EXTENDICARE®

... helping people live better

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Year ended December 31, 2021

Extendicare Inc.
Dated: February 24, 2022

Extendicare Inc.
Consolidated Financial Statements

Years ended December 31, 2021 and 2020

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Management’s Responsibility for Consolidated Financial Statements

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

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

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

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

/s/ Michael Guerriere

MICHAEL GUERRIERE
President and Chief Executive Officer

/s/ David Bacon

DAVID BACON
Senior Vice President and Chief Financial Officer

February 24, 2022

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Extendicare Inc.

Opinion

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

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of earnings for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Description of the matter

We draw attention to Notes 2(c), 3(d), 3(h), 5, 6 and 15 to the financial statements. Property and equipment is a significant portion of the non-financial assets, being $535,600 thousand, and is primarily comprised of retirement communities and long-term care homes, each property being a cash-generating unit (“CGU”). The Entity recognizes impairment losses in net earnings if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Significant assumptions in determining the recoverable amount of CGUs include:

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

During the year, the Entity recorded a pre-tax impairment charge of $9,144 thousand, in respect of certain of its long-term care homes, and a pre-tax impairment charge of $5,825 thousand, in respect of goodwill associated with certain of its long-term care homes primarily due to the cumulative impact of lower funding increases and inflationary pressures on operating costs.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

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

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

Description of the matter

We draw attention to Notes 2(c), 3(g), 3(h) and 6 to the financial statements. The Entity's goodwill amounts to $45,850 thousand of which a significant portion relates to the home health care CGU. The Entity tests goodwill for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired. The Entity recognizes impairment losses in net earnings if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. Significant assumptions in determining the recoverable amount of goodwill include the normalized earnings before interest, taxes depreciation and amortization ("normalized EBITDA") and earnings multiple.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

We evaluated the appropriateness of the normalized EBITDA assumption used in the determination of the recoverable amount of the home health care CGU by comparing it to the CGU's actual historical EBITDA. We took into account changes in conditions and events

affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the normalized EBITDA assumption.

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditors' report is Paul Simonetta
Vaughan, Canada
February 24, 2022

Extendicare Inc.

Consolidated Statements of Financial Position

As at December 31

(in thousands of Canadian dollars)	*notes*	**2021**	**2020**
Assets			
Current assets			
Cash and cash equivalents		**104,627**	179,956
Restricted cash		**3,027**	2,509
Accounts receivable	*4*	**69,435**	58,328
Income taxes recoverable		**14,101**	15,063
Other assets	*7*	**26,468**	40,226
Assets held for sale	*18*	**7,262**	—
Total current assets		**224,920**	296,082
Non-current assets			
Property and equipment	*5*	**535,600**	525,904
Goodwill and other intangible assets	*6*	**92,484**	88,178
Other assets	*7*	**32,892**	37,133
Deferred tax assets	*19*	**14,427**	15,830
Total non-current assets		**675,403**	667,045
Total assets		**900,323**	963,127
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**192,994**	187,071
Income taxes payable		**1,566**	16,693
Long-term debt	*9*	**73,577**	71,390
Provisions	*8*	**—**	4,367
Liabilities directly associated with assets held for sale	*18*	**13,775**	—
Total current liabilities		**281,912**	279,521
Non-current liabilities			
Long-term debt	*9*	**463,274**	493,207
Provisions	*8*	**11,312**	10,567
Other long-term liabilities	*10*	**33,106**	40,059
Deferred tax liabilities	*19*	**8,796**	11,585
Total non-current liabilities		**516,488**	555,418
Total liabilities		**798,400**	834,939
Share capital	*12*	**500,877**	500,577
Equity portion of convertible debentures	*9*	**7,085**	7,085
Contributed surplus		**8,182**	4,916
Accumulated deficit		**(402,453)**	(370,963)
Accumulated other comprehensive loss		**(11,768)**	(13,427)
Shareholders' equity		**101,923**	128,188
Total liabilities and equity		**900,323**	963,127

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

Approved by the Board

/s/ Alan D. Torrie

Alan D. Torrie
Chairman

/s/ Michael Guerriere

Michael Guerriere
President and Chief Executive Officer

Extendicare Inc.

Consolidated Statements of Earnings

Years ended December 31

(in thousands of Canadian dollars except for per share amounts)	*notes*	**2021**	**2020[(i)]**
CONTINUING OPERATIONS			
Revenue	*13, 25*	**1,216,758**	1,103,544
Operating expenses		**1,070,412**	922,513
Administrative costs		**52,431**	48,959
Total expenses	*14*	**1,122,843**	971,472
Earnings before depreciation, amortization, and other expense		**93,915**	132,072
Depreciation and amortization		**37,877**	38,085
Other expense	*15*	**14,969**	5,266
Earnings before net finance costs and income taxes		**41,069**	88,721
Net finance costs	*16*	**25,032**	30,036
Earnings before income taxes		**16,037**	58,685
Income tax expense (recovery)			
Current		**8,544**	21,623
Deferred		**(1,519)**	(5,388)
Total income tax expense	*19*	**7,025**	16,235
Earnings from continuing operations		**9,012**	42,450
DISCONTINUED OPERATIONS			
Earnings from discontinued operations, net of income taxes	*18*	**2,492**	11,739
Net earnings		**11,504**	54,189
Basic and Diluted Earnings per Share			
Earnings from continuing operations	*17*	**$0.10**	$0.47
Net earnings	*17*	**$0.13**	$0.60

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

Extendicare Inc.

Consolidated Statements of Comprehensive Income

Years ended December 31

(in thousands of Canadian dollars)	***notes***	**2021**	**2020**
Net earnings		**11,504**	54,189
Other comprehensive income (loss), net of taxes			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (losses)	*21*	**2,019**	(2,611)
Tax recovery (expense) on defined benefit plan actuarial gains (losses)	*19*	**(538)**	692
Defined benefit plan actuarial gains (losses), net of taxes		**1,481**	(1,919)
Items that are or may be reclassified subsequently to profit or loss:			
Net change in foreign currency translation adjustment		**178**	(235)
Other comprehensive income (loss), net of taxes		**1,659**	(2,154)
Total comprehensive income		**13,163**	52,035

See accompanying notes to consolidated financial statements.

Extendicare Inc.

Consolidated Statements of Changes in Equity

Years ended December 31

(in thousands of Canadian dollars, except for number of shares)	***notes***	***Number of shares***	**Share capital**	**Equity portion of convertible debentures**	**Contributed surplus**	**Accumulated deficit**	**Accumulated other comprehensive loss**	**Shareholders' equity**
Balance at January 1, 2020		*89,232,512*	498,116	7,085	3,675	(382,189)	(11,273)	115,414
DRIP	*12*	*231,813*	1,700	—	—	—	—	1,700
Share-based compensation	*11*	*74,760*	761	—	1,241	—	—	2,002
Net earnings		—	—	—	—	54,189	—	54,189
Dividends declared		—	—	—	—	(42,963)	—	(42,963)
Other comprehensive loss		—	—	—	—	—	(2,154)	(2,154)
Balance at December 31, 2020		89,539,085	500,577	7,085	4,916	(370,963)	(13,427)	128,188

(in thousands of Canadian dollars, except for number of shares)	***notes***	***Number of shares***	**Share capital**	**Equity portion of convertible debentures**	**Contributed surplus**	**Accumulated deficit**	**Accumulated other comprehensive loss**	**Shareholders' equity**
Balance at January 1, 2021		***89,539,085***	**500,577**	**7,085**	**4,916**	**(370,963)**	**(13,427)**	**128,188**
Share-based compensation	***11***	***23,414***	**300**	**—**	**3,266**	**—**	**—**	**3,566**
Net earnings		**—**	**—**	**—**	**—**	**11,504**	**—**	**11,504**
Dividends declared		**—**	**—**	**—**	**—**	**(42,994)**	**—**	**(42,994)**
Other comprehensive gain		**—**	**—**	**—**	**—**	**—**	**1,659**	**1,659**
Balance at December 31, 2021		**89,562,499**	**500,877**	**7,085**	**8,182**	**(402,453)**	**(11,768)**	**101,923**

See accompanying notes to consolidated financial statements.

