Q1 2015

Sienna
SENIOR LIVING

Report to Shareholders

Sienna Senior Living Inc.

Q1 2015

Sienna SENIOR LIVING

Management's Discussion and Analysis

(in thousands of Canadian Dollars)

Sienna Senior Living Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basis of Presentation

The following Management's Discussion and Analysis ("**MD&A**") for Sienna Senior Living Inc. (formerly Leisureworld Senior Care Corporation) (the "**Company**") provides a summary of the financial results for the three months ended March 31, 2015. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and the notes thereto, the audited consolidated financial statements for the year ended December 31, 2014 and the notes thereto, and the MD&A for the year ended December 31, 2014. This material is available on the Company's website at www.siennaliving.ca. Additional information about the Company, including its Annual Information Form ("**AIF**") for the year ended December 31, 2014, can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com. In accessing the Company's information, readers are reminded of the Company's predecessor name, Leisureworld Senior Care Corporation, and that the information of Leisureworld Senior Care Corporation is the information of the Company.

All references to "we", "our", "us" or the "Company", unless otherwise indicated or the context otherwise requires, refer to Sienna Senior Living Inc. and its direct and indirect subsidiaries. For ease of reference, the "Company" is used in reference to the ownership and operation of long-term care and retirement homes and the third-party management business of the Company. The direct ownership of such homes and operation of such business is conducted by subsidiaries of the Company.

This MD&A was approved by the Board of Directors of the Company on May 13, 2015, and is based on information available to management as of that date.

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.

All dollar references, unless otherwise stated, are expressed in thousands of Canadian dollars.

The Company is listed on the Toronto Stock Exchange (the "**TSX**") under the trading symbol **SIA** (formerly **LW**). As of May 13, 2015, the following securities of the Company were outstanding: 36,377,021 common shares; and $46,000 in aggregate principal amount of convertible unsecured subordinated debentures (TSX symbol: **SIA.DB**, formerly **LW.DB**) which, in the aggregate, are convertible into 2,746,269 common shares (the "**Convertible Debentures**"). The Convertible Debentures have a maturity date of June 30, 2018.

Forward-Looking Statements

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

Non-IFRS Performance Measures

In this document we use certain supplemental measures of key performance that are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. These performance measures are net operating income ("**NOI**"), funds from operations ("**FFO**"), operating funds from operations ("**OFFO**"), adjusted funds from operations ("**AFFO**") and earnings before interest, taxes, depreciation and amortization ("**EBITDA**"). Management believes that NOI, FFO, OFFO, AFFO and EBITDA are relevant measures of the Company's performance, as described below. The IFRS measurement most directly related to these measures is cash flow from operations. Please refer to the "Business Performance" section of this MD&A for a reconciliation of cash flow from operations to AFFO.

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

"**FFO**" is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and operate income-producing properties. FFO is a financial measure which should not be considered as an alternative to net income, cash flow from operations, or any other operating or liquidity measure prescribed under IFRS. The Company presents FFO in accordance with the REALpac White Paper on Funds From Operations for IFRS (Source: White Paper on Funds From Operations for IFRS - Revised April 2014). The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results.

"**OFFO**" is FFO adjusted for one-time items such as the Series A Debentures premium payment and presentation of finance charges on a cash interest basis. Management is of the view that OFFO presents a better measure of earnings for the Company.

"**AFFO**" is defined as OFFO plus the principal portion of construction funding received, amounts received from income support arrangements and non-cash deferred share unit compensation expense less maintenance capital expenditures ("**maintenance capex**"). Other adjustments may be made to AFFO as determined by management and the Board of Directors at their discretion. Management believes AFFO is useful in the assessment of the Company's operating cash performance, and is also a relevant measure of the ability of the Company to pay dividends to shareholders.

"**EBITDA**" is defined as earnings before interest, taxes, depreciation and amortization, construction funding proceeds and non-recurring items. Other adjustments may be made as determined by management and the Board of Directors at their discretion.

The above measures should not be construed as alternatives to net income (loss) or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's method of calculating these measures may differ from other issuers' methods and accordingly, these measures may not be comparable to measures presented by other public-traded entities.

Key Performance Indicators

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

- **Occupancy**: Occupancy is a key driver of the Company's revenues.
- **NOI**: This value represents the underlying performance of the operating business segments. Please refer to the "Non-IFRS Performance Measures" section of this MD&A above.
- **OFFO and OFFO per Share**: Management uses OFFO as an operating and financial performance measure. Please refer to the "Non-IFRS Performance Measures" section of this MD&A above.
- **AFFO and AFFO per Share**: These indicators are used by management to help measure the Company's ability to pay dividends. Please refer to the "Non-IFRS Performance Measures" section of this MD&A above.
- **Payout Ratio**: Management monitors the ratio of dividends per share to basic AFFO per share, to ensure that the Company adheres to its dividend policy, in line with the Company's objectives.
- **Debt Service Coverage Ratio**: This ratio is useful for management to ensure that it is in compliance with its financial covenants.
- **Debt to Gross Book Value**: In conjunction with the debt service coverage ratio, management monitors this to ensure compliance with certain financial covenants.
- **Weighted Average Cost of Debt**: This is a point in time calculation that is useful in comparing interest rates, either period over period, or to the then current market parameters.
- **Debt to EBITDA Ratio**: This ratio measures the number of years required for current cash flows to repay all indebtedness.
- **Interest Coverage Ratio**: Interest coverage ratio is a common measure used by debt rating agencies to assess an entity's ability to service its debt obligations.
- **Weighted Average Term to Maturity**: This indicator is used by management to monitor its debt maturities.
- **Same Property Percent Change in NOI**: This measure is similar to "same-store sales" measures used in the retail business and is intended to measure the period over period performance of the same asset base, excluding assets undergoing new development, redevelopment or demolition.

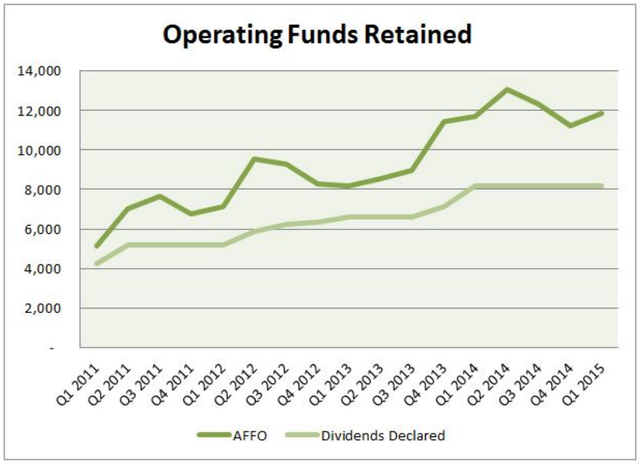
The above key performance indicators used by management to assess the overall financial performance of the Company's operations should not be construed as alternatives to net income (loss) or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance.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

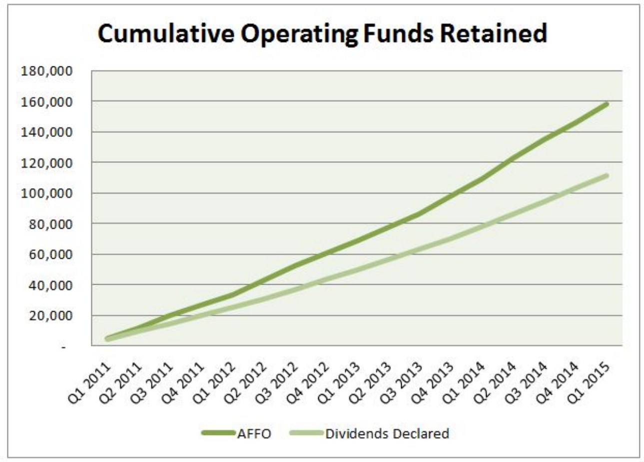
The following table presents the Key Performance Indicators for the three months ended March 31, 2015 and 2014:

	Three Months Ended		
Thousands of Dollars, except occupancy, share and ratio data	**2015**	2014	Change
OCCUPANCY			
LTC - Average total occupancy	**98.1%**	98.5%	-0.4%
LTC - Average private occupancy	**99.0%**	98.7%	0.3%
Retirement - Average occupancy	**86.9%**	82.7%	4.2%
Retirement - As at occupancy	**86.8%**	82.5%	4.3%
FINANCIAL			
NOI	**19,998**	19,528	470
OFFO	**9,609**	9,364	245
AFFO	**11,836**	11,704	132
PER SHARE INFORMATION			
OFFO per share, basic	**0.265**	0.258	0.007
OFFO per share, diluted	**0.258**	0.248	0.010
AFFO per share, basic	**0.326**	0.323	0.003
AFFO per share, diluted	**0.315**	0.308	0.007
Dividends per share	**0.225**	0.225	—
Payout ratio (basic AFFO)	**69.0%**	69.7%	-0.7%
FINANCIAL RATIOS			
Debt Service Coverage Ratio (1)	**2.0**	1.9	0.1
Debt to Gross Book Value as at period end	**56.4%**	57.6%	-1.2%
Weighted Average Cost of Debt as at period end	**3.8%**	4.2%	-0.4%
Debt to EBITDA Ratio	**8.2**	8.5	(0.3)
Interest Coverage Ratio	**3.2**	2.7	0.5
Weighted average term to maturity as at period end	**5.2**	5.5	(0.3)

	2015 v. 2014
SAME PROPERTY PERCENT CHANGE IN NOI	
Long-Term Care	1.3%
Retirement	10.8%
Total	2.4%

1. The Series B Debentures issued on February 3, 2014 require the funding of a principal reserve fund to fund the eventual repayment of such debentures. For Q1 2015, $1,423 (2014 - $857) was contributed to the principal reserve fund and is included in the calculation of the Debt Service Coverage Ratio.





Operating funds retained is equal to AFFO less dividends declared.

