

EXTENDICARE[®]

... helping people live better

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND NOTES**

Q2 2021

Extendicare Inc.

Dated: August 5, 2021

Extendicare Inc.

Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2021 and 2020

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Extendicare Inc.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

<i>(in thousands of Canadian dollars)</i>	<i>notes</i>	June 30, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		132,451	179,956
Restricted cash		2,768	2,509
Accounts receivable		51,174	58,328
Income taxes recoverable		16,785	15,063
Other assets	5	36,819	40,226
Total current assets		239,997	296,082
Non-current assets			
Property and equipment	3	524,485	525,904
Goodwill and other intangible assets	4	93,025	88,178
Other assets	5	34,842	37,133
Deferred tax assets		15,717	15,830
Total non-current assets		668,069	667,045
Total assets		908,066	963,127
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities		175,554	187,071
Income taxes payable		—	16,693
Long-term debt	7	111,856	71,390
Provisions	6	4,367	4,367
Total current liabilities		291,777	279,521
Non-current liabilities			
Long-term debt	7	439,302	493,207
Provisions	6	10,621	10,567
Other long-term liabilities	8	35,314	40,059
Deferred tax liabilities		11,389	11,585
Total non-current liabilities		496,626	555,418
Total liabilities		788,403	834,939
Shareholders' equity			
Share capital	10	500,877	500,577
Equity portion of convertible debentures	7	7,085	7,085
Contributed surplus	9	6,440	4,916
Accumulated deficit		(383,176)	(370,963)
Accumulated other comprehensive loss		(11,563)	(13,427)
Shareholders' equity		119,663	128,188
Total liabilities and equity		908,066	963,127

See accompanying notes to the unaudited interim condensed financial statements.

Commitments and contingencies (Note 16).

Extencicare Inc.

Interim Condensed Consolidated Statements of Earnings

(Unaudited)

	notes	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
<i>(in thousands of Canadian dollars except for per share amounts)</i>					
CONTINUING OPERATIONS					
Revenue	18	307,449	281,947	629,830	553,765
Operating expenses		276,198	262,013	558,315	503,448
Administrative costs		13,434	11,767	25,975	22,019
Total expenses	11	289,632	273,780	584,290	525,467
Earnings before depreciation, amortization and other expense		17,817	8,167	45,540	28,298
Depreciation and amortization		9,307	9,685	19,162	19,538
Other expense	12	—	2,780	—	2,780
Earnings (loss) before net finance costs and income taxes		8,510	(4,298)	26,378	5,980
Net finance costs	13	6,769	7,609	12,884	16,284
Earnings (loss) before income taxes		1,741	(11,907)	13,494	(10,304)
Income tax expense (recovery)					
Current		2,091	(1,848)	4,918	225
Deferred		(1,310)	(1,170)	(707)	(2,877)
Total income tax expense (recovery)		781	(3,018)	4,211	(2,652)
Earnings (loss) from continuing operations		960	(8,889)	9,283	(7,652)
DISCONTINUED OPERATIONS					
Earnings from discontinued operations, net of income taxes	15	—	5,230	—	9,899
Net earnings (loss)		960	(3,659)	9,283	2,247
Basic and Diluted Earnings (Loss) per Share					
Earnings (loss) from continuing operations	14	\$0.01	\$(0.10)	\$0.10	\$(0.09)
Net earnings (loss)	14	\$0.01	\$(0.04)	\$0.10	\$0.03

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

Extencicare Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

<i>(in thousands of Canadian dollars)</i>	Three months ended		Six months ended	
	2021	2020	2021	2020
Net earnings (loss)	960	(3,659)	9,283	2,247
Other comprehensive income (loss), net of taxes				
Items that will not be reclassified to profit or loss:				
Defined benefit plan actuarial gains (losses)	(203)	(3,227)	2,306	(4,006)
Tax recovery (expense) on defined benefit plan actuarial gains (losses)	51	855	(614)	1,062
Defined benefit plan actuarial gains (losses), net of taxes	(152)	(2,372)	1,692	(2,944)
Items that are or may be reclassified subsequently to profit or loss:				
Net change in foreign currency translation adjustment	(8)	(454)	172	153
Other comprehensive income (loss), net of taxes	(160)	(2,826)	1,864	(2,791)
Total comprehensive income (loss)	800	(6,485)	11,147	(544)

