CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Year ended December 31, 2020

Extendicare Inc.
Dated: February 25, 2021

Extendicare Inc.
Consolidated Financial Statements

Years ended December 31, 2020 and 2019

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Extendicare Inc. ("Extendicare" or the "Company") and other financial information contained in this Annual Report are the responsibility of management. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards, using management's best estimates and judgements, where appropriate. In the opinion of management, these consolidated financial statements reflect fairly the financial position, results of operations and cash flows of Extendicare within reasonable limits of materiality. The financial information contained elsewhere in this Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

A system of internal accounting and administrative controls is maintained by management to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that financial records are properly maintained to provide accurate and reliable consolidated financial statements.

The board of directors of Extendicare (the "Board of Directors") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors carries out this responsibility principally through its independent Audit Committee comprised of unrelated and outside directors. The Audit Committee meets regularly during the year to review significant accounting and auditing matters with management and the independent auditors and to review and approve the interim and annual consolidated financial statements of Extendicare.

The consolidated financial statements have been audited by KPMG LLP, which has full and unrestricted access to the Audit Committee. KPMG's report on the consolidated financial statements follows.

/s/ Michael Guerriere

MICHAEL GUERRIERE
President and Chief Executive Officer

/s/ David Bacon

DAVID BACON
Senior Vice President and Chief Financial Officer

February 25, 2021

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Extendicare Inc.

Opinion

We have audited the consolidated financial statements of Extendicare Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of earnings and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of the impairment assessment of retirement communities and long-term care homes non-financial assets

Description of the matter

We draw attention to Notes 2(c), 3(d), 3(h), 5 and 15 to the financial statements. Property and equipment is a significant portion of the non-financial assets, being $525,904 thousand, and is primarily comprised of retirement communities and long-term care homes, each property being a cash-generating unit ("CGU"). The Entity recognizes impairment losses in net earnings if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Significant assumptions in determining the recoverable amount of CGUs include:

- the estimated market capitalization rate
- estimated normalized net operating income ("NOI") after adjusting for management fees and capital maintenance.

During the year, the Entity recorded a pre-tax impairment charge of $2,780 thousand, in respect of certain of its retirement communities in Saskatchewan. Both retirement communities have not performed as expected, primarily due to competitive market conditions, impacting rates, occupancy and labour and benefit costs.

Why the matter is a key audit matter

We identified the evaluation of impairment assessment of retirement communities and long-term care homes non-financial assets as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of retirement communities and long-term care homes non-financial assets and the high degree of estimation uncertainty in determining the recoverable amount of retirement communities and long-term care homes non-financial assets. In addition, significant auditor judgement and specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the Entity's determination of recoverable amount to minor changes to significant assumptions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

For a selection of CGUs, we evaluated the appropriateness of the normalized NOI assumptions by comparing respective assumptions used in the determination of the recoverable amount of the CGUs to actual historical NOI of such CGUs. We took into account changes in conditions and events affecting the CGU to assess the adjustments or lack of adjustments made in arriving at the normalized NOI for such CGUs.

For a selection of CGUs, we involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the capitalization rates assumptions by comparing the capitalization rate against published reports of real estate industry commentators for retirement communities and long-term care homes and recent comparable market transactions of non-financial assets with comparable attributes.

Evaluation of the goodwill Impairment assessment of the home health care CGU

Description of the matter

We draw attention to Notes 2(c), 3(g), 3(h) and 6 to the financial statements. The Entity's goodwill amounts to $51,675 thousand of which a significant portion relates to the home health care CGU. The Entity tests goodwill for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired. The Entity recognizes impairment losses in net earnings if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. Significant assumptions in determining the recoverable amount of goodwill include the normalized earnings before interest, taxes depreciation and amortization ("normalized EBITDA") and earnings multiple.

Why the matter is a key audit matter

We identified the evaluation of the goodwill impairment assessment of the home health care CGU as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the home health care CGU goodwill and the high degree of estimation uncertainty in determining the recoverable amount. In addition, significant auditor judgement and specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the Entity's determination of recoverable amount to minor changes to significant assumptions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We evaluated the appropriateness of the normalized EBITDA assumption used in the determination of the recoverable amount of the home health care CGU by comparing it to the Entity's actual historical EBITDA. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the normalized EBITDA assumption.

We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the Entity's EBITDA multiple assumption used in the determination of the recoverable amount of goodwill associated with the home health care CGU by:

- determining the break-even EBITDA multiple required for the home health care CGU to have its carrying amount be recoverable as at the impairment test date,
- comparing the break-even EBITDA multiple against the trading multiple of companies operating in the home health care service industry, precedent transactions and analysts' reports that specifically discuss the valuation of the Entity's home health care CGU.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditors' report is Paola Cipolla
Vaughan, Canada
February 25, 2021

Extendicare Inc.
Consolidated Statements of Financial Position
As at December 31

(in thousands of Canadian dollars)	*notes*	2020	2019
Assets			
Current assets			
Cash and cash equivalents		**179,956**	94,457
Restricted cash		**2,509**	2,441
Accounts receivable	*4*	**58,328**	50,382
Income taxes recoverable		**15,063**	15,958
Other assets	*7*	**40,226**	20,661
Total current assets		**296,082**	183,899
Non-current assets			
Property and equipment	*5*	**525,904**	530,527
Goodwill and other intangible assets	*6*	**88,178**	89,874
Other assets	*7*	**37,133**	71,752
Deferred tax assets	*19*	**15,830**	12,748
Total non-current assets		**667,045**	704,901
Total assets		**963,127**	888,800
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**187,071**	136,922
Income taxes payable		**16,693**	1,606
Long-term debt	*9*	**71,390**	133,771
Provisions	*8*	**4,367**	3,572
Total current liabilities		**279,521**	275,871
Non-current liabilities			
Long-term debt	*9*	**493,207**	422,535
Provisions	*8*	**10,567**	25,541
Other long-term liabilities	*10*	**40,059**	35,187
Deferred tax liabilities	*19*	**11,585**	14,252
Total non-current liabilities		**555,418**	497,515
Total liabilities		**834,939**	773,386
Share capital	*12*	**500,577**	498,116
Equity portion of convertible debentures	*9*	**7,085**	7,085
Contributed surplus	*11*	**4,916**	3,675
Accumulated deficit		**(370,963)**	(382,189)
Accumulated other comprehensive loss		**(13,427)**	(11,273)
Shareholders' equity		**128,188**	115,414
Total liabilities and equity		**963,127**	888,800

See accompanying notes to consolidated financial statements.
Commitments and contingencies (Note 20).
Subsequent events (Note 27).

Approved by the Board

/s/ Alan D. Torrie

Alan D. Torrie
Chairman

/s/ Michael Guerriere

Michael Guerriere
President and Chief Executive Officer

Extendicare Inc.
Consolidated Statements of Earnings
Years ended December 31

(in thousands of Canadian dollars except for per share amounts)	*notes*	**2020**	**2019 (1)**
CONTINUING OPERATIONS			
Revenue	*13, 25*	**1,158,293**	1,131,950
Operating expenses		**976,196**	998,500
Administrative costs		**48,959**	41,151
Total expenses	*14*	**1,025,155**	1,039,651
Earnings before depreciation, amortization, and other expense		**133,138**	92,299
Depreciation and amortization		**38,795**	39,590
Other expense	*15*	**5,266**	2,404
Earnings before net finance costs and income taxes		**89,077**	50,305
Net finance costs	*16*	**30,207**	28,321
Earnings before income taxes		**58,870**	21,984
Income tax expense (recovery)			
Current		**21,623**	8,287
Deferred		**(5,339)**	(1,102)
Total income tax expense	*19*	**16,284**	7,185
Earnings from continuing operations		**42,586**	14,799
DISCONTINUED OPERATIONS			
Earnings from discontinued operations, net of income taxes	*18*	**11,603**	13,831
Net earnings		**54,189**	28,630
Basic and Diluted Earnings per Share			
Earnings from continuing operations	*17*	**$0.47**	$0.17
Net earnings	*17*	**$0.60**	$0.32

See accompanying notes to consolidated financial statements.
(1) Comparative figures have been re-presented to reflect discontinued operations (Notes 3, 18).

Extendicare Inc.
Consolidated Statements of Comprehensive Income
Years ended December 31

(in thousands of Canadian dollars)	***notes***	**2020**	**2019**
Net earnings		**54,189**	28,630
Other comprehensive income (loss), net of taxes			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (losses)	*21*	**(2,611)**	(1,419)
Tax recovery (expense) on defined benefit plan actuarial gains (losses)	*19*	**692**	376
Defined benefit plan actuarial gains (losses), net of taxes		**(1,919)**	(1,043)
Items that are or may be reclassified subsequently to profit or loss:			
Net change in foreign currency translation adjustment		**(235)**	(2,513)
Other comprehensive income (loss), net of taxes		**(2,154)**	(3,556)
Total comprehensive income		**52,035**	25,074

See accompanying notes to consolidated financial statements.

Extendicare Inc.

