INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Q1 2020

Extendicare Inc.
Dated: May 14, 2020

Extendicare Inc.
Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2020 and 2019

Extendicare Inc.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

(in thousands of Canadian dollars)	*notes*	**March 31, 2020**	**December 31, 2019**
Assets			
Current assets			
Cash and cash equivalents		**105,829**	94,457
Restricted cash		**2,645**	2,441
Accounts receivable		**36,284**	50,382
Income taxes recoverable		**16,626**	15,958
Other assets	*4*	**20,571**	20,661
Total current assets		**181,955**	183,899
Non-current assets			
Property and equipment	*3*	**528,847**	530,527
Goodwill and other intangible assets		**88,425**	89,874
Other assets	*4*	**61,103**	71,752
Deferred tax assets		**13,717**	12,748
Total non-current assets		**692,092**	704,901
Total assets		**874,047**	888,800
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**129,385**	136,922
Income taxes payable		**902**	1,606
Long-term debt	*6*	**116,126**	133,771
Provisions	*5*	**5,390**	3,572
Total current liabilities		**251,803**	275,871
Non-current liabilities			
Long-term debt	*6*	**438,247**	422,535
Provisions	*5*	**21,040**	25,541
Other long-term liabilities	*7*	**37,441**	35,187
Deferred tax liabilities		**13,285**	14,252
Total non-current liabilities		**510,013**	497,515
Total liabilities		**761,816**	773,386
Share capital	*9*	**500,068**	498,116
Equity portion of convertible debentures		**7,085**	7,085
Contributed surplus		**3,331**	3,675
Accumulated deficit		**(387,014)**	(382,189)
Accumulated other comprehensive loss		**(11,239)**	(11,273)
Shareholders' equity		**112,231**	115,414
Total liabilities and equity		**874,047**	888,800

See accompanying notes to unaudited interim condensed consolidated financial statements.
Commitments and contingencies (Note 15).
Subsequent event (Note 6).

Extendicare Inc.
Interim Condensed Consolidated Statements of Earnings
(Unaudited)

		Three months ended March 31,	
(in thousands of Canadian dollars except for per share amounts)	*notes*	**2020**	**2019**
CONTINUING OPERATIONS			
Revenue	*17*	**271,818**	274,269
Operating expenses		**241,435**	243,883
Administrative costs		**10,483**	10,834
Total expenses	*10*	**251,918**	254,717
Earnings before depreciation, amortization, and other expense		**19,900**	19,552
Depreciation and amortization		**9,853**	9,427
Other expense	*11*	**—**	1,429
Earnings before net finance costs and income taxes		**10,047**	8,696
Interest expense		**7,041**	6,882
Interest revenue		**(930)**	(864)
Accretion		**304**	536
Foreign exchange and fair value adjustments	*12*	**1,395**	329
Net finance costs		**7,810**	6,883
Earnings before income taxes		**2,237**	1,813
Income tax expense (recovery)			
Current		**2,073**	1,524
Deferred		**(1,707)**	(768)
Total income tax expense		**366**	756
Earnings from continuing operations		**1,871**	1,057
DISCONTINUED OPERATIONS			
Earnings from discontinued operations, net of income taxes	*14*	**4,035**	1,901
Net earnings		**5,906**	2,958
Basic and Diluted Earnings per Share (in dollars)			
Earnings from continuing operations	*13*	**$0.02**	$0.01
Net earnings	*13*	**$0.07**	$0.03

See accompanying notes to unaudited interim condensed consolidated financial statements.

Extendicare Inc.
Interim Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three months ended March 31,	
(in thousands of Canadian dollars)	**2020**	**2019**
Net earnings	**5,906**	2,958
Other comprehensive income (loss), net of taxes		
Items that will not be reclassified to profit or loss:		
Defined benefit plan actuarial gains (losses)	**(779)**	(1,739)
Tax recovery (expense) on defined benefit plan actuarial losses	**206**	461
Defined benefit plan actuarial losses, net of taxes	**(573)**	(1,278)
Items that are or may be reclassified subsequently to profit or loss:		
Net change in foreign currency translation adjustment	**607**	(626)
Other comprehensive income (loss), net of taxes	**34**	(1,904)
Total comprehensive income	**5,940**	1,054

See accompanying notes to unaudited interim condensed consolidated financial statements.

Extendicare Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars, except for number of shares)	***notes***	***Number of Shares***	**Share Capital**	**Equity Portion of Convertible Debentures**	**Contributed Surplus**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Shareholders' Equity**
Balance at January 1, 2020		***89,232,512***	**498,116**	**7,085**	**3,675**	**(382,189)**	**(11,273)**	**115,414**
DRIP		***187,658***	**1,434**	**—**	**—**	**—**	**—**	**1,434**
Share-based compensation	***8***	***46,128***	**518**	**—**	**(344)**	**—**	**—**	**174**
Net earnings		**—**	**—**	**—**	**—**	**5,906**	**—**	**5,906**
Dividends declared		**—**	**—**	**—**	**—**	**(10,731)**	**—**	**(10,731)**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**34**	**34**
Balance at March 31, 2020		**89,466,298**	**500,068**	**7,085**	**3,331**	**(387,014)**	**(11,239)**	**112,231**

(in thousands of Canadian dollars, except for number of shares)	***notes***	***Number of Shares***	**Share Capital**	**Equity Portion of Convertible Debentures**	**Contributed Surplus**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Shareholders' Equity**
Balance at January 1, 2019		*88,489,984*	492,064	7,085	2,706	(368,147)	(7,717)	125,991
DRIP		*183,762*	1,271	—	—	—	—	1,271
Share-based compensation	*8*	—	—	—	218	—	—	218
Net earnings		—	—	—	—	2,958	—	2,958
Dividends declared		—	—	—	—	(10,634)	—	(10,634)
Other comprehensive loss		—	—	—	—	—	(1,904)	(1,904)
Balance at March 31, 2019		88,673,746	493,335	7,085	2,924	(375,823)	(9,621)	117,900

See accompanying notes to unaudited interim condensed consolidated financial statements.

