Consolidated Financial Statements

(in thousands of Canadian Dollars)

Q3 2019 Report to Shareholders

Sienna
SENIOR LIVING

Condensed Interim Consolidated Financial Statements

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Condensed Interim Consolidated Statements of Financial Position (Unaudited)

Thousands of Canadian dollars

	Notes	**September 30, 2019**	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		**22,400**	22,868
Accounts receivable and other assets		**12,075**	11,566
Prepaid expenses and deposits		**6,600**	4,031
Government funding receivable	4	**3,014**	4,582
Construction funding receivable	4, 6	**10,694**	10,893
Interest rate swap contracts	4	**286**	409
Income taxes receivable		**471**	392
		55,540	54,741
Non-current assets			
Government funding receivable	4	**201**	626
Interest rate swap contracts	4	**79**	1,631
Restricted cash	5	**39,180**	33,462
Construction funding receivable	4, 6	**38,309**	46,223
Property and equipment	7	**1,165,395**	1,182,483
Intangible assets	8	**241,793**	266,368
Goodwill		**167,666**	167,666
Total assets		**1,708,163**	1,753,200
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**86,832**	98,416
Government funding payable	4	**6,561**	5,261
Current portion of long-term debt	4, 9	**158,113**	113,888
Interest rate swap contracts	4	**899**	401
		252,405	217,966
Non-current liabilities			
Long-term debt	4, 9	**843,629**	902,238
Deferred income taxes	11	**51,440**	54,246
Government funding payable	4	**6,602**	2,456
Share-based compensation liability	14	**9,923**	6,820
Interest rate swap contracts	4	**4,723**	1,823
Total liabilities		**1,168,722**	1,185,549
EQUITY			
Shareholders' equity		**539,441**	567,651
Total equity		**539,441**	567,651
Total liabilities and equity		**1,708,163**	1,753,200

See accompanying notes.

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

"Dino Chiesa"

Dino Chiesa
Chair and Director

"Janet Graham"

Janet Graham
Director

Thousands of Canadian dollars

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2019		**859,005**	**—**	**203**	**(290,059)**	**(1,498)**	**567,651**
Issuance of shares	12	**10,701**	**—**	**—**	**—**	**—**	**10,701**
Net income		**—**	**—**	**—**	**6,435**	**—**	**6,435**
Other comprehensive income		**—**	**—**	**—**	**—**	**522**	**522**
Long-term incentive plan	12, 14	**33**	**—**	**—**	**—**	**—**	**33**
Share purchase loan	12	**19**	**—**	**—**	**—**	**—**	**19**
Dividends	12, 13	**—**	**—**	**—**	**(45,920)**	**—**	**(45,920)**
Balance, September 30, 2019		**869,758**	**—**	**203**	**(329,544)**	**(976)**	**539,441**

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2018		639,361	515	157	(241,659)	(2,174)	396,200
Issuance of shares	12	216,526	(515)	—	—	—	216,011
Net income		—	—	—	9,581	—	9,581
Other comprehensive income		—	—	—	—	503	503
Long-term incentive plan	12, 14	41	—	46	—	—	87
Share purchase loan	12	18	—	—	—	—	18
Dividends	12, 13	—	—	—	(43,138)	—	(43,138)
Balance, September 30, 2018		855,946	—	203	(275,216)	(1,671)	579,262

See accompanying notes.

Condensed Interim Consolidated Statements of Operations (Unaudited)

Thousands of Canadian dollars, except share and per share data

	Notes	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue	17, 19	**167,947**	165,048	**497,573**	472,529
Expenses					
Operating		**127,785**	124,529	**378,570**	360,216
Depreciation and amortization		**19,070**	19,342	**57,756**	51,708
Administrative		**5,597**	5,440	**18,319**	14,819
	18	**152,452**	149,311	**454,645**	426,743
Income before net finance charges, transaction costs and provision for (recovery of) income taxes		**15,495**	15,737	**42,928**	45,786
Net finance charges	10	**9,501**	7,970	**32,058**	23,532
Transaction costs		**352**	957	**2,107**	9,302
Total other expenses		**9,853**	8,927	**34,165**	32,834
Income before provision for (recovery of) income taxes		**5,642**	6,810	**8,763**	12,952
Provision for (recovery of) income taxes					
Current		**1,677**	2,233	**5,322**	6,473
Deferred		**202**	(423)	**(2,994)**	(3,102)
	11	**1,879**	1,810	**2,328**	3,371
Net income		**3,763**	5,000	**6,435**	9,581
Basic and diluted net income per share	12	**$0.06**	$0.08	**$0.10**	$0.15
Weighted average number of common shares outstanding - basic	12	**66,566,747**	65,752,737	**66,375,736**	63,062,629
Weighted average number of common shares outstanding - diluted	12	**66,566,747**	65,752,737	**66,375,736**	64,433,345

See accompanying notes.