Consolidated Statements of Changes in Equity

Years ended December 31

(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 loss**	**Shareholders' equity**
Balance at January 1, 2020		***89,232,512***	**498,116**	**7,085**	**3,675**	**(382,189)**	**(11,273)**	**115,414**
DRIP	*12*	***231,813***	**1,700**	**—**	**—**	**—**	**—**	**1,700**
Share-based compensation	*11*	***74,760***	**761**	**—**	**1,241**	**—**	**—**	**2,002**
Net earnings		**—**	**—**	**—**	**—**	**54,189**	**—**	**54,189**
Dividends declared		**—**	**—**	**—**	**—**	**(42,963)**	**—**	**(42,963)**
Other comprehensive loss		**—**	**—**	**—**	**—**	**—**	**(2,154)**	**(2,154)**
Balance at December 31, 2020		**89,539,085**	**500,577**	**7,085**	**4,916**	**(370,963)**	**(13,427)**	**128,188**

(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 loss**	**Shareholders' equity**
Balance at January 1, 2019		*88,489,984*	492,064	7,085	2,706	(368,147)	(7,717)	125,991
DRIP	*12*	*693,466*	5,423	—	—	—	—	5,423
Share-based compensation	*11*	*49,062*	629	—	969	—	—	1,598
Net earnings		—	—	—	—	28,630	—	28,630
Dividends declared		—	—	—	—	(42,672)	—	(42,672)
Other comprehensive loss		—	—	—	—	—	(3,556)	(3,556)
Balance at December 31, 2019		89,232,512	498,116	7,085	3,675	(382,189)	(11,273)	115,414

See accompanying notes to consolidated financial statements.

Extendicare Inc.

Consolidated Statements of Cash Flows

Years ended December 31

(in thousands of Canadian dollars)	*notes*	2020	2019
Operating Activities			
Net earnings		**54,189**	28,630
Adjustments for:			
Depreciation and amortization	*5, 6*	**38,795**	39,590
Share-based compensation	*11*	**2,002**	1,598
Deferred taxes	*19*	**(5,057)**	212
Current taxes	*19*	**21,633**	6,973
Net finance costs	*9*	**27,034**	26,888
Defined benefit plan expenses	*15, 21*	**3,706**	1,325
Defined benefit plan contributions	*21*	**(4,930)**	(2,380)
Other income	*15, 18*	**(8,781)**	(9,175)
Foreign exchange and fair value adjustments	*16*	**1,843**	(2,007)
		130,434	91,654
Net change in operating assets and liabilities			
Accounts receivable		**(7,946)**	200
Other assets	*7*	**(19,855)**	1,133
Accounts payable and accrued liabilities		**49,852**	(5,111)
		152,485	87,876
Interest paid		**(26,296)**	(27,933)
Interest received		**2,681**	3,677
Income taxes paid		**(5,982)**	(5,661)
Payments of self-insured liabilities		**(1,623)**	(12,769)
Net cash from operating activities		**121,265**	45,190
Investing Activities			
Purchase of property, equipment and other intangible assets	*5*	**(33,100)**	(33,182)
Decrease in investments held for self-insured liabilities	*7*	**29,307**	40,464
Decrease in other assets	*7*	**5,794**	5,487
Net cash from (used in) investing activities		**2,001**	12,769
Financing Activities			
Issuance of long-term debt	*9*	**62,362**	45,987
Repayment of long-term debt	*9*	**(55,403)**	(35,658)
Decrease (increase) in restricted cash	*7*	**(68)**	(151)
Dividends paid		**(41,263)**	(37,218)
Financing costs		**(3,791)**	(1,628)
Net cash used in financing activities		**(38,163)**	(28,668)
Increase in cash and cash equivalents		**85,103**	29,291
Cash and cash equivalents at beginning of period		**94,457**	65,893
Foreign exchange gain (loss) on cash held in foreign currency		**396**	(727)
Cash and cash equivalents at end of period		**179,956**	94,457

See accompanying notes to 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements were approved by the board of directors (the "Board") on February 25, 2021.

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 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. The federal and provincial governments have announced various programs and financial assistance to address the increased costs and other challenges and management continue to assess the extent to which they may impact our results. 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 affect 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 and goodwill subject to an impairment test which rely on the outlook for future financial performance of the cash generating unit (CGU).

The more subjective estimates are:

- determination of the recoverable amount of CGUs subject to an impairment test; and
- interpretation of legislation including the determination of the amount and timing of proposed government funding and subsidies established to address the increased costs of operations and other impacts as a result of COVID-19.

The assessment of contingencies 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of Consolidation

The consolidated financial statements include the accounts of Extendicare and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated. The financial statements of Extendicare's subsidiaries are included within the Company's consolidated financial statements from the date that control commences until the date that control ceases, and are prepared for the same reporting period as the Company, using consistent accounting policies.

The acquisition method of accounting is used to account for the acquisition of businesses. Consideration transferred on the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed on the date of the acquisition and transaction costs are expensed as incurred. Identified assets acquired and liabilities assumed are measured at their fair value on the acquisition date. The excess of fair value of consideration given over the fair value of the identifiable net assets acquired is recorded as goodwill, with any gain on a bargain purchase being recognized in net earnings on the acquisition date.

b) Foreign Currency

The assets and liabilities of foreign operations are translated at exchange rates at the reporting date. The income and expenses of foreign operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income (AOCI) in shareholders' equity.

Transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate at the date that the fair value was determined.

c) Cash and Cash Equivalents

Cash and cash equivalents include unrestricted cash and short-term investments less bank overdraft and outstanding cheques. Short-term investments, comprised of money market instruments, have a maturity of 90 days or less from their date of purchase.

d) Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment loss.

Cost includes expenditures that are directly attributable to the acquisition or development of the asset. Homes that are constructed or under construction include all incurred expenditures for the development and other direct costs related to the acquisition of land, development and construction of the homes, including borrowing costs of assets meeting certain criteria that are capitalized until the home is completed for its intended use.

Property and equipment are classified into components when parts of an item have different useful lives. The cost of replacing a component of an item is recognized in the carrying amount of the item if there is a future economic benefit and its cost can be measured reliably. Any undepreciated carrying value of the assets being replaced will be derecognized and charged to net earnings upon replacement. The costs of the day-to-day maintenance of property and equipment are recognized in net earnings as incurred.

Depreciation and amortization are computed on a straight-line basis based on the useful lives of each component of property and equipment. Depreciation of long-term care (LTC) homes or retirement communities under construction commences in the month after the home is available for its intended use based upon the useful life of the asset, as outlined in the following table. Land and Construction in Progress are not depreciated. The depreciation methods, useful lives and residual values are reviewed at least annually, and adjusted if appropriate.

The Company acquires in-place leases in connection with the acquisitions of operating retirement communities. These assets are stated at fair value upon acquisition and are amortized on a straight-line basis, based upon a review of the residents' average length of stay.

Land improvements	10 to 25 years
Buildings:	
Building components:	
Structure and sprinklers systems	50 years
Roof, windows and elevators	25 years
HVAC and building systems	15 to 25 years
Flooring and interior upgrades	5 to 15 years
In-place leases	1 to 3 years
Building improvements and extensions	5 to 30 years
Furniture and equipment:	
Furniture and equipment	5 to 15 years
Computer equipment	3 to 5 years
Leasehold improvements	Term of the lease and renewal that is reasonably certain to be exercised

e) Government Grants

Government grants are recognized depending on the purpose and form of the payment from the government.

Forgivable loans issued by the government are accounted for as government grants if there is reasonable assurance the Company will meet the terms for forgiveness of the loan. Forgivable loans granted by a provincial or health authority body for the construction of a senior care centre, where the grants are received throughout the duration of the construction project, are netted with the cost of property and equipment to which they relate when such payments are received.

Capital funding payments for the development of a senior care centre that are received from a provincial body subsequent to construction over extended periods of time are present valued and are recorded as notes and amounts receivable included in other assets, with an offset to the cost of property and equipment upon inception; as these grants are received over time, the accretion of the receivable is recognized in interest revenue as part of net finance costs within net earnings.

Government grants are recognized only when there is reasonable assurance that the Company will comply with the conditions attached to the grants and they will be received. Government grants are recognized in net earnings as a deduction from the related expense, systematically over the periods in which the grants are intended to compensate.

f) Leases

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost through accretion and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for leases that include renewal options. The assessment of whether there is reasonable certainty to exercise such options impacts the lease term, which significantly affects the amount of right-of-use assets and lease liabilities recognized.

g) Goodwill and Other Intangible Assets

GOODWILL

Goodwill represents the excess amount of consideration given over the fair value of the underlying net assets acquired in a business combination and is measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired.

OTHER INTANGIBLE ASSETS

Other intangible assets that are acquired are recorded at fair value determined upon acquisition, and if the assets have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized based on cost. Subsequent expenditures are capitalized only if a future benefit exists. All other expenditures, including expenditures on internally generated goodwill, are recognized in net earnings as incurred.

Intangible assets with indefinite useful lives are measured at cost without amortization.

Customer relationships acquired in connection with the purchase of a Canadian home health care business represent the intangible asset underlying the various contracts in the business. These assets are being amortized over the estimated useful lives over 15 years.

Non-compete agreements acquired through acquisitions are amortized on a straight-line basis over the period until the agreement expires.

Lifetime leases acquired in connection with one retirement community are amortized over twelve to thirteen years.

Computer software licences are amortized over five to seven years. Cost associated with the acquisition and internal development of software are amortized over its useful life.

Amortization methods and useful lives are reviewed at least annually and are adjusted when appropriate.

h) Impairment

Impairment of financial and non-financial assets is assessed on a regular basis. All impairment losses are charged to other expense as part of net earnings before net finance costs and income taxes.

NON-FINANCIAL ASSETS

Non-financial assets consist of property and equipment, intangible assets with finite lives, intangible assets with indefinite lives and goodwill.

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. For goodwill, and intangible assets that have indefinite useful lives or those that are not yet available for use, the recoverable amount is estimated annually at the same time or more frequently if warranted. An impairment loss is recognized in net earnings if the carrying amount of an asset or its related CGU, or group of assets on the same basis as evaluated by management, exceeds its estimated recoverable amount. A CGU is defined to be the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets. The Company has identified the home health care segment and each individual LTC home and retirement community as a CGU.