Extendicare Inc.
Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

		Three months ended March 31,	
(in thousands of Canadian dollars)	*notes*	**2020**	**2019**
Operating Activities			
Net earnings		**5,906**	2,958
Adjustments for:			
Depreciation and amortization	*3*	**9,853**	9,427
Share-based compensation	*8*	**174**	218
Deferred taxes		**(1,707)**	(825)
Current taxes		**2,073**	1,581
Net finance costs		**6,415**	6,554
Other income	*14*	**(4,035)**	(472)
Foreign exchange and fair value adjustments	*12*	**1,395**	329
		20,074	19,770
Net change in operating assets and liabilities			
Accounts receivable		**14,097**	5,963
Other assets	*4*	**184**	984
Accounts payable and accrued liabilities		**(8,993)**	1,785
		25,362	28,502
Interest paid		**(5,039)**	(4,948)
Interest received		**931**	867
Income taxes paid		**(2,406)**	(3,015)
Payments of self-insured liabilities		**(39)**	(8,894)
Net cash from operating activities		**18,809**	12,512
Investing Activities			
Purchase of property, equipment and other intangible assets	*3*	**(5,426)**	(6,038)
Decrease in investments held for self-insured liabilities		**9,648**	9,266
Decrease in other assets	*4*	**1,449**	1,370
Net cash from investing activities		**5,671**	4,598
Financing Activities			
Issuance of long-term debt	*6*	**2,677**	5,183
Repayment of long-term debt	*6*	**(6,625)**	(7,741)
Increase in restricted cash		**(204)**	(153)
Dividends paid		**(9,284)**	(9,355)
Financing costs		**(54)**	—
Net cash used in financing activities		**(13,490)**	(12,066)
Increase in cash and cash equivalents		**10,990**	5,044
Cash and cash equivalents at beginning of period		**94,457**	65,893
Foreign exchange gain (loss) on cash held in foreign currency		**382**	(437)
Cash and cash equivalents at end of period		**105,829**	70,500

See accompanying notes to unaudited interim condensed consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF THE BUSINESS

The common shares (the "Common Shares") of Extendicare Inc. ("Extendicare" or the "Company") are listed on the Toronto Stock Exchange (TSX) under the symbol "EXE". The Company and its predecessors have been operating since 1968, providing care and services to seniors throughout Canada. The Company is a leading provider of care and services for seniors across Canada, operating under the Extendicare, Esprit Lifestyle, ParaMed, Extendicare Assist and SGP Partner Network brands and is committed to delivering quality care throughout the health continuum to meet the needs of a growing seniors population. The registered office of the Company is located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada, L3R 9W2.

2. BASIS OF PREPARATION

a) Statement of Compliance

The interim condensed consolidated financial statements (the "consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB), and were approved by the board of directors of the Company on May 14, 2020.

The consolidated financial statements do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the Company's 2019 annual audited consolidated financial statements. These consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the year-ended December 31, 2019, except for those identified below. Certain comparative information has been reclassified to conform to the current year presentation.

b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial assets and liabilities classified at fair value through profit or loss.

The Company's consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in dollars has been rounded to the nearest thousand, unless otherwise noted.

c) Use of Estimates and Judgement

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In March 2020, a global pandemic was declared related to a new strain of coronavirus (COVID-19). In response, the federal and provincial governments and public health officials initiated a number of measures to mitigate against the severity and spread of the virus. Any estimate of the length and severity of these impacts is therefore subject to significant uncertainty, and accordingly estimates of the extent to which COVID-19 may materially and adversely effect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. The areas of estimation and judgement uncertainty for the Company which may be impacted by the uncertainty of COVID-19 include estimates used to determine the recoverable amounts for long-lived assets subject to an impairment test which rely on the outlook for future financial performance of the CGU and estimates regarding deferred income taxes and valuation allowances.

The more subjective of such estimates are:

- determination of the lease term for leases that include renewal options and the appropriate discount rate used to recognize lease liability;
- valuation of indemnification provisions;
- valuation of self-insured liabilities;
- valuation of equity portion of convertible debentures;
- valuation of financial assets and liabilities;
- valuation of share-based compensation;

- determination of the recoverable amount of cash generating units (CGUs) subject to an impairment test;
- accounting for tax uncertainties and the tax rates used for valuation of deferred taxes; and
- determination of the amount and timing of proposed government funding enhancements to address the increased costs of operations as a result of COVID-19.

In addition, the assessment of contingencies (*Note 15*) and provisions are subject to judgement. The recorded amounts for such items are based on management's best available information and are subject to assumptions and judgement, which may change as time progresses; accordingly, actual results could differ from estimates.

d) Accounting Standards Adopted during the Period

Beginning on January 1, 2020, the Company adopted certain IFRS and amendments. As required by IAS 34 Interim Financial Reporting and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below:

Definition of a Business

Beginning on January 1, 2020, the Company adopted the IASB amendment regarding the definition of a business under IFRS 3 Business Combinations. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The adoption of the amendment to IFRS 3 did not have a material impact on the consolidated financial statements.

3. PROPERTY AND EQUIPMENT

	Land & Land Improvements	Buildings	Furniture & Equipment	Leasehold Improvements	Construction in Progress (CIP)	Total
Cost or Deemed Cost						
January 1, 2019	58,280	587,161	63,047	1,927	30,851	741,266
Recognition of right-of-use assets on initial application of IFRS 16	—	5,780	—	—	—	5,780
Adjusted January 1, 2019	58,280	592,941	63,047	1,927	30,851	747,046
Additions	247	13,763	6,147	406	21,666	42,229
Write-off of fully depreciated assets	(197)	(906)	(5,213)	(1,029)	—	(7,345)
Transfer from CIP	3,080	33,746	2,543	—	(39,369)	—
December 31, 2019	61,410	639,544	66,524	1,304	13,148	781,930
January 1, 2020	**61,410**	**639,544**	**66,524**	**1,304**	**13,148**	**781,930**
Additions	**—**	**1,966**	**858**	**—**	**3,397**	**6,221**
Write-off of fully depreciated assets	**(12)**	**(6,664)**	**(496)**	**(827)**	**—**	**(7,999)**
Transfer from CIP	**127**	**169**	**334**	**—**	**(630)**	**—**
March 31, 2020	**61,525**	**635,015**	**67,220**	**477**	**15,915**	**780,152**