Extendicare Inc.

Consolidated Statements of Cash Flows

Years ended December 31

(in thousands of Canadian dollars)	***notes***	**2021**	**2020**
Operating Activities			
Net earnings		**11,504**	54,189
Adjustments for:			
Depreciation and amortization	*5, 6, 18*	**38,568**	38,795
Share-based compensation	*11*	**3,566**	2,002
Deferred taxes	*18, **19***	**(1,934)**	(5,057)
Current taxes	*19*	**8,544**	21,633
Net finance costs	*9, 18*	**26,729**	27,034
Foreign exchange and fair value adjustments	*16*	**(1,587)**	1,843
Defined benefit plan expenses	*15, 21*	**854**	3,706
Defined benefit plan contributions	*21*	**(2,958)**	(4,930)
Other income (expense)	*15, 18*	**11,281**	(8,781)
		94,567	130,434
Net change in operating assets and liabilities			
Accounts receivable	*4*	**(13,765)**	(7,946)
Other assets	*7*	**11,954**	(19,855)
Accounts payable and accrued liabilities		**15,446**	49,852
		108,202	152,485
Interest paid		**(23,817)**	(26,296)
Interest received		**1,867**	2,681
Income taxes paid		**(22,828)**	(5,982)
Payments of self-insured liabilities		**—**	(1,623)
Net cash from operating activities		**63,424**	121,265
Investing Activities			
Purchase of property, equipment and other intangible assets	*5*	**(69,523)**	(33,100)
Decrease in investments held for self-insured liabilities	*7*	**—**	29,307
Decrease in other assets	*7*	**5,790**	5,794
Net cash from (used in) investing activities		**(63,733)**	2,001
Financing Activities			
Issuance of long-term debt	*9*	**2,337**	62,362
Repayment of long-term debt	*9*	**(32,319)**	(55,403)
Decrease (increase) in restricted cash	*7*	**(518)**	(68)
Dividends paid		**(42,994)**	(41,263)
Financing costs		**(1,342)**	(3,791)
Net cash used in financing activities		**(74,836)**	(38,163)
Increase (decrease) in cash and cash equivalents		**(75,145)**	85,103
Cash and cash equivalents at beginning of period		**179,956**	94,457
Foreign exchange gain (loss) on cash held in foreign currency		**(184)**	396
Cash and cash equivalents at end of period		**104,627**	179,956

See accompanying notes to consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF THE BUSINESS

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

2. BASIS OF PREPARATION

a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements were approved by the board of directors (the "Board") on February 24, 2022.

b) Basis of Measurement

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

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

c) Use of Estimates and Judgement

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

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

In March 2020, a global pandemic was declared related to a new strain of coronavirus ("COVID-19"). In response, the federal and provincial governments and public health officials initiated a number of measures to mitigate against the severity and spread of the virus. The federal and provincial governments have announced various programs and financial assistance to address the increased costs and other challenges and management continue to assess the extent to which they may impact our results. As at December 31, 2021, it continues to be the case that 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 continue to include estimates used to determine the recoverable amounts for long-lived assets and goodwill subject to an impairment test which rely on the outlook for future financial performance of the cash generating unit ("CGU").

The more subjective estimates are:

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

The assessment of contingencies and provisions are subject to judgement.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Consolidation

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

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

b) Foreign Currency

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

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

c) Cash and Cash Equivalents

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

d) Property and Equipment

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

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

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

Depreciation and amortization are computed on a straight-line basis based on the useful lives of each component of property and equipment. Depreciation of long-term care ("LTC") homes or retirement communities under construction commences in the month after the home is available for its intended use based upon the useful life of the asset, as outlined

in the following table. Land and Construction in Progress are not depreciated. The depreciation methods, useful lives and residual values are reviewed at least annually, and adjusted if appropriate.

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

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

e) Government Grants

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

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

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

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

f) Leases

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

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

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

g) Goodwill and Other Intangible Assets

GOODWILL

Goodwill represents the excess amount of consideration given over the fair value of the underlying net assets acquired in a business combination and is measured at cost less accumulated impairment losses.

OTHER INTANGIBLE ASSETS

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

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

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

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

Customer relationships [1]	15 years
Non-compete agreements	Term of the agreement
Lifetime leases	12 to 13 years
Computer software licences	5 to 7 years
Internal development costs for software	Useful life of software

[1] Acquired in connection with the purchase of a Canadian home health care business representing the intangible asset underlying the various contracts in the business.

h) Impairment

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

NON-FINANCIAL ASSETS

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

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

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

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

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the assets in the CGU on a pro rata basis. Impairment losses on

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

FINANCIAL ASSETS

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

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

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

i) Employee Benefits

DEFINED BENEFIT PLANS

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

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

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

DEFINED CONTRIBUTION PLANS

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

SHORT-TERM EMPLOYEE BENEFITS

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

j) Share-Based Compensation

EQUITY-SETTLED LONG-TERM INCENTIVE PLANS

Awards for deferred share units ("DSUs") and performance share units ("PSUs") are a share-based component of director and executive compensation, which are accounted for based on the intended form of settlement. Under a long-term incentive plan ("LTIP"), the Board has the discretion to settle the DSU and PSU awards in cash, market-purchased Common Shares, or Common Shares issued from treasury. Based on the Board's intention to settle the awards in Common Shares issued from treasury, the PSU and DSU awards are accounted for as equity-settled awards. Settlement of the DSUs and PSUs are net of any applicable taxes and other source deductions required to be withheld by the Company, which amounts are anticipated to approximate 50% of the fair value of the award on the redemption date. The compensation expense for these equity-settled awards is prorated over the vesting or performance period, with a corresponding increase to

contributed surplus. The fair value of each award is measured at the grant date. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. In addition, PSU and DSU participants are credited with dividend equivalents in the form of additional units when dividends are paid on Common Shares in the ordinary course of business.

k) Provisions

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

DECOMMISSIONING PROVISIONS

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

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

l) Fair Value Measurement

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

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

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

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

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

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

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

m) Financial Instruments

FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

n) Revenue

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

i. Long-term Care

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

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

ii. Home Health Care

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

iii. Retirement Living

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

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

iv. Other Services

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

o) Finance Costs, Finance Income, and Deferred Financing Costs

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

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

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

p) Income Taxes

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

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

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

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

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

q) Assets and Liabilities Held for Sale and Discontinued Operations

Non-current assets and liabilities or disposal groups comprising assets and liabilities are classified as held for sale if their carrying value will be recovered principally through a sale rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed

to the plan to sell the asset or disposal group and the sale expected to be completed within one year from the date of the classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell ("FVLCS"). If the FVLCS is lower than the carrying amount, an impairment loss is recognized in the statement of earnings. Non-current assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the Company's consolidated statements of financial position.

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

r) Segmented Reporting

The Company operates solely within Canada, hence, no geographical segment disclosures are presented. Segmented information is presented in respect of business segments, based on management's internal reporting structure.

s) New Accounting Policy Adopted

The Company did not adopt any new significant accounting policies during the year ended December 31, 2021.

t) Future Changes in Accounting Policies

Derecognition of Financial Liabilities

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

Classification of Liabilities as Current or Non-current

Beginning on January 1, 2023, the Company will adopt IASB amendments to IAS 1 *Presentation of financial statements*, which will clarify the criteria of classification of liabilities as current or non-current. The adoption of these amendments is not expected to have a material impact on the consolidated financial statements.

