CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Year ended December 31, 2022

Extendicare Inc.
Dated: March 2, 2023

Extendicare Inc.
Consolidated Financial Statements

Years ended December 31, 2022 and 2021

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted)

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 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.

MICHAEL GUERRIERE
President and Chief Executive Officer

DAVID BACON
Senior Vice President and Chief Financial Officer

March 2, 2023

KPMG LLP
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3
Tel 905-265 5900
Fax 905-265 6390
www.kpmg.ca

Independent Auditors' Report

To the Shareholders of Extendicare Inc.

Opinion

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

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- 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, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards)

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. 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 matter described below to be the key audit matter to be communicated in our auditors' report.

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

Description of the matter

We draw attention to Notes 2(c), 3(d), 3(h), 5, and 15 to the financial statements. Property and equipment is a significant portion of the non-financial assets, being $388,719 thousand, and is primarily comprised of 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, or normalized cash flows and capital maintenance.

During the year, the Entity recorded a pre-tax impairment charge of $4,942 thousand, in respect of certain of its long-term care homes.

Why the matter is a key audit matter

We identified the evaluation of impairment assessment of 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 long-term care homes non-financial assets and the high degree of estimation uncertainty in determining the recoverable amount of 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 long-term care homes and recent comparable market transactions of non-financial assets with comparable attributes.

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, or otherwise 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 the 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 communicate the matter 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 these 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.
- 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.
- 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, actions taken to eliminate threats or safeguards applied.
- 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

W. G. Andrew Smith

Vaughan, Canada

March 2, 2023

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

(in thousands of Canadian dollars)	*notes*	2022	2021
Assets			
Current assets			
Cash and cash equivalents		**167,281**	104,627
Restricted cash		**2,701**	3,027
Accounts receivable	*4*	**61,166**	69,435
Income taxes recoverable		**2,908**	14,101
Other assets	*7*	**23,982**	26,468
Assets held for sale	*18*	**—**	7,262
Total current assets		**258,038**	224,920
Non-current assets			
Property and equipment	*5*	**388,719**	535,600
Goodwill and other intangible assets	*6*	**97,064**	92,484
Other assets	*7*	**30,468**	32,892
Deferred tax assets	*19*	**7,290**	14,427
Total non-current assets		**523,541**	675,403
Total assets		**781,579**	900,323
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**250,140**	192,994
Income taxes payable		**5,606**	1,566
Long-term debt	*9*	**19,239**	73,577
Liabilities directly associated with assets held for sale	*18*	**—**	13,775
Total current liabilities		**274,985**	281,912
Non-current liabilities			
Long-term debt	*9*	**364,735**	463,274
Provisions	*8*	**10,512**	11,312
Other long-term liabilities	*10*	**23,757**	33,106
Deferred tax liabilities	*19*	**6,889**	8,796
Total non-current liabilities		**405,893**	516,488
Total liabilities		**680,878**	798,400
Share capital	*12*	**475,415**	500,877
Equity portion of convertible debentures	*9*	**7,085**	7,085
Contributed surplus	*11*	**10,619**	8,182
Accumulated deficit		**(384,620)**	(402,453)
Accumulated other comprehensive loss		**(7,798)**	(11,768)
Shareholders' equity		**100,701**	101,923
Total liabilities and equity		**781,579**	900,323

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

Alan D. Torrie
Chairman

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***	**2022**	**2021**[i]
CONTINUING OPERATIONS			
Revenue	***13***	**1,221,577**	1,166,987
Operating expenses		**1,113,048**	1,034,017
Administrative costs		**51,075**	52,431
Total expenses	***14***	**1,164,123**	1,086,448
Earnings before depreciation, amortization, and other expense		**57,454**	80,539
Depreciation and amortization		**31,559**	30,831
Other expense	***15***	**13,953**	14,969
Earnings before net finance costs and income taxes		**11,942**	34,739
Net finance costs	***16***	**16,438**	20,754
(Loss) earnings before income taxes		**(4,496)**	13,985
Income Tax (Recovery) Expense			
Current	***19***	**3,150**	8,369
Deferred	***19***	**(3,135)**	(1,888)
Total income tax expense		**15**	6,481
(Loss) earnings from continuing operations		**(4,511)**	7,504
DISCONTINUED OPERATIONS			
Earnings from discontinued operations, net of income taxes	***18***	**74,065**	4,000
Net earnings		**69,554**	11,504
Basic Earnings per Share			
(Loss) earnings from continuing operations	***17***	**$(0.05)**	$0.08
Net earnings	***17***	**$0.78**	$0.13
Diluted Earnings per Share			
(Loss) earnings from continuing operations	***17***	**$(0.05)**	$0.08
Net earnings	***17***	**$0.76**	$0.13

[i] *Comparative figures have been re-presented to reflect discontinued operations (Note 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***	**2022**	**2021**
Net earnings		**69,554**	11,504
Other Comprehensive Income, Net of Taxes			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains	***21***	**5,403**	2,019
Tax expense on defined benefit plan actuarial gains	***19***	**(1,433)**	(538)
Defined benefit plan actuarial gains, net of taxes		**3,970**	1,481
Items that are or may be reclassified subsequently to profit or loss:			
Net change in foreign currency translation adjustment		**—**	178
Other comprehensive income, net of taxes		**3,970**	1,659
Total comprehensive income		**73,524**	13,163

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, 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	*12*	—	—	—	—	(42,994)	—	(42,994)
Other comprehensive income		—	—	—	—	—	1,659	1,659
Balance at December 31, 2021		*89,562,499*	500,877	7,085	8,182	(402,453)	(11,768)	101,923

(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, 2022		***89,562,499***	**500,877**	**7,085**	**8,182**	**(402,453)**	**(11,768)**	**101,923**
Purchase of shares for cancellation	***12***	***(5,011,180)***	**(28,076)**	**—**	**—**	**(6,947)**	**—**	**(35,023)**
Share-based compensation	***11***	***177,425***	**2,614**	**—**	**2,437**	**(2,411)**	**—**	**2,640**
Net earnings		**—**	**—**	**—**	**—**	**69,554**	**—**	**69,554**
Dividends declared	***12***	**—**	**—**	**—**	**—**	**(42,363)**	**—**	**(42,363)**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**3,970**	**3,970**
Balance at December 31, 2022		***84,728,744***	**475,415**	**7,085**	**10,619**	**(384,620)**	**(7,798)**	**100,701**

See accompanying notes to consolidated financial statements.

