
Finance costs	**4,821**	**1,384**	**869**	**1,308**	**8,382**	**—**	**8,382**
Finance income	**(931)**	**(1)**	**—**	**(329)**	**(1,261)**	**—**	**(1,261)**
Transaction costs	**—**	**—**	**—**	**4,172**	**4,172**	**—**	**4,172**
Income tax recovery	**—**	**—**	**—**	**(68)**	**(68)**	**(11)**	**(79)**
Net income (loss)	**7,936**	**643**	**914**	**(9,857)**	**(364)**	**(7)**	**(371)**
Purchase of property and equipment	**613**	**329**	**269**	**109**	**1,320**	**—**	**1,320**
Purchase of intangible assets	**5**	**1**	**—**	**507**	**513**	**—**	**513**

	Three months ended September 30, 2015						
	Long-Term Care	Retirement	Baltic	Corporate, Eliminations and Other	Total From Continuing Operations	Home Care - Discontinued Operations	Total
Gross revenue	104,616	11,212	—	8,196	124,024	4,590	128,614
Less: Internal revenue	1,347	—	—	8,336	9,683	—	9,683
Net revenue	103,269	11,212	—	(140)	114,341	4,590	118,931
Income (loss) before depreciation and amortization, net finance transaction costs and the provision for income taxes	16,939	4,936	—	(4,477)	17,398	569	17,967
Depreciation of property and equipment	4,271	1,766	—	29	6,066	—	6,066
Amortization of intangible assets	891	1,113	—	13	2,017	—	2,017
Finance costs	4,463	1,269	—	660	6,392	—	6,392
Finance income	(1,022)	(2)	—	(8)	(1,032)	(1)	(1,033)
Transaction costs	—	—	—	34	34	—	34
Income tax expense	—	—	—	1,006	1,006	151	1,157
Net income (loss)	8,336	790	—	(6,211)	2,915	419	3,334
Purchase of property and equipment	751	185	—	596	1,532	—	1,532
Purchase of intangible assets	2	—	—	555	557	—	557

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

	Nine months ended September 30, 2016						
	Long-Term Care	**Retirement**	**Baltic**	**Corporate, Eliminations and Other**	**Total From Continuing Operations**	**Home Care - Discontinued Operations**	**Total**
Gross revenue	**316,112**	**41,133**	**9,056**	**26,161**	**392,462**	**5,278**	**397,740**
Less: Internal revenue	**6,182**	**—**	**240**	**26,164**	**32,586**	**—**	**32,586**
Net revenue	**309,930**	**41,133**	**8,816**	**(3)**	**359,876**	**5,278**	**365,154**
Income (loss) before depreciation and amortization, net finance transaction costs and the provision for income taxes	**48,348**	**18,912**	**2,771**	**(13,371)**	**56,660**	**382**	**57,042**
Depreciation of property and equipment	**12,916**	**6,873**	**799**	**224**	**20,812**	**—**	**20,812**
Amortization of intangible assets	**2,994**	**5,571**	**189**	**458**	**9,212**	**—**	**9,212**
Finance costs	**13,630**	**4,341**	**869**	**3,923**	**22,763**	**—**	**22,763**
Finance income	**(2,720)**	**(5)**	**—**	**(467)**	**(3,192)**	**(3)**	**(3,195)**
Transaction costs	**—**	**—**	**—**	**7,373**	**7,373**	**—**	**7,373**
Gain on sale	**—**	**—**	**—**	**—**	**—**	**(9,861)**	**(9,861)**
Income tax expense	**—**	**—**	**—**	**799**	**799**	**2,247**	**3,046**
Net income (loss)	**21,528**	**2,132**	**914**	**(25,681)**	**(1,107)**	**7,999**	**6,892**
Purchase (disposal) of property and equipment	**1,266**	**676**	**269**	**376**	**2,587**	**(346)**	**2,241**
Purchase (disposal) of intangible assets	**8**	**(15)**	**—**	**1,682**	**1,675**	**(49)**	**1,626**

