Report to Shareholders

2022 Sienna Senior Living Inc.

Sienna SENIOR LIVING

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Reflecting on a significant year

2022 has been a significant year for Sienna. Expanding our retirement portfolio in Ontario and into Saskatchewan was a major step towards further portfolio diversification and positioned us well to take advantage of the favourable long-term fundamentals in Canadian seniors' living. Throughout the year, we also put many initiatives into motion that will further elevate the quality of life of residents and strengthen team member engagement.

In 2023, we intend to capture the growth potential inherent in our retirement portfolio, advance our long-term care redevelopment initiatives, and continue with our platform enhancements, all while maintaining a strong balance sheet.

Retirement occupancy gains driven by an aging population and limited new supply

Our retirement operations continued their trend of same-property occupancy gains for the sixth consecutive quarter in Q4 2022, reaching an average same property occupancy rate of 88.6%. In addition, we increased average rental rates in line with market rates, which helped to partially offset higher operating expenses. Furthermore, occupancy in our acquisition portfolio, comprising 12 retirement residences in Ontario and Saskatchewan, was 85.3% in Q4 2022, representing an improvement of 310 basis points since we acquired the portfolio in May 2022.

Heading into 2023, we continue to leverage our successful marketing and sales strategies, supported by the strong demographic trends and rising needs of seniors, and expect further occupancy gains throughout the year.

Sienna's long-term care operations awarded high accreditation marks

Demand for long-term care beds is higher than ever, with long waiting lists and increasing pressure on Canada's hospital systems. At the same time, intense competition for talent, high inflation, and funding gaps resulting from insufficient pandemic funding and the expiry of the occupancy protection funding continue to impact our long-term care operations.

Notwithstanding the challenging operating environment, our team members continued to deliver outstanding work, which was highlighted in the recently conducted third-party assessments at Sienna's long-term care communities. According to the surveys conducted by the Commission on Accreditation of Rehabilitation Facilities (CARF) in Ontario and Accreditation Canada in British Columbia in the fourth quarter of 2022, Sienna maintained its highest achievement status of **Aspire to Excellence** and received an award of **Exemplary Standing**. These are strong indicators that our team has gone beyond the requirements of the accreditation program and demonstrated excellence in quality improvement.

A sector operating under pressure

The seniors' living sector and larger health care sector have been under immense pressure amid a national shortage of healthcare workers. As a result, we must continue to rely heavily on agency workers to supplement staffing. In 2023, we are making it a priority to strengthen team engagement and retention by offering a compelling team experience and creating a purpose-driven and differentiated culture. We will also continue to improve our onboarding process and invest in team member training and development.

A recently launched centralized scheduling and call-out system is further supporting our staffing process. To date, the system has been rolled out to most of Sienna's long-term care communities and provides greater flexibility to staffing on a real-time basis, and a more seamless process to fill staffing gaps. It is expected to enable tighter controls on overtime, empower team members to optimize their schedules, and ultimately reduce our reliance on external agency staffing.

Renewed long-term care redevelopment momentum

With rising construction costs and rapidly increasing interest rates, the feasibility of our redevelopment plans for Sienna's older long-term care portfolio in Ontario was challenged in 2022. Together with other participants in the seniors' living sector and associations, we worked with the government to address this situation.

In late 2022, the Ontario government announced a time-limited supplemental increase to the construction funding subsidy for projects with a construction start by August 31, 2023. As a result, we expect to have a total of 480 beds under construction by mid-2023, including projects in North Bay, Keswick and Brantford, Ontario. We also plan to develop 147 retirement suites as part of a campus of care at our Brantford location, with an estimated total development cost for the campus of approximately $140 million and a projected development yield of approximately 7.5%.

In addition, over 1,000 beds are currently in pre-planning stages in the Greater Toronto Area, including in Scarborough and Mississauga. We will continue to advocate for funding that is aligned with the current inflationary conditions and offset the considerable cost increases in order to move forward with our redevelopment plans.

Putting our values into action

Following our new purpose and vision, we renewed our key values to **Act Positively, Be Accountable, Create Community** and **Demonstrate Caring**. These values are incorporated into every aspect of our operations and our updated strategy.

After a year of significant growth through acquisitions, our strategic focus in 2023 will be on capturing the growth potential inherent in our retirement portfolio through rental rate and occupancy increases, strengthening team member engagement and retention and continually elevating the quality of life of our residents. We will continue our disciplined approach of growing our revenue streams in both business segments, and reduce costs, in particular through lessening our reliance on temporary agency staff.

In addition, we will continue to expand our platform by advancing the redevelopment of our long-term care portfolio and make an important contribution to improving the growing needs of Canadian seniors.

We are confident that the significant changes in 2022 positioned us well to execute on our strategic objectives for 2023 and achieve sustainable, long-term success.

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

Sincerely,

Nitin Jain
President and Chief Executive Officer
Sienna Senior Living

Management's Discussion and Analysis

2022 Report to Shareholders

Management's Discussion and Analysis

Basis of Presentation

The following Management's Discussion and Analysis ("**MD&A**") for Sienna Senior Living Inc. (the "**Company**" or "**Sienna**") provides a summary of the financial results for the year ended December 31, 2022. This MD&A should be read in conjunction with the Company's audited consolidated financial statements ("**consolidated financial statements**") for the year ended December 31, 2022. This material is available on the Company's website at www.siennaliving.ca. Additional information about the Company, including its most current Annual Information Form ("**AIF**") can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

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

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

With the exception of this MD&A's Business Update, Outlook, Significant Events, Industry Update and Environmental, Social and Governance ("**ESG**") Responsibility sections, or unless otherwise stated, all dollar amounts referred to in this MD&A, including tabular amounts, are expressed in thousands of Canadian dollars.

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

Additional Information

Additional information relating to the Company can be found on the Company's website at www.siennaliving.ca, by accessing the Company's public filings on SEDAR, or by contacting David Hung, the Company's Chief Financial Officer and Executive Vice President, at 905-489-0258 or david.hung@siennaliving.ca.

Review and Approval by the Board of Directors

This MD&A is dated as of February 23, 2023, the date this report was approved by the Board of Directors of the Company, and is based on information available to management of the Company as of that date.

Company Profile

The Company and its predecessors have been operating since 1972. The Company is a seniors' living provider serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care (**"LTC"** or **"Long-term Care"**) through the ownership and operation of seniors' living residences in the Provinces of British Columbia, Saskatchewan and Ontario. As at December 31, 2022, the Company owns and operates a total of 80 seniors' living residences: 38 retirement residences ("**RRs**" or "**Retirement Residences**") (including the Company's 50% joint venture interest in 12 residences in Ontario and Saskatchewan); 34 LTC communities; and eight seniors' living residences providing both private-pay IL/AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to an additional 13 seniors' living residences in the Provinces of British Columbia and Ontario.

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

	Retirement		Long-term Care		Total [1]	
Owned Residences	**Residences**	**Suites**	**Residences**	**Beds [2]**	**Residences**	**Beds / Suites**
100% Owned - operating	26	3,156	40	6,258	66	9,414
Partially Owned - operating [3]	12	1,234	2	374	14	1,608
Total Owned	38	4,390	42	6,632	80	11,022
Managed Residences	9	812	4	649	13	1,461
Total	47	5,202	46	7,281	93	12,483

Notes:
1. 79.2%, 16.3% and 4.5% of total beds/suites are located in Ontario, British Columbia and Saskatchewan, respectively.
2. 180 of the LTC beds are privately funded.
3. We have a 50% ownership in 12 retirement residences (1,234 suites), a 40% ownership in one long-term care community (256 beds) and a 77% ownership in one long-term care community (118 beds) as at December 31, 2022.

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

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

As at February 23, 2023, the Company had 72,939,941 common shares outstanding.

Non-IFRS Performance Measures

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

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

These Key Performance Indicators and Non-IFRS Measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's method of calculating these measures may differ from other issuers' methods and accordingly, these measures may not be comparable to measures presented by other publicly traded entities.

Non-IFRS Measure	Definition	Reconciliation
Total Adjusted Revenue	Total Adjusted Revenue is defined as revenue, including the Company's share of revenue in Equity-Accounted Joint Venture (as defined below).	N/A
Total Adjusted Operating Expenses	Total Adjusted Operating Expenses is defined as operating expenses, including the Company's share of operating expenses in Equity-Accounted Joint Venture (as defined below).	N/A
Equity-Accounted Joint Venture	Equity-Accounted Joint Venture is defined as the Company's interest in Sienna-Sabra LP joint venture.	N/A
Net Operating Income ("NOI")	NOI is defined as property revenue and government assistance related to the pandemic, net of property operating expenses, including the Company's share in the Equity-Accounted Joint Venture. The Company believes that NOI is a useful additional measure of operating performance as it provides a measure of core operations that is calculated prior to taking into account depreciation, amortization, administrative expenses, impairment loss, net finance charges, transaction costs, gain on disposal of properties and income taxes. The IFRS measure most directly comparable to NOI is "net income".	Section - Business Performance - Reconciliation of Net Income to Net Operating Income

Non-IFRS Measure	Definition	Reconciliation
Funds from Operations (“FFO”)	FFO is defined as NOI less certain adjustments including administrative expenses, net finance charges and current income taxes. FFO is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and/or operate income-producing properties. The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the Company's operating results. The IFRS measure most directly comparable to FFO is "net income".	Section - Business Performance - Adjusted Funds from Operations
Operating funds from operations (“OFFO”) and OFFO per Share	OFFO is FFO adjusted for non-recurring items, which includes restructuring costs, and presents net finance charges on a cash interest basis. Management of the Company is of the view that OFFO is a relevant measure of the operating performance of the Company.	Section - Business Performance - Adjusted Funds from Operations
Adjusted funds from operations ("AFFO") and AFFO per share	AFFO is defined as OFFO plus the principal portion of construction funding received, less actual maintenance and net pandemic capital expenditures. Management of the Company believes AFFO is a cash flow measure, which is relevant in understanding the Company's ability to earn cash and pay dividends to shareholders. The IFRS measure most directly comparable to AFFO is "cash flow from operating activities".	Section - Business Performance - Reconciliation of Cash Flow from Operations to Adjusted Funds from Operations
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	EBITDA is defined as net income excluding net finance charges, taxes, transaction costs, depreciation and amortization, impairment loss, and including the Company's share of NOI in the Equity-Accounted Joint Venture. EBITDA is relevant in understanding the Company's ability to service its debt, finance capital expenditures and pay dividends to shareholders. The IFRS measure most directly comparable to EBITDA is "net income".	Section - Liquidity and Capital Resources - Financial Covenants
Adjusted EBITDA	Adjusted EBITDA is defined as EBITDA, adjusted for construction funding proceeds and non-recurring items.	Section - Liquidity and Capital Resources - Financial Covenants

Non-IFRS Measure	Definition	Reconciliation
Maintenance capital expenditures	Maintenance capital expenditures are defined as capital investments, including the Company's share of capital investments in Equity-Accounted Joint Venture, made to maintain the Company's residences to meet residents' needs and continually improve resident's experience. These expenditures include building maintenance, mechanical and electrical spend, suite renovations, common area maintenance, communications and information systems, furniture, fixtures and equipment. Please refer to the Maintenance Capital Expenditures section of this MD&A for additional financial information.	N/A
Occupancy	Occupancy is a key driver of the Company's revenues.	N/A
AFFO Payout ratio	Management of the Company monitors the AFFO payout ratio, which is calculated by dividing dividends per share over basic AFFO per share.	N/A
Debt to Gross Book Value	In conjunction with the debt service coverage ratio, management of the Company monitors this ratio to ensure compliance with certain financial covenants.	N/A
Weighted Average Cost of Debt	This is a point in time calculation which is useful in comparing interest rates, either period over period, or to market rates.	N/A
Debt to Adjusted EBITDA ratio	This ratio which is calculated by dividing total debt (including the Company's share of debt in Equity-Accounted Joint Venture), over Adjusted EBITDA.	N/A
Interest Coverage Ratio	Interest coverage ratio, which is calculated using Adjusted EBITDA divided by net finance charges, is a common measure used to assess an entity's ability to service its debt obligations.	N/A
Debt Service Coverage Ratio	This ratio is calculated using total debt service (including the Company's share of debt in Equity-Accounted Joint Venture), divided by Adjusted EBITDA, useful for management of the Company to ensure it is in compliance with its financial covenants.	N/A

Non-IFRS Measure	Definition	Reconciliation
Weighted Average Term to Maturity	This indicator is used by management of the Company to monitor its debt maturities.	N/A
Same Property	Measures with "same property" are similar to "same-store" measures used in a number of other industries and are intended to measure the period over period performance of the same asset base. The same property portfolio excludes acquired properties owned for less than one year, assets undergoing new development, redevelopment, assets held for sale or that were sold. Properties undergoing new development or redevelopment are considered "same property" once they are operating at stabilized occupancy levels.	N/A
Development and Other	The development and other portfolio includes properties undergoing new development or redevelopment, and assets held for sale or that were sold. Development properties are moved to same property at the earlier of three years since completion or upon achieving stabilized occupancy levels.	N/A

Key Performance Indicators

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

Thousands of Canadian dollars, except occupancy, share and ratio data	Three Months Ended 2022	2021	Change	Year Ended 2022	2021	Change
OCCUPANCY						
Retirement - Average same property occupancy	**88.6 %**	84.2 %	4.4 %	**87.3 %**	80.8 %	6.5 %
Retirement - Acquisition, development and others - Average occupancy	**85.3 %**	49.3 %	36.0 %	**82.1 %**	51.9 %	30.2 %
Retirement - Average total occupancy	**88.0 %**	82.7 %	5.3 %	**86.7 %**	79.5 %	7.2 %
LTC - Average total occupancy	**89.9 %**	88.9 %	1.0 %	**88.8 %**	85.2 %	3.6 %
LTC - Average private occupancy	**84.6 %**	82.2 %	2.4 %	**83.0 %**	80.7 %	2.3 %
LTC - Average total occupancy excl. 3 and 4 ward beds and isolation beds (1)	**96.3 %**	n/a	n/a	**95.5 %**	n/a	n/a
FINANCIAL						
Total Adjusted Revenue	**193,216**	174,175	19,041	**736,841**	668,494	68,347
Total Adjusted Operating Expenses, net	**160,699**	140,729	19,970	**602,948**	526,353	76,595
Same property NOI (2)	**31,150**	32,596	(1,446)	**128,753**	137,957	(9,204)
Total NOI (2)(8)	**32,517**	33,446	(929)	**133,893**	142,141	(8,248)
Administrative expenses	**13,307**	7,599	5,708	**39,370**	31,270	8,100
EBITDA (3)(8)	**19,214**	25,825	(6,611)	**118,249**	110,841	7,408
Net income (loss) (8)(9)	**(6,675)**	4,654	(11,329)	**10,668**	20,648	(9,980)
OFFO (4)(8)	**17,701**	18,258	(557)	**69,078**	76,992	(7,914)
AFFO (5)(8)	**17,302**	16,555	747	**67,475**	72,757	(5,282)
Total assets (6)	**1,680,428**	1,609,189	71,239	**1,680,428**	1,609,189	71,239
PER SHARE INFORMATION						
Net income (loss) per share, basic and diluted	**(0.092)**	0.070	(0.162)	**0.149**	0.310	(0.161)
OFFO per share (4)	**0.243**	0.272	(0.029)	**0.965**	1.148	(0.183)
AFFO per share (5)	**0.237**	0.247	(0.010)	**0.943**	1.085	(0.142)
Dividends per share	**0.234**	0.234	—	**0.936**	0.936	—
AFFO Payout ratio (7)	**98.7 %**	94.7 %	4.0 %	**99.3 %**	86.3 %	13.0 %
FINANCIAL RATIOS						
Debt to Gross Book Value as at period end	**43.9 %**	44.7 %	(0.8)%	**43.9 %**	44.7 %	(0.8)%
Weighted Average Cost of Debt as at period end	**3.7 %**	3.4 %	0.3 %	**3.7 %**	3.4 %	0.3 %
Debt to Adjusted EBITDA as at period end	**8.9**	7.9	1.0	**8.9**	7.9	1.0
Interest Coverage Ratio	**3.1**	3.4	(0.3)	**3.3**	3.7	(0.4)
Debt Service Coverage Ratio	**1.9**	1.8	0.1	**1.8**	2.1	(0.3)
Weighted Average Term to Maturity as at period end	**4.5**	5.2	(0.7)	**4.5**	5.2	(0.7)
CHANGE IN SAME PROPERTY NOI						
Retirement			**4.6 %**			**11.1 %**
LTC			**(11.3)%**			**(17.6)%**
Total			**(4.4)%**			**(6.7)%**

Notes:

1. Long-term care residences received occupancy protection funding for vacancies caused by temporary closure of admissions due to an outbreak, including COVID-19, and for capacity limitations and isolation requirements.
2. NOI for the three months and year ended December 31, 2022 includes net pandemic expenses (recoveries) of $2,597 and $8,223, respectively (2021 - $21 and $(7,219), respectively).
3. EBITDA for the three months ended December 31, 2022 decreased by $(6,611) to $19,214, compared to same period in 2021, primarily due to lower NOI and restructuring costs. EBITDA for the year ended December 31, 2022 increased by $7,408 to $118,249, compared to comparative period primarily due to a gain on the disposal of properties, offset partly by lower NOI as a result of lower net pandemic recoveries compared to prior year and restructuring costs.
4. OFFO for the three months and year ended December 31, 2022 includes after-tax net pandemic expenses (recoveries) of $1,740 and $6,095, respectively (2021 - $113 and $(3,639), respectively), mark-to-market recovery on share-based compensation of $(220) and $(910), respectively (2021 - $(78) and $(159), respectively) and excludes restructuring costs of $6,550 (refer to Business Update section in this MD&A for further details).
5. AFFO for the three months and year ended December 31, 2022 includes net pandemic capital expenditures (recoveries) of $nil (2021 - $(295) and $10, respectively), after-tax net pandemic expenses (recoveries) of $1,740 and $6,095, respectively (2021 - $113 and $(3,639), respectively), mark-to-market recovery on share-based compensation of $(220) and $(910), respectively (2021 - $(78) and $(159), respectively) and excludes restructuring costs of $6,550 (refer to Business Update section in this MD&A for further details).
6. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization and impairment loss.
7. AFFO payout ratio for the three months and year ended December 31, 2022 excluding after-tax net pandemic impact would be 89.7% and 91.0%, respectively (2021 - 92.5% and 90.8%, respectively).
8. Includes the Company's 50% share of each of the revenue, operating expenses, and NOI of its Equity-Accounted Joint Venture.
9. Net income for the year ended December 31, 2022 includes an impairment loss of $12.8 million, a gain on disposal of properties of $23.7 million and restructuring costs of $6.6 million.

Fourth Quarter 2022 Summary

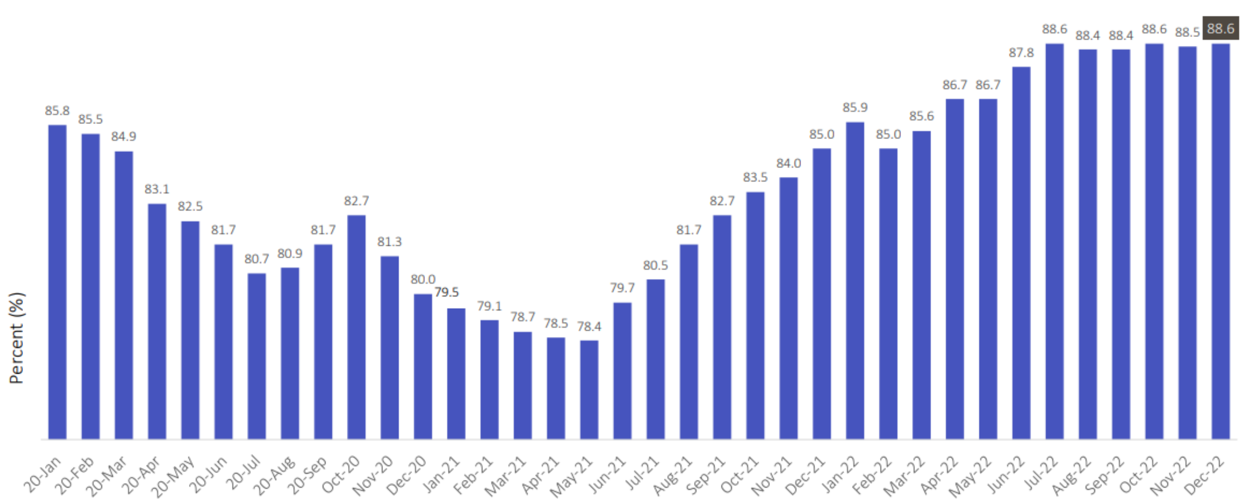
We continued to make significant progress with respect to many strategic initiatives to improve our operating platforms, while benefiting from favourable sector fundamentals, including an aging demographic and slowing supply of seniors' living residences. This was reflected in continued occupancy gains in our retirement operations and steady resident admissions at most care communities.

At the same time, intense competition for talent resulting in high agency staffing costs, high inflation, and funding gaps in our LTC operations resulting from insufficient pandemic funding and the expiry of the occupancy protection funding continue to impact our operations and operating margins.

With respect to Sienna's balance sheet, we ended 2022 well capitalized, with ample liquidity, $1.2 billion in unencumbered assets, and an issuer rating and senior unsecured debenture rating of "BBB" with stable trends from DBRS.

Retirement Occupancy - Average same property occupancy in the Retirement portfolio was 88.6% in Q4 2022, up 440 basis points **("bps")** from 84.2% in Q4 2021.

The following chart shows the monthly average Retirement same property occupancy percentage over the past three years:



Rent collections during Q4 2022 remained high at approximately 99% and are consistent with pre-pandemic levels.

LTC Occupancy - Average occupancy in the LTC portfolio was 96.3% in Q4 2022, excluding the unavailable 3rd and 4th beds in multi-bed rooms due to capacity limitations, and isolation beds. As at December 31, 2022, approximately 500 beds were unavailable, mainly as a result of capacity limitations and isolation requirements.

Total Adjusted Revenue increased by 10.9% in Q4 2022, or $19,041, to $193,216, compared to Q4 2021. In the Retirement segment, revenues increased by $10,958 or 28.4% compared to Q4 2021, driven by occupancy growth, annual rental rate increases in line with market conditions, and additional revenue from the 12 properties acquired in Q2 2022, offset partly by the sale of a retirement residence in Q1 2022. Revenues from the LTC segment for Q4 2022 increased by $8,083, or 6.0%, compared to Q4 2021, primarily due to flow-through funding for increased direct care provided to residents, as well as higher preferred accommodation revenues from increased occupancy, offset partly by lower revenues as a result of the sale of a LTC community in Q1 2022 and reduced revenue due to an occupancy shortfall below the 97% required for full funding at certain LTC communities.

Total Adjusted Operating Expenses, net of government assistance increased by $19,970 in Q4 2022, or 14.2%, to $160,699, compared to Q4 2021. In the Retirement segment, expenses increased primarily due to higher labour and food costs, increased maintenance, and property taxes from same property, as well as additional operating expenses related to the 12 retirement properties acquired in Q2 2022. In the LTC segment, expenses increased mainly due to higher net pandemic expenses, higher direct care wages, maintenance and property expenses.

Total NOI decreased by $929 in Q4 2022, or 2.8%, to $32,517, compared to Q4 2021, mainly due lower NOI in the LTC segment which decreased by $2,858 due to higher operating costs in excess of funded revenues and due to the sale of a long-term care community in Q1 2022. NOI in the Retirement segment increased by $1,929 driven by an increase in same property NOI as well as additional NOI from the 12 retirement properties acquired during Q2 2022, offset by higher operating costs.

Net income (loss) was $(6,675) for Q4 2022 as compared to net income of $4,654 in Q4 2021. The decrease was primarily due to lower NOI, the share of net loss in joint venture of $3,430, restructuring costs of $6,550, partially offset by lower income taxes impacted by restructuring costs compared to Q4 2021.