Thousands of Canadian dollars

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2019**	2018	**2019**	2018
Net income		**3,763**	5,000	**6,435**	9,581
Other comprehensive income					
Items that may be subsequently reclassified to the consolidated statements of operations:					
Amortization of loss on bond forward contracts, net of tax	11	177	171	522	503
Total comprehensive income		**3,940**	5,171	**6,957**	10,084

See accompanying notes.

Thousands of Canadian dollars

	Notes	Three months ended September 30, 2019	2018	Nine months ended September 30, 2019	2018
OPERATING ACTIVITIES					
Net income		**3,763**	5,000	**6,435**	9,581
Add (deduct) items not affecting cash					
Depreciation of property and equipment		**10,522**	10,050	**31,549**	28,514
Amortization of intangible assets		**8,548**	9,292	**26,207**	23,194
Current income taxes		**1,677**	2,233	**5,322**	6,473
Deferred income tax provision (recoveries)		**202**	(423)	**(2,994)**	(3,102)
Share-based compensation	14	**256**	584	**2,854**	733
Net finance charges	10	**9,501**	7,970	**32,058**	23,532
		34,469	34,706	**101,431**	88,925
Non-cash changes in working capital					
Accounts receivable and other assets		**(548)**	(1,065)	**(457)**	(1,592)
Prepaid expenses and deposits		**662**	1,268	**(2,569)**	(3,465)
Accounts payable and accrued liabilities		**(2,682)**	(8,730)	**(8,153)**	(4,865)
Income support		**—**	130	**—**	709
Government funding, net		**2,907**	2,058	**7,439**	5,463
		339	(6,339)	**(3,740)**	(3,750)
Interest paid on long-term debt and convertible debentures		**(11,978)**	(11,780)	**(30,739)**	(28,815)
Net settlement payment on interest rate swap contracts		**(73)**	(233)	**(327)**	(591)
Income taxes paid		**(1,800)**	(1,800)	**(5,400)**	(5,290)
Cash provided by operating activities		**20,957**	14,554	**61,225**	50,479
INVESTING ACTIVITIES					
Purchase of property and equipment, net of adjustments	7	**(4,804)**	(12,639)	**(11,412)**	(25,568)
Purchase of intangible assets	8	**(253)**	(782)	**(1,632)**	(2,213)
Amounts received from construction funding	6	**3,097**	3,317	**9,720**	9,907
Interest received from cash	10	**185**	109	**1,840**	877
Acquisition of Glenmore Lodge		**—**	—	**—**	(2,796)
Acquisition of ten seniors' living residences		**—**	—	**—**	(297,708)
Change in restricted cash	5	**(61)**	396	**(298)**	(50)
Cash used in investing activities		**(1,836)**	(9,599)	**(1,782)**	(317,551)
FINANCING ACTIVITIES					
Gross proceeds from issuance of common shares	12	**—**	—	**—**	184,017
Share issuance costs		**—**	46	**—**	(8,938)
Redemption of convertible debentures	12	**—**	—	**—**	(12,956)
Repayment of long-term debt	9	**(6,408)**	(71,630)	**(70,413)**	(260,976)
Proceeds from long-term debt	9	**10,000**	34,082	**52,873**	407,160
Deferred financing costs		**(37)**	(1,691)	**(1,461)**	(11,037)
Change in Series B Debenture principal reserve fund	5	**(1,812)**	(1,821)	**(5,420)**	(5,462)
Dividends paid	13	**(11,997)**	(11,555)	**(35,490)**	(34,419)
Cash (used in) provided by financing activities		**(10,254)**	(52,569)	**(59,911)**	257,389
Increase/(decrease) in cash and cash equivalents during the period		**8,867**	(47,614)	**(468)**	(9,683)
Cash and cash equivalents, beginning of period		**13,533**	56,696	**22,868**	18,765
Cash and cash equivalents, end of period		**22,400**	9,082	**22,400**	9,082

See accompanying notes.