Disclosure Initiative - Accounting Policies

Beginning on January 1, 2023, the Company will adopt IASB amendment *Disclosure Initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements*). This amendment includes a requirement for companies to disclose material accounting policies rather than significant accounting policies among other clarifications on which accounting policies are to be considered material. The adoption of this amendment is not expected to have a material impact on the consolidated financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Beginning on January 1, 2023, the Company will adopt IASB amendment *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*. This amendment narrows the scope of the initial recognition exemption to no longer apply to transactions that give rise to equal and offsetting temporary differences, such as those on initial recognition of a lease or a decommissioning provision. The adoption of this amendment is not expected to have a material impact on the consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	2021	2020
Trade receivables	**68,708**	51,873
Other receivables	**2,556**	8,622
Accounts receivable	**71,264**	60,495
Less: Trade receivable allowance	**(1,829)**	(2,167)
Accounts receivable - net of allowance	**69,435**	58,328

5. PROPERTY AND EQUIPMENT

	Land & Land Improve-ments	Buildings and Leasehold Improvements	Right-of-use assets	Furniture & Equipment	Construction in Progress ("CIP")	Projects in Progress ("PIP")	Total
Cost or Deemed Cost							
January 1, 2020	61,410	543,098	97,750	66,524	10,994	2,154	781,930
Additions	379	7,794	2,213	7,746	9,548	2,670	30,350
Write-off of fully depreciated assets	(133)	(8,091)	—	(5,425)	—	—	(13,649)
Impairment (*Note 15*)	—	(2,780)	—	—	—	—	(2,780)
Transfer from CIP	188	361	—	353	—	(902)	—
December 31, 2020	61,844	540,382	99,963	69,198	20,542	3,922	795,851
January 1, 2021	**61,844**	**540,382**	**99,963**	**69,198**	**20,542**	**3,922**	**795,851**
Additions	**331**	**6,022**	**3,111**	**6,313**	**31,338**	**10,554**	**57,669**
Write-offs	**—**	**(793)**	**(280)**	**(251)**	**—**	**—**	**(1,324)**
Write-off of fully depreciated assets	**—**	**(520)**	**(589)**	**(4,312)**	**—**	**—**	**(5,421)**
Reclassification to assets held for sale (*Note 18*)	**(896)**	**(14,101)**	**—**	**(2,544)**	**—**	**(62)**	**(17,603)**
Impairment (*Note 15*)	**—**	**(9,144)**	**—**	**—**	**—**	**—**	**(9,144)**
Transfer from CIP	**64**	**3,160**	**—**	**697**	**—**	**(3,921)**	**—**
December 31, 2021	**61,343**	**525,006**	**102,205**	**69,101**	**51,880**	**10,493**	**820,028**

	Land & Land Improve-ments	Buildings and Leasehold Improvements	Right-of-use assets	Furniture & Equipment	CIP	PIP	Total
Accumulated Depreciation							
January 1, 2020	5,030	179,901	36,960	29,512	—	—	251,403
Additions	679	19,432	5,034	7,048	—	—	32,193
Write-off of fully depreciated assets	(133)	(8,091)	—	(5,425)	—	—	(13,649)
December 31, 2020	5,576	191,242	41,994	31,135	—	—	269,947
January 1, 2021	**5,576**	**191,242**	**41,994**	**31,135**	**—**	**—**	**269,947**
Additions	**687**	**21,435**	**2,743**	**7,469**	**—**	**—**	**32,334**
Write-offs	**—**	**(469)**	**(89)**	**(214)**	**—**	**—**	**(772)**
Reclassification to assets held for sale (*Note 18*)	**(295)**	**(9,811)**	**—**	**(1,554)**	**—**	**—**	**(11,660)**
Write-off of fully depreciated assets	**—**	**(520)**	**(589)**	**(4,312)**	**—**	**—**	**(5,421)**
December 31, 2021	**5,968**	**201,877**	**44,059**	**32,524**	**—**	**—**	**284,428**
Carrying amounts							
At December 31, 2020	56,268	349,140	57,969	38,063	20,542	3,922	525,904
At December 31, 2021	**55,375**	**323,129**	**58,146**	**36,577**	**51,880**	**10,493**	**535,600**

The Company capitalized $0.3 million of borrowing costs related to development projects under construction for the year ended December 31, 2021 at an average capitalization rate of 0.55% (December 31, 2020 – $nil).

6. 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	**—**	**16,365**	**16,365**
Write-off of fully amortized assets	**—**	**(4,827)**	**(4,827)**
Impairment (*Note 15*)	**(5,825)**	**—**	**(5,825)**
December 31, 2021	**45,850**	**78,486**	**124,336**

	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	**—**	**6,234**	**6,234**
Write-off of fully amortized assets	**—**	**(4,827)**	**(4,827)**
December 31, 2021	**—**	**31,852**	**31,852**
Carrying amounts			
At December 31, 2020	51,675	36,503	88,178
At December 31, 2021	**45,850**	**46,634**	**92,484**

7. OTHER ASSETS

	2021	2020
Construction funding subsidy receivable	**36,271**	42,061
Supply inventory	**11,127**	22,012
Prepaid, deposits and other	**11,962**	13,286
	59,360	77,359
less: current portion	**(26,468)**	(40,226)
	32,892	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, totalling $36.3 million (December 31, 2020 – $42.1 million) of which $4.1 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 comprised of personal protective equipment (“PPE”) and other related supplies.

8. 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 recorded/(released)	**—**	**(3,688)**	**1,413**	**(2,275)**
Provisions used	**—**	**(1,510)**	**(13)**	**(1,523)**
Accretion	**—**	**—**	**195**	**195**
Effect of movements in exchange rates	**—**	**(19)**	**—**	**(19)**
December 31, 2021	**—**	**—**	**11,312**	**11,312**

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 sale of the U.S. business in 2015 (the "U.S. Sale Transaction"), including claims incurred but yet to be reported, remained with the Company, and was funded through the Captive.

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

Indemnification Provisions

As a result of the U.S. Sale Transaction, the Company agreed to indemnify certain obligations of the U.S. operations related to tax, a corporate integrity agreement, and other items. Any revisions to these estimates are recorded as a part of discontinued operations (*Note 18*). 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 December 31, 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 $12.2 million (December 31, 2020 – $10.2 million) was discounted using a rate of 1.32% (December 31, 2020 – 0.48%) over an estimated time to settle of 5 years.

9. LONG-TERM DEBT

	Interest Rate	Year of Maturity	2021	2020
Convertible unsecured subordinated debentures	5.00 %	2025	**122,644**	121,629
CMHC mortgages, fixed rate	2.19% - 7.70%	2022 - 2037	**125,014**	141,638
CMHC mortgages, variable rate	Variable	2025	**22,017**	22,869
Non-CMHC mortgages	3.11% - 5.64%	2022 - 2038	**161,793**	167,729
Construction loans	Variable	on demand - 2024	**45,450**	43,113
Lease liabilities	4.23% - 7.19%	2022 - 2034	**69,438**	77,805
			546,356	574,783
Deferred financing costs			**(9,505)**	(10,186)
Total debt, net of deferred financing costs			**536,851**	564,597
Less: current portion			**(73,577)**	(71,390)
Long-term debt, net of deferred financing costs			**463,274**	493,207

Principal Repayments

	Convertible Debentures	Mortgages		Construction Loans	Lease Liabilities	Total
		Regular	Maturity			
2022	—	14,842	7,143	43,113	15,106	80,204
2023	—	11,803	70,643	—	14,439	96,885
2024	—	10,003	—	2,337	14,173	26,513
2025	126,500	8,739	36,220	—	13,845	185,304
2026	—	8,595	—	—	13,171	21,766
2027 and thereafter	—	76,636	64,200	—	13,793	154,629
Total debt principal and lease liability	126,500	130,618	178,206	45,450	84,527	565,301
Unamortized accretion of 2025 convertible debentures	(3,856)	—	—	—	—	(3,856)
Interest on lease liabilities	—	—	—	—	(15,089)	(15,089)
	122,644	130,618	178,206	45,450	69,438	546,356

Long-term Debt Continuity

	2021	2020
As at January 1	**564,597**	556,306
Issuance of long-term debt	**2,337**	62,362
New lease liabilities	**3,111**	2,159
Accretion and other	**1,093**	954
Repayments	**(32,319)**	(55,403)
Addition - deferred financing costs	**(1,342)**	(3,791)
Amortization of deferred financing costs and other	**2,023**	2,010
Reclassification to liabilities directly associated with assets held for sale	**(2,649)**	—
As at December 31	**536,851**	564,597

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 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 December 2021, the Company renewed a CMHC-insured mortgage of $13.7 million, inclusive of fees, on a long-term care home. The renewed mortgage matures in December 2031, with a fixed rate of 2.65% per annum.