The determination of recoverable amount can be significantly impacted by estimates related to current market valuations, current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. The significant assumptions used in the determination of the recoverable amount of the home health care segment CGU including the related goodwill include the normalized EBITDA and earnings multiple. The significant assumptions used in the determination of the recoverable amount for an LTC home or retirement community CGU include normalized net operating income, after adjusting for management fee and capital maintenance and estimated market capitalization rate.

Goodwill and indefinite life intangible assets are allocated to their respective CGUs for the purpose of impairment testing. Indefinite life intangible assets and corporate assets that do not generate separate cash flows and are utilized by more than one CGU, are allocated to each CGU for the purpose of impairment testing and are not tested for impairment separately.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the assets in the CGU on a pro rata basis. Impairment losses on goodwill cannot be reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

FINANCIAL ASSETS

Financial assets are reviewed at each reporting date using the expected credit loss (ECL) impairment model which applies to all financial assets except for investments in equity securities.

The Company has elected to use the simplified approach and calculates impairment loss on account receivable when there has been a significant increase in credit risk of lifetime ECL. The other ECL models applied to other financial assets also require judgement, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

Impairment losses are recorded in operating expenses in the consolidated statement of earnings with the carrying amount of the financial asset reduced through the use of impairment allowance accounts.

i) Employee Benefits

DEFINED BENEFIT PLANS

Defined benefit plans are post-employment plans with a defined obligation to employees in return for the services rendered during the term of their employment with the Company. The net obligation of these plans is calculated separately for each plan by estimating the present value of future benefit that employees have earned in return for their service in the current and prior periods. Past service costs are recognized during the period in which they are incurred, and the fair value of any plan assets are deducted. The discount rate used in deriving the present value is the yield at the reporting date on AA credit-rated corporate bonds that have maturity dates approximating the Company's obligations and are denominated in the same currency in which the benefits are expected to be paid.

The calculation of the future benefit of the plan is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the plan, the recognized asset is limited to the present value of economic benefits available in the form of reductions in future contributions to the plan.

All actuarial gains and losses arising from defined benefit plans are recognized in OCI during the period in which they are incurred.

DEFINED CONTRIBUTION PLANS

The Company has corporate specific and multi-employer defined benefit pension plans. Multi-employer defined benefit pension plans are accounted for as defined contribution plans as the liability per employer is not available. Defined contribution plans are post-employment plans where the costs are fixed and there are no legal or constructive obligations to pay further amounts. Obligations for such contributions are recognized as employee benefit expense in net earnings during the periods in which services are rendered by employees.

SHORT-TERM EMPLOYEE BENEFITS

The Company has vacation, paid sick leave and short-term disability plans along with other health, drug and welfare plans for its employees. These employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are rendered.

j) Share-Based Compensation

EQUITY-SETTLED LONG-TERM INCENTIVE PLANS

Awards for deferred share units (DSUs) and performance share units (PSUs) are a share-based component of director and executive compensation, which are accounted for based on the intended form of settlement. Under a long-term incentive plan (LTIP), the Board has the discretion to settle the DSU and PSU awards in cash, market-purchased Common Shares, or Common Shares issued from treasury. Based on the Board's intention to settle the awards in Common Shares issued from treasury, the PSU and DSU awards are accounted for as equity-settled awards. Settlement of the DSUs and PSUs are net of any applicable taxes and other source deductions required to be withheld by the Company, which amounts are anticipated to approximate 50% of the fair value of the award on the redemption date. The compensation expense for these equity-settled awards is prorated over the vesting or performance period, with a corresponding increase to contributed surplus. The fair value of each award is measured at the grant date. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. In addition, PSU and DSU participants are credited with dividend equivalents in the form of additional units when dividends are paid on Common Shares in the ordinary course of business.

k) Provisions

A provision is recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and that obligation can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as accretion and recognized as part of net finance costs. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. Due to the judgemental nature of these items, future settlements may differ from amounts recognized. Provisions comprise estimated self-insured liabilities, decommissioning provisions and other legal claims and obligations.

SELF-INSURED LIABILITIES

As a result of the sale of the U.S. business in 2015 (U.S. Sale Transaction), the Company no longer self-insures, but retained the associated obligation relating to the self-insured liabilities. The accrual for self-insured liabilities includes the estimated costs of both reported claims and claims incurred but not yet reported. The provision for self-insured liabilities is based on estimates of loss based upon assumptions made by management supported by actuarial projections and the advice of external risk management and legal counsel. The accrual for self-insured liabilities is discounted based on the projected timing of future payment obligations.

DECOMMISSIONING PROVISIONS

Management has determined that future costs could be incurred for possible asbestos remediation of the Company's pre-1980 constructed homes. Although asbestos is currently not a health hazard in any of these homes, appropriate remediation procedures may be required to remove potential asbestos-containing materials, consisting primarily of floor and ceiling tiles, in connection with any major renovation or demolition.

The fair value of the decommissioning provision related to asbestos remediation is estimated by computing the present value of the estimated future costs of remediation based on estimated expected dates of remediation. The computation is based on a number of assumptions, which may vary in the future depending upon the availability of new information, changes in technology and in costs of remediation, and other factors.

INDEMNIFICATION PROVISIONS

Indemnification provisions include management's best estimate of amounts required to indemnify for obligations related to tax, a corporate integrity agreement (CIA), and other items, resulting from the U.S. Sale Transaction.

l) Fair Value Measurement

The Company measures certain financial instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the following fair value hierarchy:

Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – unobservable inputs such as inputs for the asset or liability that are not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety, categorization of which is re-assessed at the end of each reporting period. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

m) Financial Instruments

FINANCIAL ASSETS AND LIABILITIES

Financial assets are classified as measured at fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVOCI), or amortized cost. The classification depends on the Company's business model for managing its financial instruments and the characteristics of the contractual cash flows associated with the instruments.

Financial assets and liabilities classified as measured at amortized cost are initially recognized at fair value (net of any transaction costs) and are subsequently measured at amortized cost using the effective interest method less allowance for credit losses for financial assets.

Financial assets classified as measured at FVOCI are initially recognized at fair value and transaction costs are recognized in net earnings. Subsequently, unrealized gains and losses are recognized in other comprehensive income. Upon derecognition, realized gains and losses are reclassified from other comprehensive income and are recognized in net earnings for debt instruments and remain in other comprehensive income for equity investments. Interest income, foreign exchange gains/ losses and impairments from debt instruments as well as dividends from equity investments are recognized in net earnings.

Financial assets and liabilities classified as measured at FVTPL are initially recognized at fair value and transaction costs are recognized in net earnings, along with gains and losses arising from changes in fair value.

A debt instrument is classified as FVOCI if is not designated as at FVTPL, is held within a business model with the purpose of holding assets to collect contractual cash flows and selling prior to maturity; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are measured as FVTPL if they are classified as held for trading or are designated as such. Other non-derivative financial liabilities are classified as amortized cost. Derivative financial liabilities are classified as FVTPL.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to manage risks from fluctuations in interest rates. All derivative instruments, including embedded derivatives that must be separately accounted for, are valued at their respective fair values in the consolidated financial statements.

The Company currently does not have any fair-value, cash-flow or net investment hedges.

n) Revenue

The Company recognizes revenue for the transfer of goods or services to customers at an amount that reflects the consideration expected to be received for those goods or services. The Company generates revenue primarily from the provision of services to residents, rental income, home health care services, contract services, consulting and group purchasing services.

i. Long-term Care

Services provided to residents include the provision of accommodation and meals, assistance with activities of daily living and continuing care. Programs and services are offered to all residents and specialty programs are offered for those with behavioural needs. Revenue from our LTC segment is regulated by provincial authorities and provincial programs fund a substantial portion of these fees with a co-payment for accommodation being paid by the residents. Accommodation and services are delivered as a bundle and revenue is recognized over time, typically on a monthly basis, which reflects when the services are provided. The frequency that funding is received depends on the jurisdiction in which the LTC home operates and it varies between a monthly or more frequent basis; and payments from residents are typically due at the beginning of each month.

In some cases, the Company's funding is based on occupancy levels achieved or certain policy conditions being met such as spending or staffing hour requirements. In these cases, the Company estimates the amount of funding that it expects to be entitled to for the services provided.

ii. Home Health Care

Home health care services provided include complex nursing care, occupational, physical and speech therapy and assistance with daily activities to accommodate clients living at home. Revenue from the home health care segment is also regulated by provincial authorities. Revenue is derived from both government and private-pay clients. Performance obligations are satisfied as services are delivered and revenue is therefore recognized over time, typically as the services provided to the customer. Private-pay services provided are invoiced at the end of each month based on the services provided, and the billing frequency of government-funded services varies between monthly and bi-weekly depending on the jurisdiction in which the Company operates.

iii. Retirement Living

Retirement living revenue is primarily derived from private-pay residents. Residents are charged monthly fixed fees based on the type of accommodation, level of care and services chosen by the resident and the location of the retirement community. These fixed fees are allocated to the lease and the service components. Payments are due at the beginning of each month.

Accommodation revenue is recognized on a straight-line basis over the lease term, beginning when a resident has the right to use the retirement community. Revenue allocated to the services is recognized over time, typically on a monthly basis, as this corresponds to the period in which services are provided. The Company may also provide additional services to residents on an as-requested basis, at rates established by the Company based upon market conditions. Revenue for such services is recognized as the services are provided to the residents.

iv. Other Services

The Company also offers contract services, consulting and group purchasing services to third parties. Rates are set by the contracts, and these contracts are typically accounted for as a single performance obligation because goods or services are delivered concurrently. Revenue is recognized over time, typically on a monthly basis, which reflects when the services are provided.

o) Finance Costs and Finance Income

Finance costs include: interest expense on long-term debt; accretion of the discount on provisions, decommissioning provisions and convertible debentures; losses on the change in fair value of financial assets and liabilities designated as FVTPL; and losses in foreign exchange on non-Canadian based financial assets.

