INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Q3 2021

Extendicare Inc.
Dated: November 4, 2021

Extendicare Inc.
Interim Condensed Consolidated Financial Statements

Three and nine months ended September 30, 2021 and 2020

Extendicare Inc.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

(in thousands of Canadian dollars)	*notes*	**September 30, 2021**	**December 31, 2020**
Assets			
Current assets			
Cash and cash equivalents		**132,202**	179,956
Restricted cash		**2,825**	2,509
Accounts receivable		**52,872**	58,328
Income taxes recoverable		**13,308**	15,063
Other assets	*5*	**30,150**	40,226
Total current assets		**231,357**	296,082
Non-current assets			
Property and equipment	*3*	**533,438**	525,904
Goodwill and other intangible assets	*4*	**94,562**	88,178
Other assets	*5*	**33,859**	37,133
Deferred tax assets		**15,845**	15,830
Total non-current assets		**677,704**	667,045
Total assets		**909,061**	963,127
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities		**192,159**	187,071
Income taxes payable		**193**	16,693
Long-term debt	*7*	**112,184**	71,390
Provisions	*6*	**—**	4,367
Total current liabilities		**304,536**	279,521
Non-current liabilities			
Long-term debt	*7*	**433,188**	493,207
Provisions	*6*	**9,849**	10,567
Other long-term liabilities	*8*	**34,140**	40,059
Deferred tax liabilities		**11,221**	11,585
Total non-current liabilities		**488,398**	555,418
Total liabilities		**792,934**	834,939
Shareholders' equity			
Share capital	*10*	**500,877**	500,577
Equity portion of convertible debentures	*7*	**7,085**	7,085
Contributed surplus	*9*	**7,154**	4,916
Accumulated deficit		**(387,885)**	(370,963)
Accumulated other comprehensive loss		**(11,104)**	(13,427)
Shareholders' equity		**116,127**	128,188
Total liabilities and equity		**909,061**	963,127

See accompanying notes to the unaudited interim condensed financial statements.
Commitments and contingencies (Note 16).
Subsequent events (Note 19).

Extendicare Inc.

Interim Condensed Consolidated Statements of Earnings

(Unaudited)

(in thousands of Canadian dollars except for per share amounts)	*notes*	**Three months ended September 30, 2021**	**Three months ended September 30, 2020**	**Nine months ended September 30, 2021**	**Nine months ended September 30, 2020**
CONTINUING OPERATIONS					
Revenue	*18*	**310,130**	296,786	**939,960**	850,551
Operating expenses		**278,569**	220,810	**836,884**	724,258
Administrative costs		**12,220**	12,182	**38,195**	34,201
Total expenses	*11*	**290,789**	232,992	**875,079**	758,459
Earnings before depreciation, amortization and other expense		**19,341**	63,794	**64,881**	92,092
Depreciation and amortization		**9,691**	9,373	**28,853**	28,911
Other expense	*12*	**—**	—	**—**	2,780
Earnings before net finance costs and income taxes		**9,650**	54,421	**36,028**	60,401
Net finance costs	*13*	**6,013**	6,964	**18,897**	23,248
Earnings before income taxes		**3,637**	47,457	**17,131**	37,153
Income tax expense (recovery)					
Current		**1,696**	14,118	**6,614**	14,343
Deferred		**(460)**	(1,305)	**(1,167)**	(4,182)
Total income tax expense		**1,236**	12,813	**5,447**	10,161
Earnings from continuing operations		**2,401**	34,644	**11,684**	26,992
DISCONTINUED OPERATIONS					
Earnings (loss) from discontinued operations, net of income taxes	*15*	**3,642**	(178)	**3,642**	9,721
Net earnings		**6,043**	34,466	**15,326**	36,713
Basic Earnings per Share					
Earnings from continuing operations	*14*	**$0.03**	$0.39	**$0.13**	$0.30
Net earnings	*14*	**$0.07**	$0.38	**$0.17**	$0.41
Diluted Earnings per Share					
Earnings from continuing operations	*14*	**$0.03**	$0.36	**$0.13**	$0.30
Net earnings	*14*	**$0.07**	$0.36	**$0.17**	$0.41