1 Organization

Sienna Senior Living Inc. (the "**Company**") and its predecessors have been operating since 1972. The Company is one of Canada's leading seniors' living providers serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care ("**LTC**"or "**Long-term Care**") through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. As at September 30, 2019, the Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL and AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to 14 seniors' living residences in British Columbia and Ontario.

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

The Company's business is carried on through its wholly owned subsidiaries in the form of limited partnerships formed under the laws of Ontario, except for the Option Properties (as defined in Note 20), which are owned through joint ventures between the Company and each of WVJ II General Partnership and WVJ Properties (Nicola) Ltd. (each an affiliate of Pacific Seniors Management Investments Ltd.).

As at September 30, 2019, the Company had outstanding 66,654,529 common shares.

The head office of the Company is located at 302 Town Centre Blvd., Suite 300, Markham, Ontario, L3R 0E8. The registered office of the Company is located at 1900 - 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

2 Basis of preparation

These 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, 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The interim consolidated financial statements were approved by the Board of Directors on November 13, 2019.

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, 2018, except as described in the "Changes in accounting policies" section below.

Changes in accounting policies

IFRS 16, Leases

In January 2016, the IASB issued the new standard that sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17 Leases for reporting periods beginning on or after January 1, 2019. This new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company adopted and applied this standard effective January 1, 2019 using the modified retrospective approach.

As at January 1, 2019, the Company recognized $3,049 as a right-of-use asset and a lease liability for an office lease and office equipment using a simplified approach where the asset and liability are identical. The right-of-use asset is depreciated over the remaining term of the lease and recognized as depreciation expense. The lease liability was initially recognized at the present value of the remaining lease payments discounted at the Company's incremental borrowing rate of 3.87%. After initial recognition, the lease liability is subsequently measured at its amortized cost using the effective interest method. There was no restatement of prior year interim consolidated financial statements as a result of the changes in the Company's accounting policies.

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

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued International Financial Reporting Interpretations Committee ("**IFRIC**") Interpretation 23, Uncertainty over Income Tax Treatments, which is effective for reporting periods beginning on or after January 1, 2019. IFRIC 23 clarifies the recognition and measurement requirements under IAS 12, Income Taxes, when there is uncertainty over income tax treatments. As at January 1, 2019, the Company has applied IFRIC 23, and there was no material impact on the Company's interim consolidated financial statements as there are no known material uncertain tax positions.

Accounting standards issued but not yet applied

Amendments to IFRS 3, Business Combinations

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

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

4 Financial instruments

Fair value of financial instruments

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

The following financial instruments are at amortized cost and the fair value is disclosed as follows as at September 30, 2019 and December 31, 2018:

	As at September 30, 2019		As at December 31, 2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Construction funding receivable	**49,003**	**51,206**	57,116	58,958
Financial Liabilities:				
Current and long-term portion of debt	**1,001,742**	**991,259**	1,016,126	1,003,057

Liquidity risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company has credit agreements in place related to its long-term debt. These credit agreements contain a number of standard financial and other covenants. The Company was in compliance with all covenants on its borrowings as at September 30, 2019. A failure by the Company to comply with the obligations in these credit agreements could result in a default that, if not rectified or waived, could permit acceleration of the relevant indebtedness.

As at September 30, 2019, the Company had negative working capital (current liabilities less current assets) of $196,865 (December 31, 2018 - $163,225). To support the Company’s working capital deficiency, the Company has available cash from operations and, if necessary, may draw from its credit facilities. Subsequent to September 30, 2019, the Company has repaid its outstanding credit facilities of $49,000 and $64,415 of its mortgages due within the next 12 months (Note 9).

5 Restricted cash

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

	September 30, 2019	December 31, 2018
Series B Debentures' principal reserve fund	**36,629**	31,209
Capital maintenance reserve	**2,551**	2,253
Restricted cash	**39,180**	33,462

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

6 Construction funding receivable

As at September 30, 2019, the Company is eligible to receive gross funding from the Ontario government of approximately $49,003 (December 31, 2018 - $57,116) related to the costs of developing or redeveloping eligible LTC residences. The receipt of this funding is subject to the condition that the residences continue to operate as long-term care residences for the period for which the residences are entitled to the construction funding. As at September 30, 2019, the condition for the funding has been met.