	Land & Land Improvements	Buildings	Furniture & Equipment	Leasehold Improvements	Construction in Progress (CIP)	Total
Accumulated Depreciation						
January 1, 2019	4,580	191,780	28,251	1,806	—	226,417
Recognition of right-of-use assets on initial application of IFRS 16	—	—	—	—	—	—
Adjusted January 1, 2019	4,580	191,780	28,251	1,806	—	226,417
Additions	647	24,775	6,474	435	—	32,331
Write-off of fully depreciated	(197)	(906)	(5,213)	(1,029)	—	(7,345)
December 31, 2019	5,030	215,649	29,512	1,212	—	251,403
January 1, 2020	**5,030**	**215,649**	**29,512**	**1,212**	**—**	**251,403**
Additions	**167**	**5,990**	**1,720**	**24**	**—**	**7,901**
Write-off of fully depreciated assets	**(12)**	**(6,664)**	**(496)**	**(827)**	**—**	**(7,999)**
March 31, 2020	**5,185**	**214,975**	**30,736**	**409**	**—**	**251,305**
Carrying amounts						
At December 31, 2019	56,380	423,895	37,012	92	13,148	530,527
At March 31, 2020	**56,340**	**420,040**	**36,484**	**68**	**15,915**	**528,847**

The right-of-use assets included in buildings were $99.2 million (December 31, 2019 – $97.8 million) with accumulated depreciation of $38.4 million (December 31, 2019 – $37.1 million).

During 2020, new and renewed leases have been recognized as right-of-use asset within Buildings of $1.4 million (three months ended March 31, 2019 – $Nil).

During 2020, no borrowing costs were capitalized related to development projects under construction (three months ended March 31, 2019 – $0.2 million at an average capitalization rate of 4.5%).

4. OTHER ASSETS

	March 31, 2020	December 31, 2019
Investments held for self-insured liabilities	**19,787**	27,562
Amounts receivable and other assets	**61,887**	63,371
Interest rate swaps	**—**	1,480
	81,674	92,413
less: current portion	**(20,571)**	(20,661)
	61,103	71,752

Investments Held for Self-insured Liabilities

After the sale of the U.S. business in 2015 (the "U.S. Sale Transaction"), as part of its continuing operations, the Company retained its wholly owned Bermuda-based captive insurance company, Laurier Indemnity Company, Ltd. (the "Captive"), which, along with third-party insurers, insured the Company's U.S. general and professional liability risks up to the date of the U.S. Sale Transaction.

The Company holds U.S. dollar-denominated investments within the Captive for settlements of the self-insured liabilities that are subject to insurance regulatory requirements.

As at March 31, 2020, the investment portfolio comprises cash of $6.6 million (December 31, 2019 – $6.3 million) and money market funds of $13.2 million (December 31, 2019 – $21.2 million). Certain of these investments in the amount of $2.9 million (December 31, 2019 – $2.7 million), have been pledged as collateral for letters of credit issued by the banker of the Captive in favour of ceding companies. As at March 31, 2020, all investments were carried at fair value, with changes in fair value reflected in net earnings.

Amounts Receivable and Other Assets

Amounts receivable and other assets include discounted amounts receivable due from the government of Ontario with respect to construction funding subsidies for long-term care homes, totalling $46.4 million (December 31, 2019 – $47.9 million) of which $5.7 million (December 31, 2019 – $5.8 million) is current. These subsidies represent funding for a portion of long-term care home construction costs over a 20-year or 25-year period. The weighted average remaining term of this funding is 14 years.

Also included in amounts receivable and other assets is a $1.3 million receivable as at March 31, 2020 (December 31, 2019 – $1.3 million), resulting from the U.S. Sale Transaction. The remaining balance of $14.2 million primarily relates to prepaid expenses and deposits (2019 – $14.2 million).

Interest Rate Swaps

The interest rate swaps include swap contracts relating to mortgages, with notional amount totalling $81.3 million (December 31, 2019 – $82.1 million), to lock in the rates between 3.11% and 5.04% for the full term of the loans being five to ten years (*Note 6*).

All interest rate swap contracts are measured at fair value through profit or loss, and hedge accounting has not been applied. Changes in fair value are recorded in the statements of earnings (*Note 16)*. As at March 31, 2020, the interest rate swaps were valued at a liability of $2.4 million (December 31, 2019 – $0.8 million net asset, including a liability of $0.7 million) (*Note 7*).

5. PROVISIONS

	Accrual for Self-insured	Indemnification Provisions	Decommissioning Provisions	Total
January 1, 2019	37,138	13,713	9,365	60,216
Provisions released	(11,579)	—	—	(11,579)
Provisions used	(12,769)	(5,757)	(34)	(18,560)
Accretion	648	—	195	843
Effect of movements in exchange rates	(1,277)	(530)	—	(1,807)
December 31, 2019	12,161	7,426	9,526	29,113
Less: current portion	(3,572)	—	—	(3,572)
	8,589	7,426	9,526	25,541
January 1, 2020	**12,161**	**7,426**	**9,526**	**29,113**
Provisions released	**(4,035)**	—	—	**(4,035)**
Provisions used	**(39)**	**(61)**	**(4)**	**(104)**
Accretion	—	—	**49**	**49**
Effect of movements in exchange rates	**819**	**588**	—	**1,407**
March 31, 2020	**8,906**	**7,953**	**9,571**	**26,430**
Less: current portion	**(5,390)**	—	—	**(5,390)**
	3,516	**7,953**	**9,571**	**21,040**

Accrual for Self-Insured Liabilities

The obligation to settle U.S. self-insured general and professional liability claims relating to the period prior to the closing of the U.S. Sale Transaction, including claims incurred but yet to be reported, remains with the Company, which it intends to fund through the Captive. Consequently, the balance of the accrual for self-insured liabilities and the related investments held for self-insured liabilities (*Note 4*) remain on the consolidated statement of financial position. However, any expense incurred or release of reserves for U.S. self-insured liabilities are presented as discontinued operations; while the Captive's costs to administer and manage the settlement of the remaining claims are reported as continuing operations within the U.S. segment.

The accrual for self-insured liabilities is based on management's best estimate of the ultimate cost to resolve general and professional liability claims. Actual results can differ materially from the estimates made due to a number of factors including the assumptions used by management and other market forces.