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Extendicare Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(in thousands of Canadian dollars)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net earnings	**6,043**	34,466	**15,326**	36,713
Other comprehensive income (loss), net of taxes				
Items that will not be reclassified to profit or loss:				
Defined benefit plan actuarial gains (losses)	**616**	470	**2,922**	(3,536)
Tax recovery (expense) on defined benefit plan actuarial gains (losses)	**(163)**	(125)	**(777)**	937
Defined benefit plan actuarial gains (losses), net of taxes	**453**	345	**2,145**	(2,599)
Items that are or may be reclassified subsequently to profit or loss:				
Net change in foreign currency translation adjustment	**6**	(212)	**178**	(59)
Other comprehensive income (loss), net of taxes	**459**	133	**2,323**	(2,658)
Total comprehensive income	**6,502**	34,599	**17,649**	34,055

See accompanying notes to the 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**	**—**	**2,238**	**—**	**—**	**2,538**
Net earnings		**—**	**—**	**—**	**—**	**15,326**	**—**	**15,326**
Dividends declared		**—**	**—**	**—**	**—**	**(32,248)**	**—**	**(32,248)**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**2,323**	**2,323**
Balance at September 30, 2021		***89,562,499***	**500,877**	**7,085**	**7,154**	**(387,885)**	**(11,104)**	**116,127**

(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*	*231,813*	1,705	—	—	—	—	1,705
Share-based compensation	*9*	*74,760*	756	—	445	—	—	1,201
Net earnings		—	—	—	—	36,713	—	36,713
Dividends declared		—	—	—	—	(32,220)	—	(32,220)
Other comprehensive loss		—	—	—	—	—	(2,658)	(2,658)
Balance at September 30, 2020		89,539,085	500,577	7,085	4,120	(377,696)	(13,931)	120,155

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Extendicare Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands of Canadian dollars)	*notes*	**Three months ended September 30, 2021**	**2020**	**Nine months ended September 30, 2021**	**2020**
Operating Activities					
Net earnings		**6,043**	34,466	**15,326**	36,713
Adjustments for:					
Depreciation and amortization	*3, 4*	**9,691**	9,373	**28,853**	28,911
Share-based compensation	*9*	**714**	710	**2,538**	1,201
Deferred taxes		**(460)**	(1,305)	**(1,167)**	(4,192)
Current taxes		**1,696**	14,118	**6,614**	14,353
Net finance costs		**6,013**	6,981	**18,897**	22,061
Defined benefit plan expenses		**191**	310	**553**	932
Defined benefit plan contributions		**(542)**	(568)	**(2,306)**	(4,188)
Other income	*12, 15*	**(3,688)**	—	**(3,688)**	(6,757)
		19,658	64,085	**65,620**	89,034
Net change in operating assets and liabilities					
Accounts receivable		**(2,123)**	289	**4,066**	(2,347)
Other assets	*5*	**5,908**	3,014	**8,706**	(10,801)
Accounts payable and accrued liabilities		**13,995**	(5,567)	**2,762**	21,958
		37,438	61,821	**81,154**	97,844
Interest paid		**(4,247)**	(4,534)	**(16,184)**	(18,073)
Interest received		**425**	534	**1,390**	2,084
Income taxes (paid) received		**2,207**	(3,360)	**(21,430)**	(5,354)
Payments of self-insured liabilities		**—**	—	**—**	(1,623)
Net cash from operating activities		**35,823**	54,461	**44,930**	74,878
Investing Activities					
Purchase of property, equipment and other intangible assets	*3, 4*	**(19,099)**	(3,942)	**(41,148)**	(13,871)
Decrease in investments held for self-insured liabilities		**—**	13,789	**—**	29,307
Decrease in other assets	*5*	**1,512**	1,448	**4,569**	4,346
Net cash from (used in) investing activities		**(17,587)**	11,295	**(36,579)**	19,782
Financing Activities					
Issuance of long-term debt	*7*	**—**	—	**—**	62,362
Repayment of long-term debt	*7*	**(7,582)**	(7,029)	**(23,258)**	(47,590)
Decrease (increase) in restricted cash		**(57)**	396	**(316)**	62
Dividends paid		**(10,752)**	(10,746)	**(32,248)**	(30,515)
Change in financing costs		**(60)**	(6)	**(132)**	(3,769)
Net cash used in financing activities		**(18,451)**	(17,385)	**(55,954)**	(19,450)
Increase (decrease) in cash and cash equivalents		**(215)**	48,371	**(47,603)**	75,210
Cash and cash equivalents at beginning of period		**132,451**	121,969	**179,956**	94,457
Foreign exchange gain (loss) on cash held in foreign currency		**(34)**	(279)	**(151)**	394
Cash and cash equivalents at end of period		**132,202**	170,061	**132,202**	170,061

See accompanying notes to the 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 "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 November 4, 2021.