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

	Nine months ended September 30, 2015						
	Long-Term Care	Retirement	Baltic	Corporate, Eliminations and Other	Total From Continuing Operations	Home Care - Discontinued Operations	Total
Gross revenue	306,210	32,445	—	24,559	363,214	13,088	376,302
Less: Internal revenue	3,996	—	—	24,977	28,973	—	28,973
Net revenue	302,214	32,445	—	(418)	334,241	13,088	347,329
Income (loss) before depreciation and amortization, net finance transaction costs and the provision for income taxes	47,549	14,344	—	(13,769)	48,124	1,499	49,623
Depreciation of property and equipment	12,769	5,284	—	81	18,134	1	18,135
Amortization of intangible assets	2,827	5,521	—	16	8,364	—	8,364
Finance costs	12,826	3,931	—	1,958	18,715	—	18,715
Finance income	(2,953)	(3)	—	(21)	(2,977)	(4)	(2,981)
Transaction costs	—	—	—	304	304	—	304
Income tax expense	—	—	—	1,721	1,721	399	2,120
Net income (loss)	22,080	(389)	—	(17,828)	3,863	1,103	4,966
Purchase of property and equipment	1,266	878	—	1,403	3,547	—	3,547
Purchase of intangible assets	8	—	—	1,416	1,424	—	1,424

	As at September 30, 2016						
	Long-Term Care	**Retirement**	**Baltic**	**Corporate, Eliminations and Other**	**Total From Continuing Operations**	**Home Care - Discontinued Operations**	**Total**
Total assets	**652,436**	**287,663**	**263,665**	**8,782**	**1,212,546**	**—**	**1,212,546**
Goodwill	**93,512**	**512**	**13,202**	**—**	**107,226**	**—**	**107,226**
Intangible assets	**107,840**	**7,485**	**83,763**	**4,234**	**203,322**	**—**	**203,322**

	As at December 31, 2015						
	Long-Term Care	Retirement	Baltic	Corporate, Eliminations and Other	Total From Continuing Operations	Home Care - Discontinued Operations	Total
Total assets	669,330	268,438	—	4,796	942,564	8,905	951,469
Goodwill	89,772	2,511	—	—	92,283	6,521	98,804
Intangible assets	110,826	11,265	—	3,010	125,101	—	125,101

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

20 Non-controlling interest

Non-controlling interest represents the 50% interest in PSM that is not held by the Company. The movement in non-controlling interest is shown in the interim consolidated statement of changes in equity.

The calculation of net income and total comprehensive income attributable to non-controlling interest is set out below:

	Three months ended September 30,	Nine months ended September 30,
	2016	2016
Net income and total comprehensive income from PSM	148	148
Non-controlling interest share of ownership	**50%**	**50%**
Net income and total comprehensive income attributable to non-controlling interest	**74**	**74**

As the 50% interest in PSM was acquired on August 2, 2016, there was no non-controlling interest for the three and nine months ended September 30, 2015.

Subject to certain conditions, the Company will be required to purchase the remaining 50% interest in PSM by June 2019 for a specified cash purchase price of approximately $2,100, subject to certain adjustments.

21 Joint arrangement

The following tables outline the net assets and net income for Nicola Lodge and the Company's share of Nicola Lodge that has been recognized in the interim consolidated financial statements:

	September 30, 2016
Current assets	**3,651**
Long-term assets	**44,008**
Total assets	**47,659**
Current liabilities	**3,175**
Long-term liabilities	**44,299**
Total liabilities	**47,474**
Net assets	**185**
Percentage ownership	**40%**
Share of net assets	**74**

As the 40% interest in Nicola Lodge was acquired on September 15, 2016, there were no joint arrangements as at December 31, 2015.

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

	Three months ended September 30, 2016	Nine months ended September 30, 2016
Revenue	**766**	**766**
Expenses	**510**	**510**
Income before other expenses	**256**	**256**
Other expenses	**71**	**71**
Net income	**185**	**185**
Percentage ownership	**40%**	**40%**
Share of net income	**74**	**74**

As the 40% interest in Nicola Lodge was acquired on September 15, 2016, there were no joint arrangements for the three and nine months ended September 30, 2015.

22 Comparative figures

Certain comparative figures have been reclassified from the interim consolidated financial statements previously presented to conform to the presentation adopted in the current year. In the segmented information note, the management services business is now reflected under Long-Term Care. This reclassification had no impact on the reported net income (loss).