OFFO decreased by 3.1% in Q4 2022, or $557, to $17,701 compared to Q4 2021. The decrease in OFFO was primarily due to lower NOI, restructuring costs, and higher interest expense. OFFO per share decreased by 10.7% in Q4 2022, or $0.029, to $0.243, primarily due to lower OFFO and additional shares issued in March 2022 to finance the Company's growth initiatives.

AFFO increased by 4.5% in Q4 2022, or $747, to $17,302 compared to Q4 2021. The increase in AFFO was primarily related to lower maintenance costs as a result of timing of expenses, partially offset by lower OFFO. AFFO per share decreased by 4.0% in Q4 2022, or $0.010, to $0.237.

Debt The Company's Debt to Gross Book Value decreased by 80 bps to 43.9% at the end of Q4 2022 from 44.7% at the end of Q4 2021, primarily due the repayment of certain mortgages with proceeds from property dispositions. Debt to Adjusted EBITDA increased to 8.9 times in Q4 2022 from 7.9 times in Q4 2021 and the Debt Service Coverage Ratio increased to 1.9 times in Q4 2022 from 1.8 times in Q4 2021. The Interest Coverage Ratio decreased to 3.1 times in Q4 2022 from 3.4 times in Q4 2021. The Weighted Average Term to Maturity decreased to 4.5 years from 5.2 years in Q4 2021. The Company is in compliance with all of its debt covenants.

Our debt is well distributed between unsecured debentures, an unsecured term loan, credit facilities, conventional mortgages and CMHC insured mortgages.

Business Update

Sienna ended 2022 well capitalized, with a strong balance sheet, ample liquidity and an issuer rating and senior unsecured debenture rating of "BBB" with stable trends from DBRS.

With respect to the Company's retirement operations, our successful leasing strategy and solid demand in key markets supported stable occupancy in both the same-property and the acquisition portfolios in Q4 2022. Sienna's long-term care operations saw steady resident admissions across the majority of its communities, although continued COVID-19 outbreaks and seasonal respiratory illnesses impacted admissions and occupancy at some care communities, resulting in a number of residences not reaching the required 97% occupancy targets for full funding.

In addition, ongoing cost pressures and inflation continue to put pressure on our operating margins in both our retirement and long-term care segments. Significant sector-wide staffing challenges, requiring increased levels of agency staff, have been a major factor in the cost increases. Many of Sienna's current initiatives are focused on lessening our reliance on agency staff by improving team member engagement and retention, in addition to creating efficiencies by streamlining processes and improving team member scheduling.

Growth and Diversification Initiatives

The significant growth of our retirement platform with the addition of 12 retirement residences in Ontario and Saskatchewan in Q2 2022 highlights our strategy of owning a diversified portfolio of private-pay retirement residences and government-funded long-term care communities in Canada. With deep experience and scale in each segment, we run two distinct business lines, while taking advantage of the benefits inherent in shared services and scale. We believe that diversification adds to the financial strength of our business as it allows us to capture higher potential growth and operating margins inherent in our retirement portfolio, while benefiting from the stability of the government-funded long-term care operations.

Integration of Acquired Portfolio into the Aspira Platform

The 12 retirement residences, which were acquired in a joint venture with Sabra Health Care REIT, Inc. ("**Sabra**"), have been fully integrated into the Company’s sales and operating platforms during the second half of 2022. The Company owns a 50% ownership interest in these assets and acts as the manager of the 12 retirement residences.

The following table summarizes key information about the 12 acquired retirement residences:

Property	City	Year Built / Expanded	Number of Suites (at 100%)				
			IL	AL	MC	Total	Potential Expansion
The Barrieview	Barrie, ON	2019	78	23	23	124	-
Douglas Crossing	Uxbridge, ON	2017	102	28	18	148	-
Harvest Crossing	Tillsonburg, ON	2011/15	100	-	-	100	52
Lynde Creek Gardens	Whitby, ON	2004/14	93	-	-	93	77
Bolton Mills	Bolton, ON	2019	112	-	-	112	-
Cedar Crossing	Simcoe, ON	2016	67	-	-	67	45
Empire Crossing	Port Hope, ON	2015	63	-	-	63	59
Total Ontario			**615**	**51**	**41**	**707**	**233**
Stonebridge Crossing	Saskatoon, SK	2012	89	-	27	116	-
Yorkton Crossing	Yorkton, SK	2016	79	-	-	79	-
West Park Crossing	Moose Jaw, SK	2016	57	-	22	79	-
Riverbend Crossing Memory Care	Regina, SK	2013	-	-	67	67	-
Hunter Village Retirement Living	Saskatoon, SK	2016	159	27		186	
Total Saskatchewan			**384**	**27**	**116**	**527**	**-**
Total Portfolio			**999**	**78**	**157**	**1,234**	**233**

Acquisition of Woods Park Care Centre, Barrie, Ontario

On January 3, 2023, Sienna finalized the acquisition of Woods Park Care Centre ("**Woods Park**"), which has historically been managed by the Company, for a purchase price of $26.3 million. The Company intends to allocate approximately $1 million for further capital improvements, which are expected to be completed within the near term. Woods Park is located in Barrie, Ontario, and offers a continuum of care,` comprised of 55 private-pay independent living retirement suites and 123 government-funded Class A long-term care beds.

Development of a Joint Venture Retirement Residence in Ontario

Our joint venture development of a 150-suite retirement residence in Niagara Falls is progressing well and is expected to be completed by the end of 2023. The estimated total capital investment for 100% of the project is approximately $55 million, an increase from the previous estimate of $50 million, largely due to higher interest costs to finance the project. The expected development yield is approximately 7.5%. Sienna's share of this greenfield joint venture with Reichmann Seniors Housing is 70% and the total net capital investment to date is $6.2 million.

Development and Redevelopment of Long-Term Care Portfolio in Ontario

The Government of Ontario has committed to make a significant investment to upgrade long-term care beds in Ontario. The investment is tailored to account for regional differences in land and construction costs.

In recent quarters, high inflation and significant cost escalations with respect to material and labour altered the economic feasibility of long-term care redevelopment projects. Sienna, together with other sector participants, have been actively working with the government to revise the construction funding model in order to ensure the financial feasibility of long-term care redevelopment. In late 2022, the Ontario government announced a time-limited supplemental increase to the construction funding subsidy for projects commencing construction by August 31, 2023.

Based on the revised construction funding model, we expect to have a total of 480 beds under construction by mid-2023, including projects in North Bay, Keswick and Brantford, Ontario. We also plan to develop 147 retirement suites as part of a campus of care at our Brantford location, with an estimated total development cost for the campus of approximately $140 million and a projected development yield of approximately 7.5%.

In addition, over 1,000 beds are currently in the planning stages in the Greater Toronto Area, including in Scarborough and Mississauga.

To date, the Government of Ontario has provided bed licence allocations relating to 12 of our older long-term care communities, comprising approximately 2,600 beds, of which approximately 1,800 are for renewals and over 800 are for new beds. These allocations cover substantially all of Sienna's Class B and C portfolio. Once completed, the redevelopments will elevate the quality of life of our residents, provide additional capacity and a great workplace for our team.

Retirement Operations Update

As at December 31, 2022, the retirement portfolio comprised 4,390 suites across Ontario, Saskatchewan and British Columbia and contributed approximately 50% to the Company's NOI in Q4 2022.

The Company's successful marketing and sales initiatives under its Aspira brand resulted in further occupancy gains, making Q4 2022 the sixth consecutive quarter of occupancy improvements. Average same property occupancy was 88.6% in Q4 2022, representing a 440 bps gain year over year compared to Q4 2021. In addition, average rental rate increases in line with market rates have partially offset the significant cost increases and inflationary pressures experienced in recent quarters.

With respect to our 2022 acquisitions, average occupancy was approximately 85.3% in Q4 2022, representing a 310 bps increase since we acquired the 12 assets in May 2022. This is is a clear indication of the successful integration of the retirement residences into the Aspira platform.

Successful marketing and sales initiatives generating strong interest in Company's retirement residences

Enhancing community engagement remains a key objective of Sienna's sales and marketing teams, with a keen focus on building and maintaining excellent relationships with healthcare and business partners in the local communities of our residences.

We will continue to leverage the Company’s Aspira brand and signature programs to generate strong interest in our residences. Qualified leads have increased by approximately 29% during Q4 2022, compared to the same period in 2021. We expect that continued strong lead generation will result in further occupancy growth and ultimately contribute to improved financial performance.

Our efforts, coupled with strong demand in many of our key markets, resulted in 277 rent deposits and 281 resident move-ins in our same property portfolio in Q4 2022. In addition, rent collection levels remained high at approximately 99% throughout Q4 2022.

Long-term Care Operations Update

In Q4 2022, the Company's long-term care portfolio, which comprises 6,632 beds in Ontario and British Columbia, contributed approximately 50% to the Company's overall NOI.

Implementation of New LTC Platform

Sienna's new LTC platform is deeply aligned with the Company's purpose of Cultivating Happiness in Daily Life and is based on our belief that happiness drives wellness.

Our goal is to increase the quality of life of residents providing holistic and integrated care and by elevating their experience with respect to dining, recreation and community-focused interactions, in addition to improving residents' move-in experience.

The platform design is based on best practices and the input from our residents and families, with the aim to distinguish Sienna as a LTC provider of choice and comprises the following four pillars:

- **Settle In** - the move-in experience
- **Savour It** - the food and dining experience
- **Stimulate** - engagement and meaningful recreation
- **Socialize** - meaningful visits and social connections

We are currently in the process of rolling out the first two pillars across our long-term care communities.

"Settle In" reflects the importance of the first experience residents have at our communities. Changes to our residents' move-in experience include a new platform-wide standard aimed at decreasing anxiety of residents and families and truly making them feel welcome and at home. By the end of 2022, pilot programs were under way at seven of our communities, with a focus on the new move-in standard.

"Savour It" is focused on revitalizing residents' dining experience. The transformation of dining is led by an executive chef who is responsible for the development of more savory and better presented meals. In addition, the social aspect of eating is emphasized as we aim to bring more of a hospitality-like feel to our dining rooms over time.

Focus on Residents' Quality of Life and Care

Our focus continues to be on improved quality of life and care outcomes. We have strengthened our ongoing review of quality of care based on quality indicators, clinical reviews and inspection reports. Sienna's care communities participate in third-party assessments, supporting the ongoing process of quality improvement and operational excellence.

The Company's efforts are reflected in the recently completed third-party assessments by Sienna's long-term care communities. During Q4 2022, the Commission on Accreditation of Rehabilitation Facilities ("**CARF**") and Accreditation Canada conducted surveys at our long-term care communities in Ontario and British

Columbia, respectively. In Ontario, Sienna maintained the highest achievement status of *Aspire to Excellence,* a three-year award received from CARF. In British Columbia, the Company received an award of *Exemplary Standing*, indicating that the Company has gone beyond the requirements of the accreditation program and demonstrates excellence in quality improvement.

As part of our commitment to improve clinical quality and safety for seniors, we are a member of the Seniors Quality Leap Initiative ("**SQLI**"), a group of large long-term care providers from across North America that shares quality indicators and benchmarks against international standards. The most recent data available validates our efforts and is reflected in Sienna's strong accreditation results.

Going forward, we are committed to continued quality improvement efforts by continually identifying what we are doing well and where improvements are needed.

Update on Closing of LTC Residence in Ontario

In early 2023, the Ministry of Long-Term Care formally approved the closure plan of one of Sienna's LTC homes. The property sustained significant damage linked to the original building design and construction predating Sienna's ownership. The Company's initial renovation plans expanded beyond a reasonable scope. As a result, Sienna made the decision to wind down operations at this community and expects to permanently close the property in 2023, once every resident has moved to a new home.

In connection with this closure, we recorded restructuring costs of $6.6 million, including severance payments, retention bonuses and a write-down with respect to construction funding receivables, offset by a deferred tax impact of approximately $1.7 million.

Update on Government Funding and Orders

COVID-19 Prevention and Containment and PPE Funding - The Ontario Ministry of Long-Term Care (**"MLTC"** or **"Ministry"**) has been providing funding for incremental costs associated with COVID-19 prevention and containment and PPE to LTC homes. This funding can be applied for eligible expenses with Sienna's maximum share for expenses incurred from April 2022 to March 2023 being approximately $20.0 million. This represents a decrease of approximately 57% compared to the funding we received for the period from April 2021 to March 2022, and is reflective of a decrease in respective costs.

Occupancy Protection Funding - In February 2022, the Government of Ontario reinstated its occupancy targets of 97% for long-stay beds and 90% for interim short-stay beds, excluding beds unavailable as a result of capacity limitations in multi-bed rooms and isolation requirements. However, for the period from February 1, 2022 to September 30, 2022, LTC communities that did not achieve target resident days, received a minimum of 90% of their funding.

Effective October 1, 2022, beds that should otherwise be available for occupancy, became subject to full occupancy target requirements, although communities in both Ontario and British Columbia continued to receive full funding for vacancies caused by the temporary closure of admissions due to an outbreak, including COVID-19.

Estimated funding reductions as a result of a number of homes not having reached the required occupancy target are reflected in Sienna's NOI for the quarter and year ended December 31, 2022.

Given the long waiting list for LTC beds across Ontario and long wait times of up to two years for beds at LTC communities in British Columbia, coupled with increasing pressure on the hospital system, we anticipate the achievement of the average annual occupancy target required for full funding at the majority of our care communities in 2023.

Funding Changes with respect to 3rd and 4th beds in multi-bed rooms - On August 30, 2022, the Ministry advised that it is not planning to re-open the 3rd and 4th beds in multi-bed rooms in long term care communities for resident admissions and has signaled that it intends to introduce phased in revisions to the funding provided for the 3rd and 4th beds.

Funding changes were expected to begin in January 2023, and have now been delayed until the end of March 2023 to allow for further consideration of the funding formula.

Sienna's approximate 350 3rd and 4th beds in Ontario will be impacted by this expected change and we continue to assess the impact of these potential funding changes while waiting for further updates from the Ministry.

COVID-19 Update

Sienna continues to have effective COVID-19 outbreak management and IPAC capabilities in place to manage the impact of COVID-19 at its residences. With the added protection of vaccinations, infected residents' and team members' symptoms have been mostly mild or moderate during recent waves of the pandemic, which have been largely defined by staffing shortages. A high vaccination rate among residents and team members coupled with effective anti-viral treatments, the disease burden for our residents has been lessened substantially throughout 2022. However, homes in outbreak continue to incur significant pandemic costs and Sienna, together with other seniors' living operators and sector associations, is advocating for continued government funding of pandemic costs.

As of February 22, 2023, 8 of Sienna's 93 owned or managed residences are in outbreak with active cases of COVID-19 at 6 long-term care and 2 retirement residences. Of these residences, 6 residences have five or less active COVID-19 cases among its residents.

Staffing Update

As part of our strategic objectives, we aim to become the employer of choice in Canadian seniors' living by offering a compelling team experience and by nurturing a purpose-driven culture. We believe that the appeal of our new purpose, vision and values are an opportunity to differentiate Sienna from competitors and will help us attract and retain a highly engaged workforce and build a talent pipeline amid staffing shortages in the seniors' living sector and the wider health care sector.

Staffing Strategy

We continued with our proactive staffing strategy to lessen our reliance on agency staff and to position Sienna well for the gradual increase in direct hours of care across the long-term care platform. In addition to attracting new talent, we have been working on a number of other initiatives, including offering additional shifts to part-time team members and supporting the placement of Ukrainian refugees at communities with significant staffing challenges.

Centralized scheduling and call-out system

To further support and improve the staffing process, we have launched a new centralized scheduling and call-out system. The system has been rolled out to most of our long-term care communities and provides greater flexibility to meet staffing requirements on a real-time basis and a more seamless process to fill staffing gaps. This is expected to support our efforts to reduce the use of agency staff and enable tighter controls on overtime.

In addition, we have been piloting improvements to our onboarding process, including enhancements to team member orientation and team member mentoring, in addition to a more streamlined pre-boarding process. The process, which is currently rolled out across Sienna's LTC communities, includes enhanced multi-day orientation programs for Executive Directors, PSWs and clinical leaders.

Talent Acquisition

As part of our ongoing talent acquisition strategy, we expanded our collaboration with educational and government institutions and intensified our social media campaigns. To ensure a talent pipeline for future staffing needs, we enhanced our campus recruitment campaigns at key colleges and universities across Ontario and British Columbia. Sienna's collaboration with colleges and universities has resulted in approximately 1,200 student placements in 2022, many of whom we hope to hire once they graduate.

SPARK

Based on feedback from the 2021 team member satisfaction survey, team members seek opportunities to share their ideas. As a result, Sienna created its own version of Dragon's Den called SPARK, allowing team members to share ideas on how Sienna can grow and improve and fulfil its purpose of Cultivating Happiness in Daily Life. We received approximately of 170 ideas during the first round of submissions in October 2022.

A number of ideas are currently being piloted at some of our residences and communities to assess which ideas should be implemented across the Company.

Sienna Ownership and Reward Program

The Sienna Ownership and Reward Program ("**SOAR**") awards common shares of the Company to all permanent employees who have been with the Company for one year or longer. Eligible team members have the opportunity to receive a one-time award of Sienna shares. In 2022, a total of 150,818 Sienna shares were issued to team members.

Resident, Family and Team Member Satisfaction

Resident & Family Satisfaction Surveys

During Q4 2022, we conducted our annual resident and family satisfaction surveys. These surveys are a crucial tool to engage with our stakeholders and learn from their feedback. Nearly 80% of residents and approximately 84% of family members indicated that they would recommend Sienna's long-term care communities.

At our retirement residences, we have started to measure our residents' willingness to promote our residences based on the internationally recognized net promoter score method ("**NPS**"). This will help us better understand and analyze what it takes to improve our residents' happiness in daily life.

Early results of our first platform-wide NPS survey are favourable and will be used as an important baseline to measure the success of our platform enhancements.

Team Member Engagement Surveys

Team member engagement surveys are crucial to identify opportunities to enhance the team member experience. Approximately 85% of Sienna's team members feel that they are able to do meaningful work every day, which is very aligned to our Company's purpose. This is the second consecutive year of improvement in our employee engagement score.

Cost Pressures in Current Market Conditions

In recent years, we have seen cost pressures on agency staffing costs due to a tight labour market, increased insurance premiums in the senior housing sector, rising interest rates, and rising utilities costs in line with the overall market. More recently, decades-high inflation has further added to cost pressures in other expense categories, including food, supplies and contracted services.

Significant agency premiums averaging 75% to 100% over the regular staffing rates combined with generally higher reliance on agency staff have resulted in a substantial increase in staffing costs. Agency staffing costs totaled approximately $52 million in 2022, compared to $47 million in 2021 and $35 million in 2020, with the majority of the staffing costs covered by government flow-through funding.

We expect that continuing occupancy growth, rental rate increases, as well as the added scale as a result of acquisitions and developments will help to mitigate these increased costs and support our operating margins in 2023.

We continue to actively work, alongside other participants in the seniors' living sector, with the government to receive funding that is aligned with the current inflationary conditions to offset the significant cost increases.

Outlook

Our sector's resiliency is largely driven by the rising needs of seniors, who make up the fastest-growing demographic in Canada. Long-term demand fundamentals in Canadian seniors living remain strong despite economic uncertainty and a challenging labour market.

Retirement Operations

Sienna's retirement operations reached an average same property occupancy rate of 88.6% in Q4 2022, supported by strong demand in our key markets and our continued investments in sales and marketing initiatives and the Company's operating platforms. In addition, as a result of the successful integration of the 12 retirement residences, which the Company acquired in Ontario and Saskatchewan in May 2022, average occupancy in the acquisition portfolio increased to 85.3% in Q4 2022, an improvement of 310 basis points since their acquisition.

Heading into 2023, we continue to capitalize on the growing demand for quality seniors living. With our successful marketing and sales initiatives, supported by strong demographic trends, we expect further occupancy gains. Average Q1 2023 occupancy is expected to remain at a similar level as Q4 2022. For the full year ending December 31, 2023, we expect average same property occupancy to exceed 90% and average occupancy in our acquisition portfolio to exceed 87%.

We further expect year-over-year NOI growth in our retirement portfolio in 2023 to be supported by occupancy improvements and rate increases of approximately 5%, in line with market rates. These factors will contribute to revenue growth, while cost pressures will remain for some time, in particular with respect to labour shortages resulting in high agency staffing costs, as well as high overall inflation.

In addition, we expect continued unfunded pandemic expenses in our retirement operations to be approximately $0.4 million in Q1 2023.

Taking all factors into account, we expect the operating margin in our retirement segment in Q1 2023 to be similar to the full year margin of 35.7% in 2022. We further expect the 2023 operating margin for the full year to improve by approximately 150 bps - 200 bps compared to 2022.

Long-Term Care Operations

In Sienna's LTC portfolio, resident admissions continued to progress steadily at most care communities throughout Q4 2022, although COVID-19 outbreaks and other seasonal respiratory illnesses impacted admissions and occupancy at some care communities. Average same-property occupancy, excluding the unavailable 3rd and 4th beds in multi-bed rooms due to capacity limitation and isolation beds, was 96.3% during the fourth quarter.

In February 2022, the Government of Ontario reinstated occupancy targets of 97% required for full funding, as discussed in more detail in the Business Update section of this MD&A. Other Accommodation funding reductions of approximately $1.3 million are reflected in Sienna's operating results for the full year of 2022, resulting from a number of care communities not reaching the required occupancy targets. Given the long waiting list for long-term care beds, we anticipate to meet the occupancy targets at the majority of our care communities for full funding in 2023.

With respect to government-funding for our long-term care operations, we expect cost pressures to remain for some time due to labour shortages and high overall inflation. Together with associations and other operators, we have been actively working with the government to have funding adjusted to accommodate significant inflationary pressures experienced in recent quarters. Adequate funding will ensure that we can continue to provide service excellence and quality clinical care, which are key to a positive resident experience and crucial for the long-term economic viability of the sector.

We expect continued unfunded pandemic expenses of between $2 million to $3 million in Q1 2023 within our long-term care segment, primarily as a result of additional labour cost, although some of these expenses may be covered by retroactive government funding in future periods.

Taking all factors into account, we expect our 2023 NOI for the full year in the LTC segment to remain at a similar level compared to 2022.

Developments

Redevelopment of Long-Term Care Portfolio

With respect to our long-term care redevelopment plans, we have also been working with associations and other providers in seniors' living to have government funding aligned with the significant inflationary and cost pressures.

In late 2022, the Ontario government announced a time-limited supplemental increase to the construction funding subsidy for projects commencing construction by August 31, 2023. Based on the revised construction funding model, eligible projects will receive an additional construction subsidy of up to $35 per bed, per day for 25 years.

We expect to have a total of 480 beds under construction by mid-2023, including the projects in North Bay, Keswick and Brantford, Ontario. We also plan to develop 147 retirement suites as part of a campus of care at our Brantford location, with an estimated total development cost for the campus of approximately $140 million and a projected development yield of approximately 7.5%.

In addition, over 1,000 beds are currently in the planning stages in the Greater Toronto Area, including in Scarborough and Mississauga.

Development of Retirement Residences

Sienna's current development project in Niagara Falls is scheduled to be completed in Q4 2023. The estimated total capital investment for 100% of the project is approximately $55 million, an increase from the previous estimate of $50 million, largely as a result of rising of higher interest costs to finance construction.

Capitalizing on long-term demographic fundamentals despite headwinds

In 2023, we intend to capitalize on the outstanding long-term demographic fundamentals in Canadian seniors' living. We will continue to focus on adding value to our operating platforms by making ongoing improvements to resident experience and team member engagement, as well as our physical assets largely through the redevelopment of our older long-term care communities.

After a year of significant growth through acquisitions in our retirement portfolio in 2022, we will focus on operational excellence in 2023, including occupancy improvements, rental rate increases and cost savings resulting from operational efficiencies and reducing our reliance on agency staffing.