Extendicare Inc.
Consolidated Statements of Cash Flows
Years ended December 31

(in thousands of Canadian dollars)	*notes*	2022	2021[i]
Operating Activities			
Net earnings		**69,554**	11,504
Adjustments for:			
Share-based compensation		**2,640**	3,566
Depreciation and amortization	*5, 6*	**32,124**	38,568
Net finance costs	*9, 16, 18*	**16,869**	25,142
Current taxes	*18, 19*	**2,621**	8,544
Deferred taxes	*18, 19*	**(2,667)**	(1,934)
Defined benefit plan expenses	*21*	**914**	854
Defined benefit plan contributions	*21*	**(3,184)**	(2,958)
Gain on sale of retirement living segment, net of tax	*18*	**(67,920)**	—
Gain on sale of SK LTC homes, net of tax	*18*	**(6,317)**	—
Other expense	*15*	**4,942**	11,281
		49,576	94,567
Net change in operating assets and liabilities			
Accounts receivable		**4,042**	(13,765)
Other assets		**1,400**	11,954
Accounts payable and accrued liabilities		**48,619**	11,099
		103,637	103,855
Interest paid, net		**(14,946)**	(21,950)
Income taxes received (paid), net		**10,023**	(22,828)
Net cash from operating activities		**98,714**	59,077
Investing Activities			
Purchase of property, equipment and other intangible assets	*5, 6*	**(101,629)**	(65,176)
Change in other assets	*7*	**4,129**	5,790
Proceeds from sale of retirement living segment, net of taxes paid	*18*	**245,631**	—
Proceeds from sale of SK LTC homes, net of taxes paid	*18*	**7,513**	—
Net cash from (used in) investing activities		**155,644**	(59,386)
Financing Activities			
Issuance of long-term debt	*9*	**36,393**	2,337
Repayment of long-term debt	*9, 18*	**(150,622)**	(32,319)
Change in restricted cash		**326**	(518)
Purchase of securities for cancellation	*12*	**(35,023)**	—
Dividends paid	*12*	**(42,551)**	(42,994)
Financing costs		**(382)**	(1,342)
Net cash used in financing activities		**(191,859)**	(74,836)
Increase (decrease) in cash and cash equivalents		**62,499**	(75,145)
Cash and cash equivalents at beginning of year		**104,627**	179,956
Foreign exchange gain/(loss) on cash held in foreign currency		**155**	(184)
Cash and cash equivalents at end of year		**167,281**	104,627

[i] *Comparative figures have been re-presented to conform with current year presentation.*

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, 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 400, Markham, Ontario, Canada, L3R 4T9.

In 2022, the Company completed the sale of its retirement living operations and long-term care homes in Saskatchewan (*Note 18*). The Company also announced transactions with Revera and Axium and incurred costs related to these transactions (*Notes 15 and 20*).

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 March 2, 2023.

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.

Since the onset of the COVID-19 global pandemic, the provincial governments in the provinces that the Company operates have announced a number of programs and financial assistance to address the increased costs and other challenges of managing through the pandemic. As at December 31, 2022, the COVID-19 pandemic continues to impact the Company's operations, financial results and condition, including impacts to the Company's historical and future results and requires estimates of both the costs incurred to address COVID-19 and the recognition of revenue related to the various government financial programs established to address the pandemic.

A more subjective estimate is the determination of the recoverable amount of cash-generating units ("CGUs") subject to an impairment test, which are further impacted by the uncertainty of COVID-19 as it continues to impact the estimates used to determine the recoverable amounts for long-lived assets and goodwill.

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

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, primarily related to long-term care (“LTC”) homes, 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 LTC homes 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.

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
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. Lease payments for assets that are exempt through the short-term or low-value exemptions and variable payments not based on an index or rate are recognized in operating expenses or administrative costs on the most systematic basis.

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. Cost includes expenditures that are directly attributable to the acquisition or development of the asset, as well as the preparation of the asset to be capable of operating in the manner intended by management. 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.

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

Customer relationships	15 years
Non-compete agreements	Term of the agreement
Computer software licences	5 to 7 years
Internal development costs for software	Useful life of software

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 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 earnings before interest, depreciation and amortization and earnings multiple. The significant assumptions used in the determination of the recoverable amount for a LTC home 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 statements 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 other comprehensive income ("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 judgmental nature of these items, future settlements may differ from amounts recognized. Provisions comprise estimated decommissioning provisions.

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 provisions 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.

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 long-term care residents, home health care services and managed services.

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 the 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.

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.

MANAGED 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 dollar-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 is 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 statements 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, 2022.

t) Future Changes in Accounting Policies

CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

Beginning no later than January 1, 2024, the Company will adopt IAS amendments to IAS 1 *Presentation of Financial Statements*, which clarified the criteria of classification of liabilities as current or non-current. Management is assessing whether the adoption of this amendment is expected to have a material impact on the consolidated financial statements. The International Accounting Standards Board has tentatively deferred the adoption date to no earlier than January 1, 2024.

4. ACCOUNTS RECEIVABLE

	2022	**2021**
Trade receivables	**61,908**	68,708
Other receivables	**1,353**	2,556
Accounts receivable	**63,261**	71,264
Less: Trade receivable allowance	**(2,095)**	(1,829)
Accounts receivable - net of allowance	**61,166**	69,435

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[i]							
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-off of fully depreciated assets	—	(520)	(589)	(4,312)	—	—	(5,421)
Write-offs	—	(793)	(280)	(251)	—	—	(1,324)
Transfer to in use	64	3,160	—	697	—	(3,921)	—
Reclassification to assets held for sale (*Note 18*)	(896)	(14,101)	—	(2,544)	—	(62)	(17,603)
December 31, 2021	61,343	534,150	102,205	69,101	51,880	10,493	829,172
January 1, 2022	**61,343**	**534,150**	**102,205**	**69,101**	**51,880**	**10,493**	**829,172**
Additions	**362**	**6,124**	**5,476**	**7,738**	**71,318**	**13,360**	**104,378**
Write-off of fully depreciated assets	**(2)**	**(1,565)**	**(1,669)**	**(2,021)**	**—**	**—**	**(5,257)**
Transfer to in use	**94**	**11,569**	**—**	**1,107**	**—**	**(12,770)**	**—**
Disposal of retirement living operations (*Note 18*)	**(24,609)**	**(215,010)**	**(20)**	**(9,512)**	**(2,533)**	**—**	**(251,684)**
December 31, 2022	**37,188**	**335,268**	**105,992**	**66,413**	**120,665**	**11,083**	**676,609**

	Land & Land Improve-ments	Buildings and Leasehold Improvements	Right-of-use Assets	Furniture & Equipment	CIP	PIP	Total
Accumulated Depreciation and Impairment Losses[i]							
January 1, 2021	5,576	191,242	41,994	31,135	—	—	269,947
Depreciation	687	21,435	2,743	7,469	—	—	32,334
Write-off of fully depreciated assets	—	(520)	(589)	(4,312)	—	—	(5,421)
Write-offs	—	(469)	(89)	(214)	—	—	(772)
Impairment (*Note 15*)	—	9,144	—	—	—	—	9,144
Reclassification to assets held for sale (*Note 18*)	(295)	(9,811)	—	(1,554)	—	—	(11,660)
December 31, 2021	5,968	211,021	44,059	32,524	—	—	293,572
January 1, 2022	**5,968**	**211,021**	**44,059**	**32,524**	**—**	**—**	**293,572**
Depreciation	**537**	**14,330**	**5,832**	**7,046**	**—**	**—**	**27,745**
Write-off of fully depreciated assets	**(2)**	**(1,565)**	**(1,669)**	**(2,021)**	**—**	**—**	**(5,257)**
Impairment (*Note 15*)	**133**	**4,505**	**—**	**304**	**—**	**—**	**4,942**
Disposal of retirement living operations (*Note 18*)	**(555)**	**(29,381)**	**(4)**	**(3,172)**	**—**	**—**	**(33,112)**
December 31, 2022	**6,081**	**198,910**	**48,218**	**34,681**	**—**	**—**	**287,890**
Carrying Amounts							
December 31, 2021	55,375	323,129	58,146	36,577	51,880	10,493	535,600
December 31, 2022	**31,107**	**136,358**	**57,774**	**31,732**	**120,665**	**11,083**	**388,719**