The 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 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 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 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 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 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 16*) 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 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 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 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	**235**	**1,991**	**1,827**	**3,795**	**588**	**23,486**	**31,922**
Write-offs	**—**	**—**	**(280)**		**—**	**—**	**(280)**
Write-off of fully depreciated assets	**—**	**(384)**	**(589)**	**(2,508)**	**(50)**	**—**	**(3,531)**
Transfer from CIP	**49**	**1,833**	**—**	**434**	**13**	**(2,329)**	**—**
September 30, 2021	**62,128**	**543,399**	**100,921**	**70,919**	**974**	**45,621**	**823,962**

	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	**515**	**14,080**	**3,986**	**5,511**	**105**	**—**	**24,197**
Write-offs	**—**	**—**	**(89)**	**—**		**—**	**(89)**
Write-off of fully depreciated assets	**—**	**(384)**	**(589)**	**(2,508)**	**(50)**	**—**	**(3,531)**
September 30, 2021	**6,091**	**204,584**	**45,302**	**34,138**	**409**	**—**	**290,524**
Carrying amounts							
At December 31, 2020	56,268	349,071	57,969	38,063	69	24,464	525,904
At September 30, 2021	**56,037**	**338,815**	**55,619**	**36,781**	**565**	**45,621**	**533,438**

The Company capitalized $0.7 million of borrowing costs related to development projects under construction during the three and nine months ended September 30, 2021 at an average capitalization rate of 0.55% (three and nine months ended September 30, 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	**—**	**11,040**	**11,040**
Write-off of fully amortized assets	**—**	**(4,857)**	**(4,857)**
September 30, 2021	**51,675**	**73,131**	**124,806**

	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	**—**	**4,656**	**4,656**
Write-off of fully amortized assets	**—**	**(4,857)**	**(4,857)**
September 30, 2021	**—**	**30,244**	**30,244**
Carrying amounts			
At December 31, 2020	51,675	36,503	88,178
At September 30, 2021	**51,675**	**42,887**	**94,562**

5. OTHER ASSETS

	September 30, 2021	December 31, 2020
Construction funding subsidy receivable	**37,492**	42,061
Supply inventory	**17,002**	22,012
Prepaid, deposits and other	**9,515**	13,286
	64,009	77,359
less: current portion	**(30,150)**	(40,226)
	33,859	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 \$4.4 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 released	**—**	**(3,688)**	**—**	**(3,688)**
Provisions used	**—**	**(1,510)**	**(14)**	**(1,524)**
Accretion	**—**	**—**	**146**	**146**
Effect of movements in exchange rates	**—**	**(19)**	**—**	**(19)**
September 30, 2021	**—**	**—**	**9,849**	**9,849**

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 15*).

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 15*). Management reviewed recent activity and assessed the potential for further amounts owing related to the indemnification provisions and determined that the remaining provisions could be released. As at September 30, 2021, there is no provision remaining related to the indemnification (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	September 30, 2021	December 31, 2020
Convertible unsecured subordinated debentures	5.00 %	2025	**122,385**	121,629
CMHC mortgages, fixed rate	2.19% - 7.70%	2022 - 2037	**132,328**	141,638
CMHC mortgages, variable rate	Variable	2025	**22,230**	22,869
Non-CMHC mortgages	3.11% - 5.64%	2022 - 2038	**163,301**	167,729
Construction loans	Variable	on demand	**43,113**	43,113
Lease liabilities	4.23% - 7.19%	2021 - 2034	**70,811**	77,805
			554,168	574,783
Deferred financing costs			**(8,796)**	(10,186)
Total debt, net of deferred financing costs			**545,372**	564,597
Less: current portion			**(112,184)**	(71,390)
Long-term debt			**433,188**	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. 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 September 30, 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 September 30, 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).

In May 2021, the Company secured construction financings in connection with two LTC redevelopment projects. The facilities total $95.9 million 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 are prime plus 1.25% or CDOR plus 2.75% with standby fees of 0.55%. The facilities also provide for an additional $4.0 million in letter of credit facilities. Interest is capitalized during construction and is payable following completion of construction until maturity. As at September 30, 2021, no amounts were drawn on the LTC redevelopment construction financings.