Company Profile

Sienna Senior Living Inc. was incorporated as "Leisureworld Senior Care Corporation" under the *Business Corporations Act* (Ontario) on February 10, 2010, and subsequently continued under the *Business Corporations Act* (British Columbia) on March 18, 2010. The Company closed the initial public offering (the "**IPO**") of its common shares on March 23, 2010. Effective May 1, 2015, the Company changed its name to Sienna Senior Living Inc. pursuant to a Notice of Alteration filed with the British Columbia Registry Services on April 23, 2015, as further described below.

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

The Company and its predecessors have been operating since 1972. The Company's business is carried on through a number of wholly-owned limited partnerships formed under the laws of the Province of Ontario. Through its subsidiaries, the Company owns and operates 35 long-term care ("**LTC**") homes (representing an aggregate of 5,733 beds), all of which are located in the Province of Ontario. The Company also owns and operates 10 retirement residence ("**RR**") communities (representing 1,066 suites and apartments) in the Provinces of Ontario and British Columbia. An ancillary business of the Company is Preferred Health Care Services ("**Home Care**" or "**PHCS**"), an accredited provider of professional nursing and personal support services for both community-based home healthcare and LTC homes. The Company also operates a management services division which provides management and consulting services to LTC homes and RR communities in Ontario.

		LONG-TERM CARE (Beds)				RETIREMENT (Suites / Apartments)	TOTAL
ASSET CLASS	**COMMUNITIES**	**Basic and Other**	**Semi-Private**	**Private - $18.00 Premium**	**Private - Up to $23.25 Premium**	**Total**	**Beds / Suites / Apartments**
LONG-TERM CARE	**35**	2,609	857	240	2,027	—	**5,733**
RETIREMENT	**10**	—	—	—	—	1,066	**1,066**
TOTAL	**45**	**2,609**	**857**	**240**	**2,027**	**1,066**	**6,799**

On May 1, 2015, the Company effected a company-wide rebranding strategy, resulting in a legal name change of the Company from Leisureworld Senior Care Corporation to Sienna Senior Living Inc., and a renaming of the Company's LTC homes and RR communities. The Company's underlying subsidiaries were not impacted by the name change. The name change of the Company was approved at the Annual and Special Meeting of the Company's shareholders held on April 21, 2015. In connection with the name change, the Company commenced trading under the new trading symbol "**SIA**".

Company Objectives

The objectives of the Company are to:

1) Provide quality care and services to seniors that is responsive to their changing needs across the continuum of care, by focusing on:

   - Achieving stabilized occupancy in RR homes and maintaining high occupancy in LTC homes.
   - Enhancing the services provided, to include specialized services in LTC to meet the changing needs of seniors across the continuum of care.
   - Improving the resident experience and satisfaction with care and services.
   - Focusing on employee engagement and leadership development and building a strong team that is passionate about helping seniors "live fully every day".

2) Maintain a strong financial position, by focusing on:

   - Maintaining an A (low) rating on the Series B Debentures.
   - Gradually reducing debt.
   - Maintaining adequate liquidity.
   - Creating a 10-year debt ladder over time.

3) Enhance the value of the Company’s assets and promote the growth of its portfolio, by focusing on:

   - Maintaining existing assets with preventative maintenance and ongoing capital improvements.
   - Growing the portfolio within Canada.

4) Improve support services by focusing on:

   - Building on the recent Company rebranding initiatives, with further enhancements to the Company’s website and functionality, and renewed sales and marketing strategies.
   - Improving the Company’s use of technology to provide timely information, tools and education to the various locations.
   - Achieving synergies and efficiencies to manage operating expenses.

Our Vision

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

Our Mission

To help you live fully, every day.

Our Values

Respect

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

Passion

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

Teamwork

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

Responsibility

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

Growth

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

Industry Overview

Please refer to the Company's MD&A for the year ended December 31, 2014, as well as the AIF, for an in-depth discussion of the Industry Overview.

Business Overview

Please refer to the Company's MD&A for the year ended December 31, 2014, as well as the AIF, for an in-depth discussion of the Business Overview.

Outlook

Management believes that with a diversified portfolio comprised of LTC, RR, Home Care and an emerging third party management services business, the Company is well positioned for both organic and external growth, supported by the favourable demographics of a growing seniors' population, the strong demand for seniors' services outside of hospitals, and the regulatory and operational barriers to entry in all four of the Company's business segments.

Long-Term Care

During Q1 2015, LTC delivered solid results, as reflected by the increase of 1.3% on same property NOI over the prior year comparable period. The Company continued to experience strong demand for all LTC beds, with private average occupancy for Q1 at 99.0%. To date, 63.3% of its Class A private beds have been converted to the increased per resident rates of $19.75, $21.50 or $23.25 per day.

Management continues to expect stable results in the Company's LTC portfolio, driven by disciplined operations management and the continuing conversion of Class A private beds to the increased per resident accommodation rates.

The specifics of the Ministry of Health and Long-Term Care's ("**MOHLTC**") Enhanced Long-Term Care Renewal Strategy to encourage operators with older LTC facilities to modernize and improve long-term care facilities, including with a view to redeveloping or upgrading to the new Class A structural classifications, have been released to operators. Management is currently working through detailed feasibility analyses and related planning with respect to the potential redevelopment of its older LTC homes, in light of the MOHLTC renewal strategy guidelines. Management anticipates that redeveloped LTC homes will be mostly green field projects, requiring extended periods of time for both planning and approvals phases, and further anticipates creating and implementing a seniors' living continuum of care in certain of these redeveloped LTC homes, by providing a range of independent living, assisted living, memory care and specialized LTC services. See Growth Strategy below.

Retirement

In Q1 2015, the occupancy rate in the Company's RR portfolio remained consistent with Q4 2014 at 86.8%. Management expects the Company to generate moderate growth in its RR portfolio through an increase in occupancy in the following four RR homes that are currently in lease-up: Astoria Retirement Residence ("**Astoria**") (formerly Royale Astoria), Peninsula Retirement Residence ("**Peninsula**") (formerly Royale Peninsula), Royale Place Retirement Residence ("**Royale Place**") (formerly Royale Kingston) and Red Oak Retirement Residence ("**Red Oak**") (formerly Royale Kanata). Prompted by the Company's rebranding initiative, management expects that the Company is better positioned to achieve an average occupancy of at least 90% across its RR portfolio by the end of Q4 2015, with the exclusion of Red Oak. Management believes that the renaming of the RR homes and improvements in the Company's website and information flow, together with its demonstration of a renewed commitment to the communities in which the homes operates, will have a positive impact on sales and marketing efforts.

Home Care

Management expects that PHCS, the Company's Home Care business, would experience minimal growth in personal support worker volumes through its contractual arrangements with Community Care Access Centres, offset by increased operating expenses resulting from ongoing regulatory and quality standards compliance. Management remains committed to maintaining high quality Home Care services to meet client needs.

General and Administrative Expenses

Management continues to make progress on strengthening the systems and processes supporting all four of its business segments. Management expects to continue to incur some one time costs associated with the transition and rebranding, as well as in reinforcing and modernizing the head office functions to support the recent and anticipated future growth of the Company.

Growth Strategy

The Company continues to strengthen its operating platform in RR living and LTC, and expects to maintain growth through:

- Organic Growth - by maximizing the Company's assets by increasing RR occupancy levels and assisted living services; maintaining consistently high LTC occupancy; maximizing LTC preferred accommodation occupancy; and disciplined cost management.
- Acquisition Growth - through strategic acquisition opportunities and a focus on growing the Company's operating platform across Canada in both LTC and RR living.
- Development and Redevelopment - the Company is undertaking an analysis of options to rebuild some of its older LTC facilities on green field sites and concurrently create a continuum of care with the addition of independent living, assisted living, memory care and specialized LTC services.

As a result of the Company's diversified strategy, management believes that the Company is well positioned to respond to changing preferences and trends in seniors living. In the near term, management expects stable financial performance. In the longer term, management remains confident in its beliefs that the Company and its stakeholders are well positioned for stable and predictable returns, a secure dividend and future growth.

Significant Events

Rebranding

On May 1, 2015, the Company effected a company-wide rebranding strategy, resulting in a legal name change of the Company from Leisureworld Senior Care Corporation to Sienna Senior Living Inc., and a renaming of the Company's LTC homes and RR communities. The name change of the Company was approved at the Annual and Special Meeting of the Company's shareholders held on April 21, 2015. In connection with the name change, the Company commenced trading under the new trading symbol "**SIA**".

Quarterly Financial Information

Thousands of Dollars, except occupancy and per share data	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Revenue	**113,212**	117,745	115,029	111,674	112,340	99,815	86,575	83,229
Income before depreciation and amortization, net finance charges, transaction costs and the provision for (recovery of) income taxes	**15,596**	16,252	17,031	15,702	15,304	13,512	13,467	11,761
Net income (loss)	**350**	204	1,643	376	(18,064)	(6,348)	(706)	(968)
Per share and diluted per share	**0.01**	0.01	0.05	0.01	(0.50)	(0.20)	(0.02)	(0.03)
OFFO - Basic (1)	**9,609**	10,445	11,071	10,892	9,364	9,812	8,019	6,901
Per share	**0.26**	0.29	0.31	0.30	0.26	0.31	0.27	0.24
Per share diluted - excluding subscription receipts	**0.26**	0.29	0.29	0.29	0.25	0.30	0.26	0.23
Per share diluted - including subscription receipts	**n/a**	n/a	n/a	n/a	n/a	0.27	0.22	0.20
AFFO - Basic (1)	**11,836**	11,204	12,341	13,047	11,704	11,429	8,957	8,568
Per share	**0.33**	0.31	0.34	0.36	0.32	0.36	0.31	0.29
Per share diluted - excluding subscription receipts	**0.32**	0.31	0.33	0.35	0.31	0.35	0.29	0.28
Per share diluted - including subscription receipts	**n/a**	n/a	n/a	n/a	n/a	0.31	0.25	0.25
Dividends declared	**8,175**	8,164	8,160	8,159	8,158	7,116	6,598	6,594
Per share	**0.23**	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Occupancy								
LTC - Average total occupancy	**98.1%**	98.8%	98.9%	98.5%	98.5%	98.7%	99.0%	99.0%
LTC - Average private occupancy	**99.0%**	99.8%	99.9%	99.1%	98.7%	99.4%	99.6%	99.4%
Retirement - Average occupancy (2)	**86.9%**	85.9%	84.3%	83.0%	82.7%	81.8%	78.5%	76.0%
Retirement - As at occupancy (2)	**86.8%**	86.8%	84.9%	83.0%	82.5%	82.9%	79.4%	76.3%
Total assets	**932,798**	946,763	953,394	956,746	969,355	977,024	826,498	844,362
Total debt (3)	**612,733**	616,081	618,970	621,915	624,837	598,703	440,880	460,667

Notes:

1. Beginning in Q2 2014, management has elected to add back the impact of the MOHLTC reconciliation adjustments (discussion below) to OFFO and AFFO. Also, due to the immaterial nature of the adjustment in prior years, management has elected not to restate the 2013 information presented above.
2. The comparative periods exclude respite occupancy data as it was not captured for periods prior to 2014.
3. Total debt includes the Convertible Debentures and is net of amounts paid into the principal reserve fund on the Series B Debentures.