[i] *Comparative figures have been re-presented to conform with current year presentation.*

The Company capitalized $1.5 million of borrowing costs related to development projects under construction for the year ended December 31, 2022 (December 31, 2021 – $0.3 million).

6. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
Cost or Deemed Cost			
January 1, 2021	51,675	66,948	118,623
Additions	—	16,365	16,365
Write-off of fully amortized assets	—	(4,827)	(4,827)
December 31, 2021	51,675	78,486	130,161
January 1, 2022	**51,675**	**78,486**	**130,161**
Additions	**—**	**10,951**	**10,951**
Disposal of retirement living operations (*Note 18*)	**—**	**(2,928)**	**(2,928)**
Write-off of fully amortized assets	**—**	**(67)**	**(67)**
December 31, 2022	**51,675**	**86,442**	**138,117**

	Goodwill	Other Intangible Assets	Total
Accumulated Amortization			
January 1, 2021	—	30,445	30,445
Amortization	—	6,234	6,234
Write-off of fully amortized assets	—	(4,827)	(4,827)
Impairment (*Note 15*)	5,825	—	5,825
December 31, 2021	5,825	31,852	37,677
January 1, 2022	**5,825**	**31,852**	**37,677**
Amortization	**—**	**4,379**	**4,379**
Disposal of retirement living operations (*Note 18*)	**—**	**(936)**	**(936)**
Write-off of fully amortized assets	**—**	**(67)**	**(67)**
December 31, 2022	**5,825**	**35,228**	**41,053**
Carrying Amounts			
At December 31, 2021	45,850	46,634	92,484
At December 31, 2022	**45,850**	**51,214**	**97,064**

7. OTHER ASSETS

	2022	2021
Construction funding subsidy receivable	**32,142**	36,271
Supply inventory	**8,260**	11,127
Prepayments and other	**14,048**	11,962
Total other assets	**54,450**	59,360
Less: current portion	**(23,982)**	(26,468)
Other assets, non-current portion	**30,468**	32,892

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. As at December 31, 2022, the current portion of construction funding subsidy receivable was $2.5 million (December 31, 2021 – $4.1 million). These subsidies represent funding for a portion of long-term care home construction costs over a 20-year to 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 and other related supplies.

Interest Rate Swaps

Prepayments and other includes a swap contract relating to a loan with a notional amount of $29.5 million, to lock in a rate of 5.40% for the full term of the loan, maturing in April 2027 (December 31, 2021 – includes swap contracts relating to multiple mortgages and loans with a notional value of $85.2 million, to lock in 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, 2022, the interest rate swap was classified as an asset of $0.2 million (December 31, 2021 – liability of $0.7 million).

8. PROVISIONS

	Decommissioning Provisions	Indemnification Provisions	Total
January 1, 2021	9,717	5,217	14,934
Provisions recorded/(released)	1,413	(3,688)	(2,275)
Provisions used	(13)	(1,510)	(1,523)
Accretion	195	—	195
Effect of movements in exchange rates	—	(19)	(19)
December 31, 2021	**11,312**	**—**	**11,312**
January 1, 2022	**11,312**	**—**	**11,312**
Provisions used	**(53)**	**—**	**(53)**
Reclassification to liabilities directly associated with assets held for sale (*Note 18*)	**(888)**	**—**	**(888)**
Accretion	**141**	**—**	**141**
December 31, 2022	**10,512**	**—**	**10,512**

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 $12.3 million (December 31, 2021 – $12.2 million) was discounted using a rate of 3.37% (December 31, 2021 – 1.32%) over an average estimated time to settle of 5 years.

9. LONG-TERM DEBT

	Interest Rate	Year of Maturity	2022	2021
Convertible unsecured subordinated debentures	5.00 %	2025	**123,719**	122,644
CMHC mortgages, fixed rate	2.65% - 7.70%	2024 - 2037	**43,498**	125,014
CMHC mortgages, variable rate	Variable	2025	**21,121**	22,017
Non-CMHC mortgages and loans	3.49% - 5.64%	2025 - 2038	**103,248**	161,793
Construction facilities and loans	Variable	2024	**33,288**	45,450
Lease liabilities(i)	3.53% - 7.19%	2023 - 2029	**63,502**	69,438
Total debt			**388,376**	546,356
Deferred financing costs			**(4,402)**	(9,505)
Total debt, net of deferred financing costs			**383,974**	536,851
Less: current portion			**(19,239)**	(73,577)
Long-term debt, net of deferred financing costs			**364,735**	463,274

(i) *'Year of Maturity' excludes options to extend the lease term at the end of the non-cancellable lease term.*

Principal Repayments

	Convertible Debentures	Mortgages and Loans Regular	Mortgages and Loans Maturity	Construction Facilities	Lease Liabilities	Total
2023	—	8,543	—	—	15,737	24,280
2024	—	8,278	—	33,288	15,428	56,994
2025	126,500	7,276	35,921	—	14,870	184,567
2026	—	6,831	—	—	13,832	20,663
2027	—	5,115	25,954	—	6,979	38,048
Thereafter	—	62,076	7,873	—	8,080	78,029
Total debt principal and lease liability repayments	126,500	98,119	69,748	33,288	74,926	402,581
Unamortized accretion of 2025 convertible debentures	(2,781)	—	—	—	—	(2,781)
Interest on lease liabilities	—	—	—	—	(11,424)	(11,424)
Principal and lease liabilities, after accretion and interest	123,719	98,119	69,748	33,288	63,502	388,376

Long-term Debt Continuity

	2022	2021
As at January 1	**536,851**	564,597
Issuance of long-term debt	**36,393**	2,337
New lease liabilities	**5,476**	3,111
Accretion and other	**1,001**	1,093
Repayments(i)	**(136,687)**	(21,814)
Payment of lease liabilities	**(11,304)**	(10,505)
Increase in deferred financing costs	**(382)**	(1,342)
Amortization of deferred financing costs and other(i)	**6,077**	2,023
Reclassification to liabilities directly associated with assets held for sale *(Note 18)*	**—**	(2,649)
Assumed debt related to the Retirement Living Sale *(Note 18)*	**(53,451)**	—
As at December 31	**383,974**	536,851

(i) *Includes amounts related to the Retirement Living Sale (Note 18).*

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 debenture holders 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 fixed rate CMHC mortgages are secured by several Canadian financial institutions at rates ranging from 2.65% to 7.70% with maturity dates through to 2037. The Company has one variable rate CMHC mortgage secured by a Canadian financial institution at a variable rate based on the lender's cost of funds plus 225 bps.