As at September 30, 2019, the weighted average remaining term of the construction funding is approximately 7.3 years. The fair value of the construction funding receivable is determined by discounting the expected future cash flows of the receivable using the applicable Ontario government bond rates.

The following table summarizes the construction funding activity:

As at January 1, 2018	64,614
Additions[1]	3,177
Add: Interest income earned	2,553
Less: Construction funding payments received	(13,228)
As at December 31, 2018	57,116
Add: Interest income earned	1,607
Less: Construction funding payments received	(9,720)
As at September 30, 2019	**49,003**

[1]During 2018, the Company received an increase in construction funding for its Bloomington Cove Care Community retroactive to the date of construction completion of the residence. This additional construction funding was recorded as a reduction to the property and equipment cost.

7 Property and equipment

	Land	Buildings	Furniture and fixtures	Automobiles	Computer hardware	Circulating equipment	Construction in progress	Right-of-use building and equipment[1]	Total
Cost									
As at January 1, 2019	139,063	1,176,111	63,227	1,194	9,113	1,121	8,674	—	1,398,503
Adjustments[1][2]	—	(4,147)	—	—	—	—	—	3,049	(1,098)
Transfers	—	11,564	594	—	248	—	(12,406)	—	—
Additions	—	6,353	3,023	9	995	11	5,168	—	15,559
As at September 30, 2019	139,063	1,189,881	66,844	1,203	10,356	1,132	1,436	3,049	1,412,964
Accumulated depreciation									
As at January 1, 2019	—	193,467	20,406	594	1,553	—	—	—	216,020
Charges for the period	—	25,308	4,516	136	1,077	11	—	501	31,549
As at September 30, 2019	—	218,775	24,922	730	2,630	11	—	501	247,569
Net book value as at September 30, 2019	**139,063**	**971,106**	**41,922**	**473**	**7,726**	**1,121**	**1,436**	**2,548**	**1,165,395**

[1]Due to the adoption of IFRS 16, Leases, on January 1, 2019 as discussed in Note 3, the right-of-use building and related depreciation of $2,250 and $289, respectively, and the right-of-use equipment and related depreciation of $799 and $212, respectively, were added to Property and Equipment.
[2]The adjustment to buildings is related to a GST rebate for a prior year.

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

8 Intangible assets

	Licences	Resident relationships	Service contracts	Computer software	Total
Cost					
As at January 1, 2019	190,945	167,572	10,968	11,486	380,971
Additions	—	—	—	1,632	1,632
As at September 30, 2019	190,945	167,572	10,968	13,118	382,603
Accumulated amortization					
As at January 1, 2019	—	101,225	9,800	3,578	114,603
Charges for the period	—	24,347	246	1,614	26,207
As at September 30, 2019	—	125,572	10,046	5,192	140,810
Net book value as at September 30, 2019	**190,945**	**42,000**	**922**	**7,926**	**241,793**

9 Long-term debt

	Interest rate	Maturity date	September 30, 2019	December 31, 2018
Series B Debentures	3.474%	February 3, 2021	**322,000**	322,000
Credit facilities	Floating	2020	**49,000**	76,500
Mortgages at fixed rates	2.83% - 5.80%	2019-2041	**443,556**	436,668
Mortgages at variable rates	Floating	2019-2029	**193,471**	189,949
Lease liability	3.87%	2021-2024	**2,600**	—
			1,010,627	1,025,117
Fair value adjustments on acquired debt			**3,819**	4,243
Less: Deferred financing costs			**(12,704)**	(13,234)
Total debt			**1,001,742**	1,016,126
Less: Current portion			**158,113**	113,888
			843,629	902,238

Credit facilities and loans

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

	September 30, 2019	December 31, 2018
Credit facilities available	**154,693**	178,457
Amounts drawn under credit facilities	**49,000**	76,500
Remaining available balance under credit facilities	**105,693**	101,957

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

Mortgages

The following table summarizes the scheduled maturities of the Company's property-level mortgages as at September 30, 2019:

	Mortgages			
Year	Regular principal payments	Principal due at maturity	**Total**	% of Total
2019	6,082	60,601	**66,683**	10.5%
2020	20,898	27,824	**48,722**	7.6%
2021	20,933	13,426	**34,359**	5.4%
2022	19,519	33,199	**52,718**	8.3%
2023	17,632	60,824	**78,456**	12.3%
2024	15,846	50,104	**65,950**	10.4%
2025	12,311	41,065	**53,376**	8.4%
2026	12,347	—	**12,347**	1.9%
2027	11,650	35,115	**46,765**	7.3%
2028	6,619	109,737	**116,356**	18.3%
Thereafter	16,362	44,933	**61,295**	9.6%
	160,199	476,828	**637,027**	100.0%

10 Net finance charges

	Three months ended September 30,		**Nine months ended September 30,**	
	2019	2018	**2019**	2018
Finance costs				
Interest expense on long-term debt	**9,127**	9,355	**27,524**	25,496
Interest expense on Convertible Debentures	**—**	—	**—**	844
Fees on revolving credit facilities	**106**	116	**303**	240
Amortization of financing charges and fair value adjustments on acquired debt	**627**	897	**1,567**	1,564
Amortization of loss on bond forward contract	**242**	233	**711**	684
Fair value loss (gain) on interest rate swap contracts	**84**	(1,889)	**5,400**	(2,474)
	10,186	8,712	**35,505**	26,354
Finance income				
Interest income on construction funding receivable	**500**	633	**1,607**	1,945
Other interest income[1]	**185**	109	**1,840**	877
	685	742	**3,447**	2,822
Net finance charges	**9,501**	7,970	**32,058**	23,532

[1]Includes $nil and $1,346 interest income on a GST rebate for a prior year recorded in the three and nine months ended September 30, 2019, respectively (2018 - $nil and $nil, respectively).

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

11 Income taxes

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Income before provision for income taxes	**5,642**	6,810	**8,763**	12,952
Canadian combined income tax rate	**26.57%**	26.57%	**26.57%**	26.57%
Income tax expense	**1,499**	1,809	**2,328**	3,441
Adjustments to income tax provision:				
Non-deductible items	**30**	82	**133**	74
Book to filing adjustment	**—**	1	**49**	187
Other items charged to equity	**350**	(82)	**(182)**	(331)
Provision for income taxes	**1,879**	1,810	**2,328**	3,371

The following are the major deferred tax assets (liabilities) recognized by the Company and movements thereon during the nine months ended September 30, 2019:

	Depreciable tangible and intangible assets	**Share issuance**	**Construction funding interest**	**Other**	**Total**
As at January 1, 2018	(66,495)	2,057	3,067	1,709	(59,662)
Due to acquisitions during the year	—	—	—	399	399
Credit (charge) to net income	5,738	(150)	(656)	(533)	4,399
Book to filing adjustment	(85)	108	—	(215)	(192)
Charge to other comprehensive income	—	—	—	(243)	(243)
Credit to equity	—	1,164	—	(111)	1,053
As at December 31, 2018	(60,842)	3,179	2,411	1,006	(54,246)
Credit (charge) to net income	1,980	(779)	(427)	2,704	3,478
Book to filing adjustment	(463)	14	—	(34)	(483)
Charge to other comprehensive income	—	—	—	(189)	(189)
As at September 30, 2019	**(59,325)**	**2,414**	**1,984**	**3,487**	**(51,440)**

The 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, 2019 of $65 and $189, respectively (2018 - $63 and $182, respectively).

All amounts are in thousands of Canadian 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, 2018	53,054,642	639,361
Long-term incentive plan, net of loans receivable	13,712	52
Share-based compensation	—	24
Dividend reinvestment plan	663,131	10,962
Issued common shares, net of issuance costs	12,326,664	208,606
Balance, December 31, 2018	66,058,149	859,005
Long-term incentive plan, net of loans receivable (Note 14)	—	33
Share-based compensation (Note 14)	—	19
Dividend reinvestment plan	572,800	10,285
Issued common shares (Note 14)	23,580	416
Balance, September 30, 2019	**66,654,529**	**869,758**

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

Dividend reinvestment plan

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

Net income per share

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Reconciliation of net income used as the numerator				
Net income	**3,763**	5,000	**6,435**	9,581
Net income used in calculating basic income per share	**3,763**	5,000	**6,435**	9,581
Net finance charges on Convertible Debentures	—	—	—	1,043
Current income tax adjustment	—	—	—	(276)
Net income used in calculating diluted income per share	**3,763**	5,000	**6,435**	10,348
Weighted average number of common shares used as the denominator				
Weighted average number of common shares - basic	**66,566,747**	65,752,737	**66,375,736**	63,062,629
Shares issued if all Convertible Debentures were converted	—	—	—	1,370,716
Weighted average number of common shares - diluted[1]	**66,566,747**	65,752,737	**66,375,736**	64,433,345

[1]The weighted average number of diluted common shares calculation accounts for the convertible unsecured subordinated debentures ("**Convertible Debentures**") that converted into common shares. All outstanding Convertible Debentures were redeemed as at May 23, 2018.