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

In Q1 2015, the Company recorded MOHLTC reconciliation adjustments that increased revenue and NOI by $25. The Company recorded MOHLTC reconciliation adjustments that decreased revenue and NOI by $956 in Q2 2014, $69 in Q3 2014 and $269 in Q4 2014. The adjustments relate to the difference between the Company's annual reconciliation filings with the MOHLTC and the MOHLTC's assessments of those filings, primarily for the reconciliation years 2007 through to 2012 inclusive. These adjustments are based on confirmation with the

MOHLTC and the Company's best estimate of the probability of recovery of the outstanding amounts, based on recent information and interpretation of the funding mechanism.

During Q1 2014, $322 million of Series B Debentures were issued to generate proceeds to redeem the Series A Debentures in full, resulting in the payment of an $18.4 million redemption premium and associated expenses. The Series A Debentures and Series B Debentures were both outstanding for a 21 day-period during Q1 2014.

In December 2013, the Company completed the acquisition of a portfolio of six LTC homes, two RRs, two properties containing both an LTC and RR component and third party seniors living management business previously operated by Specialty Care Inc. ("**2013 Acquisition**"), which contributed approximately $1,783 to NOI for the one month period in Q4 2013.

A discussion of the results for the three months ended March 31, 2015 compared to the same period in the prior year is provided under the section "Operating Results".

Operating Results

The following are the operating results for the three months ended March 31, 2015 and 2014:

	Three Months Ended		
Thousands of Dollars	**2015**	2014	Change
Revenue	**113,212**	112,340	872
Expenses			
Operating	**93,214**	92,812	402
Administrative	**4,402**	4,224	178
	97,616	97,036	580
Income before depreciation and amortization, net finance charges, transaction costs and the provision for (recovery of) income taxes	**15,596**	15,304	292
Other expenses			
Depreciation and amortization	**9,509**	9,827	(318)
Net finance charges	**5,377**	29,393	(24,016)
Transaction costs	**38**	550	(512)
Total other expenses	**14,924**	39,770	(24,846)
Income (loss) before the provision for (recovery of) income taxes	**672**	(24,466)	25,138
Provision for (recovery of) income taxes			
Current	**285**	(1,707)	1,992
Deferred	**37**	(4,695)	4,732
	322	(6,402)	6,724
Net income (loss)	**350**	(18,064)	18,414
Total assets	**932,798**	969,355	(36,557)
Total debt (net of principal reserve fund)	**612,733**	624,837	(12,104)

Revenue Breakdown

The following is the revenue breakdown for the three months ended March 31, 2015 and 2014:

	Three Months Ended		
Thousands of Dollars	**2015**	2014	Change
Long-Term Care			
Same property	**97,947**	97,657	290
Total Long-Term Care Revenue	**97,947**	97,657	290
Retirement			
Same property	**10,540**	9,991	549
Total Retirement Revenue	**10,540**	9,991	549
Home Care			
Same property	**4,202**	4,391	(189)
Total Home Care Revenue (1)	**4,202**	4,391	(189)
Management Services			
Same property	**635**	621	14
Total Management Services Revenue	**635**	621	14
Total Revenue			
Same property	**113,324**	112,660	664
MOHLTC reconciliation adjustments	**25**	—	25
Intersegment eliminations	**(137)**	(320)	183
Total Revenue	**113,212**	112,340	872

"**Intersegment eliminations**" refers to activities that took place between the separate lines of business. The activities are eliminated on consolidation and should still be reflected as part of the operating line of business results. The activities relate to educational services provided by the Home Care segment to the LTC segment. The operation and management of a portion of these services has been transferred to the LTC segment in the current year for internal management and synergies.

Note

1. The revenue decline in the Home Care business is primarily due to internal business realignment, relating to professional services that serviced the Company's LTC homes.

Operating Expense Breakdown

The following operating expense breakdown is for the three months ended March 31, 2015 and 2014:

	Three Months Ended		
Thousands of Dollars	**2015**	2014	Change
Long-Term Care			
Same property	**83,691**	83,578	113
Total Long-Term Care Expenses	**83,691**	83,578	113
Retirement			
Same property	**5,825**	5,737	88
Total Retirement Expenses	**5,825**	5,737	88
Home Care			
Same property	**3,673**	3,700	(27)
Total Home Care Expenses	**3,673**	3,700	(27)
Management Services			
Same property	**162**	117	45
Total Management Services Expenses	**162**	117	45
Total Operating Expenses			
Same property	**93,351**	93,132	219
Intersegment eliminations	**(137)**	(320)	183
Total Operating Expenses	**93,214**	92,812	402

Net Operating Income Breakdown

The following net operating income breakdown is for the three months ended March 31, 2015 and 2014:

	Three Months Ended		
Thousands of Dollars	**2015**	2014	Change
Long-Term Care			
Same property	**14,256**	14,079	177
Total Long-Term Care NOI	**14,256**	14,079	177
Retirement			
Same property	**4,715**	4,254	461
Total Retirement NOI	**4,715**	4,254	461
Home Care			
Same property	**529**	691	(162)
Total Home Care NOI [(1)]	**529**	691	(162)
Management Services			
Same property	**473**	504	(31)
Total Management Services NOI	**473**	504	(31)
Total NOI			
Same property	**19,973**	19,528	445
MOHLTC reconciliation adjustments	**25**	—	25
Total NOI	**19,998**	19,528	470

Note

1. The NOI decline in the Home Care business is primarily due to internal business realignment, relating to professional services that serviced the Company's LTC homes.

For the Quarter

Revenue

Revenues for Q1 2015 increased by $872 to $113,212, compared to Q1 2014. LTC revenues increased by $290 which is primarily attributable to timing of revenues of $302 and increased preferred accommodation revenues of $225. This was partly offset by lower government funding for the flow-through envelopes of $179, primarily as a result of a one-time special MOHLTC funding received in Q1 2014 relating to staff training costs.

The RR revenues for Q1 2015 increased by $549 to $10,540, compared to Q1 2014, primarily attributable to the improvements in occupancy.

Home Care revenues for Q1 2015 decreased by $189 to $4,202, compared to Q1 2014. The decrease was primarily attributable to the internal business realignment relating to professional services that serviced the Company's LTC homes.

Operating Expenses

Operating expenses for Q1 2015 increased by $402 to $93,214, compared to Q1 2014. Of this increase, LTC represented $113, which was mainly attributable to higher flow-through envelope expenses of $78.

RR operating expenses for Q1 2015 increased by $88 to $5,825, compared to Q1 2014. The increase was primarily attributable to increased variable expenses caused by increased occupancy.

Home Care operating expenses decreased by $27 to $3,673 which was primarily attributable to the internal business realignment relating to professional services that serviced the Company's LTC homes.

NOI

NOI increased by $470 to $19,998, compared to Q1 2014. LTC NOI increased by $177 for the quarter, primarily due to timing of revenues and increased preferred accommodation revenues. This was partly offset by a reduction in NOI of $281 primarily attributable to the timing of flow-through envelope expenses net of government funding revenues.

The retirement segment's NOI increased by $461 to $4,715, compared to Q1 2014 principally attributable to improvements in occupancy.

Home Care’s NOI decreased by $162 to $529, compared to Q1 2014. The decrease was primarily attributable to internal business realignment relating to professional services that serviced the Company's LTC homes. In addition, Home Care experienced minimal growth in personal support worker volumes through its contractual arrangements with CCAC, offset by increased operating expenses resulting from ongoing regulatory and quality standards compliance.

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

Administrative Expenses

Administrative expenses increased by $178 to $4,402, compared to Q1 2014. The increase of $178 was primarily attributable to higher public company expenses of $79 and consulting expenses of $60 mainly related to the Company's rebranding strategy.

Depreciation and Amortization

Depreciation and amortization decreased by $318 to $9,509, compared to Q1 2014. The decrease was primarily attributable to certain resident relationship intangibles and building assets being fully amortized during fiscal year 2014.

Net Finance Charges

Net finance charges for Q1 2015 decreased by $24,016 to $5,377, compared to Q1 2014. The decrease of $24,016 was principally the result of the incremental finance charges of approximately $23,353 from the redemption of the Series A Debentures in Q1 2014. The incremental finance charges of $23,353 primarily resulted from the redemption premium of $18,392 and the write-off of the remaining portion of the fair value increment on the Series A Debenture of $3,835. Additional decrease in net finance charges of $516 was attributable to a reduction in the loss on the mark-to-market adjustment of the interest rate swaps, where hedge accounting has not been applied, compared to Q1 2014.

Transaction Costs

Transaction costs decreased by $512 to $38, compared to Q1 2014. The decrease of $512 was primarily attributable to restructuring charges incurred in the comparable prior year period associated with the 2013 Acquisition.