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

Extendicare Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited)

<i>(in thousands of Canadian dollars, except for number of shares)</i>	<i>notes</i>	<i>Number of shares</i>	<i>Share capital</i>	<i>Equity portion of convertible debentures</i>	<i>Contributed surplus</i>	<i>Accumulated deficit</i>	<i>Accumulated other comprehensive loss</i>	<i>Shareholders' equity</i>
Balance at January 1, 2021		89,539,085	500,577	7,085	4,916	(370,963)	(13,427)	128,188
Share-based compensation	9	23,414	300	—	1,524	—	—	1,824
Net earnings		—	—	—	—	9,283	—	9,283
Dividends declared		—	—	—	—	(21,496)	—	(21,496)
Other comprehensive income		—	—	—	—	—	1,864	1,864
Balance at June 30, 2021		89,562,499	500,877	7,085	6,440	(383,176)	(11,563)	119,663

<i>(in thousands of Canadian dollars, except for number of shares)</i>	<i>notes</i>	<i>Number of shares</i>	<i>Share capital</i>	<i>Equity portion of convertible debentures</i>	<i>Contributed surplus</i>	<i>Accumulated deficit</i>	<i>Accumulated other comprehensive loss</i>	<i>Shareholders' equity</i>
Balance at January 1, 2020		89,232,512	498,116	7,085	3,675	(382,189)	(11,273)	115,414
DRIP	10	231,813	1,705	—	—	—	—	1,705
Share-based compensation	9	74,760	756	—	(265)	—	—	491
Net earnings		—	—	—	—	2,247	—	2,247
Dividends declared		—	—	—	—	(21,474)	—	(21,474)
Other comprehensive loss		—	—	—	—	—	(2,791)	(2,791)
Balance at June 30, 2020		89,539,085	500,577	7,085	3,410	(401,416)	(14,064)	95,592

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

Extencicare Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

<i>(in thousands of Canadian dollars)</i>	<i>notes</i>	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
Operating Activities					
Net earnings (loss)		960	(3,659)	9,283	2,247
Adjustments for:					
Depreciation and amortization	3, 4	9,307	9,685	19,162	19,538
Share-based compensation	9	1,166	317	1,824	491
Deferred taxes		(1,310)	(1,180)	(707)	(2,887)
Current taxes		2,091	(1,838)	4,918	235
Net finance costs		6,769	7,270	12,884	15,080
Defined benefit plan expenses		171	311	362	622
Defined benefit plan contributions		(541)	(3,056)	(1,764)	(3,620)
Other income	12, 15	—	(2,722)	—	(6,757)
		18,613	5,128	45,962	24,949
Net change in operating assets and liabilities					
Accounts receivable		15,779	(16,733)	6,189	(2,636)
Other assets	5	1,560	(13,999)	2,798	(13,815)
Accounts payable and accrued liabilities		(5,846)	36,265	(11,233)	27,525
		30,106	10,661	43,716	36,023
Interest paid		(7,552)	(8,500)	(11,937)	(13,539)
Interest received		450	619	965	1,550
Income taxes (paid) received		(750)	412	(23,637)	(1,994)
Payments of self-insured liabilities		—	(1,584)	—	(1,623)
Net cash from operating activities		22,254	1,608	9,107	20,417
Investing Activities					
Purchase of property, equipment and other intangible assets	3, 4	(12,521)	(4,503)	(21,364)	(9,929)
Decrease in investments held for self-insured liabilities		—	5,870	—	15,518
Decrease in other assets	5	1,535	1,449	3,057	2,898
Net cash from (used in) investing activities		(10,986)	2,816	(18,307)	8,487
Financing Activities					
Issuance of long-term debt	7	—	59,685	—	62,362
Repayment of long-term debt	7	(8,351)	(33,936)	(15,676)	(40,561)
Increase in restricted cash		(202)	(130)	(259)	(334)
Dividends paid		(10,744)	(10,485)	(21,496)	(19,769)
Financing costs		(687)	(3,709)	(757)	(3,763)
Net cash from (used in) financing activities		(19,984)	11,425	(38,188)	(2,065)
Increase (decrease) in cash and cash equivalents		(8,716)	15,849	(47,388)	26,839
Cash and cash equivalents at beginning of period		141,271	105,829	179,956	94,457
Foreign exchange gain (loss) on cash held in foreign currency		(104)	291	(117)	673
Cash and cash equivalents at end of period		132,451	121,969	132,451	121,969

