EXTENDICARE®

... helping people live better

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Q1 2021

Extendicare Inc.
Dated: May 12, 2021

Extendicare Inc.
Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2021 and 2020

Extendicare Inc.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

(in thousands of Canadian dollars)	*notes*	**March 31, 2021**	**December 31, 2020**
Assets			
Current assets			
Cash and cash equivalents		**141,271**	179,956
Restricted cash		**2,566**	2,509
Accounts receivable		**67,918**	58,328
Income taxes recoverable		**18,368**	15,063
Other assets	*5*	**38,793**	40,226
Total current assets		**268,916**	296,082
Non-current assets			
Property and equipment	*3*	**522,846**	525,904
Goodwill and other intangible assets	*4*	**90,404**	88,178
Other assets	*5*	**35,980**	37,133
Deferred tax assets		**15,648**	15,830
Total non-current assets		**664,878**	667,045
Total assets		**933,794**	963,127
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**183,669**	187,071
Income taxes payable		**—**	16,693
Long-term debt	*7*	**89,873**	71,390
Provisions	*6*	**4,367**	4,367
Total current liabilities		**277,909**	279,521
Non-current liabilities			
Long-term debt	*7*	**468,499**	493,207
Provisions	*6*	**10,590**	10,567
Other long-term liabilities	*8*	**35,674**	40,059
Deferred tax liabilities		**12,681**	11,585
Total non-current liabilities		**527,444**	555,418
Total liabilities		**805,353**	834,939
Share capital	*10*	**500,877**	500,577
Equity portion of convertible debentures	*7*	**7,085**	7,085
Contributed surplus	*9*	**5,274**	4,916
Accumulated deficit		**(373,392)**	(370,963)
Accumulated other comprehensive loss		**(11,403)**	(13,427)
Shareholders' equity		**128,441**	128,188
Total liabilities and equity		**933,794**	963,127

See accompanying notes to consolidated financial statements.
Commitments and contingencies (Note 15).
Subsequent events (Note 15, 18).

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

		Three months ended March 31,	
(in thousands of Canadian dollars except for per share amounts)	***notes***	**2021**	**2020** [1]
CONTINUING OPERATIONS			
Revenue	*17*	**322,381**	271,818
Operating expenses		**282,117**	241,435
Administrative costs		**12,541**	10,252
Total expenses	*11*	**294,658**	251,687
Earnings before depreciation and amortization		**27,723**	20,131
Depreciation and amortization		**9,855**	9,853
Earnings before net finance costs and income taxes		**17,868**	10,278
Net finance costs	*12*	**6,115**	8,675
Earnings before income taxes		**11,753**	1,603
Income tax expense (recovery)			
Current		**2,827**	2,073
Deferred		**603**	(1,707)
Total income tax expense		**3,430**	366
Earnings from continuing operations		**8,323**	1,237
DISCONTINUED OPERATIONS			
Earnings from discontinued operations, net of income taxes	*14*	**—**	4,669
Net earnings		**8,323**	5,906
Basic and Diluted Earnings per Share			
Earnings from continuing operations	*13*	**$0.09**	$0.01
Net earnings	*13*	**$0.09**	$0.07

See accompanying notes to unaudited interim condensed consolidated financial statements.

[1] *Comparative figures have been re-presented to reflect discontinued operations (Notes 2, 14).*

Extendicare Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

	Three months ended March 31,	
(in thousands of Canadian dollars)	**2021**	**2020**
Net earnings	**8,323**	5,906
Other comprehensive income (loss), net of taxes		
Items that will not be reclassified to profit or loss:		
Defined benefit plan actuarial gains (losses)	**2,509**	(779)
Tax recovery (expense) on defined benefit plan actuarial gains (losses)	**(665)**	206
Defined benefit plan actuarial gains (losses), net of taxes	**1,844**	(573)
Items that are or may be reclassified subsequently to profit or loss:		
Net change in foreign currency translation adjustment	**180**	607
Other comprehensive income (loss), net of taxes	**2,024**	34
Total comprehensive income	**10,347**	5,940

See accompanying notes to unaudited interim condensed consolidated financial statements.