Income Taxes

Income tax expense for Q1 2015 was $322, compared to an income tax recovery of $6,402 in Q1 2014. The current income tax expense was $285 compared to an income tax recovery of $1,707 in Q1 2014. The comparative prior period tax recovery was primarily attributable to the tax shield created by the redemption premium paid on the Series A Debentures and the settlement of a bond-lock hedge. The current income taxes have been calculated at the weighted average combined corporate tax rate of 26.49%. The deferred tax expense of $37 in Q1 2015 represents an increase of $4,732 over the comparable prior year period primarily as a result of timing differences.

Business Performance

Adjusted Funds from Operations

The following is a reconciliation of net income (loss) to FFO, OFFO and AFFO for the three months ended March 31, 2015 and 2014.

	Three Months Ended		
Thousands of Dollars, except share and per share data	**2015**	2014	Change
Net income (loss)	**350**	(18,064)	18,414
Deferred income tax expense (recovery)	**37**	(4,695)	4,732
Depreciation and amortization	**9,479**	9,827	(348)
Transaction costs	**38**	550	(512)
Net settlement payment on interest rate swap contracts	**80**	93	(13)
Loss on interest rate swap contracts	**44**	560	(516)
Funds from operations (FFO)	**10,028**	(11,729)	21,757
Depreciation and amortization - Corporate	**30**	—	30
Net accretion of fair value increment on long-term debt	**(157)**	3,795	(3,952)
Amortization of deferred financing charges	**293**	801	(508)
Amortization of loss on bond forward contract	**199**	122	77
Net settlement payment on interest rate swap contracts	**(80)**	(93)	13
Redemption premium on long-term debt	**—**	18,392	(18,392)
Tax shield due to redemption premium on Series A Debentures	**(685)**	(274)	(411)
Tax shield due to the settlement of the bond-lock hedge	**—**	(1,650)	1,650
MOHLTC reconciliation adjustment (after tax)	**(19)**	—	(19)
Operating funds from operations (OFFO)	**9,609**	9,364	245
Deferred share unit compensation earned	**231**	174	57
Deferred share unit settlement	**—**	(73)	73
Income support	**17**	344	(327)
Construction funding principal	**2,321**	2,224	97
Maintenance capex	**(342)**	(329)	(13)
Adjusted funds from operations (AFFO)	**11,836**	11,704	132
Adjusted funds from operations (AFFO)	**11,836**	11,704	132
Dividends declared	**(8,175)**	(8,158)	(17)
Operating cash flow retained	**3,661**	3,546	115
Basic FFO per share	**0.276**	(0.324)	0.600
Basic OFFO per share	**0.265**	0.258	0.007
Basic AFFO per share	**0.326**	0.323	0.003
Weighted average common shares outstanding - Basic	**36,324,934**	36,250,882	
Diluted FFO per share	**0.269**	(0.290)	0.559
Diluted OFFO per share	**0.258**	0.248	0.010
Diluted AFFO per share	**0.315**	0.308	0.007
Weighted average common shares outstanding - Diluted	**39,071,203**	38,997,151	

Reconciliation of diluted FFO, OFFO and AFFO

	Three Months Ended		
Thousands of Dollars	**2015**	2014	Change
FFO, Basic	**10,028**	(11,729)	21,757
Net financing charges on convertible debt	**645**	545	100
Current income tax expense adjustment	**(171)**	(144)	(27)
FFO, Diluted	**10,502**	(11,328)	21,830
OFFO, Basic	**9,609**	9,364	245
FFO dilutive adjustment, net	**474**	401	73
Amortization of deferred financing charges on convertible debt	**—**	(99)	99
OFFO, Diluted	**10,083**	9,666	417
AFFO, Basic	**11,836**	11,704	132
OFFO dilutive adjustment, net	**474**	302	172
AFFO, Diluted	**12,310**	12,006	304

For the Quarter

FFO

FFO increased by $21,757 to $10,028 compared to Q1 2014. The increase of $21,757 was primarily attributable to lower net finance costs as a result of the costs incurred for the redemption of the Series A Debentures in Q1 2014 and improved NOI contributions, partially offset by the increased current income tax provision.

OFFO

OFFO increased by $245 to $9,609 compared to the same quarter last year. The increase was principally related to the tax shield on the settlement of the bond-lock hedge recorded in Q1 2014, lower net finance costs mainly attributable to lower interest expenses on long-term debt and improved NOI contributions, partially offset by increased current income taxes and higher tax shield on the redemption premium on the Series A Debenture.

AFFO

AFFO increased by $132 to $11,836 compared to Q1 2014. The increase was principally related to the improved OFFO performance noted above, adjustment relating to increased deferred share units and higher construction funding principal, partly offset by reduction in income support.

Reconciliation of Cash from Operations to Adjusted Funds from Operations

The following table is a reconciliation of cash provided by (used in) operations to AFFO for the periods ended March 31, 2015 and 2014.

	Three Months Ended		
Thousands of Dollars	**2015**	2014	Change
Cash provided by (used in) operating activities	**3,786**	(14,302)	18,088
Redemption premium on long-term debt	**—**	18,392	(18,392)
Net settlement payment on bond forward contracts	**—**	6,234	(6,234)
Construction funding principal	**2,321**	2,224	97
Transaction costs	**38**	550	(512)
MOHLTC reconciliation adjustment (after tax)	**(19)**	—	(19)
Maintenance capex	**(342)**	(329)	(13)
Other changes in non-cash operating items	**6,928**	1,006	5,922
Tax shield due to redemption premium on Series A Debentures	**(685)**	(274)	(411)
Tax shield due to the settlement of the bond-lock hedge	**—**	(1,650)	1,650
Restricted share units and long-term incentive plan expense	**(191)**	(74)	(117)
Deferred share unit settlement	**—**	(73)	73
Adjusted funds from operations (AFFO)	**11,836**	11,704	132
Adjusted funds from operations (AFFO)	**11,836**	11,704	132
Dividends declared	**(8,175)**	(8,158)	(17)
Operating cash flow retained	**3,661**	**3,546**	**115**
Dividend reinvestment	**617**	—	617
Cash Retained after dividend reinvestment	**4,278**	3,546	732

The board of directors determine the appropriate dividend levels based on their assessment of cash provided by operations normalized for unusual items, expected working capital requirements and actual and projected capital expenditures. For Q1 2014, the operating cash flow included the one time redemption premium for the Series A Debentures and net settlement payment on bond forward contracts.

Liquidity and Capital Resources

Financial Position Analysis

The following is a summary of cash flows for the periods ended March 31, 2015 and 2014.

	Three Months Ended		
Thousands of Dollars	**2015**	2014	Change
Cash flow from operations before non-cash working capital items	**15,980**	15,002	978
Non-cash changes in working capital	**(3,723)**	1,953	(5,676)
Bond forward settlement, redemption premium, interest paid and other items	**(8,471)**	(31,257)	22,786
Cash provided by (used in):			
Operating activities	**3,786**	(14,302)	18,088
Investing activities	**9**	2,324	(2,315)
Financing activities	**(9,656)**	14,215	(23,871)
Increase (decrease) in cash	**(5,861)**	2,237	(8,098)
Cash	**23,172**	17,860	5,312

For the Quarter

Operating Activities

For Q1 2015, operating activities provided $3,786 of cash primarily related to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes totaled $15,980.
- Change in net government funding balances provided $3,664 of cash due to timing of receipts.
- Partly offset by interest paid on long-term debt of $8,391.
- Accounts payable and accrued liabilities relating to operating activities decreased by $5,695, primarily related to the timing of wage and benefit accruals.
- Increase in prepaid expenses and deposits of $860 due to timing of payments.

For Q1 2014, operating activities used $14,302 of cash primarily as a result of:

- The redemption premium on the settlement of the Series A Debentures used $18,392 of cash.
- Settlement of the bond forward contracts utilized $6,234 of cash.
- Interest paid on long-term debt of $6,080.
- Partly offset by cash from operating activities before the non-cash changes in working capital, interest and taxes totaled $15,002.

Investing Activities

Investing activities for Q1 2015 provided $9 of cash. The principal source of cash was related to:

- Construction funding received in the amount of $3,270.
- Partly offset by increase in restricted cash of $2,046, primarily for the contributions to the Series B Debentures principal reserve fund in the amount of $1,423.
- Purchase of equipment of $948.

For Q1 2014, investing activities provided $2,324 of cash, primarily as a result of:

- Construction funding received in the amount of $3,270.
- Partly offset by increase in restricted cash of $857 resulting from contributions to the Series B Debentures principal reserve fund.

Financing Activities

Financing activities in Q1 2015 used $9,656 of cash. This was primarily related to:

- Dividends paid in the quarter of $7,548.
- Repayment of long-term debt of $1,870 relating to mortgage principal payments.

For Q1 2014, financing activities provided $14,215 of cash primarily as a result of:

- Proceeds from issuance of the Series B Debentures provided $322,000, which was offset with the repayment of long-term debt, principally related to the Series A Debentures.
- Other offsets included dividends paid in the quarter of $8,156.
- Financing costs related to the Series B Debentures used $3,598 of cash.

Capital Resources

The Company's total debt as at March 31, 2015 was $612,733 (December 31, 2014 - $616,081), net of the Series B Debentures principal reserve fund of $6,174 (December 31, 2014 - $4,751). The decrease of $3,348 primarily related to the monthly payments to the Series B Debentures principal reserve fund and to mortgage liabilities. As at March 31, 2015, the Company had committed and undrawn facilities of $26,500. Subsequent to March 31, 2015, the Company reduced one of the revolving credit facilities by $5,000.

As of March 31, 2015, the Company had a working capital deficiency of $16,404 arising from the timing of wage and benefit accruals and the current portion of long-term debt of $8,069, primarily relating to the portion of mortgage liabilities maturing within a 12-month period. To support the Sienna Senior Living Inc.'s working capital deficiency, the Company plans to use its operating cash flows and, if necessary, undrawn credit facilities, which management believes will be sufficient to address this deficit.