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

1. GENERAL INFORMATION AND NATURE OF THE BUSINESS

The common shares (the “Common Shares”) of Extencicare Inc. (“Extencicare” 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 Extencicare, Esprit Lifestyle, ParaMed, Extencicare Assist and SGP Partner Network brands and is committed to delivering quality care throughout the health continuum to meet the needs of a growing seniors population. The registered office of the Company is located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada, L3R 9W2.

2. BASIS OF PREPARATION

a) Statement of Compliance

The interim condensed consolidated financial statements (the “financial statements”) have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (IASB), and were approved by the board of directors of the Company on August 5, 2021.

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

b) Basis of Measurement

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

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

c) Use of Estimates and Judgement

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

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

In March 2020, a global pandemic was declared related to a new strain of coronavirus (COVID-19). In response, the federal and provincial governments and public health officials initiated a number of measures to mitigate against the severity and spread of the virus. The federal and provincial governments have announced various programs and financial assistance to address the increased costs and other challenges and we continue to assess the extent to which they may impact our results. Any estimate of the length and severity of these impacts is therefore subject to significant uncertainty, and accordingly estimates of the extent to which COVID-19 may materially and adversely affect the Company’s operations, financial results and condition in future periods are also subject to significant uncertainty. The areas of estimation and judgement uncertainty for the Company which may be impacted by the uncertainty of COVID-19 include estimates used to determine the recoverable amounts for long-lived assets and goodwill subject to an impairment test which rely on the outlook for future financial performance of the cash generating unit (CGU).

The more subjective of such estimates are:

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

The assessment of contingencies (*Note 16*) and provisions (*Note 6*) are subject to judgement.

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

d) Future Changes in Accounting Standards

Derecognition of financial liabilities

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

Definition of accounting estimates

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

Disclosure initiative - accounting policies

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

3. PROPERTY AND EQUIPMENT

	Land & Land Improvement	Buildings	Right-of-use assets	Furniture & Equipment	Leasehold Improvements	Construction in Progress (CIP)	Total
Cost or Deemed Cost							
January 1, 2020	61,410	541,794	97,750	66,524	1,304	13,148	781,930
Additions	379	7,749	2,213	7,746	45	12,218	30,350
Write-off of fully depreciated assets	(133)	(7,165)	—	(5,425)	(926)	—	(13,649)
Impairment	—	(2,780)	—	—	—	—	(2,780)
Transfer from CIP	188	361	—	353	—	(902)	—
December 31, 2020	61,844	539,959	99,963	69,198	423	24,464	795,851
January 1, 2021	61,844	539,959	99,963	69,198	423	24,464	795,851
Additions	99	1,148	1,417	1,737	213	10,216	14,830
Write-offs	—	—	(280)	—	—	—	(280)
Write-off of fully depreciated assets	—	(210)	(489)	(1,728)	(50)	—	(2,477)
Transfer from CIP	5	576	—	—	13	(594)	—
June 30, 2021	61,948	541,473	100,611	69,207	599	34,086	807,924

	Land & Land Improvement	Buildings	Right-of-use assets	Furniture & Equipment	Leasehold Improvements	Construction in Progress (CIP)	Total
Accumulated Depreciation							
January 1, 2020	5,030	178,689	36,960	29,512	1,212	—	251,403
Additions	679	19,364	5,034	7,048	68	—	32,193
Write-off of fully depreciated assets	(133)	(7,165)	—	(5,425)	(926)	—	(13,649)
December 31, 2020	5,576	190,888	41,994	31,135	354	—	269,947
January 1, 2021	5,576	190,888	41,994	31,135	354	—	269,947
Additions	342	9,370	2,622	3,648	76	—	16,058
Write-offs	—	—	(89)	—	—	—	(89)
Write-off of fully depreciated assets	—	(210)	(489)	(1,728)	(50)	—	(2,477)
June 30, 2021	5,918	200,048	44,038	33,055	380	—	283,439
Carrying amounts							
At December 31, 2020	56,268	349,071	57,969	38,063	69	24,464	525,904
At June 30, 2021	56,030	341,425	56,573	36,152	219	34,086	524,485

No borrowing costs were capitalized related to development projects under construction during the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 – \$nil).

4. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
Cost or Deemed Cost			
January 1, 2020	51,675	62,150	113,825
Additions	—	4,906	4,906
Write-off of fully amortized assets	—	(108)	(108)
December 31, 2020	51,675	66,948	118,623
January 1, 2021	51,675	66,948	118,623
Additions	—	7,951	7,951
Write-off of fully amortized assets	—	(3,314)	(3,314)
June 30, 2021	51,675	71,585	123,260
Accumulated Amortization			
January 1, 2020	—	23,951	23,951
Additions	—	6,602	6,602
Write-off of fully amortized assets	—	(108)	(108)
December 31, 2020	—	30,445	30,445
January 1, 2021	—	30,445	30,445
Additions	—	3,104	3,104
Write-off of fully amortized assets	—	(3,314)	(3,314)
June 30, 2021	—	30,235	30,235
Carrying amounts			
At December 31, 2020	51,675	36,503	88,178
At June 30, 2021	51,675	41,350	93,025

5. OTHER ASSETS

	June 30, 2021	December 31, 2020
Construction funding subsidy receivable	39,004	42,061
Supply inventory	21,566	22,012
Prepaid, deposits and other	11,091	13,286
	71,661	77,359
less: current portion	(36,819)	(40,226)
	34,842	37,133

Construction Funding Subsidy Receivable

Construction funding subsidy receivable represents discounted amounts receivable due from the government of Ontario with respect to construction funding subsidies for long-term care homes, of which \$4.9 million (December 31, 2020 – \$5.6 million) is current. These subsidies represent funding for a portion of long-term care home construction costs over a 20-year or 25-year period. The weighted average remaining term of this funding is 15 years.

Supply Inventory

Supply inventory is primarily composed of personal protective equipment and other related supplies.

6. PROVISIONS

	Accrual for Self-insured	Indemnification Provisions	Decommissioning Provisions	Total
January 1, 2020	12,161	7,426	9,526	29,113
Provisions released	(9,537)	(2,023)	—	(11,560)
Provisions used	(3,246)	(61)	(4)	(3,311)
Accretion	—	—	195	195
Effect of movements in exchange rates	622	(125)	—	497
December 31, 2020	—	5,217	9,717	14,934
Less: current portion	—	(4,367)	—	(4,367)
	—	850	9,717	10,567
January 1, 2021	—	5,217	9,717	14,934
Provisions used	—	(6)	(14)	(20)
Accretion	—	—	97	97
Effect of movements in exchange rates	—	(23)	—	(23)
June 30, 2021	—	5,188	9,800	14,988
Less: current portion	—	(4,367)	—	(4,367)
	—	821	9,800	10,621

Accrual for Self-Insured Liabilities

The obligation to settle U.S. self-insured general and professional liability claims relating to the period prior to the closing of the U.S. Sale Transaction, including claims incurred but yet to be reported, remained with the Company, and was funded through the Captive.

Effective June 30, 2020, the accrual for self-insured general and professional liabilities was reduced to \$nil and any expense incurred or release of reserves for U.S. self-insured liabilities are presented as discontinued operations (*Note 15*).

Indemnification Provisions

As a result of the U.S. Sale Transaction, the Company agreed to indemnify certain obligations of the U.S. operations related to tax, a corporate integrity agreement (the “CIA”), and other items. Any revisions to these estimates are recorded as a part of

discontinued operations (*Note 15*). As at June 30, 2021, the remaining provisions totaled \$5.2 million (US\$4.1 million) (December 31, 2020 – \$5.2 million or US\$4.1 million).