Finance income includes interest income on funds invested, gains on the change in fair value of financial assets and liabilities designated as FVTPL, accretion on deferred consideration and gains in foreign exchange on non-Canadian based financial assets.

p) Income Taxes

The Company and its subsidiaries are subject to income taxes as imposed by the jurisdictions in which they operate, in accordance with the relevant tax laws of such jurisdictions. The provision for income taxes for the period comprises current and deferred tax.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdictions in which the Company operates. Deferred income tax is calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

The income tax rates used to measure deferred tax assets and liabilities are those rates enacted or substantially enacted at the reporting date and are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Current and deferred income tax assets and liabilities are offset when there is a legally enforceable right of offset; and the income taxes are levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, for each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The ultimate realization of deferred tax assets is dependent upon if the generation of future taxable income is probable during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

q) Discontinued Operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or earlier, if the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statements of earnings and cash flow information is re-presented as if the operation had been discontinued from the start of the comparative period.

r) New Accounting Policy Adopted

Definition of a Business

Beginning on January 1, 2020, The Company adopted the IASB issued amendments 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 a 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.

s) Future Changes in Accounting Policies

Derecognition of financial liabilities

Beginning on January 1, 2022, the Company will adopt the IASB amendment *Annual Improvements to IFRS Standards 2018-2020*. The particular amendment to IFRS 9 *Financial instruments* among *Annual Improvements to IFRS Standards 2018-2020* will clarify which fees are included for the purposes of performing the '10 per cent test' for derecognition of financial liabilities. The adoption of the IFRS 9 *Financial instruments* among *Annual Improvements to IFRS Standards 2018-2020* is not expected to have a material impact on the consolidated financial statements.

Rent concessions related to COVID-19

Beginning on January 1, 2021, the Company will adopt the IASB amendment *Covid-19-Related Rent Concessions (Amendment to IFRS 16)*. This amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The adoption of the *IASB amendment Covid-19-Related Rent Concessions* is not expected to have a material impact on the consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	2020	2019
Trade receivables	**51,873**	48,509
Other receivables	**8,622**	4,035
Accounts receivable	**60,495**	52,544
Less: Trade receivable allowance	**(2,167)**	(2,162)
Accounts receivable - net of allowance	**58,328**	50,382

5. 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	**379**	**9,962**	**7,746**	**45**	**12,218**	**30,350**
Write-off of fully depreciated assets	**(133)**	**(7,165)**	**(5,425)**	**(926)**	**—**	**(13,649)**
Impairment (*Note 15*)	**—**	**(2,780)**	**—**	**—**	**—**	**(2,780)**
Transfer from CIP	**188**	**361**	**353**	**—**	**(902)**	**—**
December 31, 2020	**61,844**	**639,922**	**69,198**	**423**	**24,464**	**795,851**

	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	**679**	**24,398**	**7,048**	**68**	**—**	**32,193**
Write-off of fully depreciated assets	**(133)**	**(7,165)**	**(5,425)**	**(926)**	**—**	**(13,649)**
December 31, 2020	**5,576**	**232,882**	**31,135**	**354**	**—**	**269,947**
Carrying amounts						
At December 31, 2019	56,380	423,895	37,012	92	13,148	530,527
At December 31, 2020	**56,268**	**407,040**	**38,063**	**69**	**24,464**	**525,904**

Right-of-use assets included in buildings were $100.0 million (2019 – $97.8 million) with accumulated depreciation of $42.0 million (2019 – $37.0 million).

New and renewed leases have been recognized as right-of-use asset within buildings of $2.2 million during the year ended December 31, 2020 (2019 – $11.0 million).

No borrowing costs were capitalized related to development projects under construction during the year ended December 31, 2020 (2019 – $0.7 million at an average capitalization rate of 4.5%).

6. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
Cost or Deemed Cost			
January 1, 2019	51,675	62,034	113,709
Additions	—	1,933	1,933
Write-off of fully amortized assets	—	(1,817)	(1,817)
December 31, 2019	51,675	62,150	113,825
January 1, 2020	**51,675**	**62,150**	**113,825**
Additions	**—**	**4,906**	**4,906**
Write-off of fully amortized assets	**—**	**(108)**	**(108)**
December 31, 2020	**51,675**	**66,948**	**118,623**

	Goodwill	Other Intangible Assets	Total
Accumulated Amortization			
January 1, 2019	—	18,509	18,509
Additions	—	7,259	7,259
Write-off of fully amortized assets	—	(1,817)	(1,817)
December 31, 2019	—	23,951	23,951
January 1, 2020	**—**	**23,951**	**23,951**
Additions	**—**	**6,602**	**6,602**
Write-off of fully amortized assets	**—**	**(108)**	**(108)**
December 31, 2020	**—**	**30,445**	**30,445**
Carrying amounts			
At December 31, 2019	51,675	38,199	89,874
At December 31, 2020	**51,675**	**36,503**	**88,178**

7. OTHER ASSETS

	2020	2019
Construction funding subsidy receivable	**42,061**	47,854
Supply inventory	**22,012**	6,804
Prepaid, deposits and other	**13,286**	8,713
Investments held for self-insured liabilities	**—**	27,562
Interest rate swaps *(Note 9)*	**—**	1,480
	77,359	92,413
less: current portion	**(40,226)**	(20,661)
	37,133	71,752

Construction Funding Subsidy Receivable

Construction funding subsidy receivable represents discounted amounts receivable due from the government of Ontario with respect to construction funding subsidies for long-term care homes, totalling $42.1 million (December 31, 2019 – $47.9 million) of which $5.6 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 15 years.

Supply Inventory

Supply inventory is primarily comprised of personal protective equipment (PPE) and other related supplies.

Investments Held for Self-insured Liabilities

After the U.S. Sale Transaction, 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 held U.S. dollar-denominated investments within the Captive for settlements of the self-insured liabilities that were subject to insurance regulatory requirements.

On June 23, 2020, the Board of Directors of the Captive approved a wind up plan to deregister and dissolve the Captive (*Note 18*). On September 21, 2020, the Bermuda Monetary Authority (BMA) approved the deregistration of the Captive and the U.S. dollar denominated investments were released to the Company.

8. 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	**(9,537)**	**(2,023)**	**—**	**(11,560)**
Provisions used	**(3,246)**	**(61)**	**(4)**	**(3,311)**
Accretion	**—**	**—**	**195**	**195**
Effect of movements in exchange rates	**622**	**(125)**	**—**	**497**
December 31, 2020	**—**	**5,217**	**9,717**	**14,934**
Less: current portion	**—**	**(4,367)**	**—**	**(4,367)**
	—	**850**	**9,717**	**10,567**

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, remained with the Company, and was funded through the Captive.

Effective June 30, 2020, the accrual for self-insured general and professional liabilities was reduced to $nil and any expense incurred or release of reserves for U.S. self-insured liabilities are presented as discontinued operations (*Note 18*).

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 recorded as a part of discontinued operations (*Note 18*). As at December 31, 2020, the remaining provisions totaled $5.2 million (US$4.1 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 $10.2 million (December 31, 2019 – $10.7 million) was discounted using a rate of 0.48% (December 31, 2019 – 1.64%) over an estimated time to settle of 7 years.

9. LONG-TERM DEBT

	Interest Rate	Year of Maturity	2020	2019
Convertible unsecured subordinated debentures	5.00 %	2025	**121,629**	120,675
CMHC mortgages, fixed rate	2.19% - 7.70%	2022 - 2037	**141,638**	128,878
CMHC mortgages, variable rate	Variable	2025	**22,869**	—
Non-CMHC mortgages	3.11% - 5.64%	2022 - 2038	**167,729**	164,349
Construction loans	Variable	on demand	**43,113**	64,601
Lease liabilities	0.92% - 7.19%	2021 - 2034	**77,805**	86,208
			574,783	564,711
Deferred financing costs			**(10,186)**	(8,405)
Total debt, net of deferred financing costs			**564,597**	556,306
Less: current portion			**(71,390)**	(133,771)
Long-term debt, net of deferred financing costs			**493,207**	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 2.19% to 7.70% with maturity dates through to 2037.

In June 2020, the Company renewed a CMHC-insured mortgage of $23.2 million, inclusive of fees, on a long-term care home. The renewed mortgage matures in July 2025, with a variable rate based on the lenders cost of funds plus 225 basis points.

In April 2020, the Company secured a CMHC-insured mortgage of $47.8 million, inclusive of fees, on a retirement community. The mortgage 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.

In October 2019, the Company secured a CMHC-insured mortgage of $9.3 million, inclusive of fees, on a retirement community. The new mortgage matures in September 2029, with a fixed rate of 2.49% per annum.

In April 2019, the Company secured a CMHC-insured mortgage of $16.0 million, inclusive of fees, on a retirement community. The new mortgage matures in September 2029, with a fixed rate of 2.81% 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.

In May 2020, the Company secured mortgages of $10.3 million, inclusive of fees, on two retirement communities that mature in May 2023 and the Company entered into interest rate swap contracts to lock in the interest rate on each of these mortgages at 3.55% per annum.

In March 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 $48.0 million are available for two retirement home communities and provide for additional letter of credit facilities of $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 or 2023.

All construction loans have been reflected as current.