Extendicare Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars, except for number of shares)	**notes**	***Number of shares***	**Share capital**	**Equity portion of convertible debentures**	**Contributed surplus**	**Accumulated deficit**	**Accumulated other comprehensive loss**	**Shareholders' equity**
Balance at January 1, 2021		***89,539,085***	**500,577**	**7,085**	**4,916**	**(370,963)**	**(13,427)**	**128,188**
Share-based compensation	*9*	***23,414***	**300**	**—**	**358**	**—**	**—**	**658**
Net earnings		**—**	**—**	**—**	**—**	**8,323**	**—**	**8,323**
Dividends declared		**—**	**—**	**—**	**—**	**(10,752)**	**—**	**(10,752)**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**2,024**	**2,024**
Balance at March 31, 2021		***89,562,499***	**500,877**	**7,085**	**5,274**	**(373,392)**	**(11,403)**	***128,441***

(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	*10*	*187,658*	1,434	—	—	—	—	1,434
Share-based compensation	*9*	*46,128*	518	—	(344)	—	—	174
Net earnings		—	—	—	—	5,906	—	5,906
Dividends declared		—	—	—	—	(10,731)	—	(10,731)
Other comprehensive income		—	—	—	—	—	34	34
Balance at March 31, 2020		89,466,298	500,068	7,085	3,331	(387,014)	(11,239)	112,231

See accompanying notes to unaudited interim condensed consolidated financial statements.

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

		Three months ended March 31,	
(in thousands of Canadian dollars)	*notes*	**2021**	**2020**
Operating Activities			
Net earnings		**8,323**	5,906
Adjustments for:			
Depreciation and amortization	*3, 4*	**9,855**	9,853
Share-based compensation	*9*	**658**	174
Deferred taxes		**603**	(1,707)
Current taxes		**2,827**	2,073
Net finance costs		**6,115**	7,810
Defined benefit plan expenses		**191**	311
Defined benefit plan contributions		**(1,223)**	(564)
Other income	*14*	**—**	(4,035)
		27,349	19,821
Net change in operating assets and liabilities			
Accounts receivable		**(9,590)**	14,097
Other assets	*5*	**1,238**	184
Accounts payable and accrued liabilities		**(5,387)**	(8,740)
		13,610	25,362
Interest paid		**(4,385)**	(5,039)
Interest received		**515**	931
Income taxes paid		**(22,887)**	(2,406)
Payments of self-insured liabilities		**—**	(39)
Net cash from (used in) operating activities		**(13,147)**	18,809
Investing Activities			
Purchase of property, equipment and other intangible assets	*3, 4*	**(8,843)**	(5,426)
Decrease in investments held for self-insured liabilities		**—**	9,648
Decrease in other assets	*5*	**1,522**	1,449
Net cash from (used in) investing activities		**(7,321)**	5,671
Financing Activities			
Issuance of long-term debt	*7*	**—**	2,677
Repayment of long-term debt	*7*	**(7,325)**	(6,625)
Decrease (increase) in restricted cash		**(57)**	(204)
Dividends paid		**(10,752)**	(9,284)
Financing costs		**(70)**	(54)
Net cash used in financing activities		**(18,204)**	(13,490)
Increase (decrease) in cash and cash equivalents		**(38,672)**	10,990
Cash and cash equivalents at beginning of period		**179,956**	94,457
Foreign exchange gain (loss) on cash held in foreign currency		**(13)**	382
Cash and cash equivalents at end of period		**141,271**	105,829

See accompanying notes to unaudited interim condensed consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF THE BUSINESS

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

2. BASIS OF PREPARATION

a) Statement of Compliance

The interim condensed consolidated financial statements (the "consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB), and were approved by the board of directors of the Company on May 12, 2021.

The interim condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the Company's 2020 annual audited consolidated financial statements. These consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the year-ended December 31, 2020, except for those identified below. Certain comparative information has been reclassified to conform to the current year presentation.

b) Basis of Measurement

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

The Company's interim condensed 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 interim condensed 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 we 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 of such 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 (*Note 15*) and provisions *(Note 6*) are subject to judgement.

The recorded amounts for such items are based on management's best available information and are subject to assumptions and judgement, which may change as time progresses; accordingly, actual results could differ from estimates.

d) Future Changes in Accounting Standards

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 interim condensed consolidated financial statements.