Decommissioning Provisions

The decommissioning provisions relate to possible asbestos remediation of the Company's pre-1980 constructed homes. An estimated undiscounted cash flow amount of approximately \$10.2 million (December 31, 2020 – \$10.2 million) was discounted using a rate of 0.48% (December 31, 2020 – 0.48%) over an estimated time to settle of 7 years.

7. LONG-TERM DEBT

	Interest Rate	Year of Maturity	June 30, 2021	December 31, 2020
Convertible unsecured subordinated debentures	5.00 %	2025	122,130	121,629
CMHC mortgages, fixed rate	2.19% - 7.70%	2022 - 2037	135,535	141,638
CMHC mortgages, variable rate	Variable	2025	22,443	22,869
Non-CMHC mortgages	3.11% - 5.64%	2022 - 2038	164,794	167,729
Construction loans	Variable	on demand	43,113	43,113
Lease liabilities	4.23% - 7.19%	2021 - 2034	73,049	77,805
			561,064	574,783
Deferred financing costs			(9,906)	(10,186)
Total debt, net of deferred financing costs			551,158	564,597
Less: current portion			(111,856)	(71,390)
Long-term debt			439,302	493,207

Convertible Unsecured Subordinated Debentures

In April 2018, the Company issued \$126.5 million aggregate principal amount of 5.00% convertible unsecured subordinated debentures due April 30, 2025 (the "2025 Debentures"), with a conversion price of \$12.25 per Common Share (the "Offering"). The initial offering for \$110.0 million of the 2025 Debentures closed on April 17, 2018, and the exercise of the over-allotment option for \$16.5 million debentures closed on April 25, 2018. The debt and equity components of the 2025 Debentures were bifurcated as the financial instrument is considered a compound instrument with \$119.2 million classified as a liability and the residual \$7.3 million classified as equity attributable to the conversion option. The liability portion of the 2025 Debentures is recorded at amortized cost. The fees and transaction costs allocated to the debt component are amortized over the term of the 2025 Debentures using the effective interest rate method and are recognized as part of net finance costs.

Interest on the 2025 Debentures is payable semi-annually in April and October. On or after May 1, 2021 but prior to April 30, 2023, these debentures may be redeemed by the Company in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest, on a notice of not more than 60 days and not less than 30 days prior, provided that the volume-weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On and after May 1, 2023, these debentures may be redeemed by the Company in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest, on a notice of not more than 60 days and not less than 30 days prior.

Upon the occurrence of a change of control, whereby more than 66.67% of the Common Shares are acquired by any person, or group of persons acting jointly, each holder of the 2025 Debentures may require the Company to purchase their debentures at 101% of the principal plus accrued and unpaid interest. If 90% or more of the debentureholders do so, the Company has the right, but not the obligation, to redeem all the remaining outstanding 2025 Debentures.

CMHC Mortgages

The Company has various mortgages insured through the Canada Mortgage and Housing Corporation (CMHC) program. The CMHC mortgages are secured by several Canadian financial institutions at rates ranging from 2.19% to 7.70% with maturity dates through to 2037.

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

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

Non-CMHC Mortgages

The Company has a number of conventional mortgages on certain long-term care homes, at rates ranging from 3.11% to 5.64%. Some of these mortgages have a requirement to maintain a minimum debt service coverage ratio.

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

In March 2020, the Company extended maturing mortgages of \$21.7 million on certain long-term care homes. These extended mortgages mature in April 2025 with a fixed rate of 3.49% per annum.

Construction Loans

Construction loans of \$48.0 million are available for two retirement home communities and provide for additional letter of credit facilities of \$0.8 million and \$1.0 million respectively, at rates ranging from 2.25% to 2.50% if utilized. Construction loans are interest-only based on 30-day banker's acceptance (BA) plus 2.25% to 2.50%, with no standby fee.

The construction loans are payable on demand and, in any event, are to be fully repaid by the earlier of achieving stabilized occupancy as defined by the agreements or 2023.

All construction loans have been reflected as current.