13 Dividends

The Company paid dividends at $0.0765 per month per common share from January 1, 2019 to September 12, 2019, and $0.078 per month per common share effective September 13, 2019, totaling $11,997 for the three months ended and $35,490 for the nine months ended September 30, 2019 (2018 - $11,555 and $34,419, respectively). Dividends payable of $5,199 are included in accounts payable and accrued liabilities as at September 30, 2019 (December 31, 2018 - $5,054). Subsequent to September 30, 2019, the Board of Directors declared dividends of $0.078 per common share for October 2019 totaling $5,204.

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

14 Share-based compensation

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

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

The LTIP has been terminated. The grant on February 15, 2018 was the final grant under the LTIP, and no further grants will be made. The outstanding loan balances pertain to previous years' LTIP grants.

On February 15, 2018, incentive award amounts entitling eligible senior executives ("**Participants**") to purchase 13,712 common shares pursuant to the LTIP were granted in connection with the year ended December 31, 2017. Each Participant was entitled to borrow from the Company an amount not greater than 95% of the purchase price for the common shares in order to purchase the shares. On the grant date, the Company provided loans to the Participants for a portion of the common shares purchased, and the Participants collectively paid $12 towards the purchase of common shares. This payment was recorded as an increase to share capital. Related to the LTIP in the nine months ended September 30, 2019, the Company recorded an increase of $33 to share capital (2018 - $41) and $nil to contributed surplus (2018 - $46). As at September 30, 2019, the outstanding loan balance totalled $925 in the aggregate (December 31, 2018 - $958). Total expense related to the LTIP for the three and nine months ended September 30, 2019 was $nil and $nil, respectively (2018 - $nil and $46, respectively).

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 15, 2018
Fair value at grant date	$17.36
Volatility	17.96%
Monthly discrete dividend	$0.075
Risk-free rate	2.72%
Annual interest rate on Participants' loan	3.00%
Forfeiture rate	0.00%

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

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

During the nine months ended September 30, 2019, 11,045 restricted share units ("**RSUs**") (2018 - 23,508) were granted pursuant to the RSUP. Total expenses related to the RSUP for the three and nine months ended September 30, 2019 were $54 and $299, respectively (2018 - $81 and $179, respectively), including mark-to-market adjustments and net of forfeitures, which were recognized in administrative expenses. During the nine months ended September 30, 2019, 23,579 RSUs vested and 19,353 were settled in common shares, resulting in a decrease of $416 to the share-based compensation liability. The total liability recorded as part of the share-based compensation liability as at September 30, 2019 was $312 (December 31, 2018 - $429).

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

	Number of RSUs
Outstanding, January 1, 2018	37,736
Granted	23,508
Dividends reinvested	2,341
Settled in cash	(8,222)
Settled in shares	(8,787)
Outstanding, December 31, 2018	46,576
Granted	11,045
Dividends reinvested	1,443
Settled in cash	(4,226)
Settled in shares	(19,353)
Outstanding, September 30, 2019	35,485

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

Total expenses related to the DSUP for the three and nine months ended September 30, 2019 were $99 and $1,483, respectively (2018 - $314 and $269, respectively), including mark-to-market adjustments, which were recognized in administrative expenses. The total liability recorded related to the DSUP as a part of the share-based compensation liability as at September 30, 2019 was $5,703 (December 31, 2018 - $4,220). The value of each deferred share unit is measured at each reporting date and is equivalent to the fair value of a common share at the reporting date.

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

During the nine months ended September 30, 2019, 52,038 (2018 - 33,481) executive deferred share units ("**EDSUs**") were granted. Total expenses related to the EDSUP for the three and nine months ended September 30, 2019 were $103 and $1,072, respectively (2018 - $189 and $239, respectively), including mark-to-market adjustments, which were 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, 2019 was $3,908 (December 31, 2018 - $2,171).