These initiatives will put us in a strong position to navigate current economic uncertainties and set us up for continued long-term success.

Significant Events

Financing Update

On October 26, 2022, the Company increased its senior unsecured revolving credit facility (**"Unsecured Revolving Credit Facility"**) by $100 million to $300 million and extended its maturity term by two years to March, 2027. Borrowings under the Unsecured Revolving Credit Facility can take place by way of Canadian Bankers Acceptance Rates ("**BAs**") at 145 bps per annum over the floating BA rate, or at the Canadian prime rate plus 45 bps per annum.

DBRS Rating Renewal

On December 9, 2022, DBRS confirmed Sienna's issuer rating and senior unsecured debenture rating of "BBB" with stable trends. These ratings underscore the resiliency and strength of our business and are a reflection of Sienna's strong balance sheet.

Acquisition of Woods Park, Barrie, Ontario

On January 3, 2023, Sienna finalized the acquisition of Woods Park, which has historically been managed by the Company, for a purchase price of $26.3 million. Woods Park is located in Barrie, Ontario, and offers a continuum of care, comprised of 55 private-pay independent living retirement suites and 123 government-funded Class A long-term care beds. The Company intends to allocate approximately $1 million for further capital improvements, which are expected to be completed within the near-term.

Our Purpose, Vision and Values

Our Purpose:

Cultivating Happiness in Daily Life.

Each of our actions and initiatives affects our residents' quality of life and well-being and impacts our team members and the communities we serve across the country. This is at the heart of what we do and is reflected in Sienna's purpose. It conveys our belief that our role does not stop at providing the highest quality of service and care to our residents - it goes much further. Each and every day, we will strive to bring happiness into our residents' lives by enabling our team to put their passion for their work into action and supporting families to bring joy into our homes.

Our Vision is to be:

Canada's most trusted and most loved seniors' living provider.

In retirement and long-term care, we are committed to helping residents discover happiness through personalization, choice and community engagement in a comfortable, home-like setting. Doing this each and every day supports Sienna's vision to be Canada's most trusted and most loved seniors' living provider. With this vision, we will meet the needs and expectations of our residents, families, team members and the communities we serve.

Our Values:

Act positively:	We inspire happiness and hope in the people around us
Be accountable:	We do what we say we will and work as a team to get things done
Create community:	We foster strong relationships and celebrate diversity
Demonstrate caring:	We are passionate about what we do and engage with empathy and understanding

Company Strategy and Objectives

Sienna's strategic objectives are centered around the following three pillars:

Strengthening Team Engagement

Sienna strives to recruit, retain and develop a high performing and engaged team and reduce voluntary turnover by:

Offering a compelling team experience

- Conduct team member engagement surveys to gain insights and identify opportunities to enhance team member experience;
- Design, develop and introduce an essential program for new and developing frontline managers;
- Offer learning and development growth to support orientation, onboarding and enhancements to operating platforms; and
- Increase talent pipeline in leadership roles.

Creating a purpose-driven, differentiated culture

- Align employer brand with Company's purpose, vision, values and value proposition; and
- Implement initiatives, such as a renewed team member recognition program and education with respect to the Company's refreshed values, aimed at building a purpose-driven culture.

Elevating Quality of Life of Residents

Sienna aims to elevate the quality of life of its residents by:

Offering outstanding resident experience

- Enhance dining, recreation and community-focused interactions through rebranded operating platforms;
- Improve quality of care by leveraging insights from quality indicators, clinical reviews and inspection reports; and
- Collaborate with all levels of government, sector associations, regulatory authorities and others to help shape and improve the future of seniors' living in Canada.

Achieving operational excellence

- Invest in Sienna's team culture and operating platform to deliver quality resident experiences;
- Create operating efficiencies by streamlining processes to enhance resident experience and improve operating results; and
- Distinguish retirement product and services from competitors through the Company's Aspira platform, offering customer-centric personalization and expanded choices.

Achieving Growth & Enhanced Performance

Outperforming the market

- Grow organically through investments in sales and marketing programs, supporting improved occupancy, expanded services and rental rate increases;
- Maintain a diversified portfolio of private-pay retirement residences and government-funded long-term care communities; and
- Maintain a strong balance sheet and liquidity, including a diversified debt portfolio with staggered debt maturities, an investment-grade credit rating and a sizeable pool of unencumbered assets.

Growing the Company's footprint

- Redevelop older LTC communities in key Ontario markets with both new and upgraded facilities;
- Establish and deepen joint venture partnerships to provide additional avenues for growth; and
- Expand high-quality retirement portfolio through strategic and disciplined acquisitions, joint venture developments, as well as growing capacity at existing retirement residences with excess land.

Environmental, Social and Governance (ESG) Responsibility

Sienna's commitment to corporate social responsibility is highlighted in our continued enhancements of the Company's ESG initiatives and disclosures, including Sienna's second ESG Report, which was published in August 2022. For more information on Sienna's ESG initiatives and our most recent report, please refer to the ESG section on Sienna's website under https://www.siennaliving.ca/investors/esg.

ESG practices across Sienna's operations have long been integrated into our overall strategy and daily business practices and are reflected in our actions and initiatives, each of which affect the quality of life and well-being of our residents, their families and our team members.

With approximately 12,000 team members, our employees are our most important asset. Creating a positive experience and supporting personal and professional growth are key objectives at Sienna. Attracting and retaining a diverse team and nurturing a culture in which women and people of diverse backgrounds have equal opportunity to achieve their potential are important to us.

Diversity, Equity and Inclusion

A Diverse and Inclusive Workforce

Gender - Sienna's total workforce is predominantly female, with approximately 87% of our team members working at our long-term care and retirement residences being female. The high percentage of women in our workforce is also reflected in our management team with approximately 80% of the Company's nearly 400 leadership positions being held by women. Sienna has been recognized once again in the Globe and Mail's 2022 "Women Lead Here" for its commitment to gender diversity and support of female leaders.

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

Fair Compensation and Gender Pay Equity

Essentially all of Sienna's frontline team members earn more than minimum wage with approximately 80% earning at least 30% above minimum wage.

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

Sienna Ownership and Reward Program

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

SOAR awards common shares of the Company to all permanent employees who have been with the Company for one year or longer. Subsequent to the shareholder approval of SOAR in April 2022, a total of 150,818 shares were issued to team members in three separate grants in 2022.

Indigenous Relations and Reconciliation

We continue to place enhanced emphasis on Indigenous Relations and Reconciliation. As a company, we are committed to ensuring we do everything we can to understand what has happened in the past, acknowledge it and make amends to the best of our ability, over time. We believe that education is an important first step to bring about reconciliation between Indigenous and non-Indigenous people.

Sienna has partnered with Reconciliation Education, an Indigenous-owned organization, to provide resources for all team members. Sienna is committed to ensure our residences and care communities are inclusive for Indigenous team members and residents and acknowledges the pain and suffering the Indigenous members of our team have been through.

Labour Relations and Union Representation

Labour rights are an important consideration with respect to Sienna's human capital management strategies. Sienna's labour strategy is focused on educating management teams at our local communities, cultivating strong relationships with union stakeholders and aligning our collective agreements to our long-term operational strategies.

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

Sienna's support of freedom of association and the right to collective bargaining is evidenced by the level of unionization in our residences, which includes over 100 collective bargaining units and an approximate 85% unionization rate among our team members.

Excluding management positions, this number would be even higher with 90% of all non-management team members being represented by a union, and whose compensation is determined by collective bargaining agreements.

Giving Back to the Community

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

The Foundation was formed in April 2021 as part of our ongoing commitment to supporting the communities we serve across Canada and allows us to raise and give funds for a variety of important seniors-related initiatives.

With food insecurity a pressing concern, the Foundation's latest initiative is "Sienna Sunday Supper". Spearheaded by one of Sienna's communities, team members prepared Thanksgiving meal for the local Meals on Wheels program. A great success, which highlights the generous spirit we see at Sienna every day, Sienna Sunday Supper will be expanded across many of Sienna's communities in the future.

In December 2021, the Foundation's support for Indspire, a national Indigenous charity, helped establish a bursary award for Indigenous students in British Columbia who are pursuing education in nursing or health care assistant programs. In September 2022, the first two bursaries were awarded to students.

The Foundation is also a sponsor of the Chilliwack & District Seniors' Resources Society's community bus in 2023, connecting seniors to entertainment, history, arts, culture, recreation, shopping and more.

Sienna Senior Living Dino Chiesa Scholarship

In August 2022, the Company announced the Sienna Senior Living Dino Chiesa Scholarship of $50,000, which offers one scholarship annually to a Sienna employee, or a member of their immediate family, to receive formal education and certification as a Personal Support Worker.

Three scholarships for $5,000 each have been awarded in 2022.

CaRES Fund

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

Initially established to provide hardship funding in recognition of the extraordinary efforts of seniors' living employees, the CaRES Fund has shifted its focus from crisis funding for economic hardship as a result of the pandemic to education bursaries. In 2022, the CaRES Fund provided $250,000 in bursaries to 100 staff members in seniors' living.

Improving Sienna's Environmental Footprint

Addressing Climate Change through Development

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

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

Committing to Waste Reduction by Going Paperless

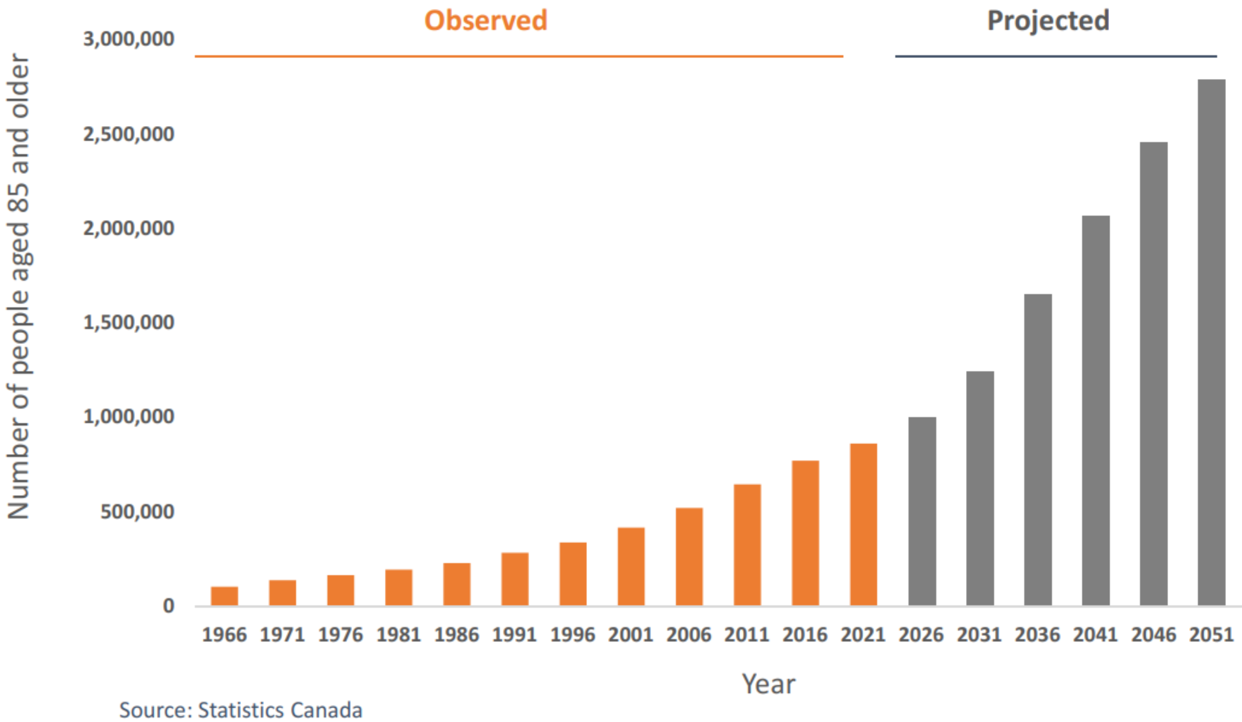
Reducing the amount of paper use and ultimately "going paperless" is an important aspect of Sienna's waste reduction strategy for 2023. Team members are encouraged to minimize the use of physical paper whenever possible. Recent achievements include going digital with respect to all accounts payable invoices and frequently updated policy and procedure manuals at our care communities and retirement residences. These initiatives target a reduction in Sienna's paper usage by approximately 760,000 sheets annually.

Industry Update

Demand driven by Rapid Growth in Target Demographic

Demand for seniors' living is driven by an aging population. According to Statistics Canada, growth in the 85+ years of age cohort is expected to triple over the next 25 years as a result of baby boomers reaching retirement age and life expectancy continuously increasing. In Canada, more than one quarter of people aged 85 and older live in a nursing care, long-term care or seniors' residence with the proportion increasing in age.

By 2026, the number of people living in Canada aged 85 and older is expected to reach approximately one million and is estimated to grow to nearly three million by 2051.



The needs-based driven demand for seniors' living is expected to outpace supply growth in the coming years, due to a combination of factors delaying construction starts and driving up building costs. In addition, the significant equity many seniors have built up in their homes over the decades, will further support demand in the coming years, although a softer residential housing market may delay the move to a retirement residence for some seniors who rely on the sale of their primary residence to unlock their net worth.

Slowing Supply of Retirement Residences

Due to a combination of factors, including rising construction costs, new construction activity of retirement residences in Canada has declined significantly in recent years. While development prior to the pandemic caused some headwinds in several regions across the country due to oversupply, slowing development activity since 2018 is resulting in less competition from newly completed developments and is expected to support continued occupancy recovery in Canadian seniors' living.

Robust Fundamentals in Sienna's Key LTC Markets

Demand for long-term care beds is higher than ever, with long waiting lists and increasing pressure on hospital systems.

In the Ontario LTC sector, the number of LTC beds per 1,000 Ontarians aged 75+ is expected to decline over the next several years as a result of a rapidly aging population, despite the government's commitment to add 30,000 new beds and upgrade 28,000 older beds.

In late 2022, the Ontario government announced that it is increasing its construction funding subsidy to support the cost of developing or redeveloping a long-term care home amid escalating interest rates and construction costs. The additional funding is expected to help fast-track the construction of new long-term care beds commencing before August 31, 2023. This supports the government's $6.4 billion commitment to build more than 30,000 net new beds by 2028 and 28,000 upgraded long-term care beds across the province.

Similarly, there is strong demand for LTC beds in British Columbia with the number of LTC beds having increased by only 2% while the 75+ population increased by 20% over the past five years.

High barriers to entry

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

Seniors' Living Continuum

Private-pay vs. Funded Care

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

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

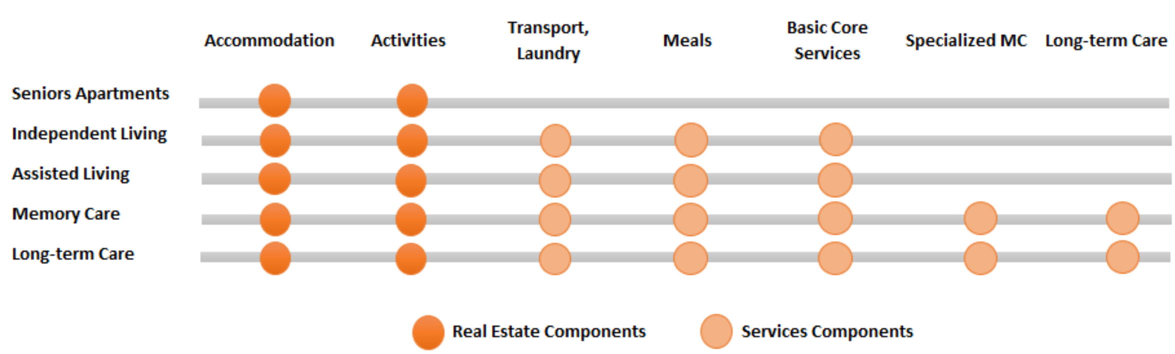
- **Independent Living ("IL")**: IL provides the privacy and freedom of home combined with the convenience and security of on-call assistance and a maintenance-free environment. Residents typically have the option of purchasing à la carte services including meal packages, housekeeping, transportation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

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

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

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

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



Source: NIC Investment Guide.

Retirement Residences

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

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

Long-term Care

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

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

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

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

LTC Financial Model

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

Ontario

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

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

British Columbia

Funded LTC Beds

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

Private-Pay Long-term Care Beds

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

Business of the Company

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

Quarterly Financial Information

Thousands of Canadian dollars, except occupancy, per share and ratio data	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Adjusted Revenue	193,216	189,192	180,151	174,282	174,175	170,423	162,668	161,228
Total Adjusted Operating expenses, net of government assistance	160,699	154,172	145,933	142,144	140,729	137,020	131,643	116,961
Net income (loss)	(6,675)	2,513	(11,190)	26,020	4,654	4,533	1,318	10,143
Per share basic and diluted	(0.092)	0.034	(0.154)	0.385	0.070	0.070	0.020	0.151
OFFO	17,701	17,944	17,299	16,134	18,258	18,265	15,126	25,343
Per share basic	0.243	0.246	0.237	0.239	0.272	0.272	0.226	0.378
OFFO, excluding net pandemic expenses (recoveries)	19,439	18,922	19,231	17,549	18,371	18,990	17,925	18,068
Per share, excluding net pandemic expenses (recoveries)	0.268	0.260	0.264	0.260	0.274	0.283	0.268	0.269
AFFO	17,302	16,564	17,162	16,447	16,555	15,671	14,102	26,430
Per share basic	0.237	0.227	0.236	0.243	0.247	0.234	0.210	0.394
AFFO, excluding net pandemic expenses (recoveries)	19,040	17,542	19,094	17,862	16,964	15,858	16,715	19,572
Per share, excluding net pandemic expenses (recoveries)	0.262	0.241	0.263	0.264	0.253	0.237	0.249	0.292
Dividends declared	17,065	17,059	17,055	16,136	15,687	15,687	15,687	15,687
Per share	0.234	0.234	0.234	0.234	0.234	0.234	0.234	0.234
Occupancy								
Retirement - Average total occupancy	88.0 %	87.5 %	86.6 %	84.7 %	82.7 %	80.3 %	77.7 %	77.7 %
Retirement - Average same property occupancy	88.6 %	88.4 %	87.1 %	85.5 %	84.2 %	81.6 %	78.9 %	79.1 %
LTC - Average total occupancy	89.9 %	89.7 %	88.5 %	87.0 %	88.9 %	86.2 %	82.8 %	80.3 %
LTC - Average private occupancy	84.6 %	84.0 %	82.4 %	80.4 %	82.2 %	82.9 %	79.4 %	78.2 %
Debt to gross book value as at period end	43.9 %	43.3 %	43.4 %	41.5 %	44.7 %	45.6 %	45.5 %	46.0 %
Debt to Adjusted EBITDA as at period end	8.9	9.0	9.2	8.7	7.9	7.8	7.4	6.2
Debt to Adjusted EBITDA, excluding net pandemic expenses (recoveries), as at period end	8.3	8.4	8.5	8.1	8.2	8.3	8.2	8.4
Interest coverage ratio	3.1	3.3	3.4	3.3	3.4	3.4	3.1	4.7
Interest coverage ratio, excluding net pandemic expenses (recoveries)	3.3	3.4	3.7	3.6	3.4	3.6	3.5	3.5
Total assets	1,680,428	1,736,319	1,747,872	1,702,288	1,609,189	1,606,834	1,592,009	1,616,357
Total debt	977,964	983,596	985,754	923,584	950,284	962,353	958,212	964,873
Weighted average shares outstanding	72,914,451	72,899,509	72,855,687	67,614,123	67,039,123	67,039,123	67,039,123	67,039,123

The Company's quarterly financial results are impacted by various factors including, but not limited to, timing of pandemic related funding and incurrence of pandemic related expenses, occupancy levels, timing of operating expenses and maintenance capital expenditures, seasonality of utility expenses, timing of resident co-payment increases, timing of funding rate increases or additional funding, the timing of disposals and acquisitions, and capital market and financing activities. For the three months and year ended December 31, 2022, the Company's results have been impacted by the timing of government assistance received related to pandemic expenses and capital costs, occupancy rates, increased costs pertaining to labour and higher utilities and insurance premiums, mark-to-market adjustments on share-based compensation and fair value adjustments on interest rate swap contracts.

A discussion of the operating results for the year ended December 31, 2022 compared to the same period in the prior year is provided in the section "Operating Results".

Selected Annual Financial Information

The following table summarizes selected annual financial information for the years ended December 31, 2022, 2021 and 2020:

Thousands of Canadian dollars, except per share data	2022	2021	2020
Revenue	718,590	668,494	664,233
Income (loss) before provision for (recovery of) income taxes	11,181	28,033	(34,437)
Net income (loss)	10,668	20,648	(24,487)
Per share basic and diluted	0.149	0.310	(0.365)
OFFO	69,078	76,992	68,897
Per share basic and diluted	0.965	1.148	1.028
AFFO	67,475	72,757	69,568
Per share basic and diluted	0.943	1.085	1.038
Dividends declared	67,315	62,749	62,732
Per share	0.936	0.936	0.936
Total assets [1]	1,680,428	1,609,189	1,678,129
Total debt [2]	977,964	950,284	1,032,624

Notes:

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

Operating Results

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

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2022**	2021	Change	**2022**	2021	Change
Revenue	**185,870**	174,175	11,695	**718,590**	668,494	50,096
Expenses						
Operating expenses, net [1]	**154,475**	140,729	13,746	**588,481**	526,353	62,128
Depreciation and amortization	**11,755**	11,923	(168)	**47,337**	53,069	(5,732)
Administrative expenses	**13,307**	7,599	5,708	**39,370**	31,270	8,100
Share of net loss in joint ventures	**3,430**	22	3,408	**11,275**	30	11,245
Impairment loss	**—**	—	—	**12,788**	—	12,788
Net finance charges	**9,164**	6,886	2,278	**25,689**	27,380	(1,691)
Transaction costs	**2,554**	783	1,771	**6,195**	2,359	3,836
Gain on disposal of properties	**(4)**	—	—	**(23,726)**	—	(23,726)
	194,681	167,942	26,743	**707,409**	640,461	66,948
Income (loss) before provision for income taxes	**(8,811)**	6,233	(15,044)	**11,181**	28,033	(16,852)
Provision for (recovery of) income taxes						
Current	**(73)**	(388)	315	**4,299**	2,320	1,979
Deferred	**(2,063)**	1,967	(4,030)	**(3,786)**	5,065	(8,851)
	(2,136)	1,579	(3,715)	**513**	7,385	(6,872)
Net income (loss)	**(6,675)**	4,654	(11,329)	**10,668**	20,648	(9,980)
Total assets	**1,680,428**	1,609,189	71,239	**1,680,428**	1,609,189	71,239
Total debt	**977,964**	950,284	27,680	**977,964**	950,284	27,680

Note:
1.Operating expenses are net of pandemic related funding.

Retirement

The Company's Retirement portfolio consists of 38 Retirement Residences as of December 31, 2022, four of which are located in British Columbia, five are located in Saskatchewan, and 29 are located in Ontario. Our Retirement portfolio operates in well located markets and generated approximately 50% of the Company's total NOI for Q4 2022.

Long-term Care

The Company's LTC portfolio consists of 42 LTC communities, eight of which are located in British Columbia and 34 of which are located in Ontario. Our LTC portfolio contributed approximately 50% to the Company's total NOI for Q4 2022.

Joint Arrangement

A joint arrangement can be a joint venture or a joint operation. In a joint venture, the parties that have joint control of the arrangement have the rights to the net assets of the arrangement. In a joint operation, the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities, relating to the arrangement.

The following table summarizes the classification of properties which are owned through the Company's joint arrangements, or which are partially owned as at December 31, 2022:

Joint Arrangements	Number of properties	Sienna ownership	Joint arrangement type	Accounting treatment
Sienna Baltic Development LP (2)	2	40 % / 77 %	Joint operation	Proportionate
Sienna-RSH Niagara Falls LP (1)	0	70 %	Joint venture	Equity
Sienna-Sabra LP	12	50 %	Joint venture	Equity

Notes:

1. The property of Sienna-RSH Niagara Falls LP is under development as of December 31, 2022.
2. Sienna Baltic Development LP owns 40% of Nicola Lodge and 77% of Glenmore Lodge.