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

In April 2020, the Company secured a CMHC-insured mortgage of $47.8 million, inclusive of fees, on a retirement community. The mortgage matures in June 2030 with a fixed rate of 2.19% per annum. The previously existing construction loan of $25.8 million was repaid in full on closing.

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 December 2021, the Company extended a maturing mortgage of $24.7 million on certain long-term care homes. This extended mortgage matures in May 2023 with a fixed rate of 3.27% per annum.

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 communities providing for additional letter of credit facilities of $0.8 million and $1.0 million, at rates ranging from 2.48% to 2.73% 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. These 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 March 2024.

As at December 31, 2021, an aggregate of $43.1 million was drawn on these construction loans (December 31, 2020 – $43.1 million), leaving $4.9 million available (December 31, 2020 – $4.9 million); in addition, as at December 31, 2021, letters of

credit totalling $0.2 million were issued under credit facilities (December 31, 2020 – $0.7 million), leaving $1.6 million available (December 31, 2020 – $1.1 million).

In 2021, the Company secured construction facilities in connection with three LTC redevelopment projects. These facilities total $156.6 million and each facility matures on the earlier of 42 months from closing or the date that they are refinanced following completion or lease-up. 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 $6.0 million in letter of credit facilities. Interest is capitalized during construction and is payable following completion of construction until maturity.

As at December 31, 2021, an aggregate of $2.3 million was drawn on these facilities (December 31, 2020 – $nil), leaving $154.3 million available (December 31, 2020 – $nil). As at December 31, 2021, no letters of credit were issued under credit facilities (December 31, 2020 – $nil), leaving $6.0 million available (December 31, 2020 – $nil).

Lease Liabilities

Lease liabilities as at December 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 13 years.

During the year ended December 31, 2021, the Company has recognized new and renewed district office lease liabilities of $3.1 million (December 31, 2020 - $2.2 million).

Credit Facilities

The Company has two demand credit facilities totalling $112.3 million. One is secured by 13 Class C long-term care homes in Ontario and the other is secured by the assets of the home health care business. Neither of these facilities has financial covenants but do contain normal and customary terms. As at December 31, 2021, $33.7 million of the facilities 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).

Interest Rates

The weighted average interest rate of all long-term debt as at December 31, 2021, was approximately 4.3% (December 31, 2020 – 4.3%). As at December 31, 2021, 87.7% of the long-term debt, including interest rate swaps, was at fixed rates (December 31, 2020 – 88.5%).

Financial Covenants

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

10. OTHER LONG-TERM LIABILITIES

	2021	**2020**
Accrued pension and benefits obligation *(Note 21)*	**31,419**	35,531
Interest rate swaps	**736**	2,573
Other	**951**	1,955
	33,106	40,059

Interest Rate Swaps

The interest rate swaps include swap contracts relating to mortgages, with notional amounts totalling $85.2 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 December 31, 2021, the interest rate swaps were valued as a liability of $0.7 million (December 31, 2020 – $2.6 million).

11. SHARE-BASED COMPENSATION

Equity-settled Long-term Incentive Plan

The Company's LTIP provides for a share-based component of executive and director compensation designed to encourage a greater alignment of the interests of the Company's executives and directors with its shareholders, in the form of PSUs for employees and DSUs for non-employee directors.

PSUs and DSUs granted under the LTIP do not carry any voting rights. DSUs vest immediately upon grant and PSUs vest with a term of not less than 24 months and not more than 36 months from the date of grant.

During the year-ended December 31, 2021, the Company settled PSUs totalling 40,892, 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 year ended December 31, 2020, the Company settled PSUs and DSUs totalling 104,387, of which 29,627 were settled in cash to cover withholding taxes payable ($0.2 million) and 74,760 were settled with Common Shares issued from treasury.

The Company's DSUs and PSUs were an expense of $3.7 million for the year ended December 31, 2021 (December 31, 2020 – $2.2 million).

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

As at December 31,	2021	2020
Contributed surplus – DSUs	**3,323**	2,565
Contributed surplus – PSUs	**4,859**	2,351
	8,182	4,916

As at December 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	
	2021	**2020**	**2021**	**2020**
Units outstanding, beginning of period	**381,731**	337,029	**695,087**	399,521
Granted	**98,204**	98,721	**471,712**	334,214
Reinvested dividend equivalents	**27,876**	25,136	**63,983**	48,791
Forfeited	**—**	—	**(13,617)**	(62,207)
Settled	**—**	(79,155)	**(40,892)**	(25,232)
Units outstanding, end of period	**507,811**	381,731	**1,176,273**	695,087
Weighted average fair value of units granted during the period at grant date	**$7.72**	$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:

		2021		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

12. SHARE CAPITAL

		2021		2020
	Shares	**Amount**	*Shares*	**Amount**
Balance at beginning of year	*89,539,085*	**500,577**	*89,232,512*	498,116
Transactions with shareholders				
DRIP	—	**—**	*231,813*	1,700
Share-based compensation	*23,414*	**300**	*74,760*	761
Balance at end of year	*89,562,499*	**500,877**	*89,539,085*	500,577

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 year ended December 31, 2021 and 2020, the Company declared cash dividends of $0.48 per share.

Dividend Reinvestment Plan

The Company has a Dividend Reinvestment Plan ("DRIP") pursuant to which shareholders who are Canadian residents may elect to reinvest their cash distributions in additional Common Shares. On March 19, 2020, the Company suspended its DRIP in respect of any future declared dividends until further notice. Accordingly, the dividend paid on April 15, 2020 to shareholders of record on March 31, 2020 was the last dividend payment eligible for reinvestment by participating shareholders under the DRIP. Subsequent dividends will be paid only in cash.

During the year ended December 31, 2021, the Company did not issue any Common Shares under the DRIP (December 31, 2020 – 231,813 Common Shares at a value of $1.7 million).

Normal Course Issuer Bid ("NCIB")

The Company did not purchase any Common Shares during the year ended December 31, 2021 and the year ended December 31, 2020 under the NCIBs that expired on January 14, 2021 and January 14, 2020, respectively.

13. REVENUE

	2021	2020[(i)]
Long-term care	**728,654**	660,801
Retirement living	**49,771**	47,801
Home health care	**410,559**	368,189
Other operations	**27,774**	26,753
Total revenue	**1,216,758**	1,103,544

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

Funding for the Company's LTC homes and home health care services is regulated by provincial authorities. Revenue from provincial programs represented approximately 73% of the Company's long-term care revenue, excluding additional funding received in connection with COVID-19, (December 31, 2020 – 72%), and approximately 99% of the home health care revenue for 2021 (December 31, 2020 – 98%).

Retirement living includes accommodation revenue of approximately $17.9 million (December 31, 2020 – $17.6 million) and services revenue of approximately $31.9 million (December 31, 2020 – $30.2 million). Services revenue represents a combination of monthly service fees paid by the residents, including proceeds retained by the Company upon the sale of homes in the life lease community.