As at December 31, 2020, an aggregate of $43.1 million was drawn on the construction loans (December 31, 2019 – $64.6 million), leaving $4.9 million available (December 31, 2019 – $13.1 million); in addition, as at December 31, 2020, letters of credit totalling $0.7 million were issued under credit facilities (December 31, 2019 – $1.3 million), leaving $1.1 million available (December 31, 2019 – $1.3 million).

Lease Liabilities

Lease liabilities as at December 31, 2020 include leases on long-term care homes and head and district offices. The Company operates nine Ontario long-term care homes, which were built between 2001 and 2003, under 25-year lease arrangements. The liabilities associated with the head and district office leases is amortized over the remaining lease terms ranging up to 14 years.

During the year ended December 31, 2020, the Company has recognized new and renewed district office lease liabilities of $2.2 million (2019 - $10.3 million).

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 December 31, 2020, $35.6 million of the facilities secure the Company's defined benefit pension plan obligations (December 31, 2019 – $38.1 million), $5.4 million was used in connection with obligations relating to long-term care homes and retirement communities (December 31, 2019 – $5.5 million), leaving $71.3 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.

Principal Repayments

	Convertible Debentures	Mortgages Regular	Mortgages Maturity	Construction Loans	Lease Liabilities	Total
2021	—	19,155	—	43,113	15,864	78,132
2022	—	14,084	48,830	—	14,400	77,314
2023	—	10,713	47,729	—	13,828	72,270
2024	—	9,451	—	—	13,551	23,002
2025	126,500	8,173	36,220	—	13,262	184,155
2026 and thereafter	—	81,520	56,361	—	26,383	164,264
Total debt principal and lease liability	126,500	143,096	189,140	43,113	97,288	599,137
Unamortized accretion of 2025 convertible debentures	(4,871)	—	—	—	—	(4,871)
Interest on lease liabilities	—	—	—	—	(19,483)	(19,483)
	121,629	143,096	189,140	43,113	77,805	574,783

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	**62,362**
New lease liabilities	**2,159**
Accretion and other	**954**
Repayments	**(55,403)**
Addition - deferred financing costs	**(3,791)**
Amortization of deferred financing costs and other	**2,010**
December 31, 2020	**564,597**

Interest Rates

The weighted average interest rate of all long-term debt as at December 31, 2020, was approximately 4.3% (December 31, 2019 – 4.7%). As at December 31, 2020, 88.5% of the long-term debt, including interest rate swaps, was at fixed rates (December 31, 2019 – 88.6%).

Interest Rate Swaps

The interest rate swaps include swap contracts relating to mortgages, with notional amounts totalling $88.1 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 three to ten years.

All interest rate swap contracts are measured at FVTPL, and hedge accounting has not been applied. Changes in fair value are recorded in the consolidated statements of earnings.

As at December 31, 2020, the interest rate swaps were valued as a liability of $2.6 million (December 31, 2019 – $0.8 million net asset, including a liability of $0.7 million) (*Notes 7 & 10*).

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 December 31, 2020.

10. OTHER LONG-TERM LIABILITIES

	2020	**2019**
Accrued pension and benefits obligation *(Note 21)*	**35,531**	32,609
Interest rate swaps (*Note 9*)	**2,573**	702
Other	**1,955**	1,876
	40,059	35,187

11. SHARE-BASED COMPENSATION

Equity-settled Long-term Incentive Plan

The Company's 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 PSUs for employees and 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 with a term of not less than 24 months and not more than 36 months from the date of grant. During the year ended December 31, 2020, the Company settled PSUs and DSUs totalling 104,387, of which 29,627 were settled in cash to cover withholding taxes payable ($0.2 million) and 74,760 were settled with Common Shares issued from treasury. During the year ended December 31, 2019, the Company settled PSUs totalling 61,285, of which 12,223 were settled in cash to cover withholding taxes payable ($0.1 million) and 49,062 were settled with Common Shares issued from treasury.

The Company's DSUs and PSUs were an expense of $2.2 million for the year ended December 31, 2020 (2019 – $1.7 million).

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

	2020	**2019**
Contributed surplus – DSUs	**2,565**	2,594
Contributed surplus – PSUs	**2,351**	1,081
	4,916	3,675

As at December 31, 2020, an aggregate of 4,264,152 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**	
	2020	**2019**	**2020**	**2019**
Units outstanding, beginning of period	**337,029**	239,725	**399,521**	188,909
Granted	**98,721**	82,384	**334,214**	292,581
Reinvested dividend equivalents	**25,136**	14,920	**48,791**	17,889
Forfeited	**—**	—	**(62,207)**	(38,573)
Settled	**(79,155)**	—	**(25,232)**	(61,285)
Units outstanding, end of period	**381,731**	337,029	**695,087**	399,521
Weighted average fair value of units granted during the period at grant date	**$5.76**	$8.26	**$7.41**	$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:

		2020	2019
Grant date	**March 10, 2020**	**December 17, 2020**	May 31, 2019
Vesting date	**March 10, 2023**	**March 10, 2023**	May 31, 2022
PSUs granted	**323,168**	**11,046**	292,581
Fair value of AFFO component	**$3.64**	**$3.41**	$4.04
Fair value of TSR component	**$3.80**	**$3.01**	$5.58
Grant date fair value	**$7.44**	**$6.42**	$9.62
Expected volatility of the Company's Common Shares	**19.79 %**	**35.46 %**	20.49 %
Expected volatility of the Index	**11.05 %**	**24.28 %**	9.42 %
Risk-free rate	**0.55 %**	**0.25 %**	1.40 %
Dividend yield	**nil**	**nil**	nil

12. SHARE CAPITAL

		2020		2019
	Shares	**Amount**	*Shares*	**Amount**
Balance at beginning of year	*89,232,512*	**498,116**	*88,489,984*	492,064
Transactions with shareholders				
DRIP	*231,813*	**1,700**	*693,466*	5,423
Share-based compensation	*74,760*	**761**	*49,062*	629
Balance at end of year	*89,539,085*	**500,577**	*89,232,512*	498,116

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 2020 and 2019, the Company declared cash dividends of $0.48 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. 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 was the last dividend payment eligible for reinvestment by participating shareholders under the DRIP. Subsequent dividends will be paid only in cash.

During 2020, the Company issued 231,813 Common Shares at a value of $1.7 million (2019 – 693,466 Common Shares at a value of $5.4 million).

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 2020, under the NCIB that commenced on January 15, 2020 and ended on January 14, 2021, the Company did not purchase any Common Shares. During 2019, under the NCIB that commenced on January 15, 2019 and ended on January 14, 2020, the Company did not purchase any Common Shares.

13. REVENUE

	2020	2019
Long-term care	**715,550**	643,785
Retirement living	**47,801**	41,276
Home health care	**368,189**	422,995
Other operations	**26,753**	23,894
Total revenue	**1,158,293**	1,131,950

Funding for the Company's LTC homes and home health care services is regulated by provincial authorities. Revenue from provincial programs represented approximately 67% of the Company's long-term care revenue, excluding additional funding received in connection with COVID-19, (2019 – 69%), and approximately 98% of the home health care revenue for both 2020 and 2019.

Retirement living includes accommodation revenue of approximately $17.6 million (2019 – $16.6 million) and services revenue of approximately $30.2 million (2019 – $24.7 million). Services revenue represents a combination of monthly service fees paid by the residents, including proceeds retained by the Company upon the sale of homes in the life lease community.

14. EXPENSES BY NATURE

	2020	2019 (1)
Employee wages and benefits	**925,087**	876,651
Government grants	**(91,175)**	—
Food, drugs, supplies and other variable costs	**80,568**	53,872
Property based and leases	**51,901**	48,942
Other	**58,774**	60,186
Total operating expenses and administrative costs	**1,025,155**	1,039,651

(1) *Comparative figures have been re-presented to reflect discontinued operations (Notes 3, 18).*

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy (CEWS) program, which was designed to help Canadian employers that have experienced revenue declines to re-hire workers laid off as a result of COVID-19, help prevent further job losses and better position the employers to resume normal operations after the COVID-19 pandemic. Further changes to the CEWS program were announced on July 17, 2020 and October 14, 2020, extending the program until June 2021. The Company's home health care subsidiary, ParaMed Inc., applied for and received $91.2 million in CEWS during the year ended December 31, 2020 in respect of all claims periods under the CEWS program between March 15, 2020 and December 19, 2020. Payments under the CEWS program are accounted for as government grants under IAS 20 and are recorded on a net basis as a reduction to operating expenses of the home health care segment, thereby impacting the home health care segment net operating income for the year ended December 31, 2020.

15. OTHER EXPENSE

	2020	2019
Impairment *(Note 5)*	**2,780**	—
Other costs *(Note 21)*	**2,486**	975
Termination of B.C. market home health care contracts	**—**	1,429
	5,266	2,404

Impairment

In the second quarter of 2020, the Company recorded a pre-tax impairment charge of $2.8 million ($2.0 million after tax), in respect of certain of its retirement communities in Saskatchewan.

The impairment charge for the retirement living operations relates to the write down of the carrying value of the property and equipment of two Saskatchewan retirement communities that were acquired in early 2016; one of which was newly opened at that time and is still in lease up. Both communities have not performed as expected, primarily due to competitive market conditions, impacting rates, occupancy and labour and benefit costs.

The determination of recoverable amounts can be significantly impacted by estimates related to current market valuations, current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. Estimates and assumptions used in the determination of the impairment loss for both the retirement communities were based upon information that was known at the time, along with the future outlook. The Company completes the assessment of the impairment amount of each of these properties (each being a CGU), by comparing the recoverable amount (in this case the value in use) of each CGU, determined using the direct capitalization method, to their carrying values. The direct capitalization method divides the estimated stabilized net operating income, after adjusting for management fee and capital maintenance, by estimated market capitalization rate of 7%, derived from a combination of third-party information and industry trends. The fair value is a Level 3 valuation (*Note 22*).