Non-CMHC Mortgages and Loans

In May 2022, the Company amended an existing loan agreement to increase the principal amount by $5.4 million and extended the term. The amended loan matures in April 2027 and the Company entered into an interest rate swap contract to lock in the interest rate at a fixed rate of 5.40% per annum. Fair value adjustments related to an interest rate swap contract on a mortgage were a gain of $0.3 million for the year ended December 31, 2022 (December 31, 2021 – gain of $0.3 million), recorded in net finance costs.

The Company has a number of conventional mortgages and loans on certain long-term care homes, at rates ranging from 3.49% to 5.64%.

Construction Facilities

	2022	**2021**
Construction facilities	**156,573**	156,573
Amount drawn down, end of year	**(33,288)**	(2,337)
Construction facilities available	**123,285**	154,236

In 2021, the Company secured construction facilities in connection with three LTC redevelopment projects. 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 of which none was utilized. Interest is capitalized during construction and is payable following completion of construction until maturity.

Lease Liabilities

Lease liabilities 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 contain remaining initial non-cancellable lease terms of up to 7 years. Some leases provide the Company with options to extend at the end of the term.

During the year ended December 31, 2022, the Company has recognized new and renewed district office lease liabilities of $5.5 million (December 31, 2021 – $3.1 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, 2022, $30.5 million of the facilities secure the Company's defined benefit pension plan obligations (December 31, 2021 – $33.7 million), $4.8 million was used in connection with obligations relating to long-term care homes (December 31, 2021 – $5.8 million), leaving $77.0 million unutilized (December 31, 2021 – $72.8 million).

Interest Rates

The weighted average interest rate of all long-term debt as at December 31, 2022, was approximately 5.5% (December 31, 2021 – 4.3%).

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, 2022.

10. OTHER LONG-TERM LIABILITIES

	2022	**2021**
Accrued pension and benefits obligation *(Note 21)*	**23,757**	31,419
Interest rate swaps	**—**	736
Other	**—**	951
Other long-term liabilities	**23,757**	33,106

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 DSUs for non-employee directors and PSUs for employees.

DSUs and PSUs 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. The Company settled PSUs as follows:

	PSUs	
(number of units)	**2022**	**2021**
Settled in Common Shares issued from treasury	**177,425**	23,414
Settled in cash	**350,198**	17,478
PSUs settled during the year	**527,623**	40,892

The Company's DSUs and PSUs were an expense of $5.1 million for the year ended December 31, 2022 (December 31, 2021 – $3.7 million), recorded in administrative costs.

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

	2022	**2021**
Contributed surplus – DSUs	**4,994**	3,323
Contributed surplus – PSUs	**5,625**	4,859
Total	**10,619**	8,182

As at December 31, 2022, an aggregate of 4,063,313 (December 31, 2021 – 4,240,738) Common Shares were reserved and available for issuance pursuant to the LTIP.

DSU and PSU activity is as follows:

	DSUs		PSUs	
(number of units)	**2022**	**2021**	**2022**	**2021**
Units outstanding, beginning of year	**507,811**	381,731	**1,176,273**	695,087
Granted	**125,018**	98,204	**582,875**	471,712
Reinvested dividend equivalents	**37,842**	27,876	**92,478**	63,983
Forfeited	**—**	—	**(21,417)**	(13,617)
Settled	**—**	—	**(527,623)**	(40,892)
Units outstanding, end of year	**670,671**	507,811	**1,302,586**	1,176,273
Weighted average fair value of units granted during the year at grant date	**$6.92**	$7.72	**$8.07**	$7.36

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:

		2022		2021
Grant date	**September 6, 2022**	**March 11, 2022**	March 9, 2021	May 25, 2021
Vesting date	**March 11, 2025**	**March 11, 2025**	March 9, 2024	March 9, 2024
PSUs granted	**49,375**	**533,500**	448,582	23,130
Fair value of AFFO component	**$3.60**	**$3.87**	$3.44	$4.03
Fair value of TSR component	**$4.06**	**$4.24**	$3.85	$4.61
Grant date fair value	**$7.66**	**$8.11**	$7.29	$8.64
Expected volatility of the Company's Common Shares	**23.72 %**	**31.52 %**	32.50 %	33.43 %
Expected volatility of the Index	**16.29 %**	**22.00 %**	21.60 %	22.49 %
Risk-free rate	**3.56 %**	**1.67 %**	0.46 %	0.41 %
Dividend yield	**nil**	**nil**	nil	nil

12. SHARE CAPITAL

Common Shares

Each Common Share is transferable, represents an equal and undivided beneficial interest in the assets of the Company and entitles the holder to one vote at all meetings of shareholders of the Company. Shareholders are entitled to receive dividends from the Company when declared by the Board. During the year ended December 31, 2022 and 2021, the Company declared cash dividends of $0.48 per share.

Normal Course Issuer Bid ("NCIB")

In June 2022, the Company received approval from the TSX to make a NCIB to purchase for cancellation up to 7,829,630 Common Shares, representing 10% of its public float, through the facilities of the TSX and/or through alternative Canadian trading systems, in accordance with TSX rules. The NCIB commenced on June 30, 2022, and provides the Company with flexibility to purchase Common Shares for cancellation until June 29, 2023, or on such earlier date as the NCIB is complete. The actual number of Common Shares purchased under the NCIB and the timing of any such purchases will be at the Company's discretion. Subject to the TSX's block purchase exception, daily purchases will be limited to 53,068 Common Shares. During the year ended December 31, 2022, the Company acquired for cancellation 5,011,180 Common Shares at an average price of $6.99 per share, for a total cost of $35.0 million.

13. REVENUE

	2022	2021(i)
Long-term care	**767,095**	728,655
Home health care	**421,647**	410,559
Managed services	**32,835**	27,773
Total revenue from continuing operations	**1,221,577**	1,166,987

(i) *Comparative figures have been re-presented to reflect discontinued operations (Note 18).*

Funding for the Company's LTC homes and home health care services is regulated by provincial authorities. Revenue from provincial programs represented approximately 77% of the Company's long-term care revenue (December 31, 2021 – 75%), and approximately 99% of the home health care revenue for 2022 (December 31, 2021 – 99%).