14. EXPENSES BY NATURE

	2021	2020[(i)]
Employee wages and benefits	**932,658**	879,485
Government grants	**(17,362)**	(91,175)
Food, drugs, supplies and other variable costs	**82,502**	76,429
Property based and leases	**58,661**	49,645
Other	**66,384**	57,088
Total operating expenses and administrative costs	**1,122,843**	971,472

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

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy ("CEWS") program, which was designed to help Canadian employers that have experienced revenue declines to re-hire workers laid off as a result of COVID-19, help prevent further job losses and better position the employers to resume normal operations after the COVID-19 pandemic. The Company's home health care subsidiary, ParaMed Inc., applied for and received CEWS during the year ended December 31, 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 the year ended December 31, 2021.

15. OTHER EXPENSE

	2021	2020
Impairment *(Note 5, 6)*	**14,969**	2,780
Other costs *(Note 21)*	**—**	2,486
	14,969	5,266

Impairment

a) Goodwill & Indefinite Life Intangibles

The Company completed its annual impairment assessment of the carrying value of the goodwill and indefinite life intangible assets. During the year ended December 31, 2021, the Company recorded an after-tax impairment charge related to a $5.8 million write down of the carrying value of the goodwill associated with certain of its Manitoba long-term care homes due primarily due to the cumulative impact of lower funding increases from the provincial health authorities and inflationary pressures on operating costs experienced in Manitoba.

b) Property and Equipment

During the year ended December 31, 2021, the Company recorded a pre-tax impairment charge of $9.1 million ($6.7 million after tax), in respect of certain of its long-term care homes in Manitoba and Alberta due primarily to the cumulative impact of lower funding increases from both provincial health authorities and inflationary pressures on operating costs.

During the year ended December 31, 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 that were acquired in early 2016 and had not performed as expected, primarily due to competitive market conditions, impacting rates, occupancy and labour and benefit costs.

The determination of recoverable amounts can be significantly impacted by estimates related to current market valuations, current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. Estimates and assumptions used in the determination of the impairment losses were based upon information that was known at the time, along with the future outlook. The fair value is a Level 3 valuation (*Note 22*)

The Company completes the assessment of the impairment amount as follows:

Each LTC home and retirement community, each being a CGU, are assessed by comparing the recoverable amount (in this case the value in use) of each CGU, determined using the direct capitalization method, to their carrying values. The direct capitalization method divides the estimated stabilized net operating income, after adjusting for management fee and capital maintenance using estimated market capitalization rates ranging from 7.0% to 8.5%, derived from a combination of third-party information and industry trends.

In the case of one Alberta LTC home, was assessed by comparing the recoverable amount determined using the discounted cash flow method, to its carrying value. The discounted cash flow method takes into account operating cash flows and capital maintenance using an estimated discount rate of 12.75%, derived from third-party information.

Other Costs

During the year ended December 31, 2020 the Company recorded a $2.5 million non-cash, non-recurring actuarial adjustment in respect of a legacy post-retirement benefits plan *(Note 21)*.

16. NET FINANCE COSTS

	2021	2020[(i)]
Interest expense	**27,198**	28,307
Interest revenue	**(1,867)**	(2,681)
Accretion	**1,288**	1,237
Foreign exchange and fair value adjustments	**(1,587)**	3,173
Net finance costs	**25,032**	30,036

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

Foreign Exchange

Foreign exchange gains or losses related to deferred consideration and other balances denominated in U.S. dollars for the year ended December 31, 2021 is a loss of $0.3 million (December 31, 2020 – gain of $0.2 million).

Fair Value Adjustments

Fair value adjustments related to interest rate swap contracts on certain mortgages were a gain of $1.8 million for the year ended December 31, 2021 (December 31, 2020 – loss of $3.4 million) (*Note 9*).

17. EARNINGS PER SHARE

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

The Company’s potentially dilutive instruments include the convertible debentures and equity-settled compensation arrangements. The number of shares included with respect to the PSUs is computed using the treasury stock method. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

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

	2021	2020[i]
Numerator for Basic and Diluted Earnings per Share		
Earnings from continuing operations		
Net earnings for basic earnings per share	**11,504**	54,189
Less: earnings from discontinued operations, net of tax	**(2,492)**	(11,739)
Earnings from continuing operations for basic earnings per share	**9,012**	42,450
Add: after-tax interest on convertible debt	**6,225**	6,170
Earnings from continuing operations for diluted earnings per share	**15,237**	48,620
Net earnings		
Net earnings for basic earnings per share	**11,504**	54,189
Add: after-tax interest on convertible debt	**6,225**	6,170
Net earnings for diluted earnings per share	**17,729**	60,359
Denominator for Basic and Diluted Earnings per Share		
Actual weighted average number of shares	**89,557,720**	89,485,110
DSUs	**432,083**	323,161
Weighted average number of shares for basic earnings per share	**89,989,803**	89,808,271
Shares issued if all convertible debt was converted	**10,326,531**	10,326,531
PSUs	**586,901**	140,533
Total for diluted earnings per share	**100,903,235**	100,275,335
Basic Earnings per Share (*in dollars*)		
Earnings from continuing operations	**$0.10**	$0.47
Earnings from discontinued operations	**$0.03**	$0.13
Net earnings	**$0.13**	$0.60
Diluted Earnings per Share (*in dollars*)		
Earnings from continuing operations	**$0.10**	$0.47
Earnings from discontinued operations	**$0.02**	$0.12
Net earnings	**$0.13**	$0.60

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

18. DISCONTINUED OPERATIONS

Saskatchewan LTC Homes

On October 14, 2021, the Saskatchewan Health Authority (“SHA”) announced that the SHA and the Company agreed to work collaboratively to transition the delivery of LTC services operated at the Company’s five LTC homes in Saskatchewan

(the "Saskatchewan LTC Homes") to the SHA. The timing of the transfer of the operations, and potentially the related assets, is anticipated to be completed in 2022.

U.S. Sale Transaction

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.

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

	2021
Assets held for sale	
Receivables and other current assets	**1,319**
Property, plant, and equipment and intangible assets	**5,943**
Total assets held for sale	**7,262**
Liabilities directly associated with assets held for sale	
Accounts payable and accrued liabilities	**11,126**
Long term debt	**2,649**
Total liabilities directly associated with assets held for sale	**13,775**

There were no assets or liabilities held for sale related to the U.S. Sale Transaction for the year ended December 31, 2021 or 2020. All balances above relates to the Saskatchewan LTC Homes.

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

For the year ended December 31, 2021	Saskatchewan LTC Homes	U.S. Sale Transaction	Total
Earnings from Discontinued Operations			
Revenue	**56,650**	—	**56,650**
Operating expenses	**57,414**	—	**57,414**
Loss before depreciation, amortization, other income, net finance costs, and income taxes	**(764)**	—	**(764)**
Depreciation and amortization	**691**	—	**691**
Other income	—	**(3,688)**	**(3,688)**
Net finance costs	**110**	—	**110**
Earnings (loss) before income taxes	**(1,565)**	**3,688**	**2,123**
Current	—	**46**	**46**
Deferred	**(415)**	—	**(415)**
Income tax expense (recovery)	**(415)**	**46**	**(369)**
Earnings (loss) from discontinued operations	**(1,150)**	**3,642**	**2,492**

For the year ended December 31, 2020	**Saskatchewan LTC Homes**	**U.S. Sale Transaction**	**Total**
Earnings from Discontinued Operations			
Revenue	54,749	—	54,749
Operating expenses	53,683	—	53,683
Administrative costs	—	996	996
Earnings (loss) before depreciation, amortization, other income, net finance costs, and income taxes	1,066	(996)	70
Depreciation and amortization	710	—	710
Other income	—	(11,561)	(11,561)
Net finance costs	171	(1,330)	(1,159)
Earnings before income taxes	185	11,895	12,080
Current	—	10	10
Deferred	49	282	331
Income tax expense	49	292	341
Earnings from discontinued operations	136	11,603	11,739

Earnings from discontinued operations from the U.S. Sale Transaction includes the release of the indemnification provisions of $3.7 million for the year ended December 31, 2021. Earnings from discontinued operations from the U.S. Sale Transaction for the year ended December 31, 2020 includes the release of the accrual for self-insured liabilities of $9.5 million, the valuation change to the indemnification provisions of $2.0 million, and foreign exchange and fair value gain of $1.2 million, net of administrative costs and interest expense.