Definition of accounting estimates

Beginning on January 1, 2023, the Company will adopt the IASB amendments *Definition of Accounting Estimates (Amendments to IAS 8)*. These amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The adoption of these amendments is not expected to have a material impact on the interim condensed consolidated financial statements.

Disclosure initiative - accounting policies

Beginning on January 1, 2023, the Company will adopt the IASB amendments *Disclosure Initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)*. The key amendments include: requiring companies to disclose their material accounting policies rather than their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The adoption of these amendments is not expected to have a material impact on the interim condensed consolidated financial statements.

3. PROPERTY AND EQUIPMENT

	Land & Land Improvement	Buildings	Right-of-use assets	Furniture & Equipment	Leasehold Improvements	Construction in Progress (CIP)	Total
Cost or Deemed Cost							
January 1, 2020	61,410	541,794	97,750	66,524	1,304	13,148	781,930
Additions	379	7,749	2,213	7,746	45	12,218	30,350
Write-off of fully depreciated assets	(133)	(7,165)	—	(5,425)	(926)	—	(13,649)
Impairment	—	(2,780)	—	—	—	—	(2,780)
Transfer from CIP	188	361	—	353	—	(902)	—
December 31, 2020	61,844	539,959	99,963	69,198	423	24,464	795,851
January 1, 2021	**61,844**	**539,959**	**99,963**	**69,198**	**423**	**24,464**	**795,851**
Additions	**4**	**174**	**386**	**651**	**160**	**4,062**	**5,437**
Write-offs	**—**	**—**	**(280)**	**—**	**—**	**—**	**(280)**
Write-off of fully depreciated assets	**—**	**(210)**	**(489)**	**(573)**	**(50)**	**—**	**(1,322)**
Transfer from CIP	**4**	**—**	**—**	**—**	**13**	**(17)**	**—**
March 31, 2021	**61,852**	**539,923**	**99,580**	**69,276**	**546**	**28,509**	**799,686**

	Land & Land Improvement	Buildings	Right-of-use assets	Furniture & Equipment	Leasehold Improvements	Construction in Progress (CIP)	Total
Accumulated Depreciation							
January 1, 2020	5,030	178,689	36,960	29,512	1,212	—	251,403
Additions	679	19,364	5,034	7,048	68	—	32,193
Write-off of fully depreciated assets	(133)	(7,165)	—	(5,425)	(926)	—	(13,649)
December 31, 2020	5,576	190,888	41,994	31,135	354	—	269,947
January 1, 2021	**5,576**	**190,888**	**41,994**	**31,135**	**354**	**—**	**269,947**
Additions	**171**	**4,863**	**1,364**	**1,850**	**56**	**—**	**8,304**
Write-offs	**—**	**—**	**(89)**	**—**	**—**	**—**	**(89)**
Write-off of fully depreciated assets	**—**	**(210)**	**(489)**	**(573)**	**(50)**	**—**	**(1,322)**
March 31, 2021	**5,747**	**195,541**	**42,780**	**32,412**	**360**	**—**	**276,840**
Carrying amounts							
At December 31, 2020	56,268	349,071	57,969	38,063	69	24,464	525,904
At March 31, 2021	**56,105**	**344,382**	**56,800**	**36,864**	**186**	**28,509**	**522,846**

No borrowing costs were capitalized related to development projects under construction during the three months ended March 31, 2021 (three months ended March 31, 2020 – $nil).

4. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
Cost or Deemed Cost			
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
January 1, 2021	**51,675**	**66,948**	**118,623**
Additions	**—**	**3,777**	**3,777**
Write-off of fully amortized assets	**—**	**(3,312)**	**(3,312)**
March 31, 2021	**51,675**	**67,413**	**119,088**

	Goodwill	Other Intangible Assets	Total
Accumulated Amortization			
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
January 1, 2021	**—**	**30,445**	**30,445**
Additions	**—**	**1,551**	**1,551**
Write-off of fully amortized assets	**—**	**(3,312)**	**(3,312)**
March 31, 2021	**—**	**28,684**	**28,684**
Carrying amounts		—	
At December 31, 2020	51,675	36,503	88,178
At March 31, 2021	**51,675**	**38,729**	**90,404**

5. OTHER ASSETS

	March 31, 2021	December 31, 2020
Construction funding subsidy receivable	**40,539**	42,061
Supply inventory	**21,578**	22,012
Prepaid, deposits and other	**12,656**	13,286
	74,773	77,359
less: current portion	**(38,793)**	(40,226)
	35,980	37,133

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, of which $5.3 million (December 31, 2020 – $5.6 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 composed of personal protective equipment and other related supplies.