Liquidity and Capital Commitments

Liquidity

The Company's primary source of liquidity is its cash flow generated from operating activities. The Company expects to meet its operating cash requirements through 2015, including required working capital, capital expenditures, and currently scheduled interest payments on debt, from cash on hand, cash flow from operations and its committed, but unutilized borrowing capacity.

Capital Commitments

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

Debt Strategy

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

Commencing in 2014, management has started to build a debt maturity schedule (for fixed term debt) spread evenly over a 10-year period in order to manage interest rate and financial risks. This is a multi-year strategy which will take considerable time to execute. In 2015 and beyond, the Company plans to capitalize on external growth opportunities and management intends to build the 10-year debt maturity ladder around the Series B Debentures so as to reduce risk when this single large debenture matures. Part of this debt strategy involves building a pool of unencumbered assets to be able to finance acquisition opportunities as they arise.

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

Interest Coverage Ratio

Interest coverage ratio is a common measure used by debt rating agencies to assess an entity's ability to service its debt obligations. In general, higher ratios indicate a lower risk of default. The interest coverage ratio is calculated as follows for the three months ended March 31, 2015 and 2014:

	Three Months Ended	
Thousands of Dollars, except ratio	**2015**	2014
Net finance charges	**5,377**	29,393
Add (deduct):		
Net accretion of fair value adjustments on long-term debt	**157**	(3,795)
Amortization of deferred financing charges	**(293)**	(801)
Amortization of loss on bond forward contracts	**(199)**	(122)
Redemption premium on long-term debt	**—**	(18,392)
Interest income on construction funding receivable	**949**	1,046
Other interest income	**6**	240
Loss on interest rate swap contracts	**(44)**	(560)
Net finance charges, adjusted	**5,953**	7,009
EBITDA	**18,841**	18,574
Interest coverage ratio	**3.2**	2.7

The following is the reconciliation of net income (loss) to EBITDA for the three months ended March 31, 2015 and 2014:

	Three Months Ended	
Thousands of Dollars	**2015**	2014
Net income (loss)	**350**	(18,064)
Net finance charges	**5,377**	29,393
Provision for (recovery of) income taxes	**322**	(6,402)
Depreciation and amortization	**9,509**	9,827
Transaction costs	**38**	550
MOHLTC reconciliation adjustments	**(25)**	—
Proceeds from construction funding	**3,270**	3,270
EBITDA	**18,841**	18,574

Debt Service Coverage Ratio

Debt service coverage ratio is a common measure used by debt rating agencies to assess an entity's ability to service its debt obligations; as well, maintaining the debt service coverage ratio forms part of the Company's debt covenant requirements. In general, higher ratios indicate a lower risk of default. The following calculation takes into consideration the payments into the Series B Debentures principal reserve fund as part of the debt service costs. EBITDA adjusted, as referenced below, is presented in accordance with defined terms in certain covenant calculations. The following is the calculation for the three months ended March 31, 2015 and 2014:

Thousands of Dollars, except ratio	Three Months Ended 2015	2014
Net finance charges	**5,377**	29,393
Add (deduct):		
Net accretion of fair value adjustments on long-term debt	**157**	(3,795)
Amortization of deferred financing charges	**(293)**	(801)
Amortization of loss on bond forward contracts	**(199)**	(122)
Redemption premium on long-term debt	**—**	(18,392)
Interest income on construction funding receivable	**949**	1,046
Other interest income	**6**	240
Loss on interest rate swap contracts	**(44)**	(560)
Net finance charges, adjusted	**5,953**	7,009
Principal repayments	**1,870**	1,705
Principal reserve fund	**1,423**	857
Total debt service	**9,246**	9,571
EBITDA	**18,841**	18,574
Add (deduct):		
Maintenance capex	**(342)**	(329)
Cash income taxes	**—**	(458)
EBITDA, adjusted	**18,499**	17,787
Debt service coverage ratio	**2.0**	1.9

Debt to EBITDA Ratio

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

Thousands of Dollars, except ratio	March 31, 2015	2014
Total indebtedness		
Series B Senior Secured Debentures	**322,000**	322,000
Series B Senior Secured Debentures - Principal Reserve Fund	**(6,174)**	(857)
Credit facilities	**66,000**	73,000
Mortgages	**189,266**	175,531
Construction loan	**—**	13,351
Convertible debentures	**46,000**	46,000
	617,092	629,025
EBITDA (quarterly annualized)	**75,364**	74,296
Debt to EBITDA	**8.2**	8.5

Debt Profile

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

	Weighted Average Debt			
	Three Months Ended			
	2015	**Rate (%)**	2014	Rate (%)
Fixed Rate				
Debentures	**322,000**	**3.47%**	383,799	4.10%
Mortgages	**190,125**	**4.56%**	175,531	4.67%
Convertible Debentures	**46,000**	**4.65%**	46,000	4.65%
Total Fixed	**558,125**	**3.94%**	605,330	4.31%
Floating Rate				
Credit Facilities	**66,000**	**2.81%**	73,000	3.03%
Construction Loan	**—**	**—%**	13,351	4.25%
Total Floating	**66,000**	**2.81%**	86,351	3.22%
Total Debt	**624,125**	**3.82%**	691,681	4.17%

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.

	March 31,	
Thousands of Dollars, except ratio	**2015**	2014
Total indebtedness		
Series B Senior Secured Debentures	**322,000**	322,000
Series B Senior Secured Debentures - Principal reserve fund	**(6,174)**	(857)
Credit facilities	**66,000**	73,000
Mortgages	**189,266**	175,531
Construction loan	**—**	13,351
Convertible debentures	**46,000**	46,000
	617,092	629,025
Total assets	**932,798**	969,355
Accumulated depreciation on property and equipment	**100,160**	75,509
Accumulated amortization on intangible assets	**61,835**	47,293
Gross book value	**1,094,793**	1,092,157
Debt to Gross Book Value	**56.4%**	57.6%

Capital Disclosure

Sienna Senior Living Inc. defines its capital as the total of its long-term debt and shareholders' equity less cash and cash equivalents.

The Company's objectives when managing capital are to:

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

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

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

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

The Board of Directors reviews and approves dividends (paid monthly) on a quarterly basis.

The Series B Debentures and a $10,000 revolving credit facility are collateralized by all assets of Leisureworld Senior Care LP ("**LSCLP**"), a subsidiary of the Company. Under the indenture governing the Series B Debentures (and previously the Series A Debentures), LSCLP is subject to certain financial and non-financial covenants including the maintenance of a certain debt service coverage ratio. A $1,500 revolving operating loan is collateralized by assets of Royale Developments LP, a subsidiary of the Company.

The debt incurred as part of the 2013 Acquisition and the acquisition of Red Oak, Royale Place and the Astoria properties is secured by each of the properties' assets, guaranteed by the Company and subject to certain customary financial and non-financial covenants. The mortgages assumed in connection with the acquisition of the Peninsula and Madonna Care Community ("**Madonna**") (formerly Leisureworld Caregiving Centre - Madonna) properties and the mortgage on the Pacifica Retirement Residence ("**Pacifica**") (formerly Royale Pacifica) property are collateralized by first collateral mortgages on the respective properties, guaranteed by the Company only in the case of the Madonna mortgage and in the case of the Pacifica mortgage as to approximately $5,400, and are subject to certain customary financial and non-financial covenants. The Company is in compliance with all financial covenants on its borrowings. However, there can be no assurance that covenant requirements will be met at all times in the future. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt could be affected.

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

Contractual Obligations and Other Commitments

Long-Term Debt

Year	Series B Debentures	Floating Rate Debt	Convertible Debentures	Amortizing Debt: Regular Principal Payments	Amortizing Debt: Principal Due at Maturity	**Total**	% of Total	Weighted Average Interest on Maturing Debt
2015	—	—	—	5,688	—	**5,688**	0.9%	—%
2016	—	—	—	7,906	10,020	**17,926**	2.9%	4.2%
2017	—	66,000	—	6,801	32,506	**105,307**	16.9%	3.6%
2018	—	—	46,000	6,370	22,217	**74,587**	12.0%	5.0%
2019	—	—	—	5,253	37,860	**43,113**	6.9%	4.3%
2020	—	—	—	2,552	—	**2,552**	0.4%	—%
2021	322,000	—	—	2,661	—	**324,661**	52.1%	3.5%
2022	—	—	—	2,773	—	**2,773**	0.4%	—%
2023	—	—	—	2,505	12,407	**14,912**	2.4%	3.0%
2024	—	—	—	2,205	20,617	**22,822**	3.7%	4.2%
Thereafter	—	—	—	3,448	5,477	**8,925**	1.4%	5.2%
	322,000	**66,000**	**46,000**	**48,162**	**141,104**	**623,266**	100.0%	
Mark-to-market adjustment arising from acquisition						**1,691**		
Less: Deferred financing costs						**(4,471)**		
Less: Deferred financing costs on convertible debentures						**(1,312)**		
Less: Equity component of convertible debentures						**(267)**		
						618,907		

Convertible Debentures

On April 25, 2013, the Company issued $46,000 aggregate principal amount of 4.65% Convertible Debentures due January 2, 2014, convertible at $16.75 per common share, for net proceeds of $44,160. The maturity date of the Convertible Debentures is June 30, 2018. The Convertible Debentures bear interest at 4.65% per annum, which is payable semi-annually in June and December.

Operating Leases

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

Related Party Transactions

A subsidiary of Sienna Senior Living Inc. has been contracted to manage the operations of Spencer House Inc., a charitable organization that owns a licence to operate a LTC home in Orillia, Ontario, which is related by virtue of management. The total revenue earned from Spencer House Inc. for the three months ended March 31, 2015 was $470 (2014 - $473). Included in accounts receivable is $87 owing from Spencer House Inc. as at March 31, 2015 (December 31, 2014 - $102). These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the management of the related parties. These amounts are due on demand and are non-interest bearing.