As at March 31, 2020, the accrual for self-insured general and professional liabilities was $8.9 million (US$6.3 million) (December 31, 2019 – $12.2 million (US$9.4 million)). The decline represented mainly claim payments and the release of reserves (*Note 14*).

Indemnification Provisions

As a result of the U.S. Sale Transaction, the Company agreed to indemnify certain obligations of the U.S. operations related to tax, a corporate integrity agreement (the "CIA"), and other items. Any revisions to these estimates are reflected as part of other expense in discontinued operations (*Note 14*). As at March 31, 2020, the remaining provisions totalled $8.0 million (US $5.7 million) (December 31, 2019 – $7.4 million or US$5.7 million).

Decommissioning Provisions

The decommissioning provisions relate to possible asbestos remediation of the Company's pre-1980 constructed homes. An estimated undiscounted cash flow amount of approximately $10.7 million (December 31, 2019 – $10.7 million) was discounted using a rate of 1.64% (December 31, 2019 – 1.64%) over an estimated time to settle of 6 years. This represents management's best estimate and actual amounts may differ.

6. LONG-TERM DEBT

	Interest Rate	Year of Maturity	March 31, 2020	December 31, 2019
Convertible unsecured subordinated debentures	5.00 %	2025	**120,908**	120,675
CMHC mortgages	2.49% - 7.70%	2020 - 2037	**126,063**	128,878
Non-CMHC mortgages	3.11% - 5.64%	2022 - 2038	**162,980**	164,349
Construction loans	Variable	on demand	**67,279**	64,601
Lease liabilities	0.92% - 7.06%	2020 - 2034	**85,169**	86,208
			562,399	564,711
Deferred financing costs			**(8,026)**	(8,405)
Total debt, net of deferred financing costs			**554,373**	556,306
Less: current portion			**(116,126)**	(133,771)
Long-term debt, net of deferred financing costs			**438,247**	422,535

Convertible Unsecured Subordinated Debentures

In April 2018, the Company issued $126.5 million aggregate principal amount of 5.00% convertible unsecured subordinated debentures due April 30, 2025 (the "2025 Debentures"), with a conversion price of $12.25 per Common Share (the "Offering"). The initial offering for $110.0 million of the 2025 Debentures closed on April 17, 2018, and the exercise of the over-allotment option for $16.5 million debentures closed on April 25, 2018. The debt and equity components of the 2025 Debentures were bifurcated as the financial instrument is considered a compound instrument with $119.2 million classified as a liability and the residual $7.3 million classified as equity attributable to the conversion option. The liability portion of the 2025 Debentures is recorded at amortized cost. The fees and transaction costs allocated to the debt component are amortized over the term of the 2025 Debentures using the effective interest rate method and are recognized as part of net finance costs.

Interest on the 2025 Debentures is payable semi-annually in April and October. The 2025 Debentures may not be redeemed by the Company prior to April 30, 2021, except in the event of the satisfaction of certain conditions after a change of control has occurred. On or after May 1, 2021 but prior to April 30, 2023, these debentures may be redeemed by the Company in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest, on a notice of not more than 60 days and not less than 30 days prior, provided that the volume-weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On and after May 1, 2023, these debentures may be redeemed by the Company in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest, on a notice of not more than 60 days and not less than 30 days prior.

Upon the occurrence of a change of control, whereby more than 66.67% of the Common Shares are acquired by any person, or group of persons acting jointly, each holder of the 2025 Debentures may require the Company to purchase their debentures at 101% of the principal plus accrued and unpaid interest. If 90% or more of the debentureholders do so, the Company has the right, but not the obligation, to redeem all the remaining outstanding 2025 Debentures.

CMHC Mortgages

The Company has various mortgages insured through the Canada Mortgage and Housing Corporation (CMHC) program. The CMHC mortgages are secured by several Canadian financial institutions at rates ranging from 2.49% to 7.70% with maturity dates through to 2037.

In April 2019, the Company secured a CMHC-insured mortgage of $16.0 million, inclusive of fees, on the Lynde Creek Manor Retirement Community, that matures in September 2029, with a fixed rate of 2.81% per annum.

In October 2019, the Company secured a CMHC-insured mortgage of $9.3 million, inclusive of fees, on the Cedar Crossing Retirement Community, that matures in September 2029, with a fixed rate of 2.49% per annum.

Non-CMHC Mortgages

The Company has a number of conventional mortgages on certain long-term care homes, at rates ranging from 3.11% to 5.64%. Some of these mortgages have a requirement to maintain a minimum debt service coverage ratio.

On March 26, 2020, the Company extended maturing mortgages of $21.7 million on certain long-term care homes. These extended mortgages mature in April 2025 with a fixed rate of 3.49% per annum.

Construction Loans

Construction loans of $77.7 million are available for three retirement home developments at Bolton, Uxbridge, and Barrie and provide for additional letter of credit facilities of $0.8 million, $0.8 million and $1.0 million respectively, at rates ranging from 2.25% to 2.50% if utilized. Construction loans are interest-only based on 30-day banker's acceptance (BA) plus 2.25% to 2.50%, with no standby fee.

The construction loans are payable on demand and, in any event, are to be fully repaid by the earlier of achieving stabilized occupancy as defined by the agreements and specified dates between 2020 and 2021 for Bolton and Uxbridge; and by the earlier of September 2023 and three months following stabilized occupancy as defined by the agreement for Barrie.

All construction loans have been reflected as current.

As at March 31, 2020, an aggregate of $67.3 million was drawn on the construction loans (December 31, 2019 – $64.6 million), leaving $10.4 million available (December 31, 2019 – $13.1 million); in addition, as at March 31, 2020, letters of credit totalling $1.1 million were issued under credit facilities (December 31, 2019 – $1.3 million), leaving $1.5 million available (December 31, 2019 – $1.3 million).

Lease Liabilities

Lease liabilities as at March 31, 2020 include leases on long-term care homes and the liability related to office leases. The Company operates nine Ontario long-term care homes, which were built between 2001 and 2003, under 25-year lease arrangements. The liability associated with the office leases will be amortized over the remaining lease terms ranging up to 15 years.