Other Costs

In the fourth quarter of 2020, the Company recorded a $2.5 million non-cash, non-recurring actuarial adjustment in respect of a legacy post-retirement benefits plan *(Note 21)*.

In the second quarter of 2019, the Company incurred other costs of $1.0 million in connection with a representation and standstill agreement entered into on April 22, 2019, with Sandpiper Real Estate Fund 2 Limited Partnership, Sandpiper Real Estate Fund 3 Limited Partnership, Sandpiper GP 2 Inc., and Sandpiper GP 3 Inc.

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, that such contracts would not be renewed in March 2020. Accordingly, the Company ceased its home health 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.

16. NET FINANCE COSTS

	2020	**2019**
Interest expense	**28,478**	28,733
Interest revenue	**(2,681)**	(3,688)
Accretion	**1,237**	1,195
Foreign exchange and fair value adjustments	**3,173**	2,081
Net finance costs	**30,207**	28,321

Foreign Exchange

Foreign exchange gains or losses related to deferred consideration and other balances denominated in U.S. dollars for the year ended December 31, 2020 is a gain of $0.2 million (2019 - loss of $0.8 million).

Fair Value Adjustments

Fair value adjustments related to interest rate swap contracts on certain mortgages were a loss of $3.4 million for the year ended December 31, 2020 (2019 - loss of $1.3 million) (*Note 9*).

17. 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 calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

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

	2020	2019 [(1)]
Numerator for Basic and Diluted Earnings per Share		
Earnings from continuing operations		
Net earnings for basic earnings per share	**54,189**	28,630
Less: earnings from discontinued operations, net of tax	**(11,603)**	(13,831)
Earnings from continuing operations for basic earnings per share	**42,586**	14,799
Add: after-tax interest on convertible debt	**6,170**	6,117
Earnings from continuing operations for diluted earnings per share	**48,756**	20,916
Net earnings		
Net earnings for basic earnings per share	**54,189**	28,630
Add: after-tax interest on convertible debt	**6,170**	6,117
Net earnings for diluted earnings per share	**60,359**	34,747
Denominator for Basic and Diluted Earnings per Share		
Actual weighted average number of shares	**89,485,110**	88,868,741
DSUs	**323,161**	279,173
Weighted average number of shares for basic earnings per share	**89,808,271**	89,147,914
Shares issued if all convertible debt was converted	**10,326,531**	10,326,531
PSUs	**140,533**	64,886
Total for diluted earnings per share	**100,275,335**	99,539,331
Basic Earnings per Share (*in dollars*)		
Earnings from continuing operations	**$0.47**	$0.17
Earnings from discontinued operations	**$0.13**	$0.16
Net earnings	**$0.60**	$0.32
Diluted Earnings per Share (*in dollars*)		
Earnings from continuing operations	**$0.47**	$0.17
Earnings from discontinued operations	**$0.12**	$0.14
Net earnings	**$0.60**	$0.32

(1) *Comparative figures have been re-presented to reflect discontinued operations (Notes 3, 18).*

18. DISCONTINUED OPERATIONS

After the U.S. Sale Transaction, the Company retained 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, and was reported as the U.S. segment.

On June 23, 2020, the Board of Directors of the Captive approved a wind up plan to deregister the Captive with the BMA and subsequently dissolve the Captive, thereby ceasing the operations of the U.S. segment. Concurrently, the Company entered into a termination agreement with the Captive to assume the remaining obligations and certain liabilities of the Captive effective June 30, 2020.

As a result, the remaining portion of the U.S. segment has been classified as a discontinued operation. Accordingly, the comparative consolidated statement of earnings has been re-presented.

Financial information relating to the discontinued operations for the periods are set out below:

	2020	2019
Earnings from Discontinued Operations		
Administrative costs	**996**	1,188
Other income	**(11,561)**	(11,579)
Earnings before net finance costs	**10,565**	10,391
Accretion	—	648
Foreign exchange and fair value adjustments	**(1,330)**	(4,088)
Net finance costs	**(1,330)**	(3,440)
Earnings before income taxes	**11,895**	13,831
Current	**10**	(1,314)
Deferred	**282**	1,314
Income tax expense	**(292)**	—
Earnings from discontinued operations	**11,603**	13,831

Earnings from discontinued operations includes the release of the accrual for self-insured liabilities of $9.5 million for the year ended December 31, 2020 (2019 – $11.6 million), the valuation change to the indemnification provisions of $2.0 million for the year ended December 31, 2020 (2019 – $nil), and foreign exchange and fair value gain of $1.3 million for the year ended December 31, 2020 (2019 – $4.1 million), net of administrative costs and interest expense.

The net cash flows provided by (used in) the discontinued operations in the consolidated statements of cash flow are as follows:

	2020	2019
Cash Flows from Discontinued Operations		
Net cash used in operating activities	**(6,029)**	(13,729)
Net cash from investing activities	**6,029**	13,729
Effect on cash flows	—	—

The assets and liabilities of the discontinued operation as at December 31, are as follows:

	2020	2019
Assets		
Other assets (*Note 7*)	—	27,562
Total assets	—	27,562
Liabilities		
Accounts payable and accrued liabilities	—	1,565
Provisions	—	12,160
Total liabilities	—	13,725
Net assets directly associated with discontinued operations	—	13,837

19. INCOME TAXES

Effective Tax Rate

The major factors that caused variations from the expected combined Canadian federal and provincial statutory income tax rates were as follows**:**

	2020	2019 (1)
Earnings from continuing operations before income taxes	**58,870**	21,984
Tax rate	**26.5 %**	26.5 %
Income taxes at statutory rates of 26.5%	**15,601**	5,826
Income tax effect relating to the following items:		
Non-deductible items	**817**	886
Non-taxable income (loss)	**(78)**	56
Prior year adjustment	**—**	413
Other items	**(56)**	4
	16,284	7,185

(1) *Comparative figures have been re-presented to reflect discontinued operations (Notes 3, 18).*

Summary of Operating and Capital Loss Carryforwards

The Company and its Canadian corporate subsidiaries have $26.2 million net operating loss carryforwards available as at December 31, 2020 (2019 – $12.9 million), which expire in the years 2036 through 2040, which are recognized in deferred tax assets and capital loss carryforwards of $51.3 million (2019 – $41.7 million) which have not been tax benefited and are available indefinitely to apply against future capital gains.

Deferred tax assets recognized as at December 31, 2020, were $15.8 million (2019 – $12.7 million). Net deferred tax assets increased in 2020 to $4.2 million from a net deferred tax liability position of $1.5 million at December 31, 2019.

Recognized Deferred Tax Assets and Liabilities

Net deferred tax liabilities comprise the following:

	2020			2019		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property and equipment, Goodwill and other intangible assets	**10,625**	**32,554**	**21,929**	6,002	26,937	20,935
Provisions	**3,026**	**—**	**(3,026)**	3,456	—	(3,456)
Accrued pension and benefits obligation	**10,039**	**—**	**(10,039)**	9,672	—	(9,672)
Operating loss carryforwards	**6,946**	**—**	**(6,946)**	3,445	—	(3,445)
Other	**7,443**	**1,280**	**(6,163)**	4,681	1,823	(2,858)
Set-off of tax	**(22,249)**	**(22,249)**	**—**	(14,508)	(14,508)	—
Deferred tax (assets)/liabilities, net	**15,830**	**11,585**	**(4,245)**	12,748	14,252	1,504

Deferred income taxes are provided for temporary differences between the carrying values of assets and liabilities and their respective tax values as well as available tax loss carryforwards. Management believes it is more likely than not that the Company's corporate subsidiaries will realize the benefits of these deductible differences.

The significant components of deferred income tax assets and liabilities and the movement in these balances during the year were as follows:

	Balance January 1, 2020	Recognized in Net Earnings	Recognized in Other Comprehensive Income	Recognized in Discontinued Operations	Change in Foreign Exchange	Balance December 31, 2020
Property and equipment, Goodwill and other intangible assets	20,935	**994**	—	—	—	**21,929**
Provisions	(3,456)	**109**	—	**282**	**39**	**(3,026)**
Accrued pension and benefits obligation	(9,672)	**325**	**(692)**	—	—	**(10,039)**
Operating loss carryforwards	(3,445)	**(3,501)**	—	—	—	**(6,946)**
Other	(2,858)	**(3,305)**	—	—	—	**(6,163)**
Deferred tax (assets)/ liabilities, net	1,504	**(5,378)**	**(692)**	**282**	**39**	**(4,245)**

	Balance January 1, 2019	Recognized in Net Earnings	Recognized in Other Comprehensive Income	Recognized in Discontinued Operations	Change in Foreign Exchange	Balance December 31, 2019
Property and equipment, Goodwill and other intangible assets	19,789	1,146	—	—	—	20,935
Provisions	(5,093)	249	—	1,314	74	(3,456)
Accrued pension and benefits obligation	(9,599)	303	(376)	—	—	(9,672)
Operating loss carryforwards	(1,519)	(1,926)	—	—	—	(3,445)
Other	(1,980)	(874)	—	—	(4)	(2,858)
Deferred tax (assets)/ liabilities, net	1,598	(1,102)	(376)	1,314	70	1,504

20. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2020, the Company has outstanding commitments of $45.4 million in connection with the construction contract related to a new 256-bed LTC home in Sudbury, Ontario. Construction commenced in the fourth quarter of 2020 and is targeted to be complete in the fourth quarter of 2022. The Company also has outstanding commitments of $19.8 million in connection with a five-year agreement for cloud-based enterprise resource planning software. Payments under the agreement are due annually in advance and the agreement expires in 2025.