On January 25, 2022, the Company formed a joint venture with a third party for the purpose of owning and operating retirement residences. The Company owns 50% interest in this joint venture. The joint venture first acquired a portfolio of 11 seniors' living assets in Ontario and Saskatchewan on May 16, 2022, and subsequently acquired another retirement residence in Saskatchewan on June 1, 2022. The Company has accounted for this joint venture using the equity method of accounting, since this joint arrangement is structured through a separate legal vehicle, and the Company has rights to the net assets of the arrangement.

Consolidated Net Operating Income

The following table represents the Company's consolidated net operating income, including the Company's share of net operating income from Equity-Accounted Joint Venture, for the period ended December 31:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2022**	2021	Change	**2022**	2021	Change
Revenue						
Same property	**185,473**	168,887	16,586	**711,799**	648,041	63,758
Share of revenue from Equity-Accounted Joint Venture [2]	**7,346**	—	7,346	**18,251**	—	18,251
Acquisition, development and other	**397**	5,288	(4,891)	**6,791**	20,453	(13,662)
Total Adjusted Revenue	**193,216**	174,175	19,041	**736,841**	668,494	68,347
Operating Expenses, net						
Same property	**151,541**	136,099	15,442	**574,865**	516,073	58,792
Net pandemic expenses (recoveries) [1]	**2,597**	21	2,576	**8,223**	(7,219)	15,442
Share of operating expenses from Equity-Accounted Joint Venture [2]	**6,224**	—	6,224	**14,467**	—	14,467
Acquisition, development and other	**337**	4,609	(4,272)	**5,393**	17,499	(12,106)
Total Adjusted Operating Expenses, net	**160,699**	140,729	19,970	**602,948**	526,353	76,595
NOI						
Same property	**31,150**	32,596	(1,446)	**128,753**	137,957	(9,204)
Share of Equity-Accounted Joint Venture [2]	**1,122**	—	1,122	**3,784**	—	3,784
Acquisition, development and other	**245**	850	(605)	**1,356**	4,184	(2,828)
Total NOI	**32,517**	33,446	(929)	**133,893**	142,141	(8,248)

Notes:

1. For Q4 2022, includes government assistance related to the pandemic of $11,662 (2021 - $16,494) and incremental pandemic related expenses of $14,259 (2021 - $16,515), resulting in net pandemic expenses of $2,597 (2021 - $21). For the year ended December 31, 2022, includes government assistance related to the pandemic of $58,808 (2021 - $101,061) and incremental pandemic related expenses of $67,031 (2021 - $93,842), resulting in net pandemic expenses (recoveries) of $8,223 (2021 - $(7,219)). Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are reasonably determinable.
2. Includes the Company's pro rata share of each of the revenue, operating expenses, and NOI of its Equity-Accounted Joint Venture.

Fourth Quarter 2022 Operating Results

The Company's total same property revenues for Q4 2022 increased by $16,586 to $185,473, compared to Q4 2021. Retirement's same property revenues for Q4 2022 increased by $4,042 to $41,780, compared to Q4 2021, primarily due to occupancy growth and annual rental rate increases in line with market conditions. LTC's same property revenues for Q4 2022 increased by $12,544 to $143,693, compared to Q4 2021, primarily due to flow-through funding for increased direct care provided to residents, as well as higher preferred accommodation revenues from increased occupancy.

The Company's total same property operating expenses, excluding net pandemic expenses, for Q4 2022 increased by $15,442 to $151,541, compared to Q4 2021. Retirement's same property operating expenses, excluding net pandemic expenses of $268, for Q4 2022 increased by $3,146 to $26,652, compared to Q4 2021, primarily due to higher agency and food costs, and increased maintenance and property taxes. LTC's operating expenses for Q4 2022, excluding net pandemic expenses of $2,329, increased by $12,296 to

$124,889, compared to Q4 2021, mainly due to higher expenses related to an increase in government-funded direct care provided to residents, as well as increased labour, agency staff costs, insurance and utilities costs.

Net pandemic expenses for Q4 2022 increased by $2,576 to $2,597 compared to Q4 2021, mainly due to an increase in LTC's net pandemic expenses for Q4 2022 by $2,471. During the quarter, the LTC segment received retroactive pandemic funding of $2,215, of which $645 related to prior years and $1,569 related to Q2 and Q3 of 2022. In the previous year, the LTC segment received retroactive pandemic funding of $2,603 to support pandemic expenses incurred during the year of 2020 and Q1 2021. Excluding retroactive pandemic funding, net pandemic costs were $4,811 in Q4 2022 compared to $2,624 in Q4 2021.

The Company's total same property NOI for Q4 2022 decreased by $1,446 to $31,150, compared to Q4 2021. Retirement's same property NOI for Q4 2022 increased by $642 to $14,712. LTC's same property NOI for Q4 2022 decreased by $2,088 to $16,438 compared to Q4 2021.

Year ended December 31, 2022 Operating Results

The Company's total same property revenues for the year ended December 31, 2022, increased by $63,758 to $711,799, compared to the year ended December 31, 2021. Retirement's same property revenues for the year ended December 31, 2022 increased by $12,705 to $156,842, compared to the year ended December 31, 2021, primarily due to occupancy growth and annual rental rate increases in line with market conditions. LTC's same property revenues for the year ended December 31, 2022 increased by $51,053 to $554,957, compared to the year ended December 31, 2021, primarily due to flow-through funding for increased direct care provided to residents, annual inflationary funding increases, and higher preferred accommodation revenues from increased occupancy compared to the prior period.

The Company's total same property operating expenses, excluding net pandemic expenses, for the year ended December 31, 2022 increased by $58,792 to $574,865, compared to the year ended December 31, 2021. Retirement's same property operating expenses, excluding net pandemic expenses, for the year ended December 31, 2022 increased by $7,553 to $96,966, compared to the year ended December 31, 2021, primarily due to higher labour, increased food, utilities, insurance, property taxes, maintenance and marketing costs. LTC's operating expenses for the year ended December 31, 2022, excluding net pandemic expenses of $6,759, increased by $51,239 to $477,899, compared to the year ended December 31, 2021, mainly due to higher expenses related to an increase in government-funded direct care, annual inflationary labour cost increases, and higher insurance and utilities.

Net pandemic expenses for the year ended December 31, 2022 increased by $15,442 to $8,223 compared to the year ended December 31, 2021. This is mainly due to an increase in LTC's net pandemic expenses for the year ended December 31, 2022 by $16,220, which included $4,766 of retroactive funding received in the current period related to pandemic expenses incurred in excess of available funding during years 2021 and 2020. In the previous year, the LTC segment received retroactive funding of $17,176 to support pandemic expenses incurred during 2020. Excluding retroactive pandemic funding, net pandemic costs were $12,989 for the year ended December 31, 2022 compared to $9,957 in 2021.

The Company's total same property NOI for the year ended December 31, 2022 decreased by $9,204 to $128,753, compared to the year ended December 31, 2021. Retirement's same property NOI for the year ended December 31, 2022 increased by $5,860 to $58,424. LTC's same property NOI for the year ended December 31, 2022 decreased by $15,064 to $70,329 compared to the year ended December 31, 2021. The decrease in LTC's same property NOI was due to net pandemic expenses of $6,759 for the year ended December 31, 2022, which included $7,445 of retroactive pandemic funding related to prior periods as compared to net pandemic recoveries of $9,461 for the year ended December 31, 2021. The year to date December 31, 2022, included a retroactive pandemic funding of $4,766 received in 2022 related to pandemic expenses incurred in excess of available funding during the 2021 and 2020 year end.

Due to the timing or seasonality of certain operating expenses such as utilities and maintenance, occupancy levels, government assistance and annual adjustments to government funding, trends which may appear in operating margins may be merely coincidental, as operating margins may vary from quarter to quarter.

Net Operating Income by Segment

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

Retirement

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

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2022**	2021	Change	**2022**	2021	Change
Retirement Revenue						
Same property	**41,780**	37,738	4,042	**156,842**	144,137	12,705
Share of revenue from Equity-Accounted Joint Venture [2]	**7,346**	—	7,346	**18,251**	—	18,251
Acquisition, development and other	**397**	827	(430)	**2,412**	3,840	(1,428)
Total Adjusted Retirement Revenue	**49,523**	38,565	10,958	**177,505**	147,977	29,528
Retirement Expenses, net						
Same property	**26,652**	23,506	3,146	**96,966**	89,413	7,553
Net pandemic expenses [1]	**268**	163	105	**1,464**	2,242	(778)
Share of expenses from Equity-Accounted Joint Venture [2]	**6,224**	—	6,224	**14,467**	—	14,467
Acquisition, development and other	**232**	678	(446)	**1,169**	2,889	(1,720)
Total Adjusted Retirement Expenses, net	**33,376**	24,347	9,029	**114,066**	94,544	19,522
Retirement NOI						
Same property	**14,712**	14,070	642	**58,424**	52,564	5,860
Share of Equity-Accounted Joint Venture [2]	**1,122**	—	1,122	**3,784**	—	3,784
Acquisition, development and other	**313**	148	165	**1,231**	869	362
Total Adjusted Retirement NOI	**16,147**	14,218	1,929	**63,439**	53,433	10,006

Notes:

1. For Q4 2022, includes government assistance related to the pandemic of $587 (2021 - $621) and incremental pandemic related expenses of $855 (2021 - $784), resulting in net pandemic expenses of $268 (2021 - $163). For the year ended December 31, 2022, includes government assistance related to the pandemic of $2,495 (2021 - $3,932) and incremental pandemic related expenses of $3,959 (2021 - $6,174), resulting in net pandemic expenses of $1,464 (2021 - $2,242). Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are reasonably determinable.
2. Includes the Company's pro rata share of each of the revenue, operating expenses, and NOI of its Equity-Accounted Joint Venture.

Fourth Quarter 2022 Retirement Results

Retirement's same property revenues for Q4 2022 increased by $4,042 to $41,780, compared to Q4 2021, primarily attributable to occupancy growth and annual rental rate increases in line with market conditions.

Retirement's same property operating expenses, excluding net pandemic expenses, for Q4 2022 increased by $3,146 to $26,652 compared to Q4 2021, primarily due to higher labour and food costs, increased maintenance and property taxes. Net pandemic expenses for Q4 2022 were $268 representing an increase of $105 compared to Q4 2021.

Retirement's same property NOI for Q4 2022 increased by $642 to $14,712, compared to Q4 2021. Excluding net pandemic expenses, Retirement's same property NOI for Q4 2022 increased by $896 to $15,128, compared to Q4 2021.

Year ended December 31, 2022 Retirement Results

Retirement's same property revenues for the year ended December 31, 2022 increased by $12,705 to $156,842, compared to the year ended December 31, 2021, primarily attributable to occupancy growth and annual rental rate increases in line with market conditions.

Retirement's same property operating expenses, excluding net pandemic expenses, for the year ended December 31, 2022 increased by $7,553 to $96,966 compared to the year ended December 31, 2021, primarily due to higher labour, food, utilities, insurance, property taxes, maintenance and marketing costs. Net pandemic expenses for the year ended December 31, 2022 were $1,464 representing a decrease of $778 compared to the year ended December 31, 2021.

Retirement's same property NOI for the year ended December 31, 2022 increased by $5,860 to $58,424, compared to the year ended December 31, 2021. Excluding net pandemic expenses, Retirement's same property NOI for the year ended December 31, 2022 increased by $5,152 to $59,876, compared to the year ended December 31, 2021.

Long-term Care

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

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2022**	2021	Change	**2022**	2021	Change
Long-term Care Revenue						
Same property	**143,693**	131,149	12,544	**554,957**	503,904	51,053
Development and other (1)	**—**	4,461	(4,461)	**4,379**	16,613	(12,234)
Total Long-term Care Revenue	**143,693**	135,610	8,083	**559,336**	520,517	38,819
Long-term Care Expenses, net						
Same property	**124,889**	112,593	12,296	**477,899**	426,660	51,239
Net pandemic expenses (recoveries) (2)	**2,329**	(142)	2,471	**6,759**	(9,461)	16,220
Development and other (1)	**105**	3,931	(3,826)	**4,224**	14,610	(10,386)
Total Long-term Care Expenses, net	**127,323**	116,382	10,941	**488,882**	431,809	57,073
Long-term Care NOI						
Same property	**16,438**	18,526	(2,088)	**70,329**	85,393	(15,064)
Development and other (1)	**(68)**	702	(770)	**125**	3,315	(3,190)
Total Long-term Care NOI	**16,370**	19,228	(2,858)	**70,454**	88,708	(18,254)

Notes:

1. Includes the financial results of one long-term care community which was sold in March 2022.
2. For Q4 2022, includes government assistance related to the pandemic of $11,075 (2021 - $15,873) and incremental pandemic related expenses of $13,404 (2021 - $15,731), resulting in net pandemic expenses (recoveries) of $2,329 (2021 - $(142)). For the year ended December 31, 2022, includes government assistance related to the pandemic of $56,313 (2021 - $97,129) and incremental pandemic related expenses of $63,072 (2021 - $87,668), resulting in net pandemic expenses (recoveries) of $6,759 (2021 - $(9,461)). Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are reasonably determinable.

Fourth Quarter 2022 Long-term Care Results

LTC's same property revenues for Q4 2022 increased by $12,544 to $143,693, compared to Q4 2021, primarily due to flow-through funding for increased direct care provided to residents and higher preferred accommodation revenues from increased occupancy compared to Q4 2021, partly offset by occupancy clawbacks from homes that did not meet the 97% occupancy level.

Excluding net pandemic expenses, LTC's same property operating expenses for Q4 2022 increased by $12,296 to $124,889, compared to Q4 2021, mainly due to higher expenses related to an increase in labour.

LTC's net pandemic expenses for Q4 2022 were $2,329, representing an increase in net pandemic expenses of $2,471 compared to Q4 2021. During the quarter, the LTC segment received retroactive pandemic funding of $2,215, of which $270 related to 2020, $376 related to 2021 and $1,569 related to Q2 and Q3 2022. In Q4 2021, the LTC segment received retroactive pandemic funding of $2,603 to support pandemic expenses incurred in prior periods. Excluding retroactive pandemic funding, net pandemic costs were $4,544 in Q4 2022 compared to $2,461 in Q4 2021.

LTC's same property NOI for Q4 2022 decreased by $2,088 to $16,438, compared to Q4 2021. Excluding net pandemic expenses, LTC's same property NOI for Q4 2022 increased by $248 to $18,804, compared to Q4 2021.

Year ended December 31, 2022 Long-term Care Results

LTC's same property revenues for the year ended December 31, 2022 increased by $51,053 to $554,957, compared to the year ended December 31, 2021, primarily due to flow-through funding for increased direct care provided to residents, annual inflationary funding increases, and higher preferred accommodation revenues from increased occupancy compared to Q4 2021.

LTC's same property operating expenses, excluding net pandemic expenses, for the year ended December 31, 2022 increased by $51,239 to $477,899, compared to the year ended December 31, 2021, mainly due to higher expenses related to an increase in government-funded direct care, higher labour, insurance and utilities costs.

LTC's net pandemic expenses for the year ended December 31, 2022 were $6,759, which included $4,766 of retroactive pandemic funding related to pandemic expenses incurred in 2021 compared to net pandemic recoveries of $9,461 to the year ended December 31, 2021, which included retroactive pandemic funding of $17,176 received during 2021 related to pandemic expenses incurred in excess of available funding during the year ended December 31, 2020. Excluding retroactive pandemic funding, LTC's net pandemic costs were 14,204 for the year ended December 31, 2022 compared to $7,715 for year ended December 31, 2021.

LTC's same property NOI for the year ended December 31, 2022 decreased by $15,064 to $70,329, compared to the year ended December 31, 2021. Excluding net pandemic expenses, LTC's same property NOI for the year ended December 31, 2022 decreased by $186 to $77,058, compared to the same period in 2021.

Depreciation and Amortization

Fourth Quarter 2022

Depreciation and amortization for Q4 2022 decreased by $168 to $11,755, compared to Q4 2021, due to timing of additions and disposals during the period.

Year ended December 31, 2022

Depreciation and amortization for the year ended December 31, 2022 decreased by $5,732 to $47,337 compared to the comparative prior year period, due to completion of the amortization of resident relationships in 2021 and timing of additions and disposals.

Impairment loss

Fourth Quarter 2022 and Year ended December 31, 2022

In Q2 2022, the Company incurred an impairment loss of $12,788 before recognition of a deferred tax benefit of $3,398 on one of its long term care communities. The impairment provision is comprised of a write-down of property and equipment of $11,362, and of licences in the amount of $1,426.

Administrative Expenses

	Three months Ended December 31,			Year ended December 31,		
Thousands of Canadian dollars	**2022**	2021	Change	**2022**	2021	Change
General and administrative expenses	**6,300**	7,123	(823)	**28,667**	27,566	1,101
Restructuring costs	**6,550**	—	6,550	**6,550**	—	6,550
SOAR Program	**465**	—	465	**2,125**	—	2,125
Share-based compensation	**213**	343	(130)	**1,951**	1,440	511
Pandemic related expenses	**(221)**	133	(354)	**77**	2,264	(2,187)
Total administrative expenses	**13,307**	7,599	5,708	**39,370**	31,270	8,100

Fourth Quarter 2022

Administrative expenses for Q4 2022 increased by $5,708 to $13,307, compared to Q4 2021, primarily due to the restructuring costs of one LTC community, partially offset by lower general and administrative costs.

Year ended December 31, 2022

Administrative expenses for the year ended December 31, 2022 increased by $8,100 to $39,370, compared to the year ended December 31, 2021, primarily due to the restructuring costs of one LTC community, the Company's introduction of the SOAR program and an increase in general and administrative costs, partially offset by lower share-based compensation costs.

Share of Net Loss in Joint Venture (JV)

Fourth Quarter 2022

The Company's share of net loss in a joint venture of $3,430 (2021 - $22), was primarily related to the newly entered into joint venture with Sabra. This balance is comprised of NOI of $1,122, less depreciation and amortization of $4,146, less finance costs of $192 and transaction costs of $214.

Year ended December 31, 2022

The Company's share of net loss in a joint venture of $11,275 (2021 - $30), was primarily related to the newly entered into joint venture with Sabra. This balance is comprised of NOI of $3,784, less depreciation and amortization of $10,781, less finance costs of $500 and transaction costs of $3,778.

Net Finance Charges

Thousands of Canadian dollars	Three months ended December 31, 2022	2021	Change	Year ended December 31, 2022	2021	Change
Finance costs						
Interest expense on mortgages	**4,479**	3,808	671	**16,112**	15,554	558
Interest expense on debentures	**3,586**	3,585	1	**14,226**	12,748	1,478
Interest on unsecured term loan	**984**	—	984	**2,305**	—	2,305
Interest expense on credit facilities	**568**	230	338	**1,100**	2,075	(975)
Interest expense on right-of-use assets	**28**	14	14	**99**	61	38
Redemption premium paid	**—**	—	—	**—**	160	(160)
Amortization of financing charges and fair value adjustments on acquired debt	**699**	560	139	**2,471**	2,510	(39)
Net settlement payment (recovery) on interest rate swap contracts	**(556)**	685	(1,241)	**408**	2,773	(2,365)
Fair value gain on interest rate swap contracts	**(87)**	(1,629)	1,542	**(9,194)**	(6,776)	(2,418)
	9,701	7,253	2,448	**27,527**	29,105	(1,578)
Finance income						
Interest income on construction funding receivable	**185**	314	(129)	**878**	1,269	(391)
Other interest income	**352**	53	299	**960**	456	504
	537	367	170	**1,838**	1,725	113
Net finance charges	**9,164**	6,886	2,278	**25,689**	27,380	(1,691)

Fourth Quarter 2022

Net finance charges for Q4 2022 increased by $2,278 to $9,164, compared to Q4 2021, primarily attributable to decrease in fair value gain on interest rate swap contracts, interest on the new term loan to finance the acquisition earlier in the year, and higher interest expense on floating rate debt, partially offset by favourability from interest rate swap contracts.

Year ended December 31, 2022

Net finance charges for the year ended December 31, 2022 decreased by $1,691 to $25,689, compared to the year ended December 31, 2021, primarily attributable to higher fair value gain on interest rate swap contracts and favourability from interest rate swap contracts, partially offset by interest on new term loan in the year and interest on Series C Unsecured Debenture issued in June 2021.

Transaction Costs

Fourth Quarter 2022

Transaction costs for Q4 2022 increased by $1,771 to $2,554 compared to Q4 2021 primarily attributable to one-time development costs and the increase in activities related to development projects.

Year ended December 31, 2022

Transaction costs for the year ended December 31, 2022 increased by $3,836 to $6,195 compared to the year ended December 31, 2021 primarily attributable to the acquisitions and development projects.

Income Taxes

Fourth Quarter 2022

Income tax expense for Q4 2022 decreased by $3,715 resulting to an income tax recovery of $2,136 (current tax recovery of $73 and deferred tax recovery of $2,063), compared to Q4 2021 income tax expense of $1,579 (current tax recovery of $388 and deferred tax expense of $1,967). This is primarily attributable to a net loss for Q4 2022 and timing differences related to depreciation of property and equipment.

Year ended December 31, 2022

Income tax expense for year ended December 31, 2022 decreased by $6,872 resulting in an income tax expense of $513 (current tax expense of $4,299 and deferred tax recovery of $3,786), compared to income tax expense of $7,385 (current tax expense of $2,320 and deferred tax expense of $5,065) for the year ended December 31, 2022. This is primarily attributable to lower NOI, timing differences related to the impairment loss and depreciation of property and equipment, partially offset by the tax gain on property dispositions.

Business Performance

Non-IFRS Measures

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

Adjusted Funds from Operations

The IFRS measure most directly comparable to FFO and OFFO is "net income". The following table represents the reconciliation of "net income" to FFO and OFFO for the periods ended December 31. The reconciliation from FFO to AFFO is provided as supplementary information.