14. EXPENSES BY NATURE

	2022	2021(i)
Employee wages and benefits	**972,059**	909,271
Government grants	**—**	(17,362)
Food, drugs, supplies and other variable costs	**72,834**	80,277
Property based and leases	**56,835**	50,401
Other	**62,395**	63,861
Total operating expenses and administrative costs from continuing operations	**1,164,123**	1,086,448

(i) *Comparative figures have been re-presented to reflect discontinued operations (Note 18).*

Government Grants

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 as a result of COVID-19. The Company's home health care subsidiary, ParaMed Inc., applied for and received CEWS during the year ended December 31, 2021 which were recorded on a net basis as a reduction to operating expenses of the home health care segment. The Company has not applied for further CEWS during the year ended December 31, 2022.

15. OTHER EXPENSE

	2022	2021
Impairment *(Notes 5, 6)*	**4,942**	14,969
Strategic transformation costs	**9,011**	—
Total other expense from continuing operations	**13,953**	14,969

Impairment

GOODWILL AND INDEFINITE LIFE INTANGIBLES

The Company completed its annual impairment assessment of the carrying value of the goodwill and indefinite life intangible assets. There was no impairment of goodwill during the year ended December 31, 2022. 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.

PROPERTY AND EQUIPMENT

During the year ended December 31, 2022, the Company recorded a pre-tax impairment charge of $4.9 million ($3.7 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, 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.

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

Each LTC home is a CGU and is 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 an estimated market capitalization rate of 9.0%, derived from a combination of third-party information and industry trends.

In the case of one Alberta LTC home, this 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 14.9%, derived from third-party information.

Strategic Transformation Costs

During the year ended December 31, 2022, the Company incurred costs related to the strategic transformation of the Company related to the announced transactions with Revera and Axium in respect of the ownership, operation and redevelopment of long-term care homes, pending receipt of regulatory approvals from the Ontario Ministry of Long-Term Care ("MLTC"), Manitoba Health and Winnipeg Regional Health Authority (*Note 20*). Costs incurred include transaction, legal, regulatory, IT integration and management transition costs of $9.0 million (December 31, 2021 – $nil).

16. NET FINANCE COSTS

	2022	2021[i]
Interest expense	**20,612**	21,429
Interest revenue	**(5,018)**	(1,867)
Accretion	**1,227**	1,212
Foreign exchange	**(71)**	251
Fair value adjustments	**(312)**	(271)
Net finance costs from continuing operations	**16,438**	20,754

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

17. EARNINGS PER SHARE

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

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

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

	2022	2021[i]
Numerator for Basic and Diluted Earnings per Share		
(Loss) earnings from continuing operations		
Net earnings for basic earnings per share	**69,554**	11,504
Less: earnings from discontinued operations, net of tax	**(74,065)**	(4,000)
(Loss) earnings from continuing operations for basic earnings per share	**(4,511)**	7,504
Add: after-tax interest on convertible debt	**6,286**	6,225
Earnings from continuing operations for diluted earnings per share	**1,775**	13,729
Net earnings		
Net earnings for basic earnings per share	**69,554**	11,504
Add: after-tax interest on convertible debt	**6,286**	6,225
Net earnings for diluted earnings per share	**75,840**	17,729
Denominator for Basic and Diluted Earnings per Share		
Actual weighted average number of shares	**88,439,654**	89,557,720
Actual weighted average number of DSUs	**569,138**	432,083
Weighted average number of shares for basic earnings per share	**89,008,792**	89,989,803
Shares issued if all convertible debt was converted	**10,326,531**	10,326,531
PSUs	**680,042**	586,901
Total for diluted earnings per share	**100,015,365**	100,903,235
Basic Earnings per Share (*in dollars*)		
(Loss) earnings from continuing operations	**$(0.05)**	$0.08
Earnings from discontinued operations	**$0.83**	$0.04
Net earnings	**$0.78**	$0.13
Diluted Earnings per Share (*in dollars*)		
(Loss) earnings from continuing operations	**$(0.05)**	$0.08
Earnings from discontinued operations	**$0.74**	$0.04
Net earnings	**$0.76**	$0.13

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

18. DISCONTINUED OPERATIONS

Retirement Living Sale

On May 16, 2022, the Company completed the sale of its retirement living operations to Sienna-Sabra LP ("Sienna") for an aggregate purchase price of $307.1 million, net of an initial working capital adjustment of $0.4 million comprised of cash proceeds of $253.6 million and assumption of mortgages by Sienna of $53.5 million on certain retirement communities. Cash proceeds were used to repay all remaining outstanding indebtedness related to the retirement living operations of $117.9 million, inclusive of debt settlement fees. The net proceeds realized on the transaction, net of debt repayments, taxes, certain closing adjustments and transactions costs, is approximately $128.0 million.

The Company recorded a gain on sale of $78.8 million, or $67.9 million after current and deferred taxes and closing costs, which is presented in earnings from discontinued operations.

The net assets of the discontinued operation which were transferred to Sienna at May 16, 2022, are as follows:

	May 16, 2022
Property and equipment and intangible assets	**221,197**
Other assets, net	**97**
Long-term debt	**(53,451)**
Net book value of total net assets	**167,843**

Saskatchewan ("SK") LTC Homes

On October 9, 2022 the Company completed the transition of the operations and delivery of long-term care services to the Saskatchewan Health Authority ("SHA"), including the sale of the property and equipment, certain assets and liabilities by the SHA, for an aggregate purchase price of $13.1 million, net of an initial working capital adjustment of $2.9 million totalling cash proceeds of $10.2 million. The net proceeds realized on the transaction, net of taxes and certain closing adjustments and transactions costs, is approximately $7.5 million, subject to customary post-closing working capital adjustments.

The Company recorded a gain on sale of $7.2 million, or $6.3 million after current and deferred taxes and closing costs, which is presented in earnings from discontinued operations.

The net assets of the discontinued operation which were transferred to the SHA at October 9, 2022, are as follows:

	October 9, 2022
Receivables and other current assets	**984**
Property and equipment	**5,233**
Accounts payable and accrued liabilities	**(3,722)**
Net book value of total net assets	**2,495**

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

For the year ended December 31, 2022	**Retirement Living**	**SK LTC Homes**	**U.S. Sale Transaction**[i]	**Total**
Earnings from Discontinued Operations				
Revenue	**18,937**	**40,925**	**—**	**59,862**
Operating expenses	**15,058**	**44,041**	**—**	**59,099**
Earnings (loss) before depreciation, amortization, net finance costs, and income taxes	**3,879**	**(3,116)**	**—**	**763**
Depreciation and amortization	**565**	**—**	**—**	**565**
Net finance costs	**431**	**—**	**—**	**431**
Earnings (loss) before income taxes	**2,883**	**(3,116)**	**—**	**(233)**
Current	**297**	**(826)**	**—**	**(529)**
Deferred	**468**	**—**	**—**	**468**
Income tax expense (recovery)	**765**	**(826)**	**—**	**(61)**
Earnings (loss) from operating activities	**2,118**	**(2,290)**	**—**	**(172)**
Gain on sale of discontinued operations before income tax	**78,779**	**7,159**	**—**	**85,938**
Current tax related to gain on sale	**3,842**	**1,400**	**—**	**5,242**
Deferred tax related to gain on sale	**7,017**	**(558)**	**—**	**6,459**
Income tax on gain on sale of discontinued operations	**10,859**	**842**	**—**	**11,701**
Earnings from discontinued operations	**70,038**	**4,027**	**—**	**74,065**