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

For the year ended December 31, 2021	**Saskatchewan LTC Homes**
Cash Flows from Discontinued Operations	
Net cash used in operating activities	**(523)**
Net cash used in investing activities	**(636)**
Net cash used in financing activities	**(2,047)**
Effect on cash flows	**(3,206)**

There were no cash flows from the U.S. Sale Transaction for the year ended December 31, 2021. All cash flow from discontinued operations related to the Saskatchewan LTC Homes.

For the year ended December 31, 2020	**U.S. Sale Transaction**
Cash Flows from Discontinued Operations	
Net cash used in operating activities	(6,029)
Net cash from investing activities	6,029
Effect on cash flows	—

19. INCOME TAXES

Effective Tax Rate

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

	2021	2020[i]
Earnings from continuing operations before income taxes	**16,037**	58,685
Tax rate	**26.5 %**	26.5 %
Income taxes at statutory rates of 26.5%	**4,250**	15,552
Income tax effect relating to the following items:		
Non-deductible items	**2,796**	817
Non-taxable income (loss)	**9**	(78)
Other items	**(30)**	(56)
	7,025	16,235

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

Summary of Operating and Capital Loss Carryforwards

The Company and its Canadian corporate subsidiaries have $24.6 million net operating loss carryforwards available as at December 31, 2021 (December 31, 2020 – $26.2 million), which expire in the years 2036 through 2040, which are recognized in deferred tax assets and capital loss carryforwards of $80.0 million (December 31, 2020 – $51.3 million) which have not been tax benefited and are available indefinitely to apply against future capital gains.

Net deferred tax assets increased in 2021 to $5.6 million from a net deferred tax asset position of $4.2 million at December 31, 2020.

Recognized Deferred Tax Assets and Liabilities

Net deferred tax liabilities comprise the following:

	2021			2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, Goodwill and other intangible assets	**7,117**	**28,044**	**20,927**	10,625	32,554	21,929
Provisions	**2,881**	**—**	**(2,881)**	3,026	—	(3,026)
Accrued pension and benefits obligation	**8,945**	**—**	**(8,945)**	10,039	—	(10,039)
Operating loss carryforwards	**6,548**	**—**	**(6,548)**	6,946	—	(6,946)
Other	**9,544**	**1,360**	**(8,184)**	7,443	1,280	(6,163)
Set-off of tax	**(20,608)**	**(20,608)**	**—**	(22,249)	(22,249)	—
Deferred tax (assets)/liabilities, net	**14,427**	**8,796**	**(5,631)**	15,830	11,585	(4,245)

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

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

	Balance January 1, 2021	Recognized in Net Earnings	Recognized in Other Comprehensive Income	Recognized in Discontinued Operations	Other	Balance December 31, 2021
Property and equipment, Goodwill and other intangible assets	21,929	**(587)**	**—**	**(415)**	**—**	**20,927**
Provisions	(3,026)	**145**	**—**	**—**	**—**	**(2,881)**
Accrued pension and benefits obligation	(10,039)	**556**	**538**	**—**	**—**	**(8,945)**
Operating loss carryforwards	(6,946)	**398**	**—**	**—**	**—**	**(6,548)**
Other	(6,163)	**(2,031)**	**—**	**—**	**10**	**(8,184)**
Deferred tax (assets)/ liabilities, net	(4,245)	**(1,519)**	**538**	**(415)**	**10**	**(5,631)**

	Balance January 1, 2020	Recognized in Net Earnings	Recognized in Other Comprehensive Income	Recognized in Discontinued Operations	Change in Foreign Exchange	Balance December 31, 2020
Property and equipment, Goodwill and other intangible assets[(i)]	20,935	945	—	49	—	21,929
Provisions	(3,456)	109	—	282	39	(3,026)
Accrued pension and benefits obligation	(9,672)	325	(692)	—	—	(10,039)
Operating loss carryforwards	(3,445)	(3,501)	—	—	—	(6,946)
Other	(2,858)	(3,305)	—	—	—	(6,163)
Deferred tax (assets)/ liabilities, net	1,504	(5,427)	(692)	331	39	(4,245)

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

20. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2021, the Company has outstanding commitments of $114.3 million in connection with the construction contracts related to three new LTC redevelopment construction projects which are under construction as at December 31, 2021, and are targeted to be complete ranging from the first quarter of 2023 to the first quarter of 2024. The Company also has outstanding commitments of $14.9 million in connection with a five-year agreement for cloud-based enterprise resource planning software. Payments under the agreement are due annually in advance and the agreement expires in 2025.

Legal Proceedings and Regulatory Actions

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings brought against it from time to time in connection with its operations. The COVID-19 pandemic has increased the risk that litigation or other legal proceedings, regardless of merit, will be commenced against the Company.

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.

In January 2022, the case management judge overseeing the Company's COVID-related class action granted a plaintiff's motion to, among other things, consolidate all four active class actions against the Company into one action pursuant to the *Class Proceedings Act* (Ontario). The claim is in respect of all Ontario LTC homes owned, operated, licensed and/or managed by the Company and its affiliates and names as defendants the Company, certain of its affiliates and the owners of any such

managed LTC homes. The amended claim alleges negligence, gross negligence, breach of fiduciary duty, breach of contract, unjust enrichment, wrongful death in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons and breach of section 7 of the *Canadian Charter of Rights and Freedoms*. The claim seeks damages in the aggregate of $110 million.

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.

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

In October 2021, the Supreme Court of Canada dismissed an application for leave to appeal by the Attorney General of Ontario which sought to challenge the decision issued by the previous presiding court that ruled in favour of the unions' legal challenge to a 2016 Pay Equity Tribunal decision. The unions argued that new pay equity adjustments were required in order to maintain pay equity with municipal LTC homes where PSWs and other direct care workers in other industries are included in determining pay equity. The matter has now been referred back to the Pay Equity Tribunal to settle the matter between the participating LTC homes, unions and the Government and establish a framework for pay equity suitable for the sector. The Company, along with other participants in the long-term care sector, including the Government of Ontario, are assessing the potential impact of this decision. Given the uncertainty of the matter and the various stakeholders involved, and as a result the wide range of possible settlement outcomes and related funding changes a reliable estimate cannot be made. Therefore, the Company did not record a provision with respect to this matter as at December 31, 2021. This matter could have a materially adverse impact on the Company's business, results of operations and financial condition.

21. EMPLOYEE BENEFITS

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

Defined Benefit Plans

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

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

	Defined Benefit Plan		Supplementary Defined Benefit Plans		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Fair value of plan assets	**4,641**	4,577	**1,388**	713	**6,029**	5,290
Present value of obligations	**6,800**	7,294	**32,983**	35,873	**39,783**	43,167
Deficit	**(2,159)**	(2,717)	**(31,595)**	(35,160)	**(33,754)**	(37,877)

FUNDING

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

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

DEFINED BENEFIT OBLIGATIONS

	2021	2020
Present Value of Defined Benefit Obligations		
Accrued benefit obligations		
Balance at beginning of year	**43,167**	41,815
Current service cost	**31**	176
Recognition of supplementary health and dental plan *(Note 15)*	**—**	2,486
Benefits paid	**(2,704)**	(5,363)
Interest costs	**946**	1,198
Actuarial (gain)/loss	**(1,657)**	2,855
Balance at end of year	**39,783**	43,167
Plan assets		
Fair value at beginning of year	**5,290**	5,325
Employer contributions	**722**	1,302
Actual return on plan assets	**362**	244
Interest income on plan assets	**123**	154
Benefits paid	**(468)**	(1,735)
Fair value at end of year	**6,029**	5,290
Defined benefit obligations	**33,754**	37,877

The expected contribution to the benefit plans for the coming year is approximately $2.2 million.