As at March 31, 2015, the Company has amounts outstanding from certain key executives of $446 (December 31, 2014 - $287) in relation to the LTIP issuance, which have been recorded as a reduction to shareholders' equity.

During the year ended December 31, 2013, the Company loaned the Chief Executive Officer ("**CEO**") $500 to effect the purchase of the Company's common shares. The outstanding loan balance as at March 31, 2015 was $463 (December 31, 2014 - $469), which has been recorded as a reduction to shareholders' equity. The loan bears interest at prime rate and is due on demand. The common shares have been pledged as security against the loan, which is personally guaranteed by the CEO.

Key Performance Drivers

Please refer to the Company's MD&A for the year ended December 31, 2014 for a discussion of certain factors that drive the performance of the Company.

Critical Accounting Estimates and Accounting Policies

The critical accounting estimates used by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2014. Please refer to those statements for further detail.

In preparing the unaudited condensed interim consolidated financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2014 which are available on SEDAR or may be accessed on the Company's website.

Significant Judgments and Estimates

The critical accounting estimates used by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2014 which are available on SEDAR or the Company's website. Please refer to those statements for further detail.

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

The Company's AIF dated March 23, 2015 and the MD&A filed for the year ended December 31, 2014 which are available on SEDAR or may be accessed on the Company's website, contain detailed discussions of risks and uncertainties that could affect the Company, its properties and holders of its securities.

Controls and Procedures

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

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

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

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

Q1 2015

Sienna
SENIOR LIVING

Consolidated Financial Statements

(in thousands of Canadian Dollars)

Sienna Senior Living Inc.

Condensed Interim Consolidated Financial Statements

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

Thousands of dollars

	Notes	**March 31, 2015**	December 31, 2014
ASSETS			
Current assets			
Cash		**23,172**	29,033
Accounts receivable and other assets	14	**6,022**	5,163
Income support		**219**	228
Prepaid expenses and deposits		**2,288**	1,428
Government funding receivable		**4,666**	5,061
Construction funding receivable		**9,424**	9,355
Income taxes receivable		**1,295**	1,580
		47,086	51,848
Government funding receivable		**496**	1,630
Interest rate swap contract		**1,267**	704
Restricted cash	5	**7,995**	5,949
Construction funding receivable		**82,173**	84,563
Property and equipment		**572,459**	577,539
Intangible assets		**122,518**	125,726
Goodwill		**98,804**	98,804
Total assets		**932,798**	946,763
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	**50,772**	59,153
Government funding payable		**4,418**	3,051
Current portion of long-term debt	6	**8,069**	74,039
Interest rate swap contract		**231**	169
		63,490	136,412
Long-term debt	6	**566,417**	502,490
Convertible debentures	7	**44,421**	44,303
Deferred income taxes	9	**58,778**	58,688
Government funding payable		**2,291**	1,523
Share-based compensation liability	12	**2,955**	2,574
Interest rate swap contract		**2,138**	1,594
Total liabilities		**740,490**	747,584
SHAREHOLDERS' EQUITY			
Total shareholders' equity		**192,308**	199,179
Total liabilities and shareholders' equity		**932,798**	946,763

See accompanying notes.

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

"Dino Chiesa"

Dino Chiesa
Chairman and Director

"Janet Graham"

Janet Graham
Director

Thousands of dollars

	Notes	**Share capital**	**Equity portion of convertible debentures**	**Contributed surplus**	**Deficit**	**Accumulated other comprehensive income (loss)**	**Total shareholders' equity**
Balance, January 1, 2015		**372,373**	**515**	**59**	**(169,713)**	**(4,055)**	**199,179**
Issuance of shares	**10**	**759**	**—**	**—**	**—**	**—**	**759**
Net income		**—**	**—**	**—**	**350**	**—**	**350**
Other comprehensive income		**—**	**—**	**—**	**—**	**147**	**147**
Long-term incentive plan	**12**	**12**	**—**	**30**	**—**	**—**	**42**
Share purchase loan	**14**	**6**	**—**	**—**	**—**	**—**	**6**
Dividends	**11**	**—**	**—**	**—**	**(8,175)**	**—**	**(8,175)**
Balance, March 31, 2015		**373,150**	**515**	**89**	**(177,538)**	**(3,908)**	**192,308**

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2014		371,789	515	27	(121,231)	1,386	252,486
Issuance of shares	10	154	—	—	—	—	154
Net loss		—	—	—	(18,064)	—	(18,064)
Other comprehensive loss		—	—	—	—	(5,848)	(5,848)
Long-term incentive plan	12	9	—	32	—	—	41
Share purchase loan	14	5	—	—	—	—	5
Dividends	11	—	—	—	(8,158)	—	(8,158)
Balance, March 31, 2014		371,957	515	59	(147,453)	(4,462)	220,616

See accompanying notes.

Thousands of dollars, except share and per share data

Consolidated Statements of Operations

	Notes	Three months ended March 31, 2015	2014
Revenue	14, 15	**113,212**	112,340
Expenses			
Operating		**93,214**	92,812
Administrative		**4,402**	4,224
	16	**97,616**	97,036
Income before depreciation and amortization, net finance charges, transaction costs and the provision for (recovery of) income taxes		**15,596**	15,304
Depreciation and amortization		**9,509**	9,827
Net finance charges	8	**5,377**	29,393
Transaction costs		**38**	550
Total other expenses		**14,924**	39,770
Income (loss) before provision for (recovery of) income taxes		**672**	(24,466)
Provision for (recovery of) income taxes			
Current		**285**	(1,707)
Deferred		**37**	(4,695)
	9	**322**	(6,402)
Net income (loss)		**350**	(18,064)
Basic and Diluted income (loss) per share		**$0.01**	($0.50)
Weighted average number of common shares outstanding - Basic	10	**36,324,934**	36,250,882
Weighted average number of common shares outstanding - Diluted	10	**39,071,203**	38,997,151

Consolidated Statements of Comprehensive Income (Loss)

	Three months ended March 31, 2015	2014
Net income (loss)	**350**	(18,064)
Items that may be subsequently reclassified to statement of operations:		
Realized loss on bond forward contracts (net of tax in 2015 - $53; 2014 - $2,149)	**147**	(5,848)
Total comprehensive income (loss)	**497**	(23,912)

See accompanying notes.

Thousands of dollars

	Notes	Three months ended March 31, 2015	2014
OPERATING ACTIVITIES			
Net income (loss)		**350**	(18,064)
Add (deduct) items not affecting cash			
Depreciation of property and equipment		**6,028**	6,207
Amortization of intangible assets		**3,481**	3,620
Current income taxes		**285**	(1,707)
Deferred income taxes		**37**	(4,695)
Share-based compensation	12	**422**	248
Net finance charges	8	**5,377**	29,393
		15,980	15,002
Non-cash changes in working capital			
Accounts receivable and other assets		**(841)**	(595)
Prepaid expenses and deposits		**(860)**	(698)
Accounts payable and accrued liabilities		**(5,695)**	905
Income support		**9**	344
Government funding, net		**3,664**	1,997
		(3,723)	1,953
Net settlement payment on bond forward contracts		**—**	(6,234)
Redemption premium paid on long-term debt		**—**	(18,392)
Interest paid on long-term debt		**(8,391)**	(6,080)
Net settlement payment on interest rate swap contracts		**(80)**	(93)
Income taxes paid		**—**	(458)
Cash provided by (used in) operating activities		**3,786**	(14,302)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(948)**	(329)
Purchase of intangible assets		**(273)**	—
Amounts received from construction funding		**3,270**	3,270
Interest received from cash		**6**	240
Change in restricted cash		**(2,046)**	(857)
Cash provided by investing activities		**9**	2,324
FINANCING ACTIVITIES			
Share issuance costs		**(27)**	—
Repayment of long-term debt		**(1,870)**	(296,031)
Proceeds from issuance of long-term debt		**—**	322,000
Deferred financing costs		**(211)**	(3,598)
Dividends paid	11	**(7,548)**	(8,156)
Cash provided by (used in) financing activities		**(9,656)**	14,215
Increase (decrease) in cash during the period		**(5,861)**	2,237
Cash, beginning of period		**29,033**	15,623
Cash, end of period		**23,172**	17,860

See accompanying notes.

1 Organization

On May 1, 2015, Leisureworld Senior Care Corporation effected a company-wide rebranding strategy, resulting in a legal name change from Leisureworld Senior Care Corporation to Sienna Senior Living Inc. (the **"Company"**). The name change of the Company was approved at the Annual and Special Meeting of the Company's shareholders on April 21, 2015. The Company was incorporated as Leisureworld Senior Care Corporation under the *Business Corporations Act* (Ontario) on February 10, 2010 and was continued under the *Business Corporations Act* (British Columbia) on March 18, 2010. Leisureworld Senior Care Corporation closed its Initial Public Offering (**"IPO"**) on March 23, 2010. Effective May 1, 2015, the Company changed its name to Sienna Senior Living Inc. pursuant to the filing of a Notice of Alteration with the British Columbia Registry Services on April 23, 2015.

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

The Company and its predecessors have been operating since 1972. Through its subsidiaries, the Company owns and operates 35 long-term care (**"LTC"**) homes (representing an aggregate of 5,733 beds), all of which are located in the Province of Ontario. The Company also owns and operates 10 retirement residences (**"RR"**) (representing 1,066 suites and apartments) in the Provinces of Ontario and British Columbia. An ancillary business of the Company is Preferred Health Care Services (**"Home Care"** or **"PHCS"**), an accredited provider of professional nursing and personal support services for both community-based home healthcare and LTC homes. The Company also operates a management services business that is focused on the third party management in both the LTC and retirement sectors.