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

15 Key management compensation

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Salaries and short-term employee benefits	**1,172**	920	**3,578**	2,933
Share-based compensation	**256**	584	**2,854**	733
	1,428	1,504	**6,432**	3,666

16 Related party transactions

As at September 30, 2019, the Company had amounts outstanding from certain key management of $1,282 (December 31, 2018 - $1,334) in relation to grants under the LTIP and related share purchase loans (see Note 14), which have been recorded as a reduction to shareholders' equity. The terms of the LTIP provide for the loans to bear interest at the Canadian prime rate prevailing at the Company's bank at the time of grant. The underlying common shares have been pledged as security against the respective loans.

17 Economic dependence

The Company holds licences related to each of its LTC residences and receives funding from the applicable health authorities related to those licences, which are included in revenues. During the three and nine months ended September 30, 2019, the Company received approximately $102,454 and $269,531, respectively (2018 - $91,039 and $264,172, respectively) in respect of these licences.

18 Expenses by category

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Salaries, benefits and other people costs	**98,538**	96,187	**292,050**	279,494
Depreciation and amortization	**19,070**	19,342	**57,756**	51,708
Food	**7,899**	7,703	**22,730**	21,522
Purchased services and non-medical supplies	**5,978**	5,448	**17,723**	14,513
Property taxes	**3,754**	3,710	**11,427**	10,884
Utilities	**3,757**	3,933	**12,236**	12,061
Other	**13,456**	12,988	**40,723**	36,561
Total expenses	**152,452**	149,311	**454,645**	426,743

19 Segmented information

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

The Company is comprised of the following main business segments:

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

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

	Three months ended September 30, 2019			
	Retirement[1]	**LTC**	**Corporate, Eliminations and Other**	**Total**
Gross revenue	**38,090**	**133,864**	**15,993**	**187,947**
Less: Internal revenue	**—**	**4,007**	**15,993**	**20,000**
Net revenue	**38,090**	**129,857**	**—**	**167,947**
Operating expense	**21,237**	**106,548**	**—**	**127,785**
Depreciation and amortization	**12,692**	**5,372**	**1,006**	**19,070**
Administrative expense	**—**	**—**	**5,597**	**5,597**
Income (loss) before net finance charges, transaction costs and provision for income taxes	**4,161**	**17,937**	**(6,603)**	**15,495**
Finance costs	**4,192**	**5,964**	**30**	**10,186**
Finance income	**—**	**(629)**	**(56)**	**(685)**
Transaction costs	**—**	**—**	**352**	**352**
Provision for income taxes	**—**	**—**	**1,879**	**1,879**
Net income (loss)	**(31)**	**12,602**	**(8,808)**	**3,763**
Purchase of property and equipment	**3,376**	**1,169**	**259**	**4,804**
Purchase of intangible assets	**8**	**1**	**244**	**253**

[1] For the three months ended September 30, 2019, the Retirement segment recognized accommodation revenues of $17,140 and service revenues of $20,950.

	Three months ended September 30, 2018			
	Retirement[1]	LTC	Corporate, Eliminations and Other	Total
Gross revenue	38,803	130,185	16,375	185,363
Less: Internal revenue	—	3,940	16,375	20,315
Net revenue	38,803	126,245	—	165,048
Operating expense	21,247	103,282	—	124,529
Depreciation and amortization	13,077	5,611	654	19,342
Administrative expense	—	—	5,440	5,440
Income (loss) before net finance charges, transaction costs and provision for income taxes	4,479	17,352	(6,094)	15,737
Finance costs	2,697	5,414	601	8,712
Finance income	—	(717)	(25)	(742)
Transaction costs	—	—	957	957
Provision for income taxes	—	—	1,810	1,810
Net income (loss)	1,782	12,655	(9,437)	5,000
Purchase of property and equipment, net of disposals	5,263	4,963	1,419	11,645
Purchase of intangible assets	—	—	782	782

[1] For the three months ended September 30, 2018, the Retirement segment recognized accommodation revenues of $16,948 and service revenues of $21,855.