	2021	2020
Current accrued liabilities	**2,335**	2,346
Other long-term liabilities *(Note 10)*	**31,419**	35,531
Accrued benefit liability at end of year	**33,754**	37,877

EFFECT OF CHANGES TO DEFINED BENEFIT OBLIGATIONS

	2021	2020
Expense Recognized in Net Earnings		
Annual benefit plan expense		
Current service cost	**31**	176
Recognition of supplementary health and dental plan *(Note 15)*	**—**	2,486
Interest costs	**823**	1,044
Defined benefit plan expenses recognized in the year - included in administrative expenses	**854**	3,706
Actuarial Losses Recognized in Other Comprehensive Income		
Amount accumulated in accumulated deficit at January 1	**(13,198)**	(11,279)
Actuarial gain/(loss) arising from changes in liability experience and assumption changes	**1,657**	(2,855)
Return on assets	**362**	244
Income tax recovery/(expense) on actuarial gain/loss	**(538)**	692
Amount recognized in accumulated deficit at December 31	**(11,717)**	(13,198)

PLAN ASSETS

	2021	2020
Equities	**47 %**	47 %
Fixed income securities	**36 %**	34 %
Real estate / commercial mortgage	**17 %**	19 %
	100 %	100 %

ACTUARIAL ASSUMPTIONS

	2021	2020
Discount rate for year-end accrued obligation	**2.75 %**	2.25 %
Discount rate for period expense	**2.25 %**	3.00 %
Rate of compensation increase	**— %**	— %
Income Tax Act limit increase	**3.00 %**	3.00 %
Average remaining service years of active employees	**2**	2

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

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

Changes to the following actuarial assumptions, while holding the other assumptions constant, would have affected the defined benefit obligation and related expense for 2021 by the amounts shown below.

	Increase (Decrease) in Benefit Obligation	Increase (Decrease) in Net Earnings
Discount rate		
1% increase	(3,246)	171
1% decrease	3,808	(229)
Rate of compensation increase*		
1% increase	—	—
1% decrease	—	—
Mortality rate		
10% increase	(1,034)	(29)
10% decrease	1,146	31

* No impact as actual salary rates are used in valuation for 2021.

Defined Contribution Plans

The Company maintains registered savings and defined contribution plans and matches up to 120% of the employees' contributions according to seniority, subject to a maximum based on the salary of the plan participants. Contributions to these various plans in December 31, 2021 were $12.8 million (December 31, 2020 - $12.7 million).

22. MANAGEMENT OF RISKS AND FINANCIAL INSTRUMENTS

(a) Management of Risks

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting its contractual obligations. The Company manages our liquidity risk through the use of budgets and forecasts. Cash requirements are monitored regularly based on

actual financial results and actual cash flows to ensure that there are sufficient resources to meet operational requirements. In addition, since there is a risk that current borrowings and long-term debt may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt, the Company attempts to appropriately structure the timing of contractual long-term debt renewal obligations and exposures.

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

As at December 31, 2021	Carrying Amount	Contractual Cash Flows	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
Convertible debentures	**122,644**	**148,638**	6,325	6,325	135,988	—
CMHC mortgages, fixed rate	**125,014**	**152,435**	18,592	9,438	25,960	98,445
CMHC mortgages, variable rate	**22,017**	**24,577**	1,538	1,538	21,501	—
Non-CMHC mortgages	**161,793**	**200,544**	12,822	80,601	36,742	70,379
Construction loans	**45,450**	**45,450**	43,113	2,337	—	—
Lease liabilities	**69,438**	**84,526**	15,106	14,439	41,188	13,793
Accounts payable and accrued liabilities	**192,994**	**192,994**	192,994	—	—	—
Income taxes payable	**1,566**	**1,566**	1,566	—	—	—
	740,916	**850,730**	**292,056**	**114,678**	**261,379**	**182,617**

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

In addition to cash generated from its operations and cash on hand as at December 31, 2021, the Company has available undrawn credit facilities totalling $72.8 million (December 31, 2020 – $71.3 million).

CREDIT RISK

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

	Carrying Amount	
	2021	**2020**
Cash and cash equivalents	**104,627**	179,956
Restricted cash	**3,027**	2,509
Accounts receivable, net of allowance	**69,435**	58,328
Government note receivables	**36,271**	42,061
	213,360	282,854

Cash and Cash Equivalents

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

Restricted Cash

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

Accounts Receivable, Net of Allowance

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

Receivables from government agencies represent the only concentrated group of accounts receivable for the Company, which is primarily from provincial government agencies. Management does not believe there is any credit risk associated with these government agencies other than possible funding delays. Accounts receivable other than from government

agencies consist of private individuals that are subject to different economic conditions, none of which represents any concentrated credit risk to the Company.

As at December 31, 2021, receivables from government agencies represented approximately 86% of the total receivables (December 31, 2020 – 90%). Management continuously monitors reports from trade associations or notes from provincial or federal agencies that announce possible delays that are rare to occur and usually associated with changes of fiscal intermediaries or changes in information technology or forms.

The aging analysis of these trade receivables is as follows:

	2021	**2020**
Current	**54,942**	36,170
Between 30 and 90 days	**8,125**	9,650
Over 90 days	**5,641**	6,053
Less: provision for receivable impairment	**(1,829)**	(2,167)
	66,879	49,706

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

Notes and Amounts Receivable

Included in notes and amounts receivable were $36.3 million (December 31, 2020 – $42.1 million) of discounted amounts receivable due from government agencies. These represent amounts funded by the Ontario government for a portion of LTC home construction costs over a 20-year or 25-year period *(Note 7)*. The Company does not believe there is any credit exposure for these amounts due from government agencies.

CURRENCY RISK

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

		2021		**2020**
	US$	**C$**	***US$***	**C$**
Assets				
Current assets	*11,759*	**14,861**	*13,664*	17,387
Liabilities				
Current liabilities	*820*	**1,036**	*4,142*	5,270
Indemnification provisions	—	**—**	*668*	850
Non-current liabilities	—	**—**	*551*	701
Net asset exposure	*10,939*	**13,825**	*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 debt portfolio includes fixed-rate debt and variable-rate debt with interest rate swaps in place. At December 31, 2021, CMHC variable-rate mortgages of $22.0 million and construction loans of $45.5 million (December 31, 2020 – $22.9 million and $43.1 million respectively) are variable-rate debt , which do not have interest rate swaps in place. The Company's credit facility, and future borrowings, may be at variable rates which would expose the Company to the risk of interest rate volatility (*Note 9*).

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

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

	Carrying Amount	
	2021	**2020**
Fixed-rate long-term debt[(i)]	**478,889**	508,801
Variable-rate long-term debt[(i)]	**67,467**	65,982
Total	**546,356**	574,783

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

Fair Value Sensitivity Analysis for Variable-rate Instruments

All long-term debt with variable rates are classified as other financial liabilities, which are measured at amortized cost using the effective interest method of amortization; therefore, changes in interest rates would not affect OCI or net earnings with respect to variable-rate debt. As at December 31, 2021, long-term debt with variable rates represented 12.3% 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 $0.5 million and a decrease of 100 basis points in interest rates would have increased net earnings by $0.5 million. This analysis assumes that all other variables, in particular foreign currency rates, remains constant, and excludes variable interest rate debt that is locked in through interest rate swaps.