	Three months ended December 31,			Year ended December 31,		
Thousands of Canadian dollars, except share and per share data	**2022**	2021	Change	**2022**	2021	Change
Net income (loss)	**(6,675)**	4,654	(11,329)	**10,668**	20,648	(9,980)
Deferred income tax expense (recovery)	**(2,063)**	1,967	(4,030)	**(3,786)**	5,065	(8,851)
Depreciation and amortization	**10,898**	11,038	(140)	**43,951**	49,511	(5,560)
Transaction costs	**2,554**	783	1,771	**6,195**	2,359	3,836
Net settlement payment on interest rate swap contracts	**(556)**	685	(1,241)	**408**	2,773	(2,365)
Fair value gain on interest rate swap contracts	**(87)**	(1,629)	1,542	**(9,194)**	(6,776)	(2,418)
Gain on disposal of properties, net of tax	**(3)**	—	(3)	**(20,873)**	—	(20,873)
Shares granted under SOAR program	**465**	—	465	**2,125**	—	2,125
Impairment loss	**—**	—	—	**12,788**	—	12,788
Equity-Accounted Joint Ventures: Depreciation and amortization	**4,146**	—	4,146	**10,781**	—	10,781
Shares granted under SOAR program	**58**	—	58	**58**	—	58
Transaction cost	**254**	—	254	**3,819**	—	3,819
Funds from operations (FFO)	**8,991**	**17,498**	**(8,565)**	**56,940**	**73,580**	**(16,698)**
Depreciation and amortization - corporate	**857**	885	(28)	**3,386**	3,558	(172)
Amortization of financing charges and fair value adjustments on assumed debt [(2)]	**747**	560	187	**2,610**	2,510	100
Net settlement receipt (payment) on interest rate swap contracts	**556**	(685)	1,241	**(408)**	(2,773)	2,365
Restructuring costs	**6,550**		6,550	**6,550**	—	6,550
Redemption premium paid, net of tax	**—**	—	—	**—**	117	(117)
Operating funds from operations (OFFO)	**17,701**	18,258	(557)	**69,078**	76,992	(7,914)
Construction funding	**2,030**	2,365	(335)	**9,102**	9,780	(678)
Maintenance capital expenditure [(3)]	**(2,429)**	(3,773)	1,344	**(10,705)**	(14,025)	3,320
Net pandemic capital expenditure [(1)]	**—**	(295)	295	**—**	10	(10)
Adjusted funds from operations (AFFO)	**17,302**	16,555	747	**67,475**	72,757	(5,282)
Adjusted funds from operations (AFFO)	**17,302**	16,555	747	**67,475**	72,757	(5,282)
Dividends declared	**(17,065)**	(15,688)	(1,377)	**(67,315)**	(62,749)	(4,566)
AFFO retained	**237**	867	(630)	**160**	10,008	(9,848)
FFO per share	**0.123**	0.261	(0.138)	**0.795**	1.098	(0.303)
OFFO per share	**0.243**	0.272	(0.029)	**0.965**	1.148	(0.183)
AFFO per share	**0.237**	0.247	(0.010)	**0.943**	1.085	(0.142)
Weighted average common shares outstanding	**72,914,451**	67,039,123		**71,589,104**	67,039,123	

Notes:

1. For Q4 2022 and year ended December 31, 2022, includes pandemic capital expenditures of $2,582 and $25,652, respectively (2021 - $203 and $9,860), offset by related pandemic funding of $2,582 and $25,652, respectively (2021 - $18 and $9,443, respectively), resulting in net pandemic capital expenditures of $nil and $nil (2021 - $185 and $417, respectively). Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are reasonably determinable.
2. For Q4 2022 and year ended December 31, 2022, includes the Company's share of amortization of financing charges and fair value adjustments on assumed debt in Equity-Accounted Joint Venture of $50 and $139 respectively (2021 -$nil and $nil).
3. For Q4 2022 and year ended December 31, 2022 includes the Company's share of maintenance capital expenditure in Equity-Accounted Joint Venture of $177 and $289.

Fourth Quarter 2022 Performance

For Q4 2022, FFO decreased by $8,565 to $8,991, compared to Q4 2021. The decrease was primarily due to lower NOI, restructuring costs, and higher share of net loss in JVs.

For Q4 2022, OFFO decreased by $557 to $17,701, compared to Q4 2021. The decrease was primarily attributable to lower NOI.

For Q4 2022, AFFO increased by $747 to $17,302, compared to Q4 2021. The increase was primarily related to the lower spend on maintenance capital offset by the decrease in OFFO.

Year ended December 31, 2022 Performance

FFO for the year ended December 31, 2022 decreased by $16,698 to $56,940, over the prior year. The decrease was primarily due to lower NOI, driven mainly by a higher retroactive pandemic funding received in 2021, and restructuring costs.

OFFO for the year ended December 31, 2022 decreased by $7,914 to $69,078, over the prior year. The decrease was primarily attributable to lower NOI, partially offset by net settlement payments on interest rate swap contracts.

AFFO for the year ended December 31, 2022 decreased by $5,282 to $67,475, over the comparative year. The decrease in AFFO was principally related to the decrease in OFFO, offset by lower spend on maintenance capital.

Construction Funding

The Company receives construction funding subsidies from the Government of Ontario on a per bed per diem basis to support the costs of developing or redeveloping eligible LTC homes. There are several eligibility requirements, including receiving approval from the Ministry on the development or redevelopment and completing the construction in accordance with a development agreement signed with the MLTC. This funding is non-interest bearing, and is received subject to the condition that the residences continue to operate as long-term care residences for the period for which they are entitled to the construction funding. As at December 31, 2022, the condition for funding has been met.

The construction funding amount to reconcile from OFFO to AFFO represents the change in the construction funding receivable balance, which consists of the cash to be received, offset by the interest income on the construction funding receivable recognized in "net income". For the years ending December 31, 2022 through 2027, and thereafter, the Company estimates that the construction funding amount will be as follows:

Thousands of Canadian dollars	Construction funding interest income (1)	Construction funding principal (2)	Total construction funding to be received
2023	377	5,953	6,330
2024	295	2,539	2,834
2025	214	1,323	1,537
2026	147	1,193	1,340
2027	109	461	570
Thereafter	617	3,193	3,810
	1,759	**14,662**	**16,421**

Notes:

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

For the three months and year ended December 31, 2022, interest income on construction funding of $185 and $878, respectively (2021 - $314 and $1,269, respectively) was recognized, and an adjustment of $2,030 and $9,102, respectively (2021 - $2,365 and $9,780, respectively) was made to AFFO for construction funding principal received.

Maintenance Capital Expenditures

The Company monitors all of its properties for ongoing maintenance requirements. As part of the capital investments' monitoring process, items are assessed and prioritized based on the urgency and necessity of the expenditure to sustain or maintain the condition of buildings, or to meet residents' needs. The following table summarizes the Company's maintenance capital expenditures for the periods ended December 31:

	Three months ended		Twelve months ended	
Thousands of Canadian dollars	**2022**	2021	**2022**	2021
Building maintenance	**690**	1,896	**3,386**	3,416
Mechanical and electrical	**965**	469	**2,770**	2,684
Suite renovations and common area upgrades	**520**	1,260	**2,595**	5,790
Communications and information systems	**67**	64	**351**	208
Furniture, fixtures and equipment	**187**	84	**1,603**	1,927
Total maintenance capital expenditures	**2,429**	3,773	**10,705**	14,025
Capital Investments in Equity-Accounted Joint Venture	**177**	—	**289**	—

Building Maintenance

Building maintenance include the costs for structures, roofing, exterior grounds, fire safety, and sprinklers. For the three months and year ended December 31, 2022, the decline in building maintenance compared to the prior year is due timing of repairs and sprinkler replacement.

Mechanical and Electrical

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

Suite Renovations and Common Area Maintenance

Suite renovations and common area maintenance are expenditures to maintain the marketability of the Company's residences. Flooring and carpeting replacements are often done in conjunction with suite renovations. For the three months and year ended December 31, 2022, the decline in suite renovations compared to the prior year is due timing of upgrades.

Communication and Information Systems

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

Furniture, Fixtures and Equipment

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

Reconciliation of Cash Flow from Operations to Adjusted Funds from Operations

The IFRS measure most directly comparable to AFFO is "cash flow from operating activities". The following table represents the reconciliation of cash provided by operating activities to AFFO for the periods ended December 31:

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2022**	2021	Change	**2022**	2021	Change
Cash provided by operating activities	**14,957**	31,923	(16,966)	**106,077**	98,516	7,561
Construction funding principal	**2,030**	2,365	(335)	**9,102**	9,780	(678)
Transaction costs	**2,809**	783	2,026	**10,015**	2,359	7,656
Maintenance capital expenditures	**(2,429)**	(3,773)	1,344	**(10,705)**	(14,025)	3,320
Net pandemic capital expenditures	**—**	(295)	295	**—**	10	(10)
Net change in working capital, interest and taxes	**(7,835)**	(14,605)	6,770	**(58,741)**	(24,434)	(34,307)
Restricted share units recovery	**(19)**	157	(176)	**636**	434	202
Tax on disposal of properties	**1**	—	1	**2,852**	—	2,852
Redemption premium	**—**	—	—	**—**	117	(117)
Restructuring costs	**6,550**	—	6,550	**6,550**	—	6,550
Shares granted under SOAR program	**465**	—	465	**2,125**	—	2,125
FFO of Equity-Accounted Joint Venture	**774**	—	774	**(436)**	—	(436)
Adjusted funds from operations (AFFO)	**17,303**	16,555	748	**67,475**	72,757	(5,282)
Adjusted funds from operations (AFFO)	**17,302**	16,555	747	**67,475**	72,757	(5,282)
Dividends declared	**(17,065)**	(15,688)	(1,377)	**(67,315)**	(62,749)	(4,566)
AFFO retained (shortfall) over dividend reinvestment	**237**	867	(630)	**160**	10,008	(9,848)

The AFFO retained over dividends declared for Q4 2022 and the year ended December 31, 2022 is lower compared to prior year periods, primarily due to decrease in NOI as a result of retroactive pandemic funding received in 2021, as well as additional dividends declared as a result of the issuance of shares in 2022.

Refer to the "Cash Flow Analysis" section for details on the change from Q4 2021 to Q4 2022 on cash flow provided by operating activities.

Reconciliation of Net Income to Net Operating Income

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

	Three Months Ended		Year Ended	
Thousands of Canadian dollars	**2022**	2021	**2022**	2021
Net income (loss)	**(6,675)**	4,654	**10,668**	20,648
Add back:				
Depreciation and amortization	**11,755**	11,923	**47,337**	53,069
Administrative expenses	**13,307**	7,599	**39,370**	31,270
Net finance charges	**9,164**	6,886	**25,689**	27,380
Provision for income taxes	**(2,136)**	1,579	**513**	7,385
Transactions costs	**2,554**	783	**6,195**	2,359
Share of net loss in Equity-Accounted Joint Venture	**3,430**	22	**11,275**	30
Gain on disposal of properties	**(4)**	—	**(23,726)**	—
Impairment loss	**—**	—	**12,788**	—
Share of NOI in Equity-Accounted Joint Venture	**1,122**	—	**3,784**	—
Net operating income (NOI)	**32,517**	33,446	**133,893**	142,141

Financial Position Analysis

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity as at December 31, 2022 compared to December 31, 2021:

Thousands of Canadian dollars	**2022**	2021	Change
Total assets	**1,680,428**	1,609,189	71,239
Total liabilities	**1,245,736**	1,203,336	42,400
Total equity	**434,692**	405,853	28,839

Total assets increased by $71,239 to $1,680,428 primarily due to the Company's investment in Sienna-Sabra LP, increases in cash and cash equivalents, prepaid expenses and deposits, partially offset by decreases in construction funding receivable, government funding receivable, the disposal of assets held for sale and impairment losses.

Total liabilities increased by $42,400 to $1,245,736 primarily due to the addition of a new unsecured term loan and increase in government funding payable, partially offset by decreases in deferred income taxes and share-based compensation liability.

Total equity increased by $28,839 to $434,692 primarily due to the Company's issuance of shares, partially offset by dividends declared during the period.

Cash Flow Analysis

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

Thousands of Canadian dollars	Three Months Ended 2022	2021	Change	Year Ended 2022	2021	Change
Cash provided by (used in):						
Operating activities	**14,957**	31,923	(16,966)	**106,077**	98,516	7,561
Investing activities	**(4,619)**	(7,497)	2,878	**(134,726)**	(18,046)	(116,680)
Financing activities	**(23,201)**	(27,813)	4,612	**37,646**	(147,094)	184,740
(Decrease) increase in cash and cash equivalents during the period	**(12,863)**	(3,387)	(9,476)	**8,997**	(66,624)	75,621
Cash and cash equivalents, end of period	**38,050**	29,053	8,997	**38,050**	29,053	8,997

Fourth Quarter 2022

Cash inflows provided by operating activities for the three months ended December 31, 2022 decreased by $16,966 to $14,957 primarily due to lower accounts payable due to timing of payments, and lower net government funding and assistance received compared to Q4 2021.

Cash outflow from investing activities for the three months ended December 31, 2022 increased by $2,878 to $4,619 primarily due to lower net additions to property and equipment compared to Q4 2021.

Cash outflows used in financing activities for the three months ended December 31, 2022 decreased by $4,612 to $23,201 primarily due to net proceeds from long-term debt offset by higher dividends paid due to a higher number of common shares outstanding.

Year ended December 31, 2022

Cash inflows provided by operating activities for the year ended December 31, 2022 increased by $7,561 to $106,077 primarily due to timing of government funding and assistance received compared to the prior year, offset by higher income tax payments, lower accounts payable due to timing of payments and higher interest paid on long-term debt.

Cash outflows used in investing activities for the year ended December 31, 2022 increased by $116,680 to $134,726 primarily due to the Company's investment in Sienna-Sabra LP and net additions to property and equipment, partially offset by proceeds from disposal of properties.

Cash inflows provided by financing activities for the year ended December 31, 2022 increased by $184,740 to $37,646 primarily due to issuance of equity in Q1 2022, lower repayments of long-term debt and proceeds received from the Company's new unsecured term loan, partially offset by an increase in dividends paid compared to the prior year.

Liquidity and Capital Resources

Liquidity

The Company's primary source of liquidity is cash flow generated from operating activities. The Company expects to meet its operating cash requirements, including required working capital, capital expenditures, and currently scheduled interest payments on debt through fiscal 2023 and beyond, from cash on hand, cash flow from operations, proceeds from refinancing its debt, its committed but unutilized borrowing capacity and, if necessary, will pursue debt or equity financing to provide the Company with additional financial flexibility.

As at December 31, 2022, the Company's liquidity was $286,550, as follows:

Thousands of Canadian dollars	**December 31, 2022**	December 31, 2021
Cash and cash equivalents	**38,050**	29,053
Available funds from credit facilities	**248,500**	196,500
Total	**286,550**	225,553

As at December 31, 2022, the Company had drawn $60,000 from its available facilities. The Company's liquidity was $329,172 as at February 23, 2023.

In addition, as at December 31, 2022, the Company's share of cash and cash equivalents held in our Equity-Accounted Joint Venture was $2,280.

The Company had a working capital deficiency (current liabilities less current assets) of $252,951 as at December 31, 2022, including the current portion of long-term debt of $126,099. To support its working capital deficiency, the Company has available cash from operations, access to multiple sources of financing and has a history of successfully refinancing credit facilities.

The Company has an unencumbered asset pool with a fair value of approximately $1,181,300 as at December 31, 2022, representing an increase of $80,300 from $1,101,000 as at December 31, 2021. The increase in the unencumbered asset pool since the beginning of the year is due to the addition of the retirement properties acquired in Q2 2022, substantially offset by the sale of one long term care community and updated valuations of certain LTC residences.

The unencumbered asset pool provides the Company with financial flexibility to enter into different financing options.

Debt

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

The Company's goal is to continue to optimize its debt maturity schedule over a 10-year period in order to manage interest rate and financial risks. The Company's strategy is to build a 10-year debt maturity ladder by refinancing approximately 10% of its debt annually, which is approximately $97,796 as at December 31, 2022. On December 9, 2022, DBRS confirmed Sienna's "BBB" investment grade credit rating with a "Stable" trend from DBRS, along with the "BBB" credit rating for the Company's Series A Unsecured Debentures, Series B Unsecured Debentures and Series C Unsecured Debentures (later defined in the "Debentures" section).

The Company's total debt is comprised as follows:

Thousands of Canadian dollars	**December 31, 2022**	December 31, 2021
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	175,000
Series C Unsecured Debentures	**125,000**	125,000
Unsecured Term Loan	**50,000**	—
Credit facilities	**60,000**	12,000
Mortgages	**422,678**	496,167
Lease liability	**2,844**	1,312
	985,522	959,479
Fair value adjustments on assumed debt	**2,343**	2,683
Less: Deferred financing costs	**(9,901)**	(11,878)
Total debt	**977,964**	950,284

The Company's total debt as at December 31, 2022 was $977,964 (December 31, 2021 - $950,284). The increase of $27,680 was primarily related to the unsecured term loan used by the Company to invest in Sienna-Sabra LP for its acquisitions and an increase in the amount drawn under the Unsecured Revolving Credit Facility (defined in the "Credit Facilities" section of this MD&A), partially offset by repayment of property-level mortgages.

The following table summarizes the scheduled principal maturities of the Company's long-term debt commitments as at December 31, 2022:

Thousands of Canadian dollars, except interest rate							Mortgages				
Year	Series A Unsecured Debentures (1)	Series B Unsecured Debentures (2)	Series C Unsecured Debentures (3)	Unsecured Term Loan	Credit Facilities	Capitalized Lease Principal Payments (4)	Regular Principal Repayments	Principal Due at Maturity	Weighted Average Interest Rate on Maturing Mortgages	**Total**	Consolidated Weighted Average Interest Rate on Maturing Debt
2023	—	—	—	50,000	—	364	16,922	60,824	3.39 %	**128,110**	4.58 %
2024	150,000	—	—	—	—	365	15,123	50,104	4.10 %	**215,592**	3.38 %
2025	—	—	—	—	—	407	11,557	41,065	3.78 %	**53,029**	3.78 %
2026	—	175,000	—	—	—	423	11,643	—	— %	**187,066**	3.45 %
2027	—	—	125,000	—	60,000	440	11,033	35,115	3.30 %	**231,588**	3.75 %
2028	—	—	—	—	—	457	5,975	115,703	3.35 %	**122,135**	3.35 %
2029	—	—	—	—	—	388	1,810	5,477	5.20 %	**7,675**	5.20 %
2030	—	—	—	—	—	—	1,410	9,230	1.65 %	**10,640**	1.65 %
Thereafter	—	—	—	—	—	—	11,924	17,763	5.00 %	**29,687**	5.00 %
	150,000	**175,000**	**125,000**	**50,000**	**60,000**	**2,844**	**87,397**	**335,281**	**3.64 %**	**985,522**	3.69 %
Fair value adjustments on assumed debt										**2,343**	
Less: Deferred financing costs										**(9,901)**	
Total debt										**977,964**	

Notes:
1. The interest rate for the Series A Unsecured Debentures is 3.109%.
2. The interest rate for the Series B Unsecured Debentures is 3.450%.
3. The interest rate for the Series C Unsecured Debentures is 2.820%.
4. The weighted average interest rate for capitalized lease principal payments is 3.87% for each year.

The following tables are supplemental information and summarize the components of the Company's debt for our Equity-Accounted Joint Venture:

Thousands of Canadian dollars	**December 31, 2022**	December 31, 2021
Mortgages	**26,177**	—
Fair value adjustments on assumed debt	**(2,522)**	—
Less: Deferred financing costs	**(12)**	—
Total mortgages	**23,643**	—

Year	Regular Principal Repayments
2023	**915**
2024	**936**
2025	**957**
2026	**978**
2027	**1,000**
2028	**1,023**
2029	**1,046**
2030	**1,069**
Thereafter	**18,253**
	26,177
Fair value adjustments on assumed debt	**(2,522)**
Less: Deferred financing costs	**(12)**
Total debt	**23,643**

Debentures

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

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

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

The balances related to the debentures are as follows:

Thousands of Canadian dollars	**December 31, 2022**	December 31, 2021
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	175,000
Series C Unsecured Debentures	**125,000**	125,000
Less: Deferred financing costs	**(1,924)**	(2,558)
	448,076	447,442

Unsecured Term Loan

The Company acquired a portfolio of assets through its joint venture on May 16, 2022. To finance its 50% share of the joint venture's acquisition, the Company entered into a credit agreement with a Canadian lender for an unsecured acquisition term loan facility of $90,000 maturing May 15, 2023. Borrowings under the Unsecured Term Loan were at an interest rate of CDOR plus 145 bps per annum. The Unsecured Term Loan is subject to certain customary financial and non-financial covenants. As at December 31, 2022, the balance of the Unsecured Term Loan was $50,000 (December 31, 2021 - $nil).

Credit Facilities

The Company has a combined total borrowing capacity of $308,500 pursuant to its credit facilities as at December 31, 2022.

On March 19, 2020 the Company entered into a credit agreement for $200,000 senior unsecured revolving credit facility (the "Unsecured Revolving Credit Facility"). On October 26, 2022, the Company increased the Unsecured Revolving Credit Facility by $100,000 to $300,000 and extended its maturity to March 19, 2027. The Unsecured Revolving Credit Facility may be extended for additional one-year terms, subject to certain conditions. The capacity of the Unsecured Revolving Credit Facility may be increased by up to $50,000 during the term of the facility, subject to certain conditions. Borrowings under the Unsecured Revolving Credit Facility can take place by way of banker's acceptances ("**BAs**") at 145 bps per annum over the floating BA rate, or at the Canadian prime rate plus 45 bps per annum. The Unsecured Revolving Credit Facility is subject to certain customary financial and non-financial covenants.

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

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

As at December 31, 2022, the Company had drawn $60,000 under the Unsecured Revolving Credit Facility (December 31, 2021 - $12,000).

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

Thousands of Canadian dollars	**December 31, 2022**	December 31, 2021
Credit facilities drawn	**60,000**	12,000
Less: Deferred financing costs	**(891)**	(493)
	59,109	11,507

Mortgages

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

The Company has low-cost mortgage financing with CMHC. As at December 31, 2022, 59% of the Company's total property-level mortgages, including the Company's proportionate share of Equity-Accounted Joint Venture, were insured by CMHC.

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

Thousands of Canadian dollars	**December 31, 2022**	December 31, 2021
Mortgages at fixed rates	**291,487**	351,046
Mortgages at variable rates [1]	**131,191**	145,121
Fair value adjustments on acquired debt	**2,343**	2,683
Less: Deferred financing costs	**(7,086)**	(8,827)
	417,935	490,023

Note:

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

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

	December 31, 2022			December 31, 2021
	Fixed Rate	**Variable Rate**	**Total**	Total
Weighted average interest rate	3.58 %	3.76 %	**3.64 %**	3.60 %
Weighted average term to maturity (years)	5.0	3.3	**4.5**	5.2

Lease Liability

The lease liability as at December 31, 2022 of $2,844 represents the Company's lease on its office equipment and the renewed Markham corporate office space.

Credit Ratings

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

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

Financial Covenants

The Company is in compliance with all financial covenants on its borrowings as at December 31, 2022. However, there can be no assurance that covenant requirements will be met at all times. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt could be adversely affected.

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

Interest Coverage Ratio

The Interest Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. In general, higher ratios indicate a lower risk of default. Adjusted EBITDA as referenced below, is presented in accordance with defined terms in certain covenant calculations. The interest coverage ratio is calculated as follows for the periods ended December 31:

	Three months ended		Year Ended	
Thousands of Canadian dollars, except ratio	**2022**	2021	**2022**	2021
Net finance charges	**9,164**	6,886	**25,689**	27,380
Add (deduct):				
Redemption premium paid	**—**	—	**—**	(160)
Amortization of financing charges and fair value adjustments on acquired debt	**(699)**	(560)	**(2,471)**	(2,510)
Interest income on construction funding receivable	**185**	314	**878**	1,269
Interest expenses from Equity-Accounted Joint Venture	**147**	—	**367**	—
Other interest income	**352**	53	**960**	456
Fair value gain on interest rate swap contracts	**87**	1,629	**9,194**	6,776
Net finance charges, adjusted	**9,236**	8,322	**34,617**	33,211
Adjusted EBITDA	**28,499**	28,504	**113,236**	121,890
Interest coverage ratio	**3.1**	3.4	**3.3**	3.7

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

	Three months ended		Year Ended	
Thousands of Canadian dollars	**2022**	2021	**2022**	2021
Net income (loss) [2]	**(6,675)**	4,654	**10,668**	20,648
Depreciation and amortization [1]	**15,902**	11,923	**58,118**	53,069
Net finance charges [1]	**9,357**	6,886	**26,189**	27,380
Provision for income taxes	**(2,136)**	1,579	**513**	7,385
Transaction costs [1]	**2,766**	783	**9,973**	2,359
Impairment loss	**—**	—	**12,788**	—
EBITDA	**19,214**	25,825	**118,249**	110,841
Restructuring costs	**6,550**	—	**6,550**	—
Proceeds from construction funding	**2,216**	2,679	**9,980**	11,049
SOAR program [1]	**523**	—	**2,183**	—
Gain on disposal of properties and other assets	**(4)**	—	**(23,726)**	—
Adjusted EBITDA	**28,499**	28,504	**113,236**	121,890

Notes:

1. Includes the Company's proportionate share of Equity-Accounted Joint Venture.
2. 2022 figures include retroactive pandemic funding recovery of $4,766 (2021 - $17,176) received in 2022 for pandemic expenses incurred in prior years.