6. PROVISIONS

	Accrual for Self-insured	Indemnification Provisions	Decommissioning Provisions	Total
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
January 1, 2021	**—**	**5,217**	**9,717**	**14,934**
Provisions used	**—**	**—**	**(14)**	**(14)**
Accretion	**—**	**—**	**49**	**49**
Effect of movements in exchange rates	**—**	**(12)**	**—**	**(12)**
March 31, 2021	**—**	**5,205**	**9,752**	**14,957**
Less: current portion	**—**	**(4,367)**	**—**	**(4,367)**
	—	**838**	**9,752**	**10,590**

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 14*).

Indemnification Provisions

As a result of the U.S. Sale Transaction, the Company agreed to indemnify certain obligations of the U.S. operations related to tax, a corporate integrity agreement (the "CIA"), and other items. Any revisions to these estimates are recorded as a part of discontinued operations (*Note 14*). As at March 31, 2021, the remaining provisions totaled $5.2 million (US$4.1 million) (December 31, 2020 – $5.2 million or US$4.1 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, 2020 – $10.2 million) was discounted using a rate of 0.48% (December 31, 2020 – 0.48%) over an estimated time to settle of 7 years.

7. LONG-TERM DEBT

	Interest Rate	Year of Maturity	March 31, 2021	December 31, 2020
Convertible unsecured subordinated debentures	5.00 %	2025	**121,878**	121,629
CMHC mortgages, fixed rate	2.19% - 7.70%	2022 - 2037	**138,562**	141,638
CMHC mortgages, variable rate	Variable	2025	**22,656**	22,869
Non-CMHC mortgages	3.11% - 5.64%	2022 - 2038	**166,249**	167,729
Construction loans	Variable	on demand	**43,113**	43,113
Lease liabilities	0.92% - 7.19%	2021 - 2034	**75,635**	77,805
			568,093	574,783
Deferred financing costs			**(9,721)**	(10,186)
Total debt, net of deferred financing costs			**558,372**	564,597
Less: current portion			**(89,873)**	(71,390)
Long-term debt			**468,499**	493,207

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 lender’s 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.

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 March 31, 2021, an aggregate of $43.1 million was drawn on the construction loans (December 31, 2020 – $43.1 million), leaving $4.9 million available (December 31, 2020 – $4.9 million); in addition, as at March 31, 2021, letters of credit totalling $0.7 million were issued under credit facilities (December 31, 2020 – $0.7 million), leaving $1.1 million available (December 31, 2020 – $1.1 million).

Lease Liabilities

Lease liabilities as at March 31, 2021 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 three months ended March 31, 2021, the Company has recognized new and renewed district office lease liabilities of $0.4 million (three months ended March 31, 2020 – $1.4 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 March 31, 2021, $35.6 million of the facilities secure the Company's defined benefit pension plan obligations (December 31, 2020 – $35.6 million), $5.4 million was used in connection with obligations relating to long-term care homes and retirement communities (December 31, 2020 – $5.4 million), leaving $71.3 million unutilized (December 31, 2020 – $71.3 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 remaining	—	14,366	—	43,113	12,199	69,678
2022	—	14,084	48,830	—	14,537	77,451
2023	—	10,713	47,729	—	13,886	72,328
2024	—	9,451	—	—	13,605	23,056
2025	126,500	8,173	36,220	—	13,316	184,209
2026 and thereafter	—	81,540	56,361	—	26,424	164,325
Total debt principal and lease liability	126,500	138,327	189,140	43,113	93,967	591,047
Unamortized accretion of 2025 convertible debentures	(4,622)	—	—	—	—	(4,622)
Interest on lease liabilities	—	—	—	—	(18,332)	(18,332)
	121,878	138,327	189,140	43,113	75,635	568,093

Long-term Debt Continuity

	Amount
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
January 1, 2021	**564,597**
Issuance of long-term debt	**—**
New lease liabilities	**386**
Accretion and other	**249**
Repayments	**(7,325)**
Addition - deferred financing costs	**(70)**
Amortization of deferred financing costs and other	**535**
March 31, 2021	**558,372**

Interest Rates

The weighted average interest rate of all long-term debt as at March 31, 2021, was approximately 4.3% (December 31, 2020 – 4.3%). As at March 31, 2021, 88.4% of the long-term debt, including interest rate swaps, was at fixed rates (December 31, 2020 – 88.5%).