The Company is listed on the Toronto Stock Exchange (the **"TSX"**) under the trading symbol **SIA** (formerly, **LW**). As of March 31, 2015, the following securities of the Company were outstanding: 36,363,879 common shares; $46,000 in aggregate principal amount of extendible convertible unsecured subordinated debentures (TSX symbol: **SIA.DB** (formerly, **LW.DB**)) which, in aggregate, are convertible into 2,746,269 common shares (Note 7).

2 Basis of preparation

These unaudited condensed interim consolidated financial statements (**"interim consolidated financial statements"**) have been prepared in accordance with International Accounting Standard (**"IAS"**) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (**"IASB"**). The interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards (**"IFRS"**).

The interim consolidated financial statements were approved by the Board of Directors for issue on May 13, 2015.

3 Summary of significant accounting policies, judgments and estimation uncertainty

In preparing these interim consolidated financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2014.

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

Significant judgments and estimates

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2014.

4 Financial instruments

Fair value of financial instruments

The Company's use of unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), inputs that are observable for the assets or liabilities either directly or indirectly (Level 2) and inputs for assets or liabilities that are not based on observable market data (Level 3) in the valuation of financial instruments are as follows as at March 31, 2015 and December 31, 2014:

	As at March 31, 2015			
		Fair value		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
Financial Assets:				
Construction funding receivable	**91,597**	—	—	**100,011**
Interest rate swap contract	**1,267**	—	**1,267**	—
Financial Liabilities:				
Long-term debt	**574,486**	—	**606,711**	—
Convertible debentures	**44,421**	**47,155**	—	—
Interest rate swap contract	**2,369**	—	**2,369**	—

	As at December 31, 2014			
		Fair value		
	Carrying value	Level 1	Level 2	Level 3
Financial Assets:				
Construction funding receivable	93,918	—	—	100,727
Interest rate swap contract	704	—	704	—
Financial Liabilities:				
Long-term debt	576,529	—	596,796	—
Convertible debentures	44,303	46,506	—	—
Interest rate swap contract	1,763	—	1,763	—

Liquidity risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company has credit agreements in place related to the long-term debt. These credit agreements contain a number of standard financial and other covenants. The Company was in compliance with all covenants on its borrowings as at March 31, 2015. A failure by the Company to comply with the obligations in these credit agreements could result in a default, which, if not rectified or waived, could permit acceleration of the relevant indebtedness.

As at March 31, 2015, the Company had negative working capital of $16,404 (December 31, 2014 - $84,564). To support the Company's working capital deficiency, the Company will use its operating cash flows and, if necessary, undrawn credit facilities.

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

5 Restricted cash

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

	March 31, 2015	December 31, 2014
Benefits reserve	**577**	—
Capital maintenance reserve	**1,244**	1,198
Series B Debentures principal reserve fund	**6,174**	4,751
Restricted cash	**7,995**	5,949

6 Long-term debt

	Interest rate	**Maturity date**	**March 31, 2015**	December 31, 2014
Series B Senior Secured Debentures	3.474%	February 3, 2021	**322,000**	322,000
Credit facilities	Floating	April/May 2017	**66,000**	66,000
Mortgages at fixed rates	3.04% - 7.11%	2016 - 2024	**174,666**	176,422
Mortgage at variable rate	Floating	April 16, 2029	**14,600**	14,714
			577,266	579,136
Mark-to-market adjustments on acquisition			**1,691**	1,848
Financing costs			**(4,471)**	(4,455)
Total debt			**574,486**	576,529
Less: current portion			**8,069**	74,039
			566,417	502,490

Credit facilities

The Red Oak Retirement Residence and Royale Place Retirement Residence (formerly the Royale Kingston and Royale Kanata retirement residences) (**"Ontario Portfolio"**) have a $57,000 revolving credit facility (**"Revolving Credit Facility"**) that bears interest at 187.5 basis points (**"bps"**) per annum over the floating 30-day Bankers' Acceptance (**"BA"**) rate and is secured by the Ontario Portfolio assets of the Company’s subsidiary, The Royale LP, guaranteed by the Company and is subject to certain customary financial and non-financial covenants. On March 31, 2015, the Company extended the maturity from April 26, 2015 to April 26, 2017. As at March 31, 2015, the Company had drawn $42,000 under this credit facility (December 31, 2014 - $42,000).

The Astoria Retirement Residence has a $24,000 credit facility (**"Credit Facility"**) that bears a floating interest rate equal to the BA rate plus 187.5 bps. The credit facility is secured by Astoria's assets and guaranteed by the Company and is subject to certain customary financial and non-financial covenants. On March 31, 2015, the Company extended the maturity from May 23, 2015 to May 22, 2017. As at March 31, 2015, the Company had drawn $24,000 under this credit facility (December 31, 2014 - $24,000).

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

7 Convertible debentures

On April 25, 2013, the Company issued $46,000 aggregate principal amount of 4.65% extendible convertible unsecured subordinated debentures due January 2, 2014 (**"Convertible Debentures"**), convertible into common shares of the Company at $16.75 per common share, for net proceeds of $44,160. Upon closing of the acquisition of Specialty Care Inc. on December 2, 2013, the maturity date of the Convertible Debentures was automatically extended to June 30, 2018. The Convertible Debentures bear interest at 4.65% per annum, which is payable semi-annually in June and December.

On closing of the Convertible Debenture offering on April 25, 2013, the debt and equity components of the Convertible Debentures were bifurcated as the financial instrument is considered a compound instrument with $45,593 classified as a liability and $515 classified as equity attributable to the conversion option. The equity component included a deferred tax asset of $108. The liability portion of the Convertible Debentures was initially recorded at fair value and is subsequently carried at amortized cost. The Company incurred financing costs of $2,111 related to the Convertible Debentures, which are amortized over their term using the effective interest method and recognized as part of net finance charges. As at March 31, 2015, $1,312 (December 31, 2014 - $1,411) of financing costs remain to be amortized and $267 (December 31, 2014 - $286) of fair value adjustment remains to be accreted.

8 Net finance charges

	Three months ended March 31	
	2015	2014
Finance costs		
Interest expense on long-term debt	**5,295**	6,352
Interest expense on convertible debentures	**546**	545
Fees on revolving credit facility	**32**	19
Net accretion of the fair value adjustments on long-term debt	**(157)**	3,795
Amortization of deferred financing charges	**293**	801
Amortization of loss on bond forward contract	**199**	122
Redemption premium on long-term debt	**—**	18,392
Net settlement payment on interest rate swap contracts	**80**	93
Loss on interest rate swap contracts	**44**	560
	6,332	30,679
Finance income		
Interest income on construction funding receivable	**949**	1,046
Other interest income	**6**	240
	955	1,286
Net finance charges	**5,377**	29,393

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

9 Income taxes

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

	Three months ended March 31	
	2015	2014
Net income (loss) before provision for (recovery of) income taxes	**672**	(24,466)
Canadian combined income tax rate	**26.49%**	26.47%
Income tax expense (recovery)	**178**	(6,476)
Adjustments to income tax provision:		
Non-deductible items	**55**	28
Other items	**89**	46
Income tax expense (recovery)	**322**	(6,402)

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

	Accelerated tax depreciation	Intangible assets	Share issuance	Construction funding interest	Other	Total
As at December 31, 2014	(63,058)	(6,072)	1,164	5,712	3,566	(58,688)
Credit (charge) to net loss	312	635	(158)	(251)	(575)	(37)
Credit to other comprehensive loss	—	—	—	—	(53)	(53)
As at March 31, 2015	**(62,746)**	**(5,437)**	**1,006**	**5,461**	**2,938**	**(58,778)**

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

10 Share capital

Authorized

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

Issued and outstanding

Common shares

	Common shares	Amount
Balance, January 1, 2014	36,239,653	371,789
Long-term incentive plan, net of loans receivable (Note 12)	10,396	19
Share-based compensation (Note 14)	—	20
Dividend reinvestment plan	32,892	350
Issued common shares (Note 12)	16,097	195
Balance, December 31, 2014	36,299,038	372,373
Long-term incentive plan, net of loans receivable (Note 12)	11,669	12
Share-based compensation (Note 14)	—	6
Dividend reinvestment plan	44,074	622
Issued common shares (Note 12)	9,098	137
Balance, March 31, 2015	**36,363,879**	**373,150**

Dividend reinvestment plan

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

Earnings per share

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

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

	Three months ended March 31	
	2015	2014
Numerator for Basic and Diluted income (loss) per share		
Net income (loss) for basic income (loss) per share	**350**	(18,064)
Net finance charges on convertible debentures	**645**	644
Current income tax adjustment	**(171)**	(170)
Net income (loss) used to determine diluted income (loss) per share	**824**	(17,590)
Denominator for Basic and Diluted income (loss) per share		
Weighted average number of shares for basic income (loss) per share	**36,324,934**	36,250,882
Shares issued if all convertible debentures were converted	**2,746,269**	2,746,269
Total for diluted income (loss) per share	**39,071,203**	38,997,151

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

11 Dividends

The Company paid dividends at $0.075 per month per common share totaling $7,548 for the three months ended March 31, 2015 (2014 - $8,156). Dividends payable of $2,728 are included in accounts payable and accrued liabilities as at March 31, 2015 (December 31, 2014 - $2,723). Subsequent to March 31, 2015, the Board of Directors declared dividends of $0.075 per common share for April 2015 totaling $2,728. These dividends have not been recorded in these interim consolidated financial statements.

12 Share-based compensation

The Company has share-based compensation plans described as follows:

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

On February 25, 2015, incentive award amounts entitling eligible participants to acquire 11,669 common shares were granted pursuant to the LTIP. On the grant date, the participants paid $9 towards the acquisition of common shares. This payment was recorded as an increase in share capital. Related to the LTIP in the three months ended March 31, 2015, the Company recorded an increase of $12 in share capital (2014 - $9) and $30 in contributed surplus (2014 - $32). Included as a reduction to shareholders' equity is an outstanding loan balance of $446 (December 31, 2014 - $287). Total expense related to the LTIP for the three months ended March 31, 2015 was $30 (2014 - $32).