Credit Facilities

The Company has two demand credit facilities totalling $112.3 million. One is secured by 13 Class C long-term care homes in Ontario and the other is secured by the assets of the home health care business. Neither of these facilities has financial covenants but do contain normal and customary terms. As at March 31, 2020, $38.1 million of the facilities secure the Company's defined benefit pension plan obligations (December 31, 2019 – $38.1 million), $5.5 million was issued in connection with obligations relating to long-term care homes and retirement living communities (December 31, 2019 – $5.5 million), leaving $68.7 million unutilized (December 31, 2019 – $68.7 million).

Deferred Financing Costs

Deferred financing costs are deducted against long-term debt and are amortized using the effective interest rate method over the term of the debt.

Subsequent Events

On April 15, 2020, the Company secured a CMHC-insured mortgage of $47.8 million, inclusive of fees, on the Douglas Crossing Retirement Community in Uxbridge, Ontario that matures in June 2030 with a fixed rate of 2.19% per annum. The previously existing construction loan of $25.8 million was repaid in full on closing.

On May 8, 2020, the Company secured mortgages of $10.3 million, inclusive of fees, on the Yorkton Crossing Retirement Community in Yorkton, Saskatchewan and West Park Crossing Retirement Community in Moose Jaw, Saskatchewan that mature in May 2023 and have a variable interest rate at either the Canadian Dollar Offered Rate plus 2.50% per annum or Prime plus 1.00% per annum.

Principal Repayments

	Debt Principal	Lease Liabilities	Total
Within one year	107,017	16,066	123,083
One to two years	37,900	15,349	53,249
Two to three years	46,793	14,138	60,931
Three to four years	37,267	13,644	50,911
Four to five years	6,804	13,377	20,181
Thereafter	247,041	36,024	283,065
Total debt principal and lease liability repayments	482,822	108,598	591,420
Unamortized accretion of 2025 convertible debentures	(5,592)	—	(5,592)
Interest on lease liabilities	—	(23,429)	(23,429)
	477,230	85,169	562,399

Long-term Debt Continuity

	Amount
January 1, 2019	528,970
Initial recognition of lease liabilities upon transition to IFRS 16	5,780
Issuance of long-term debt	45,987
New lease liabilities	10,316
Accretion and other	900
Repayments	(35,658)
Addition - deferred financing costs	(1,628)
Amortization of deferred financing costs and other	1,639
December 31, 2019	556,306
January 1, 2020	**556,306**
Issuance of long-term debt	**2,677**
New lease liabilities	**1,409**
Accretion and other	**227**
Repayments	**(6,625)**
Addition - deferred financing costs	**(54)**
Amortization of deferred financing costs and other	**433**
March 31, 2020	**554,373**

Interest Rates

The weighted average interest rate of all long-term debt as at March 31, 2020, was approximately 4.6% (December 31, 2019 – 4.7%). As at March 31, 2020, 88.0% of the long-term debt, including interest rate swaps, was at fixed rates (December 31, 2019 – 88.6%).

Financial Covenants

The Company is subject to debt service coverage covenants on certain of its loans. The Company was in compliance with all of these covenants as at March 31, 2020.

7. OTHER LONG-TERM LIABILITIES

	March 31, 2020	December 31, 2019
Accrued pension plan obligation	**33,135**	32,609
Interest rate swaps (*Note 4*)	**2,412**	702
Other	**1,894**	1,876
	37,441	35,187

8. SHARE-BASED COMPENSATION

Equity-settled Long-term Incentive Plan

The Company's long-term incentive plan (the "LTIP") provides for a share-based component of executive and director compensation designed to encourage a greater alignment of the interests of the Company's executives and directors with its shareholders, in the form of performance share units (PSUs) for employees and deferred share units (DSUs) for non-employee directors.

PSUs and DSUs granted under the LTIP do not carry any voting rights. DSUs vest immediately upon grant and PSUs vest three years from the date of grant. During the three months ended March 31, 2020, the Company settled PSUs and DSUs totalling 69,833, of which 23,705 were settled in cash to cover withholding taxes payable ($0.2 million) and 46,128 were settled with Common Shares issued from treasury.

The Company's DSUs and PSUs were an expense of $0.4 million for the three months ended March 31, 2020 (three months ended March 31, 2019 – $0.2 million).

The carrying amounts of the Company's DSUs and PSUs are recorded in the consolidated statements of financial position as follows:

	March 31, 2020	December 31, 2019
Contributed surplus – DSUs	**2,364**	2,594
Contributed surplus – PSUs	**967**	1,081
	3,331	3,675

As at March 31, 2020, an aggregate of 4,292,784 Common Shares are reserved and available for issuance pursuant to the LTIP.

DSU and PSU activity is as follows:

	Deferred Share Units		Performance Share Units	
	Three months ended March 31, 2020	Twelve months ended December 31, 2019	Three months ended March 31, 2020	Twelve months ended December 31, 2019
Units outstanding, beginning of period	**337,029**	239,725	**399,521**	188,909
Granted	**24,689**	82,384	**323,168**	292,581
Reinvested dividend equivalents	**4,443**	14,920	**7,674**	17,889
Forfeited	**—**	—	**(33,898)**	(38,573)
Settled	**(48,234)**	—	**(21,599)**	(61,285)
Units outstanding, end of period	**317,927**	337,029	**674,866**	399,521
Weighted average fair value of units granted during the period at grant date	**$5.78**	$8.26	**$7.44**	$9.62

DSUs are fair valued at the date of grant using the previous day's closing trading price of the Common Shares. The grant date values of PSUs awarded were based on the fair values of one award comprised of two equal components being the adjusted funds from operations (AFFO) and total shareholder return (TSR). The fair values of the AFFO component were measured using the previous day's closing trading price of the Common Shares. The fair values of the TSR component were measured using the Monte Carlo simulation method.