Interest Rate Swaps

The interest rate swaps include swap contracts relating to mortgages, with notional amounts totalling $87.4 million (December 31, 2020 – $88.1 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 March 31, 2021, the interest rate swaps were valued as a liability of $1.7 million (December 31, 2020 – $2.6 million as a liability) (*Note 8*).

Financial Covenants

The Company is subject to debt service coverage covenants on certain of its loans. The Company was in compliance with all of these covenants as at March 31, 2021.

8. OTHER LONG-TERM LIABILITIES

	March 31, 2021	December 31, 2020
Accrued pension and benefits obligation	**31,988**	35,531
Interest rate swaps (*Note 7*)	**1,722**	2,573
Other	**1,964**	1,955
	35,674	40,059

9. SHARE-BASED COMPENSATION

Equity-settled Long-term Incentive Plan

The Company's long-term incentive plan (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 preferred share units (PSUs) for employees and deferred share units (DSUs) for non-employee directors.

PSUs and DSUs granted under the LTIP do not carry any voting rights. DSUs vest immediately upon grant and PSUs vest with a term of not less than 24 months and not more than 36 months from the date of grant. During the three months ended March 31, 2021, the Company settled 40,892 PSUs, of which 17,478 were settled in cash to cover withholding taxes payable ($0.1 million) and 23,414 were settled with Common Shares issued from treasury. During the three months ended March 31, 2020, the Company settled PSUs and DSUs totalling 69,833, of which 23,705 were settled in cash to cover withholding taxes payable ($0.2 million) and 46,128 were settled with Common Shares issued from treasury.

The Company's DSUs and PSUs were an expense of $0.8 million for the three months ended March 31, 2021 (three months ended March 31, 2020 – $0.4 million).

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

	March 31, 2021	December 31, 2020
Contributed surplus – DSUs	**2,758**	2,565
Contributed surplus – PSUs	**2,516**	2,351
	5,274	4,916

As at March 31, 2021, an aggregate of 4,240,738 Common Shares are reserved and available for issuance pursuant to the LTIP.

DSU and PSU activity is as follows:

	Deferred Share Units		Performance Share Units	
	Three months ended March 31, 2021	**Twelve months ended December 31, 2020**	**Three months ended March 31, 2021**	**Twelve months ended December 31, 2020**
Units outstanding, beginning of period	**381,731**	337,029	**695,087**	399,521
Granted	**25,000**	98,721	**448,582**	334,214
Reinvested dividend equivalents	**7,063**	25,136	**10,817**	48,791
Forfeited	**—**	—	**(11,060)**	(62,207)
Settled	**—**	(79,155)	**(40,892)**	(25,232)
Units outstanding, end of period	**413,794**	381,731	**1,102,534**	695,087
Weighted average fair value of units granted during the period at grant date	**$7.71**	$5.76	**$7.29**	$7.41

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

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

	Three months ended March 31, 2021	**Twelve months ended December 31, 2020**	
Grant date	**March 9, 2021**	March 10, 2020	December 17, 2020
Vesting date	**March 9, 2024**	March 10, 2023	March 10, 2023
PSUs granted	**448,582**	323,168	11,046
Fair value of AFFO component	**$3.44**	$3.64	$3.41
Fair value of TSR component	**$3.85**	$3.80	$3.01
Grant date fair value	**$7.29**	$7.44	$6.42
Expected volatility of the Company's Common Shares	**32.50 %**	19.79 %	35.46 %
Expected volatility of the Index	**21.60 %**	11.05 %	24.28 %
Risk-free rate	**0.46 %**	0.55 %	0.25 %
Dividend yield	**nil**	nil	nil

10. SHARE CAPITAL

Common Shares

Each Common Share is transferable and represents an equal and undivided beneficial interest in the assets of the Company. Each Common Share entitles the holder to one vote at all meetings of shareholders of the Company. Shareholders are entitled to receive dividends from the Company if, as and when declared by the Board. During the three months ended March 31, 2021 and 2020, the Company declared cash dividends of $0.12 per share.