As at June 30, 2021, an aggregate of \$43.1 million was drawn on the construction loans (December 31, 2020 – \$43.1 million), leaving \$4.9 million available (December 31, 2020 – \$4.9 million); in addition, as at June 30, 2021, letters of credit totalling \$0.7 million were issued under credit facilities (December 31, 2020 – \$0.7 million), leaving \$1.1 million available (December 31, 2020 – \$1.1 million).

In May 2021, the Company secured construction financings in connection with two LTC redevelopment projects. The facilities total \$95.9 million and each construction loan matures on the earlier of 42 months from closing or the date that the construction loans are refinanced following completion of construction. Interest rates are prime plus 1.25% or CDOR plus 2.75% with standby fees of 0.55%. The facilities also provide for an additional \$4.0 million in letter of credit facilities.

Interest is capitalized during construction and is payable following completion of construction until maturity. As at June 30, 2021, no amounts were drawn on the LTC redevelopment construction financings.

Lease Liabilities

Lease liabilities as at June 30, 2021 include leases on long-term care homes and head and district offices. The Company operates nine Ontario long-term care homes, which were built between 2001 and 2003, under 25-year lease arrangements. The liabilities associated with the head and district office leases is amortized over the remaining lease terms ranging up to 14 years.

During the three months ended June 30, 2021, the Company has recognized new and renewed district office and equipment lease liabilities of \$1.0 million and \$1.4 million for the six months ended June 30, 2021 (three months ended June 30, 2020 – \$0.1 million and six months ended June 30, 2020 of \$1.5 million, respectively).

Credit Facilities

The Company has two demand credit facilities totalling \$112.3 million. One is secured by 13 Class C long-term care homes in Ontario and the other is secured by the assets of the home health care business. Neither of these facilities has financial

covenants but do contain normal and customary terms. As at June 30, 2021, \$33.7 million of the facilities secure the Company's defined benefit pension plan obligations (December 31, 2020 – \$35.6 million), \$5.4 million was used in connection with obligations relating to long-term care homes and retirement communities (December 31, 2020 – \$5.4 million), leaving \$73.2 million unutilized (December 31, 2020 – \$71.3 million).

Deferred Financing Costs

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

Principal Repayments

	Convertible Debentures	Mortgages Regular	Maturity	Construction Loans	Lease Liabilities	Total
2021 remaining	—	9,671	—	43,113	7,571	60,355
2022	—	14,084	48,830	—	14,785	77,699
2023	—	10,713	47,729	—	14,105	72,547
2024	—	9,451	—	—	13,798	23,249
2025	126,500	8,173	36,220	—	13,507	184,400
2026 and thereafter	—	81,540	56,361	—	26,525	164,426
Total debt principal and lease liability	126,500	133,632	189,140	43,113	90,291	582,676
Unamortized accretion of 2025 convertible debentures	(4,370)	—	—	—	—	(4,370)
Interest on lease liabilities	—	—	—	—	(17,242)	(17,242)
	122,130	133,632	189,140	43,113	73,049	561,064

Long-term Debt Continuity

	Amount
January 1, 2020	556,306
Issuance of long-term debt	62,362
New lease liabilities	2,159
Accretion and other	954
Repayments	(55,403)
Addition - deferred financing costs	(3,791)
Amortization of deferred financing costs and other	2,010
December 31, 2020	564,597
January 1, 2021	564,597
New lease liabilities	1,417
Accretion and other	540
Repayments	(15,676)
Addition - deferred financing costs	(757)
Amortization of deferred financing costs and other	1,037
June 30, 2021	551,158

Interest Rates

The weighted average interest rate of all long-term debt as at June 30, 2021, was approximately 4.3% (December 31, 2020 – 4.3%). As at June 30, 2021, 88.3% of the long-term debt, including interest rate swaps, was at fixed rates (December 31, 2020 – 88.5%).

Interest Rate Swaps

The interest rate swaps include swap contracts relating to mortgages, with notional amounts totalling \$86.8 million (December 31, 2020 – \$88.1 million), to lock in the rates between 3.11% and 5.04% for the full term of the loans being three to ten years.

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

As at June 30, 2021, the interest rate swaps were valued as a liability of \$1.5 million (December 31, 2020 – \$2.6