Lease Liabilities

Lease liabilities as at September 30, 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 13 years.

During the three months ended September 30, 2021, the Company has recognized new and renewed district office and equipment lease liabilities of $0.4 million and $1.8 million for the nine months ended September 30, 2021 (three months ended September 30, 2020 – $0.1 million and nine months ended September 30, 2020 of $1.7 million, respectively).

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 September 30, 2021, $33.7 million of the facilities, by way of letters of credit, secure the Company's defined benefit pension plan obligations (December 31, 2020 – $35.6 million), $5.8 million was used in connection with obligations relating to long-term care homes and retirement communities (December 31, 2020 – $5.4 million), leaving $72.8 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	—	4,763	—	43,113	3,804	51,680
2022	—	14,084	48,830	—	14,866	77,780
2023	—	10,713	47,729	—	14,186	72,628
2024	—	9,451	—	—	13,879	23,330
2025	126,500	8,173	36,220	—	13,551	184,444
2026 and thereafter	—	81,535	56,361	—	26,629	164,525
Total debt principal and lease liability	126,500	128,719	189,140	43,113	86,915	574,387
Unamortized accretion of 2025 convertible debentures	(4,115)	—	—	—	—	(4,115)
Interest on lease liabilities	—	—	—	—	(16,104)	(16,104)
	122,385	128,719	189,140	43,113	70,811	554,168

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**
New lease liabilities	**1,828**
Accretion and other	**815**
Repayments	**(23,258)**
Addition - deferred financing costs	**(132)**
Amortization of deferred financing costs and other	**1,522**
September 30, 2021	**545,372**

Interest Rates

The weighted average interest rate of all long-term debt as at September 30, 2021, was approximately 4.3% (December 31, 2020 – 4.3%). As at September 30, 2021, 88.2% 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 $85.9 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 September 30, 2021, the interest rate swaps were valued as a liability of $1.3 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 September 30, 2021.

8. OTHER LONG-TERM LIABILITIES

	September 30, 2021	December 31, 2020
Accrued pension and benefits obligation	**30,857**	35,531
Interest rate swaps (*Note 7*)	**1,281**	2,573
Other	**2,002**	1,955
	34,140	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 September 30, 2021 and 2020, the Company did not settle any DSUs or PSUs. During the nine months ended September 30, 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, all of which occurred in the three months ended March 31, 2021. During the nine months ended September 30, 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.

The Company's DSUs and PSUs were an expense of $0.7 million for the three months ended September 30, 2021 (three months ended September 30, 2020 – $0.7 million) and $2.7 million for the nine months ended September 30, 2021 (nine months ended September 30, 2020 – $1.4 million).

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

	September 30, 2021	December 31, 2020
Contributed surplus – DSUs	**3,132**	2,565
Contributed surplus – PSUs	**4,022**	2,351
	7,154	4,916

As at September 30, 2021, an aggregate of 4,240,738 (December 31, 2020 - 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	
	Nine months ended September 30, 2021	**Twelve months ended December 31, 2020**	**Nine months ended September 30, 2021**	**Twelve months ended December 31, 2020**
Units outstanding, beginning of period	**381,731**	337,029	**695,087**	399,521
Granted	**71,954**	98,721	**471,712**	334,214
Reinvested dividend equivalents	**19,919**	25,136	**44,545**	48,791
Forfeited	**—**	—	**(13,617)**	(62,207)
Settled	**—**	(79,155)	**(40,892)**	(25,232)
Units outstanding, end of period	**473,604**	381,731	**1,156,835**	695,087
Weighted average fair value of units granted during the period at grant date	**$7.87**	$5.76	**$7.36**	$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:

	Nine months ended September 30, 2021		Twelve months ended December 31, 2020	
Grant date	**March 9, 2021**	**May 25, 2021**	March 10, 2020	December 17, 2020
Vesting date	**March 9, 2024**	**March 9, 2024**	March 10, 2023	March 10, 2023
PSUs granted	**448,582**	**23,130**	323,168	11,046
Fair value of AFFO component	**$3.44**	**$4.03**	$3.64	$3.41
Fair value of TSR component	**$3.85**	**$4.61**	$3.80	$3.01
Grant date fair value	**$7.29**	**$8.64**	$7.44	$6.42
Expected volatility of the Company's Common Shares	**32.50 %**	**33.43 %**	19.79 %	35.46 %
Expected volatility of the Index	**21.60 %**	**22.49 %**	11.05 %	24.28 %
Risk-free rate	**0.46 %**	**0.41 %**	0.55 %	0.25 %
Dividend yield	**nil**	**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 and nine months ended September 30, 2021 and 2020, the Company declared cash dividends of $0.12 per share and $0.36 per share, respectively.