Dividend Reinvestment Plan

The Company has a Dividend Reinvestment Plan (DRIP) pursuant to which shareholders who are Canadian residents may elect to reinvest their cash distributions in additional Common Shares. 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 were, and will be, paid only in cash.

During the three months ended March 31, 2021, the Company did not issue any Common Shares in connection with DRIP (three months ended March 31, 2020 – 187,658 Common Shares at a value of $1.4 million).

Normal Course Issuer Bid (NCIB)

During the three months ended March 31, 2021, under the NCIB that commenced on January 15, 2020 and ended on January 14, 2021, the Company did not purchase any Common Shares. During three months ended March 31, 2020, under the NCIB that commenced on January 15, 2019 and ended on January 14, 2020, the Company did not purchase any Common Shares.

11. EXPENSES BY NATURE

	Three months ended March 31,	
	2021	**2020 (1)**
Employee wages and benefits	**248,140**	212,581
Government grants	**(9,695)**	—
Food, drugs, supplies and other variable costs	**24,262**	13,469
Property based and leases	**16,321**	12,509
Other	**15,630**	13,128
Total operating expenses and administrative costs	**294,658**	251,687

(1) *Comparative figures have been re-presented to reflect discontinued operations (Notes 2, 14).*

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. Various changes have been made to the CEWS program since the original announcement including extending the program until September 2021. The Company's home health care subsidiary, ParaMed Inc., applied for and received $9.7 million in CEWS during the three months ended March 31, 2021 in respect of the three claims periods under the CEWS program between December 20, 2020 and March 13, 2021 (three months ended March 31, 2020 – $nil). 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 three months ended March 31, 2021.

12. NET FINANCE COSTS

	Three months ended March 31,	
	2021	**2020 (1)**
Interest expense	**6,820**	7,041
Interest revenue	**(515)**	(930)
Accretion	**317**	304
Foreign exchange and fair value adjustments	**(507)**	2,260
Net finance costs	**6,115**	8,675

(1) *Comparative figures have been re-presented to reflect discontinued operations (Notes 2, 14).*

Foreign Exchange

Foreign exchange gains or losses related to deferred consideration and other balances denominated in U.S. dollars for the three months ended March 31, 2021 is a loss of $0.3 million (three months ended March 31, 2020 – gain of $0.9 million).

Fair Value Adjustments

Fair value adjustments related to interest rate swap contracts on certain mortgages were a gain of $0.9 million for the three months ended March 31, 2021 (three months ended March 31, 2020 – loss of $3.2 million) (*Note 7, 8*).

13. EARNINGS PER SHARE

Basic earnings per share 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 earnings per share 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.

	Three months ended March 31,	
	2021	**2020 (1)**
Numerator for Basic and Diluted Earnings per Share		
Earnings from continuing operations		
Net earnings for basic earnings per share	**8,323**	5,906
Less: earnings from discontinued operations, net of tax	**—**	(4,669)
Earnings from continuing operations for basic earnings per share	**8,323**	1,237
Add: after-tax interest on convertible debt	**1,551**	1,537
Earnings from continuing operations for diluted earnings per share	**9,874**	2,774
Net earnings		
Net earnings for basic earnings per share	**8,323**	5,906
Add: after-tax interest on convertible debt	**1,551**	1,537
Net earnings for diluted earnings per share	**9,874**	7,443
Denominator for Basic and Diluted Earnings per Share		
Actual weighted average number of shares	**89,543,117**	89,351,972
DSUs	**385,652**	291,677
Weighted average number of shares for basic earnings per share	**89,928,769**	89,643,649
Shares issued if all convertible debt was converted	**10,326,531**	10,326,531
PSUs	**264,901**	52,717
Total for diluted earnings per share	**100,520,201**	100,022,897
Basic Earnings per Share (*in dollars*)		
Earnings from continuing operations	**$0.09**	$0.01
Earnings from discontinued operations	**—**	$0.05
Net earnings	**$0.09**	$0.07
Diluted Earnings per Share (*in dollars*)		
Earnings from continuing operations	**$0.09**	$0.01
Earnings from discontinued operations	**—**	$0.05
Net earnings	**$0.09**	$0.07

.(1) *Comparative figures have been re-presented to reflect discontinued operations (Notes 2, 14).*

14. 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 interim condensed consolidated statement of earnings has been re-presented.