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 Company intends to vigorously defend itself against these claims. However, given the status of the proceedings the Company is unable to assess the potential outcome of legal proceedings and they could have a materially adverse impact on the Company's business, results of operations and financial condition.

In December 2020, the Ontario government passed Bill 218, *Supporting Ontario's Recovery Act* (Ontario), which provides targeted liability protection against COVID-19 exposure-related claims against any individual, corporation, or other entity that made a "good faith" or "honest" effort to act in accordance with public health guidance and laws relating to COVID-19 and did not otherwise act with "gross negligence". The protection under Bill 218 is retroactive to March 17, 2020, when Ontario first implemented emergency measures as part of its response to the COVID-19 pandemic.

In December 2020, the Company was served with a statement of claim naming the Company and the owner of a LTC home to which the Company provides contracted services, as well as certain entities related to the owner. The claim seeks an order certifying the claim as a class action and alleges negligence, gross negligence, breach of fiduciary duty, breach of contract and wrongful death in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons, all residents of the residence and all family members of such individuals. The claim seeks damages in the aggregate of $40.0 million.

In October 2020, the Company was served with a statement of claim naming it and multiple other defendants, including multiple LTC homes and their respective owners and operators, the Government of Ontario and several Ontario cities, including the City of Toronto. The claim seeks an order certifying the action as a class action and alleges negligence, breach of fiduciary duty and breach of section 7 of the *Canadian Charter of Rights and Freedoms* by the multiple defendants, including the Company, in the operation of certain LTC homes and provision of care to residents. The claim seeks aggregate damages of $600.0 million from the multiple defendants.

In October 2020, the Company was served with a statement of claim alleging negligence, breach of contract, breach of certain statutory duties and Human Rights Code breaches in respect of all residents of a Company LTC home as well as their family members. In January 2021, the claim was amended to include further allegations of gross negligence and claim against 35 Company LTC homes and 36 LTC homes to which the Company provides contract services. The claim seeks an order certifying the action as a class action and damages in the aggregate amount of $210.0 million.

In June 2020, the Company was served with an amended statement of claim adding the Company to a statement of claim previously issued to the owner of a long-term care and retirement community to which the Company provides contracted services under its Extendicare Assist division. The claim seeks an order certifying the claim as a class action pursuant to the *Class Proceedings Act* (Ontario) and alleges negligence and breach of contract in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons, all residents of the residence and all family members of such individuals. The claim seeks damages in the aggregate of $40.0 million.

In September 2018, the Company was served with a statement of claim seeking an order certifying the claim as a class action pursuant to the *Class Proceedings Act* (Ontario). The claim alleges that the Company failed to properly apply certain required medical equipment sterilization protocols at one or more of its home health care clinics and seeks $20.0 million in damages. The claim was certified as a class action proceeding in September 2020.

21. EMPLOYEE BENEFITS

Retirement compensation arrangements are maintained for certain employee groups as described below.

Defined Benefit Plans

The Company has benefit arrangements for certain of its executives, which include a registered defined benefit pension plan, as well as supplementary plans that provide pension benefits in excess of statutory limits and post-retirement health and dental benefits. These plans have been closed to new entrants for several years. The plans are exposed to various risks, including longevity risk, currency risk, interest rate risk and market risks.

The different types of defined benefit plans of the Company are listed below.

	Defined Benefit Plan		**Supplementary Defined Benefit Plans**		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Fair value of plan assets	**4,577**	5,325	**713**	—	**5,290**	5,325
Present value of obligations	**7,294**	8,137	**35,873**	33,678	**43,167**	41,815
Deficit	**(2,717)**	(2,812)	**(35,160)**	(33,678)	**(37,877)**	(36,490)

FUNDING

As required by law, the registered defined benefit pension plans are funded through a trust, and the Company is responsible for meeting the statutory obligations for funding this plan. The funding requirement for past service is determined based on separate actuarial valuations for funding purposes, which are completed every three years. The last actuarial review was performed effective October 1, 2018 and completed in early 2019.

The supplementary defined benefit pension plan is funded through a retirement compensation arrangement and secured through a letter of credit that is renewed annually. The supplementary health and dental benefit plan is unfunded. The Company does not set aside other assets for these plans and the benefit payments are funded from cash generated from operations.

DEFINED BENEFIT OBLIGATIONS

	2020	2019
Present Value of Defined Benefit Obligations		
Accrued benefit obligations		
Balance at beginning of year	**41,815**	41,189
Current service cost	**176**	98
Recognition of supplementary health and dental plan *(Note 15)*	**2,486**	—
Benefits paid	**(5,363)**	(2,614)
Interest costs	**1,198**	1,399
Actuarial loss	**2,855**	1,743
Balance at end of year	**43,167**	41,815
Plan assets		
Fair value at beginning of year	**5,325**	5,066
Employer contributions	**1,302**	159
Actual return on plan assets	**244**	321
Interest income on plan assets	**154**	172
Benefits paid	**(1,735)**	(393)
Fair value at end of year	**5,290**	5,325
Defined benefit obligations	**37,877**	36,490

The expected contribution to the benefit plans for the coming year is approximately $2.4 million.

	2020	2019
Current accrued liabilities	**2,346**	3,881
Other long-term liabilities *(Note 10)*	**35,531**	32,609
Accrued benefit liability at end of year	**37,877**	36,490

EFFECT OF CHANGES TO DEFINED BENEFIT OBLIGATIONS

	2020	2019
Expense Recognized in Net Earnings		
Annual benefit plan expense		
Current service cost	**176**	98
Recognition of supplementary health and dental plan *(Note 15)*	**2,486**	—
Interest costs	**1,044**	1,227
Defined benefit plan expenses recognized in the year - included in administrative expenses	**3,706**	1,325
Actuarial Losses Recognized in Other Comprehensive Income		
Amount accumulated in accumulated deficit at January 1	**(11,279)**	(10,236)
Actuarial loss arising from changes in liability experience and assumption changes	**(2,855)**	(1,740)
Return on assets	**244**	321
Income tax recovery on actuarial loss	**692**	376
Amount recognized in accumulated deficit at December 31	**(13,198)**	(11,279)

PLAN ASSETS

	2020	2019
Equities	**47 %**	47 %
Fixed income securities	**34 %**	33 %
Real estate / commercial mortgage	**19 %**	20 %
	100 %	100 %

ACTUARIAL ASSUMPTIONS

	2020	2019
Discount rate for year-end accrued obligation	**2.25 %**	3.00 %
Discount rate for period expense	**3.00 %**	3.50 %
Rate of compensation increase	**— %**	— %
Income Tax Act limit increase	**3.00 %**	3.00 %
Average remaining service years of active employees	**2**	2

The present value of the pension and benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension and benefit obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and those that have terms to maturity approximating the terms of the related pension liability.

Changes to the following actuarial assumptions, while holding the other assumptions constant, would have affected the defined benefit obligation and related expense for 2020 by the amounts shown below.

	Increase (Decrease) in Benefit Obligation	Increase (Decrease) in Net Earnings
Discount rate		
1% increase	(3,800)	215
1% decrease	4,494	(282)
Rate of compensation increase*		
1% increase	—	—
1% decrease	—	—
Mortality rate		
10% increase	(922)	(20)
10% decrease	1,050	24

* No impact as actual salary rates are used in valuation for 2020.

Defined Contribution Plans

The Company maintains registered savings and defined contribution plans and matches up to 120% of the employees' contributions according to seniority, subject to a maximum based on the salary of the plan participants. Contributions to these various plans in 2020 were $15.1 million (2019 - $17.1 million).

22. 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 following are the contractual maturities of financial liabilities, including estimated interest payments:

As at December 31, 2020	Carrying Amount	Contractual Cash Flows	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
Convertible debentures	**121,629**	**154,963**	6,325	6,325	142,313	—
CMHC mortgages, fixed rate	**141,638**	**170,323**	16,931	35,232	24,204	93,956
CMHC mortgages, variable rate	**22,869**	**26,116**	1,538	1,538	23,040	—
Non-CMHC mortgages	**167,729**	**212,737**	12,822	35,789	87,836	76,290
Construction loans	**43,113**	**43,113**	43,113	—	—	—
Lease liabilities	**77,805**	**97,288**	15,864	14,400	40,641	26,383
Accounts payable and accrued liabilities	**187,071**	**187,071**	187,071	—	—	—
Income taxes payable	**16,693**	**16,693**	16,693	—	—	—
	778,547	**908,304**	**300,357**	**93,284**	**318,034**	**196,629**

The gross outflows presented above represent the contractual undiscounted cash flows.

In addition to cash generated from its operations and cash on hand, the Company has available undrawn credit facilities totalling $71.3 million (2019 – $68.7 million).

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Company by failing to discharge its obligation. The nature and maximum exposure to credit risk as at December 31 was:

	Carrying Amount	
	2020	**2019**
Cash and cash equivalents	**179,956**	94,457
Restricted cash	**2,509**	2,441
Accounts receivables, net of allowance	**58,328**	50,382
Investments held for self-insured liabilities	**—**	27,562
Government note receivables	**42,061**	47,854
	282,854	222,696

Cash and Cash Equivalents

Cash and cash equivalents are held with highly-rated financial institutions in Canada.

Restricted Cash

Restricted cash is cash held mainly on account of lender capital reserves with highly-rated financial institutions in Canada, and minimal credit risk.

Accounts Receivable, Net of Allowance

The Company evaluates the adequacy of its provision for expected credit losses on trade and other receivables by conducting a specific account review of amounts in excess of predefined target amounts and aging thresholds, and are considered based upon historical credit loss experiences for each payor type and age of the receivables, adjusted for current and forecasted future economic conditions. Accounts receivable that are specifically estimated to be uncollectible, based upon the above process, are fully reserved for in the provision for receivable impairment until they are written off or collected.