For the year ended December 31, 2021	**Retirement Living**	**SK LTC Homes**	**U.S. Sale Transaction**[i]	**Total**
Earnings from Discontinued Operations				
Revenue	49,771	56,649	—	106,420
Operating expenses	36,395	57,414	—	93,809
Earnings (loss) before depreciation, amortization, other income, net finance costs, and income taxes	13,376	(765)	—	12,611
Depreciation and amortization	7,046	691	—	7,737
Other income	—	—	(3,688)	(3,688)
Net finance costs	4,278	109	—	4,387
Earnings (loss) before income taxes	2,052	(1,565)	3,688	4,175
Current	175	—	46	221
Deferred	369	(415)	—	(46)
Income tax expense (recovery)	544	(415)	46	175
Earnings (loss) from discontinued operations	1,508	(1,150)	3,642	4,000

[i] *Discontinued operations for the year ended December 31, 2021, include income of $3.6 million related to the release of indemnification provisions in connection with obligations retained by the Company following the sale of its former U.S. operations in 2015, and subsequent wind-up of its wholly owned Bermuda-based captive insurance company in 2020.*

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

For the year ended December 31, 2022	Retirement Living	SK LTC Homes	Total
Cash Flows from Discontinued Operations			
Net cash from (used in) operating activities	**829**	**(6,194)**	**(5,365)**
Net cash from investing activities	**244,789**	**7,506**	**252,295**
Net cash used in financing activities	**(119,165)**	**(2,631)**	**(121,796)**
Effect on cash flows	**126,453**	**(1,319)**	**125,134**

For the year ended December 31, 2021	Retirement Living	SK LTC Homes	Total
Cash Flows from Discontinued Operations			
Net cash from (used in) operating activities	7,597	(523)	7,074
Net cash used in investing activities	(1,134)	(636)	(1,770)
Net cash used in financing activities	(7,189)	(2,047)	(9,236)
Effect on cash flows	(726)	(3,206)	(3,932)

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**:**

	2022	2021[i]
(Loss) earnings from continuing operations before income taxes	**(4,496)**	13,985
Tax rate	**26.5 %**	26.5 %
Income taxes (recovery) at statutory rates of 26.5%	**(1,191)**	3,706
Income tax effect relating to the following items:		
Non-deductible items	**1,387**	2,796
Non-taxable (loss) income	**(119)**	9
Other items	**(62)**	(30)
Income tax expense from continuing operations	**15**	**6,481**

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

Summary of Operating and Capital Loss Carryforwards

The Company and its Canadian corporate subsidiaries have $3.2 million net operating loss carryforwards available as at December 31, 2022 (December 31, 2021 – $24.6 million), which expire in the years 2036 through 2040. These carryforwards are recognized in deferred tax assets, and capital loss carryforwards of $71.6 million (December 31, 2021 – $80.0 million) which have not been tax benefited, are available indefinitely to apply against future capital gains.

Net deferred tax assets decreased in 2022 to $0.4 million from a net deferred tax asset position of $5.6 million at December 31, 2021.

Recognized Deferred Tax Assets and Liabilities

Net deferred tax assets comprise the following:

	2022			2021		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property and equipment, goodwill and other intangible assets	**7,616**	**29,214**	**21,598**	7,117	28,044	20,927
Provisions	**3,040**	**—**	**(3,040)**	2,881	—	(2,881)
Accrued pension and benefits obligation	**6,911**	**—**	**(6,911)**	8,945	—	(8,945)
Operating loss carryforwards	**851**	**—**	**(851)**	6,548	—	(6,548)
Other	**12,219**	**1,022**	**(11,197)**	9,544	1,360	(8,184)
Set-off of tax	**(23,347)**	**(23,347)**	**—**	(20,608)	(20,608)	—
Deferred tax (assets)/liabilities, net	**7,290**	**6,889**	**(401)**	14,427	8,796	(5,631)

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, 2022	**Recognized in Net Earnings**	**Recognized in Other Comprehensive Income**	**Recognized in Discontinued Operations**	**Other**	**Balance December 31, 2022**
Property and equipment, goodwill and other intangible assets	**20,927**	**(6,256)**	**—**	**6,927**	**—**	**21,598**
Provisions	**(2,881)**	**(159)**	**—**	**—**	**—**	**(3,040)**
Accrued pension and benefits obligation	**(8,945)**	**601**	**1,433**	**—**	**—**	**(6,911)**
Operating loss carryforwards	**(6,548)**	**5,697**	**—**	**—**	**—**	**(851)**
Other	**(8,184)**	**(3,018)**	**—**	**—**	**5**	**(11,197)**
Deferred tax (assets)/ liabilities, net	**(5,631)**	**(3,135)**	**1,433**	**6,927**	**5**	**(401)**

	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 [(i)]	21,929	(956)	—	(46)	—	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)	(1,888)	538	(46)	10	(5,631)

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

20. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2022, the Company has outstanding commitments in connection with construction contracts for its LTC redevelopment projects currently under construction. The Company also has outstanding commitments in connection with various IT service and license agreements to support the transition of key IT platforms to cloud-based solutions in support of the Company's growth initiatives. The expected payments towards those obligations are due as follows:

	Construction Commitments	Technology Commitments	Total
2023	51,570	12,718	64,288
2024	4,368	10,513	14,881
2025 and thereafter	—	1,584	1,584
	55,938	24,815	80,753

Revera and Axium Transactions

On March 1, 2022, the Company entered into agreements with Revera Inc. ("Revera") and Axium Infrastructure Inc. and its affiliates ("Axium") in respect of the ownership, operation and redevelopment of LTC homes in Ontario and Manitoba.

REVERA TRANSACTIONS

The Company has entered into agreements with Revera to acquire a 15% managed interest in 24 LTC homes currently jointly owned by Revera and Axium, composed of 18 Class A LTC homes located in Ontario and six homes in Manitoba, consisting of approximately 3,000 funded LTC beds (the "Revera Acquisition"). The remaining 85% interest will continue to be owned by Axium and Extendicare will operate the homes in consideration for a customary management fee.

On closing of the Revera Acquisition, the Company will enter into management contracts with Revera to manage all of Revera's other LTC homes, which comprise 31 Class C homes located in Ontario and one personal care home located in Manitoba, and will offer employment to Revera's head office LTC personnel. In addition, the Company will enter into development arrangement agreements with Revera in respect of the potential redevelopment of the Revera managed Class C homes in Ontario into new homes (collectively with the Revera Acquisition, the "Revera Transactions").