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

	Nine months ended September 30, 2019			
	Retirement[(1)]	**LTC**	**Corporate, eliminations and other**	**Total**
Gross revenue	**115,061**	**394,430**	**47,652**	**557,143**
Less: Internal revenue	**—**	**11,918**	**47,652**	**59,570**
Net revenue	**115,061**	**382,512**	**—**	**497,573**
Operating expense	**62,886**	**315,684**	**—**	**378,570**
Depreciation and amortization	**38,119**	**16,711**	**2,926**	**57,756**
Administrative expense	**—**	**—**	**18,319**	**18,319**
Income (loss) before net finance charges, transaction costs and recovery of income taxes	**14,056**	**50,117**	**(21,245)**	**42,928**
Finance costs	**17,640**	**17,792**	**73**	**35,505**
Finance income	**—**	**(3,274)**	**(173)**	**(3,447)**
Transaction costs	**—**	**—**	**2,107**	**2,107**
Provision for income taxes	**—**	**—**	**2,328**	**2,328**
Net income (loss)	**(3,584)**	**35,599**	**(25,580)**	**6,435**
Purchase of property and equipment	**9,889**	**4,825**	**845**	**15,559**
Purchase of intangible assets	**29**	**6**	**1,597**	**1,632**

(1) For the nine months ended September 30, 2019, the Retirement segment recognized accommodation revenues of $51,777 and service revenues of $63,284.

	Nine months ended September 30, 2018			
	Retirement[(1)]	LTC	Corporate, eliminations and other	Total
Gross revenue	100,969	383,228	45,670	529,867
Less: Internal revenue	—	11,668	45,670	57,338
Net revenue	100,969	371,560	—	472,529
Operating expense	55,246	304,970	—	360,216
Depreciation and amortization	33,124	16,726	1,858	51,708
Administrative expense	—	—	14,819	14,819
Income (loss) before net finance charges, transaction costs and provision for income taxes	12,599	49,864	(16,677)	45,786
Finance costs	7,534	16,041	2,779	26,354
Finance income	—	(2,426)	(396)	(2,822)
Transaction costs	—	—	9,302	9,302
Provision for income taxes	—	—	3,371	3,371
Net income (loss)	5,065	36,249	(31,733)	9,581
Purchase of property and equipment, net of disposals	282,916	14,331	2,932	300,179
Purchase of intangible assets	64,070	1,766	2,213	68,049

(1) For the nine months ended September 30, 2018, the Retirement segment recognized accommodation revenues of $44,335 and service revenues of $56,634.

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

	As at September 30, 2019			
	Retirement	**LTC**	**Corporate, eliminations and other**	**Total**
Total assets	**798,770**	**885,748**	**23,645**	**1,708,163**

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

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

20 Joint arrangements

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

	September 30, 2019	December 31, 2018[1]
Current assets	**3,141**	2,829
Long-term assets	**102,938**	104,937
Total assets	**106,079**	107,766
Current liabilities	**4,625**	3,874
Long-term liabilities	**65,187**	66,547
Total liabilities	**69,812**	70,421
Net assets	**36,267**	37,345
Share of net assets	**18,495**	19,113

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

As at September 30, 2019, the Company's share of net assets in Nicola Lodge and Glenmore Lodge was $10,224 and $8,271, respectively (December 31, 2018 - $10,453 and $8,660, respectively).

	Three months ended September 30,		**Nine months ended September 30,**	
	2019	2018	**2019**	2018
Revenue	**7,694**	7,320	**22,332**	21,500
Expenses				
Operating	**5,279**	4,998	**15,764**	14,604
Depreciation and amortization	**711**	715	**2,155**	2,344
	5,990	5,713	**17,919**	16,948
Income before net finance charges	**1,704**	1,607	**4,413**	4,552
Net finance charges	**729**	735	**2,163**	2,226
Net income	**975**	872	**2,250**	2,326
Share of net income	**501**	460	**1,140**	1,179

For the three months ended September 30, 2019, the Company's share of net income in Nicola Lodge and Glenmore Lodge was $271 and $230, respectively (2018 - $230 and $230, respectively).

For the nine months ended September 30, 2019, the Company's share of net income in Nicola Lodge and Glenmore Lodge was $642 and $498, respectively (2018 - $618 and $561, respectively).

21 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 period.

22 Subsequent event

On November 4, 2019, the Company issued $150,000 aggregate principal amount of series A senior unsecured debentures (the "**Debentures**"). The Debentures will bear interest at a rate of 3.109% per annum and will mature on November 4, 2024.