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

	Three months ended March 31,	
	2021	**2020**
Earnings from Discontinued Operations		
Administrative costs	—	231
Other income	—	(4,035)
Earnings before net finance costs	—	3,804
Accretion	—	—
Foreign exchange and fair value adjustments	—	(865)
Net finance costs	—	(865)
Earnings before income taxes	—	4,669
Current	—	10
Deferred	—	(10)
Income tax expense	—	—
Earnings from discontinued operations	—	4,669

Earnings from discontinued operations includes the release of the accrual for self-insured liabilities of $nil for the three months ended March 31, 2021 (three months ended March 31, 2020 – $4.0 million) and foreign exchange and fair value gain of $nil for the three months ended March 31, 2021 (three months ended March 31, 2020 – $0.9 million), net of administrative costs and interest expense.

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

	Three months ended March 31,	
	2021	**2020**
Cash Flows from Discontinued Operations		
Net cash used in operating activities	—	242
Net cash from investing activities	—	(242)
Effect on cash flows	—	—

15. COMMITMENTS AND CONTINGENCIES

Commitments

As at March 31, 2021, the Company has outstanding commitments of $77.6 million in connection with the construction contract related to a new 256-bed LTC home in Sudbury, Ontario and a new 192-bed LTC home in Kingston. Construction commenced in the fourth quarter of 2020 in Sudbury and is targeted to be complete in the fourth quarter of 2022. Construction will commence in the second quarter of 2021 in Kingston. 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

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.

Further to those disclosed in the 2020 audited consolidated financial statements, one additional claim was commenced against the Company.

In April 2021, the Company was served with a statement of claim filed in the Court of Queen's Bench for Saskatchewan alleging negligence, breach of fiduciary duty, breach of contract and breach of the required standard of care by the Company and certain unnamed defendants in respect of all residents of Company LTC homes located in Saskatchewan as well as their family members. The claim seeks an order certifying the action as a class action and unspecified damages.

The certification motions for this claim and those disclosed in the 2020 audited consolidated financial statements have not been scheduled.

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

16. MANAGEMENT OF RISKS AND FINANCIAL INSTRUMENTS

(a) Management of Risks

LIQUIDITY RISK

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

In addition to cash generated from its operations and cash on hand, the Company has available undrawn credit facilities totalling $71.3 million (December 31, 2020 – $71.3 million).

CURRENCY RISK

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

	March 31, 2021		**December 31, 2020**	
	US$	**C$**	***US$***	**C$**
Assets				
Current assets	*13,371*	**16,844**	*13,664*	17,387
Liabilities				
Current liabilities	*3,987*	**5,008**	*4,142*	5,270
Indemnification provisions	*668*	**894**	*668*	850
Other non-current liabilities	*551*	**692**	*551*	701
Net asset exposure	*8,165*	**10,250**	*8,303*	10,566

INTEREST RATE RISK

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

To mitigate interest rate risk, the Company's long-term care debt portfolio includes fixed-rate debt and variable-rate debt with interest rate swaps in place. At March 31, 2021, CMHC variable-rate mortgages of $22.7 million and construction loans of $43.1 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 7*).

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

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

	Carrying Amount	
	March 31, 2021	**December 31, 2020**
Fixed-rate long-term debt [1]	**502,324**	508,801
Variable-rate long-term debt [1]	**65,769**	65,982
Total	**568,093**	574,783

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

Fair Value Sensitivity Analysis for Variable-rate Instruments

All long-term debt with variable rates are classified as other financial liabilities, which are measured at amortized cost using the effective interest method of amortization; therefore, changes in interest rates would not affect OCI or net earnings with respect to variable-rate debt. As at March 31, 2021, long-term debt with variable rates represented 11.6% of total debt (December 31, 2020 – 11.5%). The value of the interest rate swaps is subject to fluctuations in interest rates, changes in fair value of these swaps are recognized in net earnings.