Receivables from government agencies represent the only concentrated group of accounts receivable for the Company, which is primarily from provincial government agencies. Management does not believe there is any credit risk associated with these government agencies other than possible funding delays. Accounts receivable other than from government agencies consist of private individuals that are subject to different economic conditions, none of which represents any concentrated credit risk to the Company.

As at December 31, 2020, receivables from government agencies represented approximately 90% of the total receivables (2019 – 80%). Management continuously monitors reports from trade associations or notes from provincial or federal agencies that announce possible delays that are rare to occur and usually associated with changes of fiscal intermediaries or changes in information technology or forms.

The aging analysis of these trade receivables is as follows:

	2020	**2019**
Current	**36,170**	32,252
Between 30 and 90 days	**9,650**	12,704
Over 90 days	**6,053**	3,553
Less: provision for receivable impairment	**(2,167)**	(2,162)
	49,706	46,347

Any change in provision for receivables impairment has been included in operating expenses in net earnings. In general, amounts charged to the provision for impairment of trade receivables are written off when there is no expectation of recovering additional cash.

Notes and Amounts Receivable

Included in notes and amounts receivable were $42.1 million (2019 – $47.9 million) of discounted amounts receivable due from government agencies. These represent amounts funded by the Ontario government for a portion of LTC home construction costs over a 20-year or 25-year period *(Note 7)*. The Company does not believe there is any credit exposure for these amounts due from government agencies.

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 loss as and when payments are made.

As a result of the U.S. Sale Transaction, the Company's exposure to foreign currency risk has been significantly reduced. The following table outlines the net asset exposure to items retained from the U.S. Sale Transaction as at December 31, 2020.

		2020
	US$	**C$**
Assets		
Current assets	*13,664*	**17,387**
Liabilities		
Current liabilities	*4,142*	**5,270**
Indemnification provisions	*668*	**850**
Non-current liabilities	*551*	**701**
Net asset exposure	*8,303*	**10,566**

Net Earnings Sensitivity Analysis

As at December 31, 2020 and December 31, 2019, the Company does not have any revenue in foreign currencies.

Every one cent strengthening of the Canadian dollar against the U.S. dollar in 2020 would favourably impact net earnings by $0.1 million and OCI by $0.1 million. This analysis assumes that all other variables, in particular the interest rates, remain constant.

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 debt portfolio includes fixed-rate debt and variable-rate debt with interest rate swaps in place. At December 31, 2020, CMHC variable-rate mortgages of $22.9 million and construction loans of

$43.1 million are variable-rate debt, which do not have interest rate swaps in place. The Company's credit facility, and future borrowings, may be at variable rates which would expose the Company to the risk of interest rate volatility (*Note 9*).

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	
	2020	**2019**
Fixed-rate long-term debt [1]	**508,801**	500,110
Variable-rate long-term debt [1]	**65,982**	64,601
Total	**574,783**	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 December 31, 2020, long-term debt with variable rates represented 11.5% of total debt (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 $0.5 million and a decrease of 100 basis points in interest rates would have increased net earnings by $0.5 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 December 31, 2020	**Amortized Cost**	**Fair Value through Profit and Loss**	**Total Carrying Amount**	**Fair Value**	**Fair Value Hierarchy**
Financial assets:					
Cash and cash equivalents	**179,956**	—	**179,956**	**179,956**	Level 1
Restricted cash	**2,509**	—	**2,509**	**2,509**	Level 1
Accounts receivable	**58,328**	—	**58,328**	**58,328**	
Amounts receivable and other assets [1] [2]	**42,061**	—	**42,061**	**43,485**	Level 2
	282,854	—	**282,854**	**284,278**	
Financial liabilities:					
Accounts payable	**16,482**	—	**16,482**	**16,482**	
Interest rate swaps	—	**2,573**	**2,573**	**2,573**	Level 2
Long-term debt excluding convertible	**453,154**	—	**453,154**	**486,766**	Level 2
Convertible debentures	**121,629**	—	**121,629**	**128,398**	Level 1
	591,265	**2,573**	**593,838**	**634,219**	

[1] Includes primarily amounts receivable from government.
[2] Includes current portion.
[3] 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 1
Restricted cash	2,441	—	2,441	2,441	Level 1
Invested assets (1)	354	—	354	354	Level 2
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	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 7*). 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.

23. CAPITAL MANAGEMENT

The Company accesses the capital markets periodically to fund acquisitions, growth capital expenditures and certain other expenditures. The Company monitors the capital markets to assess the conditions for changes in capital and the cost of such capital relative to the return on any acquisitions or growth capital projects. Funds raised in the capital markets that are not deployed in acquisitions or growth projects are held in high-quality investments with surplus cash held in secure institutions. The Company manages the cash position and prepare monthly cash flow projections over the remaining and future fiscal periods, and the Company continuously monitors the level, nature and maturity dates of debt and level of leverage and interest coverage ratios to ensure our compliance with debt covenants. The Company provides information to the Board on a regular basis in order to carefully evaluate any significant cash flow decisions.

Capital Structure

The Company defines its capital structure to include long-term debt, net of Cash and cash equivalents, and share capital.

	2020	2019
Current portion of long-term debt [(1)]	**71,390**	133,771
Long-term debt [(1)]	**493,207**	422,535
Total debt	**564,597**	556,306
Less: Cash and cash equivalents	**(179,956)**	(94,457)
Net debt	**384,641**	461,849
Share capital	**500,577**	498,116
	885,218	959,965

[(1)] Net of financing costs.

24. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel

The remuneration of directors and key management personnel of the Company was as follows:

	2020	2019
Salaries and short-term benefits	**3,615**	2,636
Share-based compensation	**1,725**	1,231
	5,340	3,867

25. 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 operations”; and v) the corporate functions and any intersegment eliminations, not allocated to other segments as “corporate”.

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 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 ceased operation of the U.S. segment and is treating it as a discontinued operation (*Note 18*), thus it is no longer presented as a separate segment.

(in thousands of Canadian dollars)	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
						2020
CONTINUING OPERATIONS						
Revenue	**715,550**	**47,801**	**368,189**	**26,753**	**—**	**1,158,293**
Operating expenses	**663,790**	**34,032**	**268,273**	**10,101**	**—**	**976,196**
Net operating income	**51,760**	**13,769**	**99,916**	**16,652**	**—**	**182,097**
Administrative costs					**48,959**	**48,959**
Earnings before depreciation, amortization, and other						**133,138**
Depreciation and amortization					**38,795**	**38,795**
Other expense					**5,266**	**5,266**
Earnings before net finance costs and income taxes						**89,077**
Net interest costs					**27,034**	**27,034**
Foreign exchange and fair value adjustments					**3,173**	**3,173**
Net finance costs					**30,207**	**30,207**
Earnings before income taxes						**58,870**
Income tax expense (recovery)						
Current					**21,623**	**21,623**
Deferred					**(5,339)**	**(5,339)**
Total income tax expense					**16,284**	**16,284**
Earnings from continuing operations						**42,586**
DISCONTINUED OPERATIONS						
Earnings from discontinued operations, net of income taxes						**11,603**
Net earnings						**54,189**

(in thousands of Canadian dollars)	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
						2019 (1)
CONTINUING OPERATIONS						
Revenue	643,785	41,276	422,995	23,894	—	1,131,950
Operating expenses	566,375	29,844	391,646	10,635	—	998,500
Net operating income	77,410	11,432	31,349	13,259	—	133,450
Administrative costs					41,151	41,151
Earnings before depreciation, amortization, and other						92,299
Depreciation and amortization					39,590	39,590
Other expense					2,404	2,404
Earnings before net finance costs and income taxes						50,305
Net interest costs					26,240	26,240
Foreign exchange and fair value adjustments					2,081	2,081
Net finance costs					28,321	28,321
Earnings before income taxes						21,984
Income tax expense (recovery)						
Current					8,287	8,287
Deferred					(1,102)	(1,102)
Total income tax expense					7,185	7,185
Earnings from continuing operations						14,799
DISCONTINUED OPERATIONS						
Earnings from discontinued operations, net of income taxes						13,831
Net earnings						28,630

(1) *Comparative figures have been re-presented to reflect discontinued operations (Notes 3, 18).*

26. SIGNIFICANT SUBSIDIARIES

The following is a list of the significant subsidiaries as at December 31, 2020, all of which are 100% directly or indirectly owned by the Company.

	Jurisdiction of Incorporation
Extendicare (Canada) Inc.	Canada
ParaMed Inc.	Canada
Harvest Retirement Community Inc.	Canada
Stonebridge Crossing Retirement Community Inc.	Canada
Empire Crossing Retirement Community Inc.	Canada
Yorkton Crossing Retirement Community Inc.	Canada
West Park Crossing Retirement Community Inc.	Canada
Bolton Mills Retirement Community Inc.	Canada
Douglas Crossing Retirement Community Inc.	Canada
Lynde Creek Manor Retirement Community Inc.	Canada
9994165 Canada Inc.	Canada
Riverbend Crossing Retirement Community Inc.	Canada
Cedar Crossing Retirement Community Inc.	Canada
Laurier Indemnity Company, Ltd.	Bermuda

27. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Ontario Ministry of LTC issued further COVID funding announcements totalling $398.0 million, which included $268.0 million in funding for COVID prevention and containment efforts. A portion of this newly announced funding is intended to cover the funding shortfall related to COVID incremental costs incurred during 2020. Following the announcement the Company received $6.6 million. The balance of the funding has not yet been allocated and is undeterminable.