(b) Fair values of Financial Instruments

As at December 31, 2021	Amortized Cost	Fair Value through Profit and Loss	Total Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:					
Cash and cash equivalents	**104,627**	**—**	**104,627**	**104,627**	Level 1
Restricted cash	**3,027**	**—**	**3,027**	**3,027**	Level 1
Accounts receivable	**69,435**	**—**	**69,435**	**69,435**	N/A
Amounts receivable and other assets[(i)(ii)]	**36,271**	**—**	**36,271**	**36,129**	Level 2
	213,360	**—**	**213,360**	**213,218**	
Financial liabilities:					
Accounts payable	**28,956**	**—**	**28,956**	**28,956**	N/A
Interest rate swaps	**—**	**736**	**736**	**736**	Level 2
Long-term debt[(ii)(iii)]	**423,712**	**—**	**423,712**	**446,360**	Level 2
Convertible debentures	**122,644**	**—**	**122,644**	**125,804**	Level 1
	575,312	**736**	**576,048**	**601,856**	

[(i)] Includes primarily amounts receivable from government.

[(ii)] Includes current portion.

[(iii)] Excludes convertible debentures and 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	N/A
Amounts receivable and other assets[(i)(ii)]	42,061	—	42,061	43,485	Level 2
	282,854	—	282,854	284,278	
Financial liabilities:					
Accounts payable	16,482	—	16,482	16,482	N/A
Interest rate swaps	—	2,573	2,573	2,573	Level 2
Long-term debt [(ii)(iii)]	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	

(i) Includes primarily amounts receivable from government.

(ii) Includes current portion.

(iii) Excludes convertible debentures and netting of deferred financing costs.

BASIS FOR DETERMINING FAIR VALUES

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

Fair values for investments designated as FVTPL are based on quoted market prices. Accounts receivable are recorded at amortized cost. The carrying values of accounts receivable approximate fair values due to their short-term maturities, with the exception of the amounts receivable due from the government of Ontario, which are valued at discounted future cash flows using current applicable rates for similar instruments of comparable maturity and credit quality (*Note 7*). The fair values of convertible debentures are based on the closing price of the publicly traded convertible debentures on each reporting date, and the fair values of mortgages and other debt are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

FAIR VALUE HIERARCHY

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

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

23. CAPITAL MANAGEMENT

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

Capital Structure

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

	2021	2020
Current portion of long-term debt[i]	**73,577**	71,390
Long-term debt[i]	**463,274**	493,207
Total debt	**536,851**	564,597
Less: Cash and cash equivalents	**(104,627)**	(179,956)
Net debt	**432,224**	384,641
Share capital	**500,877**	500,577
	933,101	885,218

[i] Net of financing costs.

24. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel

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

	2021	2020
Salaries and short-term benefits	**3,938**	3,615
Share-based compensation	**2,561**	1,725
	6,499	5,340

25. SEGMENTED INFORMATION

The Company reports the following segments: i) long-term care; ii) retirement living; iii) home health care; iv) contract services, consulting and group purchasing as "other operations"; and v) the corporate functions and any intersegment eliminations as "corporate".

The long-term care segment represents the 53 long-term care homes that the Company owns and operates in Canada. The retirement living segment represents 11 retirement communities that the Company owns and operates in Canada. The retirement communities provide accommodation and services to private-pay residents at rates set by the Company based on the services provided and market conditions. Through our wholly owned subsidiary ParaMed, ParaMed's home health care operations provide complex nursing care, occupational, physical and speech therapy, and assistance with daily activities to accommodate those living at home.

The Company's other operations are composed of its contract services, consulting and group purchasing divisions. Through our Extendicare Assist division, the Company provides contract services and consulting to third parties; and through our SGP Purchasing Partner Network division, the Company offers cost-effective purchasing contracts to other senior care providers for food, capital equipment, furnishings, cleaning and nursing supplies, and office products. The Company ceased operation of the U.S. segment and is treating it as a discontinued operation (*Note 18*), thus it is no longer presented as a separate segment. Also, the Company's Saskatchewan LTC Homes are being transitioned to SHA and are treated as discontinued operations and are therefore, excluded from Continuing Operations (*Note 18*).

						2021
(in thousands of Canadian dollars)	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Other Operations**	**Corporate**	**Total**
CONTINUING OPERATIONS						
Revenue	**728,655**	**49,771**	**410,559**	**27,773**	**—**	**1,216,758**
Operating expenses	**661,368**	**36,395**	**361,002**	**11,647**	**—**	**1,070,412**
Net operating income	**67,287**	**13,376**	**49,557**	**16,126**	**—**	**146,346**
Administrative costs					**52,431**	**52,431**
Earnings before depreciation, amortization, and other expense						**93,915**
Depreciation and amortization					**37,877**	**37,877**
Other expense					**14,969**	**14,969**
Earnings before net finance costs and income taxes						**41,069**
Net finance costs					**25,032**	**25,032**
Earnings before income taxes						**16,037**
Income tax expense (recovery)						
Current					**8,544**	**8,544**
Deferred					**(1,519)**	**(1,519)**
Total income tax expense					**7,025**	**7,025**
Earnings from continuing operations						**9,012**
DISCONTINUED OPERATIONS (*Note 18*)						
Earnings from discontinued operations, net of income taxes						**2,492**
Net earnings						**11,504**

						2020[(i)]
(in thousands of Canadian dollars)	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Other Operations**	**Corporate**	**Total**
CONTINUING OPERATIONS						
Revenue	660,801	47,801	368,189	26,753	—	1,103,544
Operating expenses	610,107	34,032	268,273	10,101	—	922,513
Net operating income	50,694	13,769	99,916	16,652	—	181,031
Administrative costs					48,959	48,959
Earnings before depreciation, amortization, and other expense						132,072
Depreciation and amortization					38,085	38,085
Other expense					5,266	5,266
Earnings before net finance costs and income taxes						88,721
Net finance costs					30,036	30,036
Earnings before income taxes						58,685
Income tax expense (recovery)						
Current					21,623	21,623
Deferred					(5,388)	(5,388)
Total income tax expense					16,235	16,235
Earnings from continuing operations						42,450
DISCONTINUED OPERATIONS (*Note 18*)						
Earnings from discontinued operations, net of income taxes						11,739
Net earnings						54,189

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

26. SIGNIFICANT SUBSIDIARIES

The following is a list of the significant subsidiaries as at December 31, 2021, all of which are 100% directly or indirectly owned by the Company.

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

27. SUBSEQUENT EVENTS

On February 3, 2022, the Company announced that it had entered into an agreement to sell its retirement living operations to Sienna-Sabra LP for an aggregate purchase price of $307.5 million, subject to customary closing adjustments (the "Retirement Living Sale"). As at December 31, 2021, these operations had property and equipment and intangible assets with a net book value of approximately $222.0 million. In connection with the sale, the Company intends to repay long-term debt of approximately $172.4 million. Closing of the Retirement Living Sale is subject to customary closing conditions, including receipt of regulatory approvals from the Ontario Retirement Homes Regulatory Authority and the SHA and pursuant to the Competition Act (Canada), and is not conditional on financing or due diligence. The Retirement Living Sale is expected to close in the second quarter of 2022.

Subsequent to December 31, 2021, the Ontario Ministry of LTC issued further COVID-19 prevention and containment funding announcements totalling $328.7 million. The additional funding includes $277.0 million in prevention and containment funding to support incremental COVID-19 costs incurred during the period April 1, 2021 through to March 31, 2022 and the balance directed to incremental COVID-19 funding shortfalls related to the period April 1, 2020 through to March 31, 2021. The Company recognized $11.9 million in additional funding that related specifically to incremental COVID-19 costs incurred in the first quarter of 2021 as revenue for the year ended December 31, 2021. The balance of the funding announcements have yet to be fully allocated and is indeterminable.