Debt Service Coverage Ratio

The Debt Service Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. Maintaining the debt service coverage ratio forms part of the Company's debt covenant requirements. In general, higher ratios indicate a lower risk of default. Adjusted EBITDA as referenced below, is presented in accordance with defined terms in certain covenant calculations. The following is the calculation for the periods ended December 31:

Thousands of Canadian dollars, except ratio	Three months ended 2022	2021	Year Ended 2022	2021
Net finance charges, adjusted [1]	**9,235**	8,322	**34,617**	33,211
Principal repayments [1][2]	**4,591**	4,894	**19,644**	20,803
Total debt service [1]	**13,826**	13,216	**54,261**	54,014
Adjusted EBITDA	**28,499**	28,504	**113,236**	121,890
Deduct:				
Maintenance capital expenditures	**(2,429)**	(3,773)	**(10,705)**	(14,025)
Net pandemic capital (expenditures) recoveries	**—**	(295)	**—**	10
Cash income tax (paid) refunded	**(274)**	(167)	**(2,474)**	5,938
Adjusted EBITDA (for covenant calculations)	**25,796**	24,269	**100,057**	113,813
Debt service coverage ratio	**1.9**	1.8	**1.8**	2.1

Notes:

1. Includes the Company's proportionate share of Equity-Accounted Joint Venture.
2. Debt repayments on maturity and voluntary payments towards the Company's credit facilities have been excluded from the debt service coverage ratio calculation.

Debt to Adjusted EBITDA Ratio

The Debt to Adjusted EBITDA ratio is an indicator of the approximate number of years required for current cash flows to repay all indebtedness. The following is the Adjusted EBITDA calculation for the years ended:

Thousands of Canadian dollars, except ratio	December 31 2022	2021
Total indebtedness		
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	175,000
Series C Unsecured Debentures	**125,000**	125,000
Unsecured Term Loan	**50,000**	—
Credit facilities	**60,000**	12,000
Mortgages	**422,678**	496,167
Mortgages related to Equity-Accounted Joint Venture	**26,177**	—
Lease liability	**2,844**	1,312
	1,011,699	959,479
Adjusted EBITDA	**113,236**	121,890
Debt to Adjusted EBITDA	**8.9**	7.9

Debt to Gross Book Value

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

Thousands of Canadian dollars, except ratio	December 31 2022	2021
Total indebtedness		
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	175,000
Series C Unsecured Debentures	**125,000**	125,000
Unsecured Term Loan	**50,000**	—
Credit facilities	**60,000**	12,000
Mortgages	**422,678**	496,167
Mortgages related to Equity-Accounted Joint Venture	**26,177**	—
Lease liability	**2,844**	1,312
Total indebtedness	**1,011,699**	959,479
Total assets [(1)]	**1,706,751**	1,609,189
Accumulated depreciation on property and equipment [(1)]	**403,024**	346,028
Accumulated depreciation on held for sale assets	**—**	—
Accumulated amortization on intangible assets [(1)]	**196,624**	189,016
Gross book value [(1)]	**2,306,399**	2,144,233
Debt to gross book value	**43.9 %**	44.7 %

Note:
1. Includes the Company's proportionate share of assets of Equity-Accounted Joint Venture.

Equity

Share Capital

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

Thousands of Canadian dollars, except shares	**Common shares**	**Amount**
Balance, January 1, 2021	67,039,123	878,516
Long-term incentive plan, net of loans receivable	—	187
Share purchase loan	—	325
Balance, December 31, 2021	67,039,123	879,028
Long-term incentive plan, net of loans receivable	—	416
Common shares issued, net of share issuance costs	5,750,000	82,945
Common shares issued pursuant to SOAR program	150,818	2,125
Balance, December 31, 2022	**72,939,941**	**964,514**

On June 15, 2022, the Company received approval from the TSX on its notice of intention to renew its normal course issuer bid (**"NCIB"**) for a portion of the Company's common shares. Pursuant to the notice, the Company has the authority to acquire up to a maximum of 3,644,975 of its common shares for cancellation over the next 12 months. Purchases by the Company under the NCIB will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per common share equal to the market price at the time of acquisition. The number of common shares that can be purchased pursuant to the NCIB is subject to a current daily maximum of 83,079 common shares, subject to the Company's ability to make one block purchase of its common shares per calendar week that exceeds such limits. All common shares purchased by the Company under the NCIB will be cancelled upon purchase. The Company had the option to purchase shares beginning on June 20, 2022. The NCIB will terminate on June 19, 2023.

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

Dividends

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

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

	Three Months Ended			Year Ended		
Thousands of Canadian dollars	**2022**	2021	Change	**2022**	2021	Change
Cash flows from operating activities	**14,957**	31,923	(16,966)	**106,077**	98,516	7,561
AFFO	**17,302**	16,555	747	**67,475**	72,757	(5,282)
Dividends declared	**(17,065)**	(15,688)	(1,377)	**(67,315)**	(62,749)	(4,566)
Cash flows from operating activities over dividends declared	**(2,108)**	16,235	(18,343)	**38,762**	35,767	2,995
AFFO retained	**237**	867	(630)	**160**	10,008	(9,848)

The Company believes that its current dividend level is sustainable. However, cash dividends are not guaranteed and may fluctuate with the performance of the Company.

The Company has suspended its dividend reinvestment plan.

Capital Disclosure

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

The Company's objectives when managing capital are to:

(i) maintain a capital structure that provides options to the Company for accessing capital on commercially reasonable terms, without exceeding its debt capacity, or the limitations in its credit facilities, or taking on undue risks;

(ii) maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt service payments and regular dividend payments; and

(iii) deploy capital to provide an appropriate investment return to its shareholders.

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

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

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

Contractual Obligations and Other Commitments

Leases

The Company has a 10-year lease with respect to its Markham corporate office, which was set to expire on October 31, 2024. In February 2022, the Company extended the lease for a further period of five years, commencing on November 1, 2024 and expiring on October 31, 2029.

The Company has various leases for office and other equipment that expire over the next two years.

Critical Accounting Estimates and Accounting Policies

The accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations are identified in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2022. New or changes in accounting policies are identified in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2022. Please refer to those audited consolidated financial statements for further details.

Significant Judgments and Estimates

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

Long-term care licences

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

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

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

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

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

Risks Relating to the Business

General business risks

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

COVID-19 and other outbreaks

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

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

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

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

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

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

Ongoing COVID-19 outbreaks, may result in some or all of these negative outcomes and adversely impact the business, operating results and financial condition of the Company. There can be no assurances that a pandemic, epidemic or outbreak of a contagious illness, such as COVID-19, would not have a material adverse effect on the business, operating results and financial condition of the Company.

Liability and insurance

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

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

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

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

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

None of the above proposed class action claims, including the consolidated claim, have been certified as a class action. The Company is vigorously defending itself against these claims.

Given the status of the proceedings, management is unable to assess the potential impact of any of these proposed class actions, including the consolidated claim, on the Company's financial results.

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

Labour intensive operations

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

Developments related to Pay Equity

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

Given the current status of the proceedings and significant number of judgements required in establishing the pay equity framework, including ongoing discussions with two unions amongst the parties, that will impact the measurement of any potential provision, management has assessed the conditions required for a provision and have concluded that it is not possible to reliably measure the potential outflow of resources, and accordingly no provision has been recorded in the consolidated financial statements as at December 31, 2022.

Government regulation

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

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

The retirement sector requires that a residence and operator must be licensed to operate. Retirement Residences are regulated by *the Retirement Homes Act*, 2010 (Ontario) (the "**RHA**") in the Province of Ontario, *The Personal Care Homes Act* (Saskatchewan) in the Province of Saskatchewan (the "**PCA**") and the *Community Care and Assisted Living Act* (British Columbia) (the "**CCALA**") in the Province of British Columbia. In Ontario, the Retirement Home Regulatory Authority (the "**RHRA**"), a regulatory body created by the RHA, provides consumer protection and regulation, but not funding, for the provision of care and services in retirement residences in the province. Retirement residences are required to be licensed by the RHRA in order to operate in Ontario and are inspected regularly by RHRA inspectors. In Saskatchewan, the Ministry of Health is responsible for the licensing and monitoring of personal care homes. The PCA governs the care, management and administration of care homes, including approving the services to be provided, and which are subject to regular inspections. In British Columbia, the CCALA provides consumer protection and regulation of retirement residences in the province, such that all levels of seniors' living residences providing personal support in British Columbia must be registered with the Assisted Living Registry.

The Company has obtained all required licences and registrations. There can be no assurance that future regulatory changes affecting RRs would not have a material adverse impact on the business, operating results and financial condition of the Company.

Information technology risk

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

LTC funding

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

Funding adjustments in the current year

Reconciliations of funding versus actual expenses are performed annually, based on previous calendar years. From time to time, the reconciliations will result in current year adjustments made in respect of prior years. These ‘‘prior period adjustments'' can have either a favourable or unfavourable impact on NOI generally related to differences identified in the reconciliation attributable to occupancy days, special circumstances and differences between projected and actual property tax.

Licence terms

In Ontario, the *Fixing Long-Term Care Act* (“**FLTCA**”) establishes a licence term regime for all LTC residences. The licence terms for Company's residences ranging from 15 years for Class B and C residences to 30 years for Class A residences. Under the FLTCA, ultimate control of LTC licences in Ontario remains with the Ministry of Long-term Care, including approval of new licences, and transfer, renewal or revocation of existing licences. Although the licence does not support any guarantee of continued operation beyond the term of the licence, based on the current demographics in Canada and the demand for LTC beds projected to increase, management of the Company is of the view that licences will continue to be renewed. In British Columbia, the CCALA establishes a licence term regime for all LTC residences. A failure of the Company's LTC licences to be renewed or conditionally renewed may have a material adverse impact on the business, operating results and financial condition of the Company.

Labour relations

A majority of the employees working at the Company's properties are unionized with approximately 82% of employees represented by union locals of any of the Service Employees International Union, the Ontario Nurses Association, the BC Nurses' Association, the BC Government and Service Employees' Union, the Hospital Employees' Union, the Christian Labour Association of Canada, the Canadian Union of Public Employees, Healthcare Office and Professional Employees, Unifor, Ontario Public Service Employees Union, Workers United Canada Council or United Food and Commercial Workers. While the Company has traditionally maintained positive labour relations, there can be no assurance the Company will not at any time, whether in connection with a renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees, which may have a material adverse impact on the business, operating results and financial condition of the Company. Notwithstanding the foregoing, all LTC residences in Ontario are governed by the *Hospital Labour Disputes Arbitration Act* (Ontario), which prohibits strikes and lockouts in the seniors' living industry. Collective bargaining disputes in Ontario are more likely to be resolved through compulsory third party arbitration.

Capital intensive industry

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

Privacy and cybersecurity risk

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

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

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

Real property ownership

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

Damage to administrative operations or properties

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

Environmental liabilities

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

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

Climate change

The company is exposed to climate change risk from natural disasters and severe weather, such as floods, ice storms, windstorms, earthquakes, wildfires or other severe weather that may result in damage or loss to its long-term care communities or retirement residences. These adverse events could cause substantial damage and/or revenue losses as well as cost increases. There can be no assurance that damages or losses caused by these adverse weather and natural events will be fully covered by insurance. Climate change may also have indirect effects on our business by increasing the cost of property insurance on terms we find acceptable or making it unavailable.

Over time, climate change may also affect the Company's operational expenses, including utilities and preventative maintenance expenses, as temperatures fluctuate. In addition, changes in federal, provincial or local legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of existing properties and could also require the Company spend more on new developments or redevelopments without a corresponding increase in revenue.

Acquisitions, dispositions and development

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

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

Redevelopment of Class B and C residences

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

Joint venture interests

The Company has entered into several joint-venture arrangements in respect of certain of the Company's seniors' housing operations and continues to seek more such opportunities. Joint-venture arrangements have the benefit of sharing the risks associated with ownership and management of properties, including those risks described elsewhere in this section. However, if joint venture arrangements or partnerships do not perform as expected or default on financial obligations, the Company has an associated risk. The Company aims to reduce this risk by seeking to negotiate contractual rights upon default, by entering into agreements with financially stable partners and by working with partners who have a successful record of operating and completing development projects.

Financing risk

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

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

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

Credit ratings

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

Reliance on key personnel

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

Competition

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

Geographic concentration

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

Tax rules and regulations

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

Risks Relating to a Public Company and Common Shares

Volatile market price for securities of the Company

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

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in estimates of future results of operations of the Company or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- additions to, or departures of, the Company's senior management and other key personnel;

- imposition or removal of re-sale restrictions on common shares issued pursuant to exemptions under applicable securities laws;
- sales or anticipated sales of additional securities, including common shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

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

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

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

Dividend policy

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

Compliance with financial reporting and other requirements as a public company

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

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

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

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

Conflicts of interest

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

Dilution and future sales of the Company's securities

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

Controls and Procedures

Disclosure controls and procedures

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

As required by NI 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, a quarterly evaluation of the adequacy of the design and effective operation of the Company's disclosure controls and procedures was conducted, under the supervision of and with the participation of management of the Company (including the President and Chief Executive Officer, and the Chief Financial Officer) as at December 31. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the President and Chief Executive Officer, and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at December 31, 2022.

Internal control over financial reporting

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

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

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

Changes in internal control over financial reporting

During the year ended December 31, 2022 there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Forward-Looking Statements

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

Consolidated Financial Statements

2022 Report to Shareholders

Consolidated Financial Statements

Management's Responsibility for Financial Reporting

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

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

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

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

"Nitin Jain"

Nitin Jain
President and Chief Executive Officer

"David Hung"

David Hung
Chief Financial Officer and Executive Vice President

Markham, Canada
February 23, 2023

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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Sienna Senior Living Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of changes in equity, net income and comprehensive income and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Goodwill and indefinite-lived intangible assets - Refer to Notes 3, 10 and 11 to the Financial Statements

Key Audit Matter Description

The Company's annual evaluation of goodwill and indefinite-lived intangible assets (specifically "licenses") for impairment involves the comparison of the recoverable amounts to the respective carrying values. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. Goodwill is monitored at the operating segment level and licenses are monitored for each individual long-term care property's cash generating unit ("identified CGUs")). To evaluate goodwill of the Retirement operating segment, the Company used the discounted cashflow model to estimate value in use, which requires management to make significant assumptions related to the discount rate and terminal growth rate. To evaluate goodwill of the Long-term Care operating segment and the licenses of the identified CGU's the Company used the direct capitalization method to estimate value in use, which requires management to make significant assumptions related to the capitalization rates. One long-term care property recoverable amount was measured using fair value less costs of disposal and an impairment was recognized. The remaining identified CGU's and the operating segments recoverable amounts exceeded their carrying values and no impairment was recognized.

Auditing the significant assumptions used to determine the value in use of the (1) Retirement operating segment, specifically the discount rate and terminal growth rate, and (2) the Long-term Care operating segment and the identified CGU's, specifically the capitalization rates, required specialized knowledge and a high degree of auditor judgment, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

With the assistance of fair value specialists, our audit procedures related to the significant assumptions used to determine the value in use included the following audit procedures, among others:

- Evaluated the discount rate and terminal growth rate by:
  - Testing the source information underlying the determination of the discount rate and the terminal growth rate;
  - Developing a range of independent discount rates and terminal growth rates and comparing the discount rate and terminal growth rate selected by management.

- Evaluated the capitalization rates by:
  - Testing the source information underlying the determination of the capitalization rates;
  - Considering the implicit capitalization rates of comparable recent market transactions in the industry and comparing the capitalization rates selected by management.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Antonio Ciciretto.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

February 23, 2023

Consolidated Statements of Financial Position
As at December 31, 2022 and December 31, 2021

Thousands of Canadian dollars

	Notes	**December 31, 2022**	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		**38,050**	29,053
Accounts receivable and other receivables		**17,498**	21,469
Prepaid expenses and deposits		**14,200**	10,483
Government funding receivable	4	**5,942**	26,744
Construction funding receivable	4, 8	**5,773**	8,987
Derivative assets	4	**2,292**	—
Assets held for sale	6	**—**	18,005
		83,755	114,741
Non-current assets			
Derivative assets	4	**3,186**	501
Restricted cash	7	**3,457**	4,047
Construction funding receivable	4, 8	**8,889**	17,231
Investment in joint ventures	28	**159,073**	6,297
Property and equipment	9	**1,064,880**	1,102,791
Intangible assets	10	**192,285**	195,915
Goodwill	12	**164,903**	167,666
Total assets		**1,680,428**	1,609,189
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	13	**125,622**	126,789
Government funding payable	4	**82,256**	58,241
Current portion of long-term debt	4, 14	**126,099**	51,150
Income taxes payable		**2,729**	904
Derivative liabilities	4	**—**	905
		336,706	237,989
Non-current liabilities			
Long-term debt	4, 14	**851,865**	899,134
Deferred income taxes	16	**48,067**	53,050
Share-based compensation liability	19	**6,933**	10,247
Derivative liabilities	4	**2,165**	2,916
Total liabilities		**1,245,736**	1,203,336
EQUITY			
Shareholders' equity		**434,692**	405,853
Total equity		**434,692**	405,853
Total liabilities and equity		**1,680,428**	1,609,189

Commitments and contingencies (Note 29)

See accompanying notes

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

"Shelly Jamieson"	*"Stephen Sender"*
Shelly Jamieson	Stephen Sender
Chair and Director	Director

Consolidated Statements of Changes in Equity
As at December 31, 2022 and December 31, 2021

Thousands of Canadian dollars

	Notes	**Share capital**	**Contributed surplus**	**Shareholders' deficit**	**Total shareholders' equity**
Balance, January 1, 2022		**879,028**	**203**	**(473,378)**	**405,853**
Issuance of shares, net of share issuance costs	17	**85,070**	**—**	**—**	**85,070**
Net income		**—**	**—**	**10,668**	**10,668**
Long-term incentive plan	17	**416**	**—**	**—**	**416**
Share purchase loan		**—**	**—**	**—**	**—**
Dividends	18	**—**	**—**	**(67,315)**	**(67,315)**
Balance, December 31, 2022		**964,514**	**203**	**(530,025)**	**434,692**

	Notes	Share capital	Contributed surplus	Shareholders' deficit	Total shareholders' equity
Balance, January 1, 2021		878,516	203	(431,277)	447,442
Issuance of shares, net of share issuance costs	17	—	—	—	—
Net income		—	—	20,648	20,648
Long-term incentive plan	17	187	—	—	187
Share purchase loan	17	325	—	—	325
Dividends	18	—	—	(62,749)	(62,749)
Balance, December 31, 2021		879,028	203	(473,378)	405,853

See accompanying notes.

Consolidated Statements of Net Income and Comprehensive Income
Years ended December 31, 2022 and 2021

Thousands of Canadian dollars, except share and per share data

	Notes	Year ended December 31, 2022	2021
Revenue	23, 27	**718,590**	668,494
Expenses and other items			
Operating expenses, net of government assistance		**588,481**	526,353
Depreciation and amortization		**47,337**	53,069
Administrative	24	**39,370**	31,270
Share of net loss in joint ventures	28	**11,275**	30
Impairment loss	11	**12,788**	—
Net finance charges	15	**25,689**	27,380
Transaction costs		**6,195**	2,359
Gain on disposal of properties	6	**(23,726)**	—
	25	**707,409**	640,461
Income before provision for (recovery of) income taxes		**11,181**	28,033
Provision for (recovery of) income taxes			
Current		**4,299**	2,320
Deferred		**(3,786)**	5,065
	16	**513**	7,385
Net income and comprehensive income		**10,668**	20,648
Net income per share (basic and diluted)	17	**$0.15**	$0.31
Weighted average number of common shares outstanding	17	**71,589,104**	67,039,123

See accompanying notes.

Thousands of Canadian dollars

	Notes	Year ended December 31, 2022	2021
OPERATING ACTIVITIES			
Net income		**10,668**	20,648
Add (deduct) items not affecting cash			
Depreciation of property and equipment	9	**45,504**	45,651
Amortization of intangible assets	10	**1,833**	7,418
Current income tax expense		**4,299**	2,320
Deferred income tax expense (recovery)		**(3,786)**	5,065
Share of net loss in joint ventures	28	**11,275**	30
Share-based compensation expense	19	**1,951**	1,440
Share issuance under Sienna Ownership and Reward program	17	**2,125**	—
Net finance charges	15	**25,689**	27,380
Restructuring costs	24	**6,550**	—
Impairment loss	11	**12,788**	—
Gain on disposal of properties	6	**(23,726)**	—
		95,170	109,952
Non-cash changes in working capital			
Accounts receivable and other receivables		**4,612**	(2,614)
Prepaid expenses and deposits		**(3,717)**	(3,533)
Accounts payable and other liabilities		**1,938**	3,737
Government funding, net, and excluding government assistance related to pandemic expenses		**(53,981)**	(97,216)
		(51,148)	(99,626)
Interest paid on long-term debt		**(33,861)**	(29,117)
Net settlement payment on interest rate swap contracts		**(408)**	(2,773)
Income taxes (paid) refunded		**(2,474)**	5,938
Government assistance related to pandemic expenses		**98,798**	114,142
Cash provided by operating activities		**106,077**	98,516
INVESTING ACTIVITIES			
Purchase of property and equipment		**(55,642)**	(40,296)
Government assistance related to capital expenditures		**25,652**	16,920
Proceeds from disposal of properties		**49,789**	—
Purchase of intangible assets	10	**(2,005)**	(1,535)
Amounts received from construction funding	8	**9,980**	11,049
Interest received	15	**960**	456
Investment in joint ventures	28	**(164,050)**	(4,004)
Change in restricted cash	7	**590**	(636)
Cash used in investing activities		**(134,726)**	(18,046)
FINANCING ACTIVITIES			
Net proceeds from issuance of common shares	17	**81,748**	—
Repayment of long-term debt	14	**(146,489)**	(308,323)
Proceeds from long-term debt	14	**171,000**	224,998
Deferred financing costs		**(1,759)**	(1,020)
Dividends paid	17	**(66,854)**	(62,749)
Cash from (used in) financing activities		**37,646**	(147,094)
Increase (decrease) in cash and cash equivalents during the year		**8,997**	(66,624)
Cash and cash equivalents, beginning of year		**29,053**	95,677
Cash and cash equivalents, end of year		**38,050**	29,053

See accompanying notes.

1 Organization

Sienna Senior Living Inc. (the "**Company**") and its predecessors have been operating since 1972. The Company is a seniors' living provider serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care ("**LTC**" or "**Long-term Care**") through the ownership and operation of seniors' living residences in the Provinces of British Columbia, Saskatchewan, and Ontario. As at December 31, 2022, the Company owns and operates a total of 80 seniors' living residences: 38 retirement residences ("**RRs**", "**Retirement Residences**" or "**RET**") (including the Company's joint venture interest in 12 residences in Ontario and Saskatchewan); 34 LTC residences; and eight seniors' living residences providing both private-pay IL and AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to 13 seniors' living residences in British Columbia and Ontario.

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

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

As at December 31, 2022, the Company had outstanding 72,939,941 common shares.

2 Basis of preparation

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

The consolidated financial statements were approved by the Board of Directors for issuance on February 23, 2023.

3 Summary of significant accounting policies, judgments and estimation uncertainty

Basis of measurement

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

Basis of preparation

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

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

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

Certain prior year figures have been revised to conform to current year's presentation.

Basis of consolidation and business combinations

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

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

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

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

Joint arrangements

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

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

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

Revenue recognition

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

Long-term care revenue

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

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

Co-payment revenue from residents for accommodation is recognized based on the number of resident days in the period multiplied by the per diem amounts legislated by the MLTC to the extent that the amounts are deemed to be collectible. Revenue for each Ontario LTC residence is recognized based on full occupancy if the Ontario LTC residence is expected to have an occupancy rate of 97% or above. For occupancy levels above 90% and below 97%, the adjustment range is up to 2% over actual occupancy.