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 and nine months ended September 30, 2021, the Company did not issue any Common Shares in connection with DRIP (three months ended September 30, 2020 – nil and nine months ended September 30, 2020 – 231,813 Common Shares at a value of $1.7 million).

Normal Course Issuer Bid (NCIB)

During the three and nine months ended September 30, 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 and nine months ended September 30, 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 September 30,		Nine months ended September 30,	
	2021	**2020[(1)]**	**2021**	**2020[(1)]**
Employee wages and benefits	**241,704**	235,861	**734,761**	677,784
Government grants	**—**	(50,767)	**(17,362)**	(50,767)
Food, drugs, supplies and other variable costs	**19,859**	21,333	**64,867**	54,441
Property based and leases	**13,097**	11,305	**43,904**	35,898
Other	**16,129**	15,260	**48,909**	41,103
Total operating expenses and administrative costs	**290,789**	232,992	**875,079**	758,459

[(1)] *Comparative figures have been re-presented to reflect reclassifications for presentation purposes.*

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 October 2021. The Company's home health care subsidiary, ParaMed Inc., applied for and received CEWS during the nine months ended September 30, 2021 in respect of the six claim periods under the CEWS program between December 20, 2020 and June 5, 2021. 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 nine months ended September 30, 2021.

12. OTHER EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Impairment *(Note 3)*	—	—	—	2,780
	—	—	—	2,780

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.

13. NET FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Interest expense	**6,652**	7,141	**20,410**	21,369
Interest revenue	**(425)**	(534)	**(1,390)**	(2,084)
Accretion	**324**	311	**961**	922
Foreign exchange and fair value adjustments	**(538)**	46	**(1,084)**	3,041
Net finance costs	**6,013**	6,964	**18,897**	23,248

Foreign Exchange

Foreign exchange gains or losses related to deferred consideration and other balances denominated in U.S. dollars for the three and nine months ended September 30, 2021 is a gain of $0.3 million and a loss of $0.2 million, respectively (three and nine months ended September 30, 2020 – loss of $0.1 million and gain of $0.6 million, respectively).

Fair Value Adjustments

Fair value adjustments related to interest rate swap contracts on certain mortgages for the three and nine months ended September 30, 2021 were a gain of $0.2 million and $1.3 million, respectively (three and nine months ended September 30, 2020 – gain of $0.1 million and a loss of $3.6 million, respectively) (*Note 7, 8*).

14. 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 September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Numerator for Basic and Diluted Earnings per Share				
Earnings from continuing operations				
Net earnings (loss) for basic earnings per share	**6,043**	34,466	**15,326**	36,713
Less: earnings from discontinued operations, net of tax	**(3,642)**	178	**(3,642)**	(9,721)
Earnings (loss) from continuing operations for basic earnings per share	**2,401**	34,644	**11,684**	26,992
Add: after-tax interest on convertible debt	**1,558**	1,545	**4,664**	4,623
Earnings (loss) from continuing operations for diluted earnings per share	**3,959**	36,189	**16,348**	31,615
Net earnings				
Net earnings (loss) for basic earnings per share	**6,043**	34,466	**15,326**	36,713
Add: after-tax interest on convertible debt	**1,558**	1,545	**4,664**	4,623
Net earnings (loss) for diluted earnings per share	**7,601**	36,011	**19,990**	41,336
Denominator for Basic and Diluted Earnings per Share				
Actual weighted average number of shares	**89,562,499**	89,539,085	**89,556,109**	89,466,987
DSUs	**446,448**	324,778	**416,662**	311,088
Weighted average number of shares for basic earnings per share	**90,008,947**	89,863,863	**89,972,771**	89,778,075
Shares issued if all convertible debt was converted	**10,326,531**	10,326,531	**10,326,531**	10,326,531
PSUs	**450,480**	32,769	**436,013**	40,293
Total for diluted earnings per share	**100,785,958**	100,223,163	**100,735,315**	100,144,899
Basic Earnings per Share (*in dollars*)				
Earnings (loss) from continuing operations	**$0.03**	$0.39	**$0.13**	$0.30
Earnings from discontinued operations	**$0.04**	$—	**$0.04**	$0.11
Net earnings (loss)	**$0.07**	$0.38	**$0.17**	$0.41
Diluted Earnings per Share (*in dollars*)				
Earnings (loss) from continuing operations	**$0.03**	$0.36	**$0.13**	$0.30
Earnings from discontinued operations	**$0.04**	$—	**$0.04**	$0.10
Net earnings (loss)	**$0.07**	$0.36	**$0.17**	$0.41