Cash Flow Sensitivity Analysis for Variable-rate Instruments

An increase of 100 basis points in interest rates would have decreased net earnings by $0.1 million and a decrease of 100 basis points in interest rates would have increased net earnings by $0.1 million, for the three months ended March 31, 2021. This analysis assumes that all other variables remain constant, and excludes variable interest rate debt that is locked in through interest rate swaps.

(b) Fair values of Financial Instrument

As at March 31, 2021	**Amortized Cost**	**Fair Value through Profit and Loss**	**Total Carrying Amount**	**Fair Value**	**Fair Value Hierarchy**
Financial assets:					
Cash and cash equivalents	**141,271**	—	**141,271**	**141,271**	Level 1
Restricted cash	**2,566**	—	**2,566**	**2,566**	Level 1
Accounts receivable	**67,918**	—	**67,918**	**67,918**	
Amounts receivable and other assets [1] [2]	**40,640**	—	**40,640**	**40,123**	Level 2
	252,395	—	**252,395**	**251,878**	
Financial liabilities:					
Accounts payable	**15,918**	—	**15,918**	**15,918**	
Interest rate swaps	—	**1,722**	**1,722**	**1,722**	Level 2
Long-term debt excluding convertible debentures [3]	**446,215**	—	**446,215**	**468,644**	Level 2
Convertible debentures	**121,878**	—	**121,878**	**130,169**	Level 1
	584,011	**1,722**	**585,733**	**616,453**	

[1] Includes primarily amounts receivable from government.
[2] Includes current portion.
[3] Excludes netting of deferred financing costs.

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 debentures (3)	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.

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 5*). The fair values of convertible debentures are based on the closing price of the publicly traded convertible debentures on each reporting date, and the fair values of mortgages and other debt are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

FAIR VALUE HIERARCHY

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

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

17. SEGMENTED INFORMATION

The Company reports the following segments: i) long-term care; ii) retirement living; iii) home health care; iv) contract services, consulting and group purchasing as “other 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 14*), thus it is no longer presented as a separate segment.

	Three months ended March 31, 2021					
	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
CONTINUING OPERATIONS						
Revenue	**205,135**	**12,174**	**97,667**	**7,405**	**—**	**322,381**
Operating expenses	**188,846**	**8,727**	**81,705**	**2,839**	**—**	**282,117**
Net operating income	**16,289**	**3,447**	**15,962**	**4,566**	**—**	**40,264**
Administrative costs					**12,541**	**12,541**
Earnings before depreciation and amortization						**27,723**
Depreciation and amortization					**9,855**	**9,855**
Earnings before net finance costs and income taxes						**17,868**
Net finance costs					**6,115**	**6,115**
Earnings before income taxes						**11,753**
Total income tax expense					**3,430**	**3,430**
Earnings from continuing operations						**8,323**
Net earnings						**8,323**

	Three months ended March 31, 2020					
	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
CONTINUING OPERATIONS						
Revenue	160,240	12,039	93,100	6,439	—	271,818
Operating expenses	141,804	8,330	88,783	2,518	—	241,435
Net operating income	18,436	3,709	4,317	3,921	—	30,383
Administrative costs					10,252	10,252
Earnings before depreciation and amortization						20,131
Depreciation and amortization					9,853	9,853
Earnings before net finance costs and income taxes						10,278
Net finance costs					8,675	8,675
Earnings before income taxes						1,603
Total income tax expense					366	366
Earnings from continuing operations						1,237
DISCONTINUED OPERATIONS						
Earnings from discontinued operations, net of income taxes						4,669
Net earnings						5,906

18. SUBSEQUENT EVENTS

On May 11, 2021, the Company entered into commitment letters for committed construction financings in connection with the Sudbury and Kingston LTC redevelopment projects. The facilities include $54.7 million for Sudbury and $41.1 million for Kingston and each construction loan matures on the earlier of 42 months from closing or the date that the construction loans are refinanced following completion of construction. Interest rates range from prime plus 1.00% to 1.25% or CDOR plus 2.50% to 2.75% with standby fees of 0.55%. Interest is capitalized during construction and is payable following completion of construction until maturity. The financings are subject to the finalization of definitive agreements.