There is no adjustment to occupancy below the 90% threshold. From January 1, 2020 to January 31, 2022, MLTC has waived this revenue adjustment, such that funding is provided based on full occupancy. In February 2022, the Government of Ontario reinstated its occupancy targets of 97% for long-stay beds and 90% for interim short-stay beds, excluding beds unavailable as a result of capacity limitations in multi-bed rooms and isolation requirements. However, for the period from February 1, 2022 to September 30, 2022, LTC residences that do not achieve target resident days, received a minimum of 90% of their funding. Effective October 1, 2022, beds that should otherwise be available for occupancy, became subject to full occupancy target requirements.

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

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

Retirement residence revenue

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

Management services revenue

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

Government assistance

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

Assets held for sale

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

Construction funding receivable

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

Property and equipment

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

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

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

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

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

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

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

Intangible assets

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

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

Goodwill

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

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

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

Impairment of property and equipment and finite-lived intangible assets

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

Impairment of indefinite-lived intangible assets

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

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

Cash and cash equivalents

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

Accounts receivable and other receivables

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

Restricted cash

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

Government funding receivable/payable

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

Long-term debt

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

Derivatives for which hedge accounting has not been applied

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

Impairment of financial assets

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

Transaction costs

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

Restructuring costs

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

Leases

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

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

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

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

Earnings per share

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

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

Share-based compensation

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

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

Employee benefits

Short-term benefits

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

Long-term benefits

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

Income taxes

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

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

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

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

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

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

Segmented reporting

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

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

Impact of COVID-19

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

In the preparation of these consolidated financial statements, the Company has incorporated the potential impact of COVID-19 into its estimates and assumptions that may affect the carrying amounts of its assets and liabilities and the reported amount of its revenue and expenses using the best available information as at December 31, 2022. Actual results could differ from those estimates. The estimates and assumptions that Sienna considers critical and/or could be impacted by COVID-19 include those in respect of the accounting and recognition of pandemic prevention and containment funding, pandemic capital expenditures funding recognition, presentation and disclosure, and the estimate of any probable losses in respect of litigation and disclosure of such claims and contingent liabilities. Refer to Note 29 for further details.

Significant judgments and estimates

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

Long-term care licences

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

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

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

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

Accounting standards issued but not yet applied

Amendments to IAS 1, Presentation of Financial Statements

The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date. The amendments also clarify that the 'settlement' of a liability refers to the transfer to the counterparty of cash, equity instruments, and/or other assets or services. Early application is permitted. The Company intends to adopt the amendments to IAS 1 on the required effective date of January 1, 2023. The Company does not anticipate the adoption of these amendments to have a material impact on the consolidated financial statements in future periods.

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

4 Financial instruments

Fair value of financial instruments

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

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

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

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

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

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

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

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

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

The Company uses a fair value hierarchy to categorize the type of valuation techniques from which fair values are derived. Financial instruments are valued using unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), inputs that are observable for the assets or liabilities either directly or indirectly (Level 2) and inputs for assets or liabilities that are not based on observable market data (Level 3). Both the total return swap contracts and the interest rate swap contracts are carried at fair value through profit or loss and are considered to be Level 2 instruments. The carrying values of cash and cash equivalents, accounts receivable and other receivables, government funding receivable, and accounts payable and other liabilities and government funding payable approximate fair value.

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

The following financial instruments are measured at amortized cost and the corresponding fair values as at December 31, 2022 and December 31, 2021 are disclosed in the table below:

	As at December 31, 2022		As at December 31, 2021	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets				
Current and long-term portion of construction funding receivable	**14,662**	**14,122**	26,218	27,230
Financial liabilities				
Current and long-term portion of debt	**977,964**	**940,077**	950,284	974,298

The fair value of construction funding receivable is estimated by discounting the expected future cash flows using current applicable rates for Government of Ontario bonds of comparable maturity plus a risk premium. The fair value as at December 31, 2022 for the construction funding receivable was discounted using rates between 4.25% (2021 - 0.55%) and 5.21% (2021 - 2.95%).

The fair values of mortgages and credit facilities at variable rates approximate their carrying values (Note 14). The fair values of mortgages and debentures at fixed rates are estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. The fair value as at December 31, 2022 for the fixed-rate debt was discounted using rates between 3.47% (2021 - 1.57%) and 6.43% (2021 - 4.00%).

Impairment charges on accounts receivable are discussed below. All finance income and costs from financial instruments have been disclosed in Note 15.

In December 2020, the Company entered into a Total Return Swap for 400,000 shares with a Canadian financial institution to manage its cash flow exposure under the share-based compensation plans. The Company hedged an additional 120,000 shares in August 2021 and 100,000 shares in December 2021. As at December 31, 2022, a total of 620,000 shares have been hedged. Under the Total Return Swap contracts, the Company makes periodic interest payments based on the total value of the notional amount of shares hedged, and receives monthly dividends based on the shares hedged. Upon settlement at maturity, the Company receives or remits the net difference between the total value of the notional equity amount of the number of shares hedged and the total proceeds from the sale of the underlying shares. The equity notional value of the Total Return Swap is $8,920 and the fair value is $6,758 as at December 31, 2022, with the change in fair value recognized in administrative expenses.

Maturities of financial instruments

For the years ending December 31, 2023 through 2027 and thereafter, the Company has estimated that the following undiscounted cash flows including interest, if applicable, will arise from its government funding receivable/payable, interest rate swap contracts, total return swaps, construction funding receivable and long-term debt at the consolidated statements of financial position dates:

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

	As at December 31, 2022					
	2023	**2024**	**2025**	**2026**	**2027**	**Thereafter**
Government funding receivable/payable						
Cash inflows	5,942	—	—	—	—	—
Cash outflows	(82,256)	—	—	—	—	—
	(76,314)	—	—	—	—	—
Interest rate swap contracts						
Cash inflows	6,969	5,044	3,113	2,316	1,521	596
Cash outflows	(4,677)	(3,582)	(2,321)	(1,760)	(1,216)	(525)
	2,292	1,462	792	556	305	71
Total return swaps						
Cash inflows	—	—	—	—	—	—
Cash outflows	—	(2,162)	—	—	—	—
	—	(2,162)	—	—	—	—
Construction funding receivable						
Cash inflows	6,330	2,834	1,537	1,340	570	3,810
Long-term debt						
Cash outflows	(157,185)	(241,910)	(82,855)	(201,075)	(175,299)	(188,068)
Net cash outflows	**(224,877)**	**(239,776)**	**(80,526)**	**(199,179)**	**(174,424)**	**(184,187)**

Nature and extent of risks arising from financial instruments

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

Interest rate risk

Interest rate risk arises as the fair value of future cash flows from a financial instrument can fluctuate because of changes in market interest rates. The Company is subject to interest rate risk on mortgages at variable rates associated with certain residences, which is offset by interest rate swap contracts. The Company has not applied hedge accounting for these interest rate swap contracts. Interest rates, maturities and security affecting the interest rate and credit risk of the Company's financial liabilities have been disclosed in Note 14. The notional value of the interest rate swap contracts is $130,962 and is currently subjected to a weighted average interest rate of 3.65% as at December 31, 2022.

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

Credit risk

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

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

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

Balance, January 1, 2021	916
Provision for receivables during the year	90
Receivables written off during the year	—
Balance, December 31, 2021	1,006
Provision for receivables during the year	93
Balance, December 31, 2022	**1,099**

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

	2022	2021
0 - 30 days	**1,768**	1,586
31 - 60 days	**669**	634
61 - 90 days	**441**	462
Over 90 days	**2,374**	2,311
	5,252	4,993

Rent collections from resident payments since the beginning of the COVID-19 pandemic in March 2020 up to the month of January 2023 have remained similar to pre-pandemic levels, with no significant change to the Company's expected credit losses.

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

Liquidity risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company has credit agreements in place related to its long-term debt. These credit agreements contain a number of standard financial and other covenants. The Company was in compliance with all covenants on its borrowings as at December 31, 2022. 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.

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

As at December 31, 2022, the Company had negative working capital (current liabilities less current assets) of $252,951 (December 31, 2021 - $134,727), which is primarily related to the principal amount of maturing debt of $110,824 and timing of settling accounts payable. To support the Company's working capital deficiency, the Company has available cash from operations, access to multiple sources of financing and has a history of successfully refinancing credit facilities.

Sensitivity analysis

IFRS requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Company's financial position, performance and fair value of cash flows associated with the Company's financial instruments to changes in market variables. The sensitivity analysis provided discloses the effect on the consolidated statements of net income and comprehensive income as at December 31, 2022 assuming that a reasonably possible change in the relevant risk variable has occurred as at December 31, 2022. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities where available or historical data.

The sensitivity analysis has been prepared based on December 31, 2022 balances and on the basis that the balances, the ratio of fixed to variable rates of debt and the derivatives as at December 31, 2022 are all constant. Excluded from this analysis are all non-financial assets and liabilities that are not classified as financial instruments.

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

		Year Ended December 31, 2022	
		Market risk	
		-1%	+1%
	Fair value	Comprehensive income	Comprehensive income
Financial assets:			
Restricted cash(1)	3,457	(21)	21
Total return swap contracts(2)	—	—	—
Interest rate swap contracts(1)	5,478	(3,284)	3,397
Financial liabilities:			
Debt at variable rates subject to interest rate risk(1)	110,000	(138)	138
Total return swap contracts(2)	2,162	—	—
Interest rate swap contracts(1)	3	(501)	496

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

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

(1) Market risk represents interest rate sensitivity

(2) Market risk represents share price sensitivity

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

5 Capital management

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

The Company's objectives when managing capital are to: (i) maintain a capital structure that provides financing options to the Company for accessing capital, on commercially reasonable terms, without exceeding its debt capacity, pursuant to limitations in its credit facilities, or taking on undue risks; (ii) maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments and dividend payments; and (iii) deploy capital to provide an appropriate investment return to its shareholders.

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

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

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

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

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

6 Assets held for sale

The Company completed the sale of Rideau Retirement Residence with 138 suites in British Columbia on January 31, 2022. For the year ended December 31, 2022, the Company recognized a pre-tax gain on disposal of $12,690.

The Company completed the sale of Camilla Care Community with 236 Class C beds in Ontario on March 31, 2022. For the year ended December 31, 2022, the Company recognized a pre-tax gain on disposal of $11,032.

7 Restricted cash

Restricted cash comprises the capital maintenance reserve funds required for certain property-level mortgages. As at December 31, 2022, the Company has $3,457 in restricted cash (December 31, 2021 - $4,047).

8 Construction funding receivable

As at December 31, 2022, the Company is eligible to receive funding from the Government of Ontario of approximately $14,662 (December 31, 2021 - $26,218) related to the costs of developing or redeveloping eligible LTC residences. The receipt of this funding is subject to the condition that the residences continue to operate as long-term care residences for the period for which the residences are entitled to the construction funding. As at December 31, 2022, the condition for the funding has been met.

As at December 31, 2022, the weighted average remaining term of the construction funding is approximately 6.2 years. The fair value of the construction funding receivable is determined by discounting the expected future cash flows of the receivable using the applicable Government of Ontario bond rates.

The following table summarizes the construction funding activity:

As at January 1, 2021	35,998
Add: Interest income earned	1,269
Less: Construction funding payments received	(11,049)
As at December 31, 2021	26,218
Add: Interest income earned	878
Less: Construction funding payments received	(9,980)
Less: Construction funding write-off [1]	(2,454)
As at December 31, 2022	14,662
Less: Current portion	(5,773)
	8,889

[1] During the year ended December 31, 2022, the Company announced the closure of one of its LTC residences. The Company will permanently close the LTC residence in 2023, after which the Company will no longer be eligible to receive the related construction funding. Accordingly, as at December 31, 2022, the Company has recorded a charge to reduce the receivable by the amount it will no longer be eligible for.

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

9 Property and equipment

	Land	Buildings [3]	Furniture and fixtures	Automobiles	Computer hardware	Circulating equipment	Construction -in-progress	Right-of-use building and equipment [2]	Total
Cost									
At January 1, 2021	138,563	1,203,316	74,684	2,283	11,574	1,265	1,439	3,049	1,436,173
Disposals	—		—	(36)	—	—	—	—	(36)
Transferred to Held for Sale (Note 6)	(6,210)	(12,766)	(2,517)	(87)	(92)	(58)	—	—	(21,730)
Additions	—	22,821	4,674	18	2,753	64	4,059	23	34,412
At December 31, 2021	132,353	1,213,371	76,841	2,178	14,235	1,271	5,498	3,072	1,448,819
Disposals	(1,339)	(3,785)	(5)	—	—	—	—	—	(5,129)
Remediation asset reversal (Note 1)	—	(11,000)	—	—	—	—	—	—	(11,000)
Additions [2][3]	—	14,617	5,549	341	2,595	19	6,869	1,977	31,967
At December 31, 2022	**131,014**	**1,213,203**	**82,385**	**2,519**	**16,830**	**1,290**	**12,367**	**5,049**	**1,464,657**
Accumulated depreciation									
At January 1, 2021	—	261,618	34,185	965	5,385	612	—	1,337	304,102
Transferred to Held for Sale (Note 6)	—	(2,134)	(1,389)	(87)	(66)	(49)	—	—	(3,725)
Charges for the year	—	34,001	8,366	348	1,999	414	—	523	45,651
At December 31, 2021	—	293,485	41,162	1,226	7,318	977	—	1,860	346,028
Disposals		(3,071)	(45)	—	(1)				(3,117)
Impairment loss [4]	—	11,197	64	—	1	—	100	—	11,362
Charges for the year	—	34,265	8,095	243	2,165	206	—	530	45,504
At December 31, 2022	**—**	**335,876**	**49,276**	**1,469**	**9,483**	**1,183**	**100**	**2,390**	**399,777**
Net book value									
At December 31, 2021	132,353	919,886	35,679	952	6,917	294	5,498	1,212	1,102,791
At December 31, 2022	**131,014**	**877,327**	**33,109**	**1,050**	**7,347**	**107**	**12,267**	**2,659**	**1,064,880**

(1) During the year ended December 31, 2022, the Company announced the closure of one of its LTC residences that previously planned to undertake remediation. As a result, the Company reversed the related remediation provision of $11,000 and the corresponding asset in property and equipment.

(2) Includes right-of-use building and related depreciation of $4,227 and $1,547, respectively (December 31, 2021 - $2,250 and $1,157, respectively), and the right-of-use equipment and related depreciation of $822 and $843, respectively (December 31, 2021 - $799 and $703, respectively).

(3) Includes pandemic capital expenditures for the year ended December 31, 2022 of $25,652 (2021 - $13,970), reduced by related government assistance for the year ended December 31, 2022 of $25,652 (2021 - $13,980).

(4) Relates to an impairment at one of our LTC properties totaling $11,362. Refer to Note 11 for more details.

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

10 Intangible assets

	Licences	Resident relationships	Service contracts	Computer software	Total
Cost					
At January 1, 2021	190,945	167,572	10,968	13,911	383,396
Additions	—	—	—	1,535	1,535
At December 31, 2021	190,945	167,572	10,968	15,446	384,931
Additions	—			2,005	2,005
Disposals	(2,376)	(3,179)	—	(6)	(5,561)
At December 31, 2022	**188,569**	**164,393**	**10,968**	**17,445**	**381,375**
Accumulated amortization					
At January 1, 2021	—	162,883	10,148	8,567	181,598
Charges for the year	—	4,689	797	1,932	7,418
At December 31, 2021	—	167,572	10,945	10,499	189,016
Charges for the year	—	—	23	1,810	1,833
Impairment loss [(1)]	1,426	—	—	—	1,426
Disposals	—	(3,179)	—	(6)	(3,185)
At December 31, 2022	**1,426**	**164,393**	**10,968**	**12,303**	**189,090**
Net book value					
At December 31, 2021	190,945	—	23	4,947	195,915
At December 31, 2022	**187,143**	**—**	**—**	**5,142**	**192,285**

[(1)] Relates to an impairment at one of our LTC properties totaling $1,426. Refer to Note 11 for more details.

11 Impairment of assets

In 2022, the Company carried out a review of the recoverable amount of one of its properties and associated intangible assets within the long-term care segment which requires significant building remediation in light of increasing cost estimates and revisions to the scope of the prevention work. The cash-generating unit is one long-term care home location as this is the lowest level that generates independent cash inflows. The review led to the recognition of an impairment loss of $12,788 which has been recognized in net income and is comprised of impairment of property and equipment, and indefinite lived intangibles, license, of $11,362 (Note 9) and $1,426 (Note 10), respectively. The Company estimated the fair value of the property less costs of disposal to be greater than the value in use and hence the recoverable amount of the relevant assets have been determined on the basis of their fair value less costs of disposal. The estimated fair value of the property was based on recent market prices of comparable land in the vicinity, adjusting the prices to account for differences in size, shape and location. The fair value measurement of the CGU is categorized as level 3 of the fair value hierarchy. The CGU was impaired to its recoverable amount of $5,000 in 2022.

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

12 Goodwill

	December 31, 2022
Cost and carrying value, at January 1, 2022	167,666
Derecognition of goodwill related to disposal of properties in Q1 2022	(2,763)
Cost and carrying value, at December 31, 2022	**164,903**

13 Accounts payable and other liabilities

	December 31, 2022	December 31, 2021
Accounts payable and other liabilities [(1)]	**44,401**	53,946
Accrued wages and benefits	**66,543**	62,702
Accrued interest payable	**4,892**	4,912
Dividends payable (Note 18)	**5,690**	5,229
Restructuring provision [(2)]	**4,096**	—
Total	**125,622**	126,789

[(1)] During the year ended December 31, 2022, the Company announced the closure of one of its LTC residences that has previously been planned to undertake remediation. As a result, the Company reversed the remediation provision of $11,000 and the corresponding asset in property and equipment.

[(2)] As at December 31, 2022, the Company recognized a restructuring provision of $4,096 (2021 - nil) related to the closure of the LTC residence. The Company will permanently close the LTC residence in 2023, with the affected employees departing in the same period.

14 Long-term debt

	Interest rate	Maturity date	December 31, 2022	December 31, 2021
Series A Unsecured Debentures	3.109 %	November 4, 2024	**150,000**	150,000
Series B Unsecured Debentures	3.450 %	February 27, 2026	**175,000**	175,000
Series C Unsecured Debentures	2.820 %	March 31, 2027	**125,000**	125,000
Unsecured Term Loan	Floating	May 15, 2023	**50,000**	—
Credit facilities	Floating	March 19, 2027	**60,000**	12,000
Mortgages at fixed rates	1.65% - 5.80%	2023-2041	**291,487**	351,046
Mortgages at variable rates	Floating	2023-2029	**131,191**	145,121
Lease liability	2.58% - 3.83%	2023-2029	**2,844**	1,312
			985,522	959,479
Fair value adjustments on acquired debt			**2,343**	2,683
Less: Deferred financing costs			**(9,901)**	(11,878)
Total debt			**977,964**	950,284
Less: Current portion			**126,099**	51,150
			851,865	899,134

Principal repayments on long-term debt are as follows:

2023	128,110
2024	215,592
2025	53,029
2026	187,066
2027	231,588
Thereafter	170,137
	985,522

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

Continuity of debt

The following table is the long-term debt continuity:

	Debentures	Unsecured Term Loan	Mortgages payables	Credit Facilities	Lease Liabilities	Total
As at January 1, 2021	323,667	—	522,035	185,105	1,817	1,032,624
Proceeds from financing	125,000	—	—	99,998	—	224,998
Repayments	—	—	(33,323)	(275,000)	—	(308,323)
Deferred financing costs	—	—	(30)	(990)	—	(1,020)
Amortization of financing charges and fair value adjustments on acquired debt	533	—	1,341	636	—	2,510
Amortization of lease liability	—	—	—	—	(505)	(505)
As at December 31, 2021	449,200	—	490,023	9,749	1,312	950,284
Proceeds from financing	—	90,000	—	81,000	—	171,000
Repayments	—	(40,000)	(73,489)	(33,000)	—	(146,489)
Deferred financing costs	(23)	(584)	393	(620)	—	(834)
Amortization of financing charges and fair value adjustments on acquired debt	656	390	1,201	224	—	2,471
Addition of lease liability, net of amortization	—	—	—	—	1,532	1,532
As at December 31, 2022	**449,833**	**49,806**	**418,128**	**57,353**	**2,844**	**977,964**

Series A Unsecured Debentures

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

The Series A Debentures may be redeemed in whole or in part at the option of the Company at any time, as long as the Company provides not less than 10 days' and not more than 60 days' notice to the holders of the Series A Debentures. Prior to October 4, 2024 (the "**Series A Par Call Date**"), the redemption price is the greater of: (i) the Canada Yield Price including accrued and unpaid interest to the redemption date; and (ii) the face amount of the Series A Debentures to be redeemed including accrued and unpaid interest to the redemption date. On or after the Series A Par Call Date, the redemption is 100% of the principal amount outstanding of the Series A Debentures with accrued and unpaid interest. The Canada Yield Price is defined as a price equal to the price of the debenture calculated to provide a yield to the Par Call Date equal to the Government of Canada Yield calculated on the date the Company gives notice of redemption plus 0.37%.

Series B Senior Unsecured Debentures

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

The Series B Unsecured Debentures may be redeemed in whole or in part at the option of the Company at any time, as long as the Company provides not less than 10 days' and not more than 60 days' notice to the holders of the Series B Unsecured Debentures. Prior to January 27, 2026 (the "**Series B Par Call**

Date"), the redemption price is the greater of: (i) the Canada Yield Price including accrued and unpaid interest to the redemption date; and (ii) 100% of the principal amount outstanding of the Debentures being redeemed. On or after the Series B Par Call Date, the redemption price is 100% of the principal amount outstanding of the Series B Unsecured Debentures with accrued and unpaid interest to, but excluding the date fixed for redemption. The Canada Yield Price is defined as a price equal to the price of the debenture, exclusive of accrued and unpaid interest, calculated to provide a yield to the Series B Par Call Date equal to the Government of Canada Yield calculated on the date the Company gives notice of redemption plus 0.775%.

Series C Senior Unsecured Debentures

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

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

Unsecured Term Loan

The Company acquired a portfolio of assets through its joint venture on May 16, 2022. To finance its 50% share of the joint venture's acquisition, the Company entered into a credit agreement with a Canadian lender for an unsecured acquisition term loan facility of $90,000 maturing May 15, 2023 ("**Unsecured Term Loan**"). Borrowings under the Unsecured Term Loan are at an interest rate of Canadian Dollar Offered Rate ("**CDOR**") plus 145 basis points ("**bps**") per annum. The Unsecured Term Loan is subject to certain customary financial and non-financial covenants.

Credit facilities

On March 19, 2020 the Company entered into a credit agreement for $200,000 senior unsecured revolving credit facility (the "**Unsecured Revolving Credit Facility**"). On October 26, 2022, the Company increased the Unsecured Revolving Credit Facility by $100 million to $300 million and extended its maturity to March 19, 2027. The Unsecured Revolving Credit Facility may be extended for additional one-year terms, subject to certain conditions. The capacity of the Unsecured Revolving Credit Facility may be increased by up to $50 million during the term of the facility, subject to certain conditions. Borrowings under the Unsecured Revolving Credit Facility can take place by way of banker's acceptances ("**BA**s") at 145 bps per annum over the floating BA rate, or at the Canadian prime rate plus

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

45 bps per annum. The Unsecured Revolving Credit Facility is subject to certain customary financial and non-financial covenants. As at December 31, 2022, the Company had drawn $60,000 (2021 - $12,000), under the Unsecured Revolving Credit Facility.