15. 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 Bermuda Monetary Authority 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 September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Earnings from Discontinued Operations				
Administrative costs	—	162	—	1,004
Other income	**(3,688)**	—	**(3,688)**	(9,537)
Earnings before net finance costs	**3,688**	(162)	**3,688**	8,533
Foreign exchange and fair value adjustments	—	16	—	(1,188)
Net finance costs	—	**16**	—	(1,188)
Earnings before income taxes	**3,688**	**(178)**	**3,688**	9,721
Current	**46**	—	**46**	10
Deferred	—	—	—	(10)
Income tax expense	**(46)**	—	**(46)**	—
Earnings from discontinued operations	**3,642**	(178)	**3,642**	9,721

Earnings from discontinued operations includes the release of the indemnification provisions of $3.7 million for the three and nine months ended September 30, 2021 (*Note 6*).

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 September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Cash Flows from Discontinued Operations				
Net cash used in operating activities	—	(413)	—	(6,029)
Net cash from investing activities	—	413	—	6,029
Effect on cash flows	—	—	—	—

16. COMMITMENTS AND CONTINGENCIES

Commitments

As at September 30, 2021, the Company has outstanding commitments of $71.3 million in connection with the construction contracts related to two new LTC redevelopment construction projects which are both under construction as of September 30, 2021. The Company 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 COVID-19 related class action 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 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.

17. 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 $72.8 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.

	September 30, 2021		**December 31, 2020**	
	US$	**C$**	***US$***	**C$**
Assets				
Current assets	*11,897*	**15,086**	*13,664*	17,387
Liabilities				
Current liabilities	*484*	**614**	*4,142*	5,270
Indemnification provisions	—	**—**	*668*	850
Other non-current liabilities	*551*	**699**	*551*	701
Net asset exposure	*10,862*	**13,773**	*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 September 30, 2021, CMHC variable-rate mortgages of $22.2 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	
	September 30, 2021	**December 31, 2020**
Fixed-rate long-term debt [(1)]	**488,825**	508,801
Variable-rate long-term debt [(1)]	**65,343**	65,982
Total	**554,168**	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 September 30, 2021, long-term debt with variable rates represented 11.8% 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 September 30, 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 Instruments

As at September 30, 2021	**Amortized Cost**	**Fair Value through Profit and Loss**	**Total Carrying Amount**	**Fair Value**	**Fair Value Hierarchy**
Financial assets:					
Cash and cash equivalents	**132,202**	**—**	**132,202**	**132,202**	Level 1
Restricted cash	**2,825**	**—**	**2,825**	**2,825**	Level 1
Accounts receivable	**52,872**	**—**	**52,872**	**52,872**	
Amounts receivable and other assets (1) (2)	**37,492**	**—**	**37,492**	**37,550**	Level 2
	225,391	**—**	**225,391**	**225,449**	
Financial liabilities:					
Accounts payable	**27,349**	**—**	**27,349**	**27,349**	
Interest rate swaps	**—**	**1,281**	**1,281**	**1,281**	Level 2
Long-term debt excluding convertible debentures (3)	**431,782**	**—**	**431,782**	**414,057**	Level 2
Convertible debentures	**122,385**	**—**	**122,385**	**129,979**	Level 1
	581,516	**1,281**	**582,797**	**572,666**	

(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.

18. 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 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 15*), thus it is no longer presented as a separate segment.