Pursuant to the development arrangement agreements, Revera will grant the Company (either alone or with Axium) a right to participate in any redevelopment of Revera's 31 Class C homes in Ontario should Revera determine to pursue redevelopment of any of those homes into new LTC homes. If the Company determines, in its discretion, to participate in any such redevelopment project, Revera will act as development and construction manager and will be paid customary development and construction management fees.

Closing of the Revera Transactions is subject to customary closing conditions, including receipt of regulatory approvals from the MLTC, and Manitoba Health and Winnipeg Regional Health Authority, and is not conditional on financing or due diligence.

The aggregate cash consideration for the Revera Transactions is approximately $32.5 million plus the assumption of approximately $37.5 million in debt (at Extendicare's share), subject to customary adjustments. Certain of the associated debt will be refinanced or repaid on or before closing, resulting in changes in the allocation between cash consideration and debt assumption. The purchase price is expected to be funded from cash on hand.

AXIUM TRANSACTION

In addition to the Revera Transactions, the Company entered into an agreement with Axium in respect of the formation of a joint venture with Axium to jointly redevelop certain of Extendicare's existing Ontario Class C homes (the "Axium Transaction"). Axium will own an 85% interest in the joint venture with Extendicare retaining a 15% managed interest. The Company will continue to undertake all development activities in respect of the joint venture homes and will operate the homes upon completion of construction.

As part of the Axium Transaction, Extendicare and Axium have entered into a master development agreement ("Axium MDA") pursuant to which Extendicare has granted Axium a right to participate in the redevelopment of five of Extendicare's Ontario Class C homes located in Sudbury (two homes), Kingston, Stittsville and Peterborough, Ontario. This development arrangement could also apply to additional redevelopment projects should the Company wish to offer them to Axium. The Company will act as development and construction manager and will be paid customary development and construction management fees in respect of any projects in which Axium participates. Upon receipt of necessary redevelopment approvals, the homes would be acquired by the Extendicare/Axium joint venture and the Company would operate the homes on the same terms as it will operate the homes to be acquired in the Revera Acquisition.

Pursuant to the Axium MDA and a limited partnership agreement between affiliates and/or subsidiaries of Extendicare and Axium, the parties entered into a purchase and sale agreement whereby the limited partnership has agreed to purchase three Class C home redevelopment projects from the Company comprising an aggregate of 704 funded LTC beds currently under construction in Sudbury, Kingston and Stittsville, Ontario.

The Axium Transaction is subject to customary closing conditions, including receipt of regulatory approvals from the MLTC, and is not conditional on financing or due diligence. All required regulatory submissions have been filed.

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 and retirement communities 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 consolidated 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 and 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 consolidated claim seeks damages in the aggregate of $110 million. The plaintiffs served the consolidated claim in June 2022 and the Company delivered its statement of defence in July 2022.

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 certain unions in respect of a 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 personal support workers 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 working to resolve the matter. 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 the Company is unable to determine a reliable estimate of the potential outcome. Therefore, the Company did not record a provision with respect to this matter as at December 31, 2022. 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	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Fair value of plan assets	**4,222**	4,641	**1,998**	1,388	**6,220**	6,029
Present value of obligations	**5,646**	6,800	**26,655**	32,983	**32,301**	39,783
Deficit	**(1,424)**	(2,159)	**(24,657)**	(31,595)	**(26,081)**	(33,754)

DEFINED BENEFIT PLAN

As required by law, the registered defined benefit pension plan is 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, 2021 and completed in early 2022.

SUPPLEMENTARY DEFINED BENEFIT PLANS

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 this plan and the benefit payments are funded from cash generated from operations.

DEFINED BENEFIT OBLIGATIONS

	2022	**2021**
Present Value of Defined Benefit Obligations		
Accrued benefit obligations		
Balance at beginning of year	**39,783**	43,167
Current service cost	**20**	31
Benefits paid	**(2,667)**	(2,704)
Interest costs	**1,064**	946
Actuarial gain	**(5,899)**	(1,657)
Balance at end of year	**32,301**	39,783
Plan assets		
Fair value at beginning of year	**6,029**	5,290
Employer contributions	**705**	722
Actual (loss) return on plan assets	**(496)**	362
Interest income on plan assets	**170**	123
Benefits paid	**(188)**	(468)
Fair value at end of year	**6,220**	6,029
Defined benefit obligations	**26,081**	33,754

The Company's defined benefit obligations are recorded in the consolidated statements of financial position as follows:

	2022	**2021**
Accounts payable and accrued liabilities	**2,324**	2,335
Other long-term liabilities *(Note 10)*	**23,757**	31,419
Defined benefit obligations at end of year	**26,081**	33,754

EFFECT OF CHANGES TO DEFINED BENEFIT OBLIGATIONS

	2022	**2021**
Expenses Recognized in Net Earnings		
Annual benefit plan expenses		
Current service cost	**20**	31
Interest costs	**894**	823
Defined benefit plan expenses included in administrative costs	**914**	854
Actuarial Losses Recognized in Other Comprehensive Income		
Amount in accumulated deficit at January 1	**(11,717)**	(13,198)
Actuarial gain arising from changes in liability experience and assumption changes	**5,899**	1,657
(Loss) return on assets	**(496)**	362
Income tax expense on actuarial gain	**(1,433)**	(538)
Amount in accumulated deficit at December 31	**(7,747)**	(11,717)

PLAN ASSETS

	2022	2021
Equities	**52 %**	47 %
Fixed income securities	**40 %**	36 %
Real estate / commercial mortgage	**8 %**	17 %
	100 %	100 %

ACTUARIAL ASSUMPTIONS

	2022	2021
Discount rate for accrued obligation at end of year	**5.00 %**	2.75 %
Discount rate for plan expenses	**2.75 %**	2.25 %
Rate of compensation increase	**— %**	— %
Income Tax Act limit increase	**3.00 %**	3.00 %
Average remaining service years of active employees	**2**	2
Mortality table	**CPM2014Publ w/ MI-2017**	CPM2014Publ w/ MI-2017

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 2022 by the amounts shown below.

	Increase (Decrease) in Benefit Obligation	Increase (Decrease) in Net Earnings
Discount rate		
1% increase	(2,248)	89
1% decrease	2,589	(121)
Mortality rate		
10% increase	(724)	37
10% decrease	794	(40)

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, 2022 were $13.0 million (December 31, 2021 – $12.8 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 its 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, 2022	Carrying Amount	Contractual Cash Flows	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
Convertible unsecured subordinated debentures	**123,719**	**141,256**	6,325	6,325	128,606	—
CMHC mortgages, fixed rate	**43,498**	**57,981**	5,569	4,930	13,651	33,831
CMHC mortgages, variable rate	**21,121**	**22,461**	1,461	1,466	19,534	—
Non-CMHC mortgages and loans	**103,248**	**138,667**	9,216	9,216	64,088	56,147
Construction facilities and loans	**33,288**	**33,288**	—	33,288	—	—
Lease liabilities	**63,502**	**74,926**	15,737	15,428	35,681	8,080
Accounts payable and accrued liabilities	**250,140**	**250,140**	250,140	—	—	—
Income taxes payable	**5,606**	**5,606**	5,606	—	—	—
	644,122	**724,325**	**294,054**	**70,653**	**261,560**	**98,058**

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, 2022, the Company has available undrawn credit facilities totalling $77.0 million (December 31, 2021 – $72.8 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	
	2022	**2021**
Cash and cash equivalents	**167,281**	104,627
Restricted cash	**2,701**	3,027
Accounts receivable, net of allowance	**61,166**	69,435
Construction funding subsidy receivable	**32,142**	36,271
	263,290	213,360

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, 2022 and 2021, receivables from government agencies represented approximately 86% of the total receivables. 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:

	2022	2021
Current	**46,078**	54,942
Between 30 and 90 days	**8,476**	8,125
Over 90 days	**7,354**	5,641
Less: provision for receivable impairment	**(2,095)**	(1,829)
	59,813	66,879

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.