PSUs granted and the assumptions used to determine the grant date values are as follows:

	Three months ended March 31, 2020	Twelve months ended December 31, 2019
Grant date	**March 10, 2020**	May 31, 2019
Vesting date	**March 10, 2023**	May 31, 2022
PSUs granted	**323,168**	292,581
Fair value of AFFO component	**$3.64**	$4.04
Fair value of TSR component	**$3.80**	$5.58
Grant date fair value	**$7.44**	$9.62
Expected volatility of the Company's Common Shares	**19.79 %**	20.49 %
Expected volatility of the Index	**11.05 %**	9.42 %
Risk-free rate	**0.55 %**	1.40 %
Dividend yield	**nil**	nil

9. SHARE CAPITAL

Common Shares

Each Common Share is transferable and represents an equal and undivided beneficial interest in the assets of the Company. Each Common Share entitles the holder to one vote at all meetings of shareholders of the Company. Shareholders are entitled to receive dividends from the Company if, as and when declared by the Board. During the three months ended March 31, 2020 and 2019, the Company declared cash dividends of $0.12 per share.

Dividend Reinvestment Plan

The Company has a Dividend Reinvestment Plan (DRIP) pursuant to which shareholders who are Canadian residents may elect to reinvest their cash distributions in additional Common Shares. During the three months ended March 31, 2020, the Company issued 187,658 Common Shares at a value of $1.4 million in connection with the DRIP (three months ended March 31, 2019 – 183,762 Common Shares at a value of $1.3 million).

On March 19, 2020, the Company suspended its DRIP in respect of any future declared dividends until further notice. Accordingly, the dividend paid on April 15, 2020 to shareholders of record on March 31, 2020 will be the last dividend payment eligible for reinvestment by participating shareholders under the DRIP. Subsequent dividends will be paid only in cash.

Normal Course Issuer Bid (NCIB)

In January 2020, the Company received approval from the TSX to renew its NCIB to purchase for cancellation up to 8,000,000 Common Shares (representing approximately 10% of its public float) through the facilities of the TSX, and through alternative Canadian trading systems, in accordance with TSX rules. The NCIB commenced on January 15, 2020, and provides the Company with flexibility to purchase Common Shares for cancellation until January 14, 2021, or on such earlier date as the NCIB is complete. The actual number of Common Shares purchased under the NCIB and the timing of any such purchases will be at the Company's discretion. Subject to the TSX's block purchase exception, on any trading day, purchases under the NCIB will not exceed 42,703 Common Shares.

During the three months ended March 31, 2020, the Company did not purchase any Common Shares under the NCIB.

10. EXPENSES BY NATURE

	Three months ended March 31,	
	2020	**2019**
Employee wages and benefits	**212,581**	215,256
Food, drugs, supplies and other variable costs	**13,469**	12,271
Property based and leases	**12,509**	12,545
Other	**13,359**	14,645
Total operating expenses and administrative costs	**251,918**	254,717

11. OTHER EXPENSE

Termination of B.C. market home health care contracts

In the first quarter of 2019, the Company was informed by the health authorities in British Columbia with whom it had contracts with, that such contracts would not be renewed in March 2020. Accordingly, the Company ceased its home care operations in British Columbia during the first quarter of 2020. The Company recognized a $1.4 million provision in the first quarter of 2019 for costs to be incurred in connection with the contract expiration.

12. FOREIGN EXCHANGE AND FAIR VALUE ADJUSTMENTS

Gain on Foreign Exchange and Investments

Foreign exchange gains related to deferred consideration and other balances in connection with the U.S. Sale Transaction denominated in U.S. dollars for the three months ended March 31, 2020 is $0.9 million (three months ended March 31, 2019 – loss of $0.4 million) (*Note 14*). Foreign exchange gain recognized upon repatriation of funds from the Captive for the three months ended March 31, 2020 is $0.9 million (three months ended March 31, 2019 – $nil).

Fair Value Adjustments

Fair value adjustments relate to interest rate swap contracts on certain mortgages are a loss of $3.2 million for the three months ended March 31, 2020 (three months ended March 31, 2019 – loss of $1.4 million) (*Note 4, 7*).

Fair value gain on investments held for self-insured liabilities for the three months ended March 31, 2020 is $ nil (three months ended March 31, 2019 – $1.5 million).

13. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net earnings for the period by the weighted average number of shares outstanding during the period, including vested DSUs awarded that have not settled. Diluted EPS is calculated by adjusting the net earnings and the weighted average number of shares outstanding for the effects of all dilutive instruments.

The Company's potentially dilutive instruments include the convertible debentures and equity-settled compensation arrangements. The number of shares included with respect to the PSUs is computed using the treasury stock method. The convertible debentures and equity-settled compensation arrangements would be antidilutive and as such, these are not included in the calculation of diluted EPS.

The following table reconciles the numerator and denominator of the basic and diluted earnings per share computation.

	Three months ended March 31,	
	2020	**2019**
Numerator for Basic and Diluted Earnings per Share		
Earnings from continuing operations		
Net earnings for basic earnings per share	**5,906**	2,958
Less: earnings from discontinued operations, net of tax	**(4,035)**	(1,901)
Earnings from continuing operations for basic earnings per share	**1,871**	1,057
Add: after-tax interest on convertible debt	**1,537**	1,524
Earnings from continuing operations for diluted earnings per share	**3,408**	2,581
Net earnings		
Net earnings for basic earnings per share	**5,906**	2,958
Add: after-tax interest on convertible debt	**1,537**	1,524
Net earnings for diluted earnings per share	**7,443**	4,482
Denominator for Basic and Diluted Earnings per Share		
Actual weighted average number of shares	**89,351,972**	88,583,070
DSUs	**291,677**	242,007
Weighted average number of shares for basic earnings per share	**89,643,649**	88,825,077
Shares issued if all convertible debt was converted	**10,326,531**	10,326,531
PSUs	**52,717**	34,313
Total for diluted earnings per share	**100,022,897**	99,185,921
Basic and Diluted Earnings per Share ***(in dollars)***		
Earnings from continuing operations	**\$0.02**	\$0.01
Earnings from discontinued operations	**\$0.05**	\$0.02
Net earnings	**\$0.07**	\$0.03

14. DISCONTINUED OPERATIONS

Earnings from discontinued operations includes the release of a portion of the accrual for self-insured liabilities of $4.0 million for the three months ended March 31, 2020 (three months ended March 31, 2019 – $1.9 million).