	Three months ended September 30, 2021					
(in thousands of Canadian dollars)	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Other Operations**	**Corporate**	**Total**
CONTINUING OPERATIONS						
Revenue	**189,451**	**12,086**	**102,042**	**6,551**	**—**	**310,130**
Operating expenses	**173,053**	**9,085**	**93,378**	**3,053**	**—**	**278,569**
Net operating income	**16,398**	**3,001**	**8,664**	**3,498**	**—**	**31,561**
Administrative costs					**12,220**	**12,220**
Earnings before depreciation and amortization						**19,341**
Depreciation and amortization					**9,691**	**9,691**
Earnings before net finance costs and income taxes						**9,650**
Net finance costs					**6,013**	**6,013**
Earnings before income taxes						**3,637**
Income tax expense (recovery)						
Current					**1,696**	**1,696**
Deferred					**(460)**	**(460)**
Total income tax expense					**1,236**	**1,236**
Earnings from continuing operations						**2,401**
DISCONTINUED OPERATIONS						
Earnings from discontinued operations, net of income taxes						**3,642**
Net earnings						**6,043**

	Three months ended September 30, 2020					
(in thousands of Canadian dollars)	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Other Operations**	**Corporate**	**Total**
CONTINUING OPERATIONS						
Revenue	184,727	11,978	93,235	6,846	—	296,786
Operating expenses	171,763	8,756	37,737	2,554	—	220,810
Net operating income	12,964	3,222	55,498	4,292	—	75,976
Administrative costs					12,182	12,182
Earnings before depreciation, amortization, and other expense						63,794
Depreciation and amortization					9,373	9,373
Other expense					—	—
Loss before net finance costs and income taxes						54,421
Net finance costs					6,964	6,964
Loss before income taxes						47,457
Income tax expense (recovery)						
Current					14,118	14,118
Deferred					(1,305)	(1,305)
Total income tax recovery					12,813	12,813
Loss from continuing operations						34,644
DISCONTINUED OPERATIONS						
Loss from discontinued operations, net of income taxes						(178)
Net earnings						34,466

(in thousands of Canadian dollars)	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
						Nine months ended September 30, 2021
CONTINUING OPERATIONS						
Revenue	**581,752**	**36,561**	**300,806**	**20,841**	**—**	**939,960**
Operating expenses	**539,287**	**26,413**	**262,139**	**9,045**	**—**	**836,884**
Net operating income	**42,465**	**10,148**	**38,667**	**11,796**	**—**	**103,076**
Administrative costs					**38,195**	**38,195**
Earnings before depreciation and amortization						**64,881**
Depreciation and amortization					**28,853**	**28,853**
Earnings before net finance costs and income taxes						**36,028**
Net finance costs					**18,897**	**18,897**
Earnings before income taxes						**17,131**
Income tax expense (recovery)						
Current					**6,614**	**6,614**
Deferred					**(1,167)**	**(1,167)**
Total income tax expense					**5,447**	**5,447**
Earnings from continuing operations						**11,684**
DISCONTINUED OPERATIONS						
Earnings from discontinued operations, net of income taxes						**3,642**
Net earnings						**15,326**

(in thousands of Canadian dollars)	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
						Nine months ended September 30, 2020
CONTINUING OPERATIONS						
Revenue	523,438	35,754	271,802	19,557	—	850,551
Operating expenses	480,927	25,307	210,568	7,456	—	724,258
Net operating income	42,511	10,447	61,234	12,101	—	126,293
Administrative costs					34,201	34,201
Earnings before depreciation, amortization, and other expense						92,092
Depreciation and amortization					28,911	28,911
Other expense					2,780	2,780
Earnings before net finance costs and income taxes						60,401
Net finance costs					23,248	23,248
Loss before income taxes						37,153
Income tax expense (recovery)						
Current					14,343	14,343
Deferred					(4,182)	(4,182)
Total income tax recovery					10,161	10,161
Loss from continuing operations						26,992
DISCONTINUED OPERATIONS						
Earnings from discontinued operations, net of income taxes						9,721
Net earnings						36,713

19. SUBSEQUENT EVENTS

On October 14, 2021, the Saskatchewan Health Authority (SHA) announced that the SHA and the Company have agreed to work collaboratively to transition the delivery of long-term care services operated at the Company's five long-term care homes in Saskatchewan to the SHA. The timing of the transfer of the operations and, potentially, the related assets is anticipated to be completed in 2022 and is not anticipated to have a material adverse effect on the business, results of operations and financial condition of the Company.

Subsequent to September 30, 2021, the Company entered into a $47.5 million fixed-price construction agreement in connection with the construction of a new 256-bed LTC home in Stittsville, Ontario. Construction commenced in the fourth quarter of 2021 and is targeted to be completed in the first quarter of 2024.