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

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

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

	December 31, 2022	December 31, 2021
Credit facilities available	**308,500**	208,500
Amounts drawn under credit facilities	**60,000**	12,000
Remaining available balance under credit facilities	**248,500**	196,500

Mortgages

The following table summarizes the scheduled maturities of the Company's property-level mortgages as at December 31, 2022:

	Mortgages			
Year	**Regular principal payments**	**Principal due at maturity**	**Total**	**% of Total**
2023	16,922	60,824	**77,746**	18.4 %
2024	15,123	50,104	**65,227**	15.4 %
2025	11,557	41,065	**52,622**	12.4 %
2026	11,643	—	**11,643**	2.8 %
2027	11,033	35,115	**46,148**	10.9 %
2028	5,975	115,703	**121,678**	28.7 %
2029	1,810	5,477	**7,287**	1.7 %
2030	1,410	9,230	**10,640**	2.5 %
Thereafter	11,924	17,763	**29,687**	7.0 %
	87,397	335,281	**422,678**	100.0 %

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

15 Net finance charges

	Year ended December 31	
	2022	2021
Finance costs		
Interest expense on mortgages	**16,112**	15,554
Interest expense on debentures	**14,226**	12,748
Interest on unsecured term loan	**2,305**	—
Interest expense on credit facilities	**1,100**	2,075
Interest expense on right-of-use assets	**99**	61
Redemption premium paid	**—**	160
Amortization of financing charges and fair value adjustments on acquired debt	**2,471**	2,510
Fair value gain on interest rate swap contracts	**(9,194)**	(6,776)
Net settlement payment on interest rate swap contracts	**408**	2,773
	27,527	29,105
Finance income		
Interest income on construction funding receivable	**878**	1,269
Other interest income	**960**	456
	1,838	1,725
Net finance charges	**25,689**	27,380

16 Income taxes

Total income tax expense for the year can be reconciled to the consolidated statements of net income and comprehensive income as follows:

	Year ended December 31,	
	2022	2021
Income before provision for income taxes	**11,181**	28,033
Canadian combined income tax rate	**26.57 %**	26.57 %
Income tax (recovery) expense	**2,971**	7,448
Adjustments to income tax provision:		
Non-deductible (non-taxable) items	**(2,066)**	161
Book to filing adjustment	**(327)**	(225)
Other items	**(65)**	1
Provision for (recovery of) income taxes	**513**	7,385

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

The following are the deferred tax assets (liabilities) recognized by the Company and movements thereon during the years ended December 31, 2022 and 2021:

	Depreciable tangible and intangible assets	Share issuance	Construction funding interest	Other	Total
As at January 1, 2021	(53,450)	1,144	1,236	3,085	(47,985)
Charge to net income	(1,283)	(701)	(337)	(3,049)	(5,370)
Book to filing adjustment	269	—	—	36	305
As at December 31, 2021	(54,464)	443	899	72	(53,050)
Credit (charge) to net income	4,244	(681)	(233)	428	3,758
Book to filing adjustment	(93)	—	—	122	29
Credit to equity	—	1,196	—	—	1,196
As at December 31, 2022	**(50,313)**	**958**	**666**	**622**	**(48,067)**

17 Share capital

Authorized

Unlimited number of common shares, without nominal or par value
Unlimited number of preferred shares, without nominal or par value

Issued and outstanding

	Common shares	Amount
Balance, January 1, 2021	67,039,123	878,516
Long-term incentive plan, net of loans receivable	—	187
Share purchase loan	—	325
Balance, December 31, 2021	67,039,123	879,028
Long-term incentive plan, net of loans receivable	—	416
Common shares issued, net of share issuance costs	5,750,000	82,945
Common shares issued pursuant to SOAR program (as defined below)	150,818	2,125
Balance, December 31, 2022	**72,939,941**	**964,514**

On March 23, 2022 the Company issued an additional 5,750,000 common shares. On April 28, 2022, May 26, 2022, and November 28, 2022, 74,409, 35,977 and 40,432 shares were issued, respectively, to team members under the Sienna Ownership and Reward (**"SOAR"**) program. For the year ended December 31, 2022, the weighted average of total shares outstanding was 71,589,104 (2021 - 67,039,123).

Normal course issuer bid

On June 15, 2022, the Company received approval from the TSX on its notice of intention to renew its normal course issuer bid (**"NCIB"**) for a portion of the Company's common shares. Pursuant to the notice, the Company has the authority to acquire up to a maximum of 3,644,975 of its common shares for cancellation over the next 12 months. Purchases by the Company under the NCIB will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per common share equal to the market price at the time of acquisition. The number of common shares that can be purchased pursuant to the NCIB is subject to a current daily maximum of 83,079 common shares, subject to the Company's ability to make one block purchase of its common shares per calendar week that exceeds such limits. All common shares purchased by the Company under the NCIB will be cancelled upon purchase. The Company had the option to purchase shares beginning on June 20, 2022. The NCIB will terminate on June 19, 2023.

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

Net income per share

Net income per share is calculated using the weighted average number of common shares outstanding during the year.

18 Dividends

For the year ended December 31, 2022**,** the Company paid monthly dividends of $0.078 per common share totaling $66,854 (2021 - $62,749). Dividends payable of $5,690 are included in accounts payable and other liabilities as at December 31, 2022 (December 31, 2021 - $5,229). Subsequent to December 31, 2022, the Board of Directors declared dividends of $0.078 per common share for January and February 2023 totaling $11,379.

19 Share-based compensation

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

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

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

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

Total expenses related to the RSUP for the year ended December 31, 2022 were $636 (2021 - $434), including mark-to-market adjustments and net of forfeitures, which were recognized in administrative expenses. During the year ended December 31, 2022, 15,477 RSUs vested (2021 - 9,712) and were settled in cash, resulting in a decrease of $1,055 to the share-based compensation liability (2021 - $135). The total liability recorded as part of the share-based compensation liability as at December 31, 2022 was $231 (December 31, 2021 - $650).

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

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

	Number of RSUs
Outstanding, January 1, 2021	43,543
Granted	96,608
Forfeited	(4,687)
Dividends reinvested	5,215
Settled in cash	(9,712)
Outstanding, December 31, 2021	130,967
Granted	153,604
Forfeited	(15,651)
Dividend reinvested	16,214
Settled in cash	(15,477)
Outstanding, December 31, 2022	**269,657**

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

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

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

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

Total expenses (recoveries) related to the DSUP for the year ended December 31, 2022 were $(1,007) (2021 - $1,371), including mark-to-market adjustments, which were recognized in administrative expenses. The total liability recorded related to the DSUP as a part of the share-based compensation liability as at December 31, 2022 was $5,822 (December 31, 2021 - $6,829). The value of each deferred share unit is measured at each reporting date and is equivalent to the fair value of a common share at the reporting date.

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

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

	Number of DSUs
Outstanding, January 1, 2021	386,000
Granted	42,140
Dividends reinvested	26,239
Outstanding, December 31, 2021	454,379
Granted	45,106
Dividends reinvested	34,653
Settled in cash	(72,503)
Outstanding, December 31, 2022	**461,635**

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

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

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

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

Total expenses (recoveries) related to the EDSUP for the year ended December 31, 2022 were $(16) (2021 - $284), including mark-to-market adjustments, which were recognized in administrative expenses. During the year ended December 31, 2022, 137,198 EDSUs vested (2021 - 103,948) and settled in cash, resulting in a decrease of $1,872 to share-based compensation liability (2021 - $821). The total liability recorded related to the EDSUP as a part of the share-based compensation liability as at December 31, 2022 was $880 (December 31, 2021 - $2,768). The value of each vested EDSU is measured at each reporting date and is equivalent to the fair value of a common share of the Company at the reporting date.

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

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

	Number of EDSUs
Outstanding, January 1, 2021	306,594
Granted	30,672
Forfeited	(5,858)
Dividends reinvested	2,795
Settled in cash	(103,948)
Outstanding, December 31, 2021	230,255
Granted	27,243
Forfeited	(2,502)
Dividends reinvested	6,895
Settled in cash	(137,198)
Outstanding, December 31, 2022	**124,693**

Total return swap contracts and mark-to-market adjustments on share-based compensation

Share-based compensation expense (recovery), under Notes 20 and 21, includes a fair value loss (gain) and net returns from TRS contracts, for the year ended December 31, 2022 of $2,338 (2021 - $(649)), and mark-to-market expense (recovery) on share-based compensation liability for the year ended December 31, 2022 of $(2,626) (2021 - $433).

20 Employee salaries and benefits

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

	Year ended December 31,	
	2022	2021
Salaries and short-term employee benefits	**441,112**	440,435
Group retirement savings plan	**8,164**	7,788
Termination benefits	**1,258**	276
Share-based compensation expense (Note 19)	**1,951**	1,440
	452,485	449,939

21 Key management compensation

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

	Year ended December 31,	
	2022	2021
Salaries and short-term employee benefits	**5,786**	5,389
Share-based compensation expense	**1,600**	1,365
	7,386	6,754

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

22 Trust funds

The Company maintains separate trust accounts on behalf of its LTC residents, which are not included in these consolidated financial statements. The total balance in the trust bank accounts as at December 31, 2022 was $1,335 (December 31, 2021 - $1,348).

23 Economic Dependence

The Company holds licences related to each of its LTC residences and receives funding from the applicable health authorities related to those licences, which are included in revenues. In addition, the Company has received government assistance to support pandemic related expenses for LTC and Retirement Residences which is recorded against operating expenses. Funding for incremental COVID-19 costs is provided in addition to ongoing long-term care funding, all of which are subject to periodic reconciliations with the regulatory authorities. Funding for incremental COVID-19 costs is required to be spent entirely on resident care, with any excess amounts not allocated to direct resident care or pandemic expenses required to be returned to the regulatory authorities. During the year ended December 31, 2022, the Company received approximately $608,248 (2021 - $614,938) in respect of these licences and pandemic related funding.

Approximately 80% and 48% (2021 - 74% and 50%) of revenue from the Company's Ontario LTC residences and British Columbia LTC residences is received from the applicable health authorities, respectively. The rest of the LTC segment's revenue are received from resident co-payments.

24 Administrative expenses

	Year ended December 31,	
	2022	2021
General and administrative expenses	**28,667**	27,566
Restructuring costs	**6,550**	—
SOAR program	**2,125**	—
Pandemic related expenses	**77**	2,264
Share-based compensation expense	**1,951**	1,440
Total administrative expenses	**39,370**	31,270

Restructuring costs

During the year ended December 31, 2022, the Company announced the closure of one of its LTC residences. In connection with this closure, the Company recorded restructuring charges of $6,550, consisting of a write-down of $2,454 related to the LTC residence's construction funding receivable (see Note 8) and restructuring provision of $4,096 which included employee severances, retention bonuses and other closing costs (see Note 13).

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

25 Expenses by category

	Year ended December 31,	
	2022	2021
Salaries, benefits and people costs	**452,528**	415,047
Depreciation and amortization	**47,337**	53,069
Food	**32,973**	30,696
Purchased services and non-medical supplies	**26,792**	24,824
Net finance charges	**25,689**	27,380
Utilities	**19,890**	18,306
Property taxes	**14,027**	14,252
Impairment loss	**12,788**	—
Share of net loss in joint venture	**11,275**	30
Restructuring costs	**6,550**	—
Transaction costs	**6,195**	2,359
SOAR program	**2,125**	—
Share-based compensation expense	**1,951**	1,440
Other	**62,715**	58,014
Total expenses before net pandemic expenses	**722,835**	645,417
Pandemic labour	**55,614**	79,037
Personal protective equipment	**5,081**	5,641
Other pandemic related expenses [1]	**6,428**	8,658
Government assistance [2]	**(58,823)**	(98,292)
Net pandemic expenses (recovery)	**8,300**	(4,956)
Gain on disposal of properties	**(23,726)**	—
Total expenses	**707,409**	640,461

(1) Other pandemic expenses are primarily cleaning supplies for infection prevention and control, meals and accommodations to support team members, and advisory fees to support the management of the pandemic.

(2) There are various programs and financial assistance provided by the government to support COVID-19 related expenses. During the year ended December 31, 2022, the LTC segment received additional retroactive pandemic funding of $4,766 (2021 - $17,176) for pandemic expenses incurred during 2021 and 2020.

(3) Other expenses primarily relate to maintenance and equipment expenses, supplies, professional fees and program costs.

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

26 Subsidiaries

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

		Percentage of equity interest	
Name	**Country of incorporation**	**December 31, 2022**	December 31, 2021
Leisureworld Senior Care LP (Ontario)	Canada	100 %	100 %
2063412 Investment LP (Ontario)	Canada	100 %	100 %
2063414 Investment LP (Ontario)	Canada	100 %	100 %
2063415 Investment LP (Ontario)	Canada	100 %	100 %
2067475 Investment LP (Ontario)	Canada	100 %	100 %
Vigour Limited Partnership (Ontario)	Canada	100 %	100 %
The Royale LP (Ontario)	Canada	100 %	100 %
The Royale Development LP (Ontario)	Canada	100 %	100 %
The Royale West Coast LP (Ontario)	Canada	100 %	100 %
Sienna Baltic Development LP	Canada	100 %	100 %
2371281 Investment LP (Ontario)	Canada	100 %	100 %
Sienna Management LP (Ontario)	Canada	100 %	100 %
Sienna Ontario RH 2017 LP (Ontario)	Canada	100 %	100 %
SSLI1 Development LP (Ontario)	Canada	100 %	100 %

27 Segmented information

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

The accounting policies of the business segments are the same as those for the Company and is presented on a proportionate share basis in the manner which our chief operation decision maker reviews the financial information. The "**Adjustments for Joint Venture**" column shows the adjustments to account for Sienna-Sabra LP using the equity method, as applied in these consolidated financial statements.

The Company is comprised of the following main business segments:

- Retirement - this segment consists of 38 RRs, of which five retirement residences are located in Saskatchewan, four of which are located in British Columbia and 29 of which are located in Ontario, and the RR management services business;
- LTC - this segment consists of 34 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 allocated to the segments.

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

	Year ended December 31, 2022				
	Retirement (1)	LTC	Corporate, eliminations and other	Adjustments for Joint Venture (4)	Total
Gross revenue	177,505	575,144	69,146	(18,251)	803,544
Less: Internal revenue	—	15,808	69,146	—	84,954
Net revenue	177,505	559,336	—	(18,251)	718,590
Operating expense, net of government assistance (2)	114,066	488,882	—	(14,467)	588,481
Depreciation and amortization	32,528	22,204	3,386	(10,781)	47,337
Administrative expense (2)	—	6,550	32,820	—	39,370
Share of net loss in joint venture	—	—	78	11,197	11,275
Finance costs	3,390	5,646	18,998	(507)	27,527
Finance income	(15)	(959)	(871)	7	(1,838)
Transaction costs	3,843	2,920	3,132	(3,700)	6,195
Impairment loss	—	12,788	—	—	12,788
Gain on disposal of properties	(12,690)	(11,036)	—	—	(23,726)
Provision for income taxes	—	—	513	—	513
Net income (loss)	36,383	32,341	(58,056)	—	10,668
Purchase of property and equipment, net of disposals (3)	8,103	1,497	6,238	—	15,838
Purchase of intangible assets, net of disposals	—	(5,561)	2,005	—	(3,556)

(1) For the year ended December 31, 2022, the Retirement segment recognized accommodation revenues of $85,202 and service revenues of $92,303.

(2) Includes net pandemic expense of $1,464 for Retirement, $6,759 for LTC and $77 for Corporate, eliminations and other.

(3) Includes pandemic capital expenditures for the year ended December 31, 2022 of $25,652, which were fully funded by related government assistance. Also includes reversal of remediation provision of $11,000 (see Note 9).

(4) Adjustments to present Sienna-Sabra LP using the equity method, as applied in the consolidated financial statements.

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

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

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

(2) Includes net pandemic expense (recovery) of $2,242 for Retirement, $(9,461) for LTC and $2,264 for corporate, eliminations and other.

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

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

	As at December 31, 2022				
	Retirement	LTC	Corporate, eliminations and other	Adjustments for Joint Venture [1]	Total
Total assets	**893,449**	**786,568**	**26,734**	**(26,323)**	**1,680,428**

	As at December 31, 2021				
	Retirement	LTC	Corporate, eliminations and other	Adjustments for Joint Venture	Total
Total assets	740,655	847,762	20,772	—	1,609,189

[1] Adjustments to present Sienna-Sabra LP using the equity method, as applied in the consolidated financial statements.

	As at December 31, 2022				
	Retirement	LTC	Corporate, eliminations and other	Adjustments for Joint Venture [1]	Total
Total liabilities	**298,710**	**328,874**	**644,475**	**(26,323)**	**1,245,736**

	As at December 31, 2021				
	Retirement	LTC	Corporate, eliminations and other	Adjustments for Joint Venture	Total
Total liabilities	321,299	332,487	549,550	—	1,203,336

[1] Adjustments to present Sienna-Sabra LP using the equity method, as applied in the consolidated financial statements.

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

28 Joint arrangements

A joint arrangement can be a joint venture or a joint operation. In a joint venture, the parties that have joint control of the arrangement have the rights to the net assets of the arrangement. In a joint operation, the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities, relating to the arrangement. The following are the Company's joint arrangements as at December 31, 2022:

Joint Arrangements	Number of properties	Sienna ownership	Joint arrangement type	Accounting treatment	Investment in joint venture balance	Share of net loss from joint ventures balance
					December 31, 2022	December 31, 2022
Sienna-RSH Niagara Falls LP [1]	0	70%	Joint venture	Equity	6,219	(78)
Sienna-Sabra LP	12	50%	Joint venture	Equity	152,854	(11,197)
Sienna Baltic Development LP [2]	2	40%/77%	Joint operation	Proportionate	N/A	N/A
					159,073	(11,275)

[1] The property of Sienna-RSH Niagara Falls LP is currently in development stage as of December 31, 2022.

[2] Sienna Baltic Development LP owns 40% of Nicola Lodge Care Community and 77% of Glenmore Lodge Care Community.

Joint ventures

Sienna-RSH Niagara Falls LP

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

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

Investment in joint venture as at January 1, 2021	2,323
Contributions to joint venture	4,004
Share of net loss in joint venture	(30)
Investment in joint venture as at December 31, 2021	6,297
Share of net loss in joint venture	(78)
Investment in joint venture as at December 31, 2022	**6,219**

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

Statements of Financial Position of Joint Venture	**December 31, 2022**	December 31, 2021
Current assets	**213**	354
Long-term assets	**26,824**	12,520
Total assets	**27,037**	12,874
Current liabilities	**1,156**	1,095
Long-term liabilities	**16,997**	2,783
Total liabilities	**18,153**	3,878
Net assets	**8,884**	8,996
Sienna's share of net investment in joint venture (70%)	**6,219**	6,297

Statements of Net Income of Joint Venture	**Year ended December 31,**	
	2022	2021
Expenses	**111**	43
Net loss	**(111)**	(43)
Sienna's share of net loss in joint venture (70%)	**(78)**	(30)

*Sienna-Sabra LP ("**SSLP**")*

On January 25, 2022, the Company formed a joint venture with a third party for the purpose of owning and operating retirement residences. The Company owns 50% interest in this joint venture. The joint venture first acquired a portfolio of 11 seniors' living assets in Ontario and Saskatchewan on May 16, 2022, and subsequently acquired another retirement residence in Saskatchewan on June 1, 2022. The Company has accounted for this joint venture using the equity method of accounting, since this joint arrangement is structured through a separate legal vehicle, and the Company has rights to the net assets of the arrangement.

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

Investment in joint venture as at December 31, 2021	—
Contributions to joint venture	164,051
Share of net loss in joint venture	(11,197)
Investment in joint venture as at December 31, 2022	**152,854**

Statement of Financial Position of Joint Venture	**December 31, 2022**
Current assets	**4,899**
Long-term assets	**353,455**
Total assets	**358,354**
Current liabilities	**6,779**
Long-term liabilities	**45,867**
Total liabilities	**52,646**
Net assets	**305,708**
Sienna's share of net investment in joint venture (50%)	**152,854**

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

Statement of Net Income of Joint Venture	Year ended December 31, 2022
Revenue	**36,502**
Operating expenses	**28,934**
Depreciation and amortization	**21,562**
Net finance charges	**999**
Transaction costs and other expenses	**7,400**
Net loss	**(22,393)**
Sienna's share of net loss in joint venture (50%)	**(11,197)**

Acquisitions by Sienna-Sabra LP

On May 16, 2022, SSLP, of which the Company owns 50% interest in, acquired a portfolio of 11 seniors' living assets in Ontario and Saskatchewan consisting of 1,048 private-pay suites, with Sienna as the manager of the property.

On June 1, 2022, SSLP acquired The Village at Stonebridge, Saskatoon, Saskatchewan consisting of 186 private-pay suites, with Sienna as the manager of the property.

The net purchase prices for these two acquisitions were $250.4 million and $70.6 million, respectively, and were allocated to the assets and liabilities of the joint venture. Transaction costs for the acquisitions for the year ended December 31, 2022 were $7,044 and $376, respectively.

Related party transactions occur between Sienna and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Except as disclosed elsewhere in these annual consolidated financial statements, the related party balances are included in accounts receivable and payable, and in management fee revenue, as applicable. As of December 31, 2022, $376 (December 31, 2021 - $nil) of the Company's accounts receivable related to its investments in joint ventures. For the year ended December 31, 2022, $981 (2021 - $nil) of the Company's management fees related to its investment in joint ventures.

Joint operations

Sienna Baltic Development LP

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

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

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

Statements of Financial Position of Joint Operation	**December 31, 2022**	December 31, 2021
Current assets	**4,836**	3,853
Long-term assets	**94,838**	97,322
Total assets	**99,674**	101,175
Current liabilities	**10,006**	6,694
Long-term liabilities	**60,873**	62,280
Total liabilities	**70,879**	68,974
Net assets	**28,795**	32,201
Sienna's share of net assets	**14,685**	16,479

As at December 31, 2022, the Company's share of net assets in Nicola Lodge and Glenmore Lodge was $8,118 and $6,567, respectively (December 31, 2021 - $9,016 and $7,463, respectively).

Statements of Net Income of Joint Operation	**Year ended December 31,**	
	2022	2021
Revenue	**37,307**	31,664
Expenses		
Operating, net [1]	**31,705**	23,986
Depreciation and amortization	**2,582**	2,638
Net finance charges	**2,781**	2,861
Net income	**239**	2,179
Sienna's share of net income	**216**	1,202

[1] Includes net pandemic (recovery) expenses for the year ended December 31, 2022 of $490 (2021 - $251).

For the year ended December 31, 2022, the Company's share of net income in Nicola Lodge and Glenmore Lodge was $(35) and $251, respectively (2021 - $517 and $685, respectively).

29 Commitments and contingencies

In February 2022, the Company amended its ten-year lease with respect to its corporate office located in Markham, which was set to expire on October 31, 2024. The amendment extended the lease for a further period of five years, commencing on November 1, 2024 and expiring on October 31, 2029. The Company also has various leases for office and other equipment. Lease payments in respect of the remaining years for leases are as follows:

	Total[1]
2023	1,197
2024	1,079
2025	1,096
2026	1,075
2027	1,029
Thereafter	1,858
	7,334

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

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

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

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

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

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

None of the above claims, including the consolidated claim, have been certified as a class action. The Company is vigorously defending itself against these claims.

Given the status of the proceedings, management is unable to assess the potential impact of any of these proposed class actions, including the consolidated claim, on the Company's financial results.

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

Pay Equity Claim Proceedings

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

Given the current status of the proceedings and significant number of judgements required in establishing the pay equity framework, including ongoing discussions with two unions amongst the parties, that will impact the measurement of any potential provision, management has assessed the conditions required for a provision and have concluded that it is not possible to reliably measure the potential outflow of resources, and accordingly no provision has been recorded in the consolidated financial statements as at December 31, 2022.

30 Subsequent Event

On February 28, 2022, the Company entered into an agreement to acquire a retirement and long term care community consisting of 55 retirement suites and 123 Class A LTC beds (the **"Acquired Property")** located in Barrie, ON (the **"Acquisition")**. The aggregate purchase price for the acquired property is approximately $26,300 subject to customary closing adjustments. The Company completed the Acquisition on January 3, 2023. The Company financed the Acquisition and its related transaction costs through a combination of: (i) assumption of approximately $10,800 in existing mortgages at a fixed interest rate of 4.27% and a maturity date of December 29, 2024; and (ii) draws on the Company's existing credit facilities.

siennaliving.ca

Sienna
SENIOR LIVING

The warmth of human connection