15. COMMITMENTS AND CONTINGENCIES

Legal Proceedings and Regulatory Actions

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings brought against it from time to time in connection with its operations. The COVID-19 pandemic has increased the risk that litigation or other legal proceedings, regardless of merit, will be commenced against the Company. The potential outcome of legal proceedings and claims is uncertain and could have a materially adverse impact on the Company's business, results of operations and financial condition.

16. MANAGEMENT OF RISKS AND FINANCIAL INSTRUMENTS

(a) Management of Risks

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting its contractual obligations. The Company manages our liquidity risk through the use of budgets and forecasts. Cash requirements are monitored regularly based on actual financial results and actual cash flows to ensure that there are sufficient resources to meet operational requirements. In addition, since there is a risk that current borrowings and long-term debt may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt, the Company attempts to appropriately structure the timing of contractual long-term debt renewal obligations and exposures. The impact of COVID-19 have increased the uncertainty of the Company's outlook on revenue and operating costs which impact the budgets and forecasts used to manage liquidity risk. In addition, the impact of COVID-19 on the capital and credit markets and our ability to access sufficient capital or capital on favourable terms are also subject to significant uncertainty.

During the three months ended March 31, 2020, the Company renewed mortgages on three retirement homes for a total of $21.7 million. Subsequent to March 31, 2020, additional mortgage financing transactions were completed for a total of $58.1 million *(Note 6)*.

In addition to cash generated from its operations and cash on hand, the Company has available undrawn credit facilities totalling $70.2 million (December 31, 2019 – $70.0 million).

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Cross-border transactions are subject to exchange rate fluctuations that may result in realized gains or losses as and when payments are made.

As a result of the U.S. Sale Transaction, our exposure to foreign currency risk has been significantly reduced. The following table outlines the net asset exposure to both the U.S. continuing operations and other items retained from the U.S. Sale Transaction.

	March 31, 2020		**December 31, 2019**	
	US$	**C$**	***US$***	**C$**
Assets				
Current assets	*12,280*	**17,268**	*16,962*	22,032
Investments held for self-insured liabilities	*14,071*	**19,787**	*21,218*	27,562
Liabilities				
Current liabilities	*5,039*	**7,085**	*3,955*	5,137
Indemnification provisions	*5,656*	**7,953**	*5,717*	7,426
Non-current liabilities	*2,551*	**3,586**	*6,663*	8,655
Net asset exposure	*13,105*	**18,431**	*21,845*	28,376

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

To mitigate interest rate risk, the Company's long-term care debt portfolio includes fixed-rate debt and variable-rate debt with interest rate swaps in place. At March 31, 2020, construction loans of $67.3 million are variable-rate debt (December 31, 2019 – $64.6 million), which do not have interest rate swaps in place. The Company's demand credit facilities, and future borrowings, may be at variable rates which would expose the Company to the risk of interest rate volatility (*Note 6*).

Although the majority of the Company's long-term debt is effectively at fixed rates, there can be no assurance that as debt matures, renewal rates will not significantly impact future income and cash flow. The Company does not account for any fixed-rate liabilities at FVTPL; consequently, changes in interest rates have no impact on our fixed-rate debt and therefore, would not impact net earnings.

Below is the interest rate profile of our interest-bearing financial instruments, which reflects the impact of the interest rate swaps:

	Carrying Amount	
	March 31, 2020	**December 31, 2019**
Fixed-rate long-term debt [(1)]	**495,120**	500,110
Variable-rate long-term debt [(1)]	**67,279**	64,601
Total	**562,399**	**564,711**

[(1)] Includes current portion and excludes netting of deferred financing costs.

Fair Value Sensitivity Analysis for Variable-rate Instruments

All long-term debt with variable rates are classified as other financial liabilities, which are measured at amortized cost using the effective interest method of amortization; therefore, changes in interest rates would not affect OCI or net earnings with respect to variable-rate debt. As at March 31, 2020, long-term debt with variable rates represented 12.0% of total debt (December 31, 2019 – 11.4%). The value of the interest rate swaps is subject to fluctuations in interest rates, changes in fair value of these swaps are recognized in net earnings.

Cash Flow Sensitivity Analysis for Variable-rate Instruments

An increase of 100 basis points in interest rates would have decreased net earnings by $0.1 million and a decrease of 100 basis points in interest rates would have increased net earnings by $0.1 million. This analysis assumes that all other variables, in particular foreign currency rates, remains constant, and excludes variable interest rate debt that is locked in through interest rate swaps.

(b) Fair values of Financial Instruments

As at March 31, 2020	Amortized Cost	Fair Value through Profit and Loss	Total Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:					
Cash and cash equivalents	**105,829**	—	**105,829**	**105,829**	Level 2
Restricted cash	**2,645**	—	**2,645**	**2,645**	
Invested assets [1]	**354**	—	**354**	**354**	
Accounts receivable	**36,284**	—	**36,284**	**36,284**	
Amounts receivable and other assets [2] [3]	**46,405**	—	**46,405**	**50,665**	Level 2
Investments held for self-insured liabilities	**6,588**	**13,199**	**19,787**	**19,787**	Level 1
	198,105	**13,199**	**211,304**	**215,564**	
Financial liabilities:					
Accounts payable	**6,363**	—	**6,363**	**6,363**	
Interest rate swaps	—	**2,412**	**2,412**	**2,412**	Level 2
Long-term debt excluding convertible debentures [3] [4]	**441,491**	—	**441,491**	**448,636**	Level 2
Convertible debentures	**120,908**	—	**120,908**	**107,525**	Level 1
	568,762	**2,412**	**571,174**	**564,936**	

(1) Included in other assets.
(2) Includes primarily amounts receivable from government.
(3) Includes current portion.
(4) Excludes netting of deferred financing costs.

As at December 31, 2019	Amortized Cost	Fair Value through Profit and Loss	Total Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:					
Cash and cash equivalents	94,457	—	94,457	94,471	Level 2
Restricted cash	2,441	—	2,441	2,441	
Invested assets [(1)]	354	—	354	354	
Accounts receivable	50,382	—	50,382	50,382	
Interest rate swaps	—	1,480	1,480	1,480	Level 2
Amounts receivable and other assets [(2)] [(3)]	47,854	—	47,854	51,950	Level 2
Investments held for self-insured liabilities	6,316	21,246	27,562	27,562	Level 1
	201,804	22,726	224,530	228,640	
Financial liabilities:					
Accounts payable	18,021	—	18,021	18,021	
Interest rate swaps	—	702	702	702	Level 2
Long-term debt excluding convertible debentures [(3)] [(4)]	444,036	—	444,036	450,382	Level 2
Convertible debentures	120,675	—	120,675	132,585	Level 1
	582,732	702	583,434	601,690	

(1) Included in other assets.
(2) Includes primarily amounts receivable from government.
(3) Includes current portion.
(4) Excludes netting of deferred financing costs.