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

Valuation date	February 25, 2015	February 25, 2014
Fair value at grant date	$14.80	$12.30
Volatility	15.78%	16.46%
Monthly discrete dividend	$0.075	$0.075
Risk-free rate	1.79%	2.83%
Annual interest rate on participant's loan - prime rate	3.00%	3.00%
Forfeiture rate	0.00%	0.00%

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

During the three months ended March 31, 2015, 17,007 restricted share units (**"RSUs"**) (2014 - 23,730) were granted pursuant to the RSUP. Total expenses related to the RSUP for the three months ended March 31, 2015 was $161 (2014 - $130). During the same period, 10,748 RSUs vested and were settled in cash and shares, resulting in a decrease of $157 to the share-based compensation liability. The total liability recorded as part of the share-based compensation liability as at March 31, 2015 was $239 (December 31, 2014 - $235).

RSU awards vest on the third anniversary of the grant date upon which the RSUs are granted (formerly vesting equally at the end of years one, two and three from the grant date).

All amounts are in thousands of 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, 2014	26,027
Granted	23,730
Forfeited	(3,664)
Dividends reinvested	2,126
Settled in cash	(2,791)
Settled in shares	(16,097)
Outstanding, December 31, 2014	29,331
Granted	17,007
Dividends reinvested	504
Settled in cash	(1,650)
Settled in shares	(9,098)
Outstanding, March 31, 2015	**36,094**

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

Total expenses related to the DSUP for the three months ended March 31, 2015 was $227 (2014 - $174), which was recognized in administrative expenses. The total liability recorded related to the DSUP as a part of the share-based compensation liability as at March 31, 2015 was $2,566 (December 31, 2014 - $2,339). The value of each DSU is measured at each reporting date and is equivalent to the fair market value of a common share of the Company at the reporting date.

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

Effective November 12, 2014, the Board approved the adoption of the EDSUP for executive officers and such other officers or employees as the Board of Directors may determine from time to time (each, an**"Officer"**). The EDSUP allows Officers to elect to receive all or a percentage of their annual base incentive awards in the form of notional common shares (executive deferred share units or **"EDSUs"**). Each Officer in the EDSUP, 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, the Officer is credited that number of EDSUs equal to the quotient obtained by dividing the amount of the contribution by the volume weighted average closing price of the common shares on the TSX for the five trading days immediately preceding the date of payment. The Company will match 25% of all EDSUs so credited (in the case of all executive officers except the Chief Executive Officer) and 35% (in the case of the Chief Executive Officer), up to a maximum of 25% of the annual base incentive awards, or such other amount as the Board of Directors may determine.

EDSUs vest on the third anniversary of the date upon which the EDSUs are granted (the **"EDSU Vesting Date"**). The Officers are notionally entitled to receive distributions per EDSU equal to the amount of dividends paid per common share. Such distributions will be credited to the Officer’s EDSU account in the form of additional EDSUs. The number of EDSUs to be credited for each dividend will be equal to the aggregate amount of such dividend divided by the volume weighted average closing price of the common shares on the TSX for the five trading days immediately preceding the date such dividend was declared.

EDSUs vest at the end of three years from the grant date but may be redeemed only when an Officer no longer serves as an executive officer (or officer or employee) of the Company. Redemptions are paid out in cash.

The value of each EDSU is measured at each reporting date and is equivalent to the fair market value of a common share of the Company at the reporting date. One award under the EDSUP vested immediately, at the discretion of the CGNC, with a value of $146. Total expenses related to the EDSUP for the three months ended March 31, 2015 was $4 (2014 - $nil), which was recognized in administrative expenses. The total liability recorded as a part of the share-based compensation liability as at March 31, 2015 was $150 (December 31, 2014 - $nil).

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

13 Key management compensation

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

	Three months ended March 31	
	2015	2014
Salaries and short-term employee benefits	**461**	688
Termination benefits	**—**	232
Share-based compensation	**419**	243
	880	1,163

14 Related party transactions

A subsidiary of the Company has been contracted to manage the operations of Spencer House Inc., a charitable organization that owns a licence to operate a LTC home in Orillia, Ontario, and is related by virtue of the management relationship. The total revenue earned from Spencer House Inc. for the three months ended March 31, 2015 was $470 (2014 - $473). Included in accounts receivable is $87 owing from Spencer House Inc. as at March 31, 2015 (December 31, 2014 - $102). These transactions are in the normal course of operations and have been valued in these interim consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the management of the related parties. These amounts are due on demand and are non-interest bearing.

As at March 31, 2015, the Company has amounts outstanding from certain key executives of $446 (December 31, 2014 - $287) (Note 12) in relation to the LTIP issuance, which have been recorded as a reduction to shareholders' equity.

During the year ended December 31, 2013, the Company loaned the Chief Executive Officer (**"CEO"**) $500 to effect the purchase of the Company's common shares. The outstanding loan balance as at March 31, 2015 was $463 (December 31, 2014 - $469), which has been recorded as a reduction to shareholders' equity. The loan bears interest at the prime rate and is due on demand. The common shares have been pledged as security against the loan, which is personally guaranteed by the CEO.

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

15 Economic dependence

The Company holds licences related to each of its LTC homes and receives funding from the Ministry of Health and Long-Term Care (**"MOHLTC"**) related to those licences. Funding is received on or about the 22nd of each month. During the three months ended March 31, 2015, the Company received approximately $70,395 (2014 - $71,302) in respect of these licences for flow-through envelope revenues and other MOHLTC funded initiatives.

16 Expenses by nature

	Three months ended March 31	
	2015	2014
Salaries, benefits and people costs	**73,437**	71,714
Food	**4,596**	4,308
Property taxes	**3,322**	3,451
Utilities	**3,965**	3,883
Purchased services and non-medical supplies	**3,786**	3,876
Other	**8,510**	9,804
Total expenses	**97,616**	97,036

17 Segmented information

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

The Company is comprised of the following main business segments:

- LTC business - LTC is the core business of the Company;
- Retirement - Retirement includes 10 retirement residences;
- Home Care - Home Care is an accredited provider of professional nursing, personal support and education services for both community-based home care and LTC homes;
- Management Services - Management Services is a division that is focused on the third party management business in both the LTC and retirement sectors; and
- Corporate, Eliminations and Other - This segment represents the results of head office, intercompany eliminations and other items that are not allocable to the segments.

The significant accounting policies of the reportable operating segments are the same as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2014.

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

	Three months ended March 31, 2015					
	Long-Term Care	**Retirement**	**Home Care**	**Management Services**	**Corporate, Eliminations and Other**	**Total**
Gross revenue	**99,304**	**10,540**	**4,202**	**635**	**8,175**	**122,856**
Less: Internal revenue	**1,332**	**—**	**—**	**—**	**8,312**	**9,644**
Net revenue	**97,972**	**10,540**	**4,202**	**635**	**(137)**	**113,212**
Income (loss) before depreciation and amortization, net finance charges, transaction costs and the provision of income taxes	**14,281**	**4,715**	**529**	**473**	**(4,402)**	**15,596**
Transaction costs	**—**	**—**	**—**	**—**	**38**	**38**
Depreciation of property and equipment	**4,243**	**1,758**	**—**	**—**	**27**	**6,028**
Amortization of intangible assets	**536**	**2,496**	**—**	**446**	**3**	**3,481**
Finance costs	**4,331**	**1,356**	**—**	**—**	**645**	**6,332**
Finance income	**(949)**	**—**	**(1)**	**—**	**(5)**	**(955)**
Income tax expense	**—**	**—**	**—**	**—**	**322**	**322**
Net income (loss)	**6,120**	**(895)**	**530**	**27**	**(5,432)**	**350**
Purchase of property and equipment	**17**	**325**	**—**	**—**	**606**	**948**
Purchase of intangible assets	**4**	**—**	**—**	**—**	**269**	**273**

	Three months ended March 31, 2014					
	Long-Term Care	Retirement	Home Care	Management Services	Corporate, Eliminations and Other	Total
Gross revenue	98,965	9,991	4,391	621	8,157	122,125
Less: Internal revenue	1,308	—	—	—	8,477	9,785
Net revenue	97,657	9,991	4,391	621	(320)	112,340
Income (loss) before depreciation and amortization, net finance charges, transaction costs and the provision of income taxes	14,079	4,254	691	504	(4,224)	15,304
Transaction costs	—	—	—	—	550	550
Depreciation of property and equipment	4,462	1,745	—	—	—	6,207
Amortization of intangible assets	550	2,894	2	174	—	3,620
Finance costs	28,655	1,380	—	—	644	30,679
Finance income	(1,279)	—	—	—	(7)	(1,286)
Income tax recovery	—	—	—	—	(6,402)	(6,402)
Net income (loss)	(18,309)	(1,765)	689	330	991	(18,064)
Purchase of property and equipment	263	66	—	—	—	329
Purchase of intangible assets	—	—	—	—	—	—

	As at March 31, 2015					
	Long-Term Care	**Retirement**	**Home Care**	**Management Services**	**Corporate, Eliminations and Other**	**Total**
Total assets	**740,252**	**175,816**	**8,168**	**7,359**	**1,203**	**932,798**
Goodwill	**89,322**	**2,511**	**6,521**	**450**	**—**	**98,804**
Intangible assets	**109,364**	**8,268**	**—**	**4,174**	**712**	**122,518**

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

	As at December 31, 2014					
	Long-Term Care	Retirement	Home Care	Management Services	Corporate, Eliminations and Other	Total
Total assets	687,135	243,682	8,645	6,815	486	946,763
Goodwill	89,322	2,511	6,521	450	—	98,804
Intangible assets	109,896	10,764	—	4,620	446	125,726

18 Comparative figures

Certain comparative figures have been reclassified from the consolidated financial statements previously presented to conform to the presentation adopted in the current year. These reclassifications include:

- In the segmented information note, the Management Services business is now reflected under its own segment, which was previously included under corporate, eliminations and other.

These reclassifications had no impact on the reported net income (loss).