Construction Funding Subsidy Receivable

Included in construction funding subsidy receivable were $32.1 million (December 31, 2021 – $36.3 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.

		2022		2021
	US$	**C$**	***US$***	**C$**
Assets				
Current assets	*1,456*	**1,974**	*11,759*	14,861
Liabilities				
Current liabilities	*759*	**1,029**	*820*	1,036
Net asset exposure	*697*	**945**	*10,939*	13,825

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, 2022, CMHC variable-rate mortgages of $21.1 million and construction facilities and loans of $33.3 million (December 31, 2021 – $22.0 million and $45.5 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 the Company’s fixed-rate debt and therefore, would not impact net earnings.

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

		2022		2021
	Percentage of Total Debt	**Carrying Amount**	**Percentage of Total Debt**	**Carrying Amount**
Fixed-rate long-term debt [i]	**86.0 %**	**333,967**	88.4 %	478,889
Variable-rate long-term debt [i]	**14.0 %**	**54,409**	11.6 %	67,467
Total	**100.0 %**	**388,376**	100.0 %	546,356

[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. 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 $0.4 million and a decrease of 100 basis points in interest rates would have increased net earnings by $0.4 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, 2022	Amortized Cost	Fair Value through Profit and Loss	Total Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets					
Cash and cash equivalents	**167,281**	**—**	**167,281**	**167,281**	Level 1
Restricted cash	**2,701**	**—**	**2,701**	**2,701**	Level 1
Accounts receivable	**61,166**	**—**	**61,166**	**61,166**	N/A
Interest rate swaps	**—**	**216**	**216**	**216**	Level 2
Construction funding subsidy receivable(i)	**32,142**	**—**	**32,142**	**30,636**	Level 2
	263,290	**216**	**263,506**	**262,000**	
Financial liabilities					
Accounts payable	**38,584**	**—**	**38,584**	**38,584**	N/A
Long-term debt(i)(ii)	**264,657**	**—**	**264,657**	**263,441**	Level 2
Convertible unsecured subordinated debentures	**123,719**	**—**	**123,719**	**119,543**	Level 1
	426,960	**—**	**426,960**	**421,568**	

(i) *Includes current portion.*
(ii) *Excludes convertible debentures and netting of deferred financing costs.*

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
Construction funding subsidy receivable(i)	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(i)(ii)	423,712	—	423,712	446,360	Level 2
Convertible unsecured subordinated debentures	122,644	—	122,644	125,804	Level 1
	575,312	736	576,048	601,856	

(i) *Includes current portion.*
(ii) *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.

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 continuously monitors the level, nature and maturity dates of debt and level of leverage and interest coverage ratios to ensure 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.

	2022	2021
Current portion of long-term debt[(i)]	**19,239**	73,577
Long-term debt[(i)]	**364,735**	463,274
Total debt	**383,974**	536,851
Less: Cash and cash equivalents	**(167,281)**	(104,627)
Net debt	**216,693**	432,224
Share capital	**475,415**	500,877
Total capital structure	**692,108**	933,101

[(i)] *Net of deferred 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:

	2022	2021
Salaries and short-term benefits	**3,480**	3,938
Share-based compensation	**2,778**	2,561
Total compensation	**6,258**	6,499

25. SIGNIFICANT SUBSIDIARIES

The following is a list of the significant subsidiaries as at December 31, 2022, all of which are 100% directly or indirectly owned by the Company.

	Jurisdiction of Incorporation
Extendicare (Canada) Inc.	Canada
ParaMed Inc.	Canada

26. SEGMENTED INFORMATION

The Company reports the following segments: i) long-term care; ii) home health care; iii) managed services; and iv) 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. Through the Company’s 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 managed services are composed of its management, consulting and group purchasing divisions. Through the Extendicare Assist division, the Company provides management and consulting services to third parties; and through the 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’s Saskatchewan LTC Homes were transitioned to SHA, and the Company’s retirement living segment was sold; the two are treated as discontinued operations and are therefore, excluded from continuing operations (*Note 18*).

	Long-term Care	Home Health Care	Managed Services	Corporate	Total
					2022
CONTINUING OPERATIONS					
Revenue	**767,095**	**421,647**	**32,835**	**—**	**1,221,577**
Operating expenses	**698,548**	**399,152**	**15,348**	**—**	**1,113,048**
Net operating income	**68,547**	**22,495**	**17,487**	**—**	**108,529**
Administrative costs				**51,075**	**51,075**
Earnings before depreciation, amortization, and other expense					**57,454**
Depreciation and amortization				**31,559**	**31,559**
Other expense				**13,953**	**13,953**
Earnings before net finance costs and income taxes					**11,942**
Net finance costs				**16,438**	**16,438**
Loss before income taxes					**(4,496)**
Income Tax Expense (Recovery)					
Current				**3,150**	**3,150**
Deferred				**(3,135)**	**(3,135)**
Total income tax expense				**15**	**15**
Loss from continuing operations					**(4,511)**
DISCONTINUED OPERATIONS					
Earnings from discontinued operations, net of income taxes					**74,065**
Net earnings					**69,554**

	Long-term Care	Home Health Care	Managed Services	Corporate	Total
					2021(i)
CONTINUING OPERATIONS					
Revenue	728,655	410,559	27,773	—	1,166,987
Operating expenses	661,368	361,002	11,647	—	1,034,017
Net operating income	67,287	49,557	16,126	—	132,970
Administrative costs				52,431	52,431
Earnings before depreciation, amortization, and other expense					80,539
Depreciation and amortization				30,831	30,831
Other expense				14,969	14,969
Earnings before net finance costs and income taxes					34,739
Net finance costs				20,754	20,754
Earnings before income taxes					13,985
Income Tax Expense (Recovery)					
Current				8,369	8,369
Deferred				(1,888)	(1,888)
Total income tax expense				6,481	6,481
Earnings from continuing operations					7,504
DISCONTINUED OPERATIONS					
Earnings from discontinued operations, net of income taxes					4,000
Net earnings					11,504

(i) *Comparative figures have been re-presented to reflect discontinued operations (Note 18).*