BASIS FOR DETERMINING FAIR VALUES

The following summarizes the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the previous table.

Fair values for investments designated as FVTPL are based on quoted market prices. Accounts receivable are recorded at amortized cost. The carrying values of accounts receivable approximate fair values due to their short-term maturities, with the exception of the amounts receivable due from the government of Ontario, which are valued at discounted future cash flows using current applicable rates for similar instruments of comparable maturity and credit quality (*Note 4*). The fair values of convertible debentures are based on the closing price of the publicly traded convertible debentures on each reporting date, and the fair values of mortgages and other debt are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

FAIR VALUE HIERARCHY

The Company uses a fair value hierarchy to categorize the type of valuation techniques from which fair values are derived: Level 1 – use of quoted market prices; Level 2 – internal models using observable market information as inputs; and Level 3 – internal models without observable market information as inputs.

The fair value hierarchy for the fair values of financial instruments where carrying value is not a reasonable approximation of fair value, are indicated above.

17. SEGMENTED INFORMATION

The Company reports the following segments: i) long-term care; ii) retirement living; iii) home health care; iv) contract services, consulting and group purchasing as “other Canadian operations”; and v) the Canadian corporate functions and any intersegment eliminations as “corporate Canada”. The continuing U.S. operations consist of the Captive.

The long-term care segment represents the 58 long-term care homes that the Company owns and operates in Canada. The retirement living segment represents 11 retirement communities that the Company owns and operates in Canada. The retirement communities provide accommodation and services to private-pay residents at rates set by the Company based on the services provided and market conditions. Through our wholly owned subsidiary ParaMed, ParaMed’s home health care operations provide complex nursing care, occupational, physical and speech therapy, and assistance with daily activities to accommodate those living at home.

The Company's other Canadian operations are composed of its contract services, consulting and group purchasing divisions. Through our Extendicare Assist division, the Company provides contract services and consulting to third parties; and through our SGP Purchasing Partner Network division, the Company offers cost-effective purchasing contracts to other senior care providers for food, capital equipment, furnishings, cleaning and nursing supplies, and office products.

The Company continues to group its former and remaining U.S. operations as one segment. The Captive's expense incurred for self-insured liabilities related to the Company's U.S. general and professional liability risks up to the date of the U.S. Sale Transaction as well as the disposed U.S. businesses are presented as discontinued operations; while the Captive's costs to administer and manage the settlement of the remaining claims are reported as continuing operations within the U.S. segment.

	Three months ended March 31, 2020							
(in thousands of Canadian dollars)	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Other Canadian Operations**	**Corporate Canada**	**Total Canada**	**Total U.S.**	**Total**
CONTINUING OPERATIONS								
Revenue	**160,240**	**12,039**	**93,100**	**6,439**	**—**	**271,818**	**—**	**271,818**
Operating expenses	**141,804**	**8,330**	**88,783**	**2,518**	**—**	**241,435**	**—**	**241,435**
Net operating income	**18,436**	**3,709**	**4,317**	**3,921**	**—**	**30,383**	**—**	**30,383**
Administrative costs					**10,252**	**10,252**	**231**	**10,483**
Earnings (loss) before depreciation, amortization, and other expense						**20,131**	**(231)**	**19,900**
Depreciation and amortization					**9,853**	**9,853**	**—**	**9,853**
Other expense					**—**	**—**	**—**	**—**
Earnings (loss) before net finance costs and income taxes						**10,278**	**(231)**	**10,047**
Net interest costs					**6,415**	**6,415**	**—**	**6,415**
Foreign exchange and fair value adjustments					**2,260**	**2,260**	**(865)**	**1,395**
Net finance costs (income)					**8,675**	**8,675**	**(865)**	**7,810**
Earnings before income taxes						**1,603**	**634**	**2,237**
Income tax expense (recovery)								
Current					**2,073**	**2,073**	**—**	**2,073**
Deferred					**(1,707)**	**(1,707)**	**—**	**(1,707)**
Total income tax expense					**366**	**366**	**—**	**366**
Earnings from continuing operations						**1,237**	**634**	**1,871**
DISCONTINUED OPERATIONS								
Earnings from discontinued operations, net of income taxes						**—**	**4,035**	**4,035**
Net earnings						**1,237**	**4,669**	**5,906**

	Three months ended March 31, 2019							
(in thousands of Canadian dollars)	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Other Canadian Operations**	**Corporate Canada**	**Total Canada**	**Total U.S.**	**Total**
CONTINUING OPERATIONS								
Revenue	156,221	9,508	102,665	5,875	—	274,269	—	274,269
Operating expenses	139,383	6,929	95,112	2,459	—	243,883	—	243,883
Net operating income	16,838	2,579	7,553	3,416	—	30,386	—	30,386
Administrative costs					10,612	10,612	222	10,834
Earnings (loss) before depreciation, amortization, and other expense						19,774	(222)	19,552
Depreciation and amortization					9,427	9,427	—	9,427
Other expense					1,429	1,429	—	1,429
Earnings (loss) before net finance costs and income taxes						8,918	(222)	8,696
Net interest costs					6,320	6,320	234	6,554
Foreign exchange and fair value adjustments					1,829	1,829	(1,500)	329
Net finance costs (income)					8,149	8,149	(1,266)	6,883
Earnings before income taxes						769	1,044	1,813
Income tax expense (recovery)								
Current					1,524	1,524	—	1,524
Deferred					(768)	(768)	—	(768)
Total income tax expense					756	756	—	756
Earnings from continuing operations						13	1,044	1,057
DISCONTINUED OPERATIONS								
Earnings from discontinued operations, net of income taxes						—	1,901	1,901
Net earnings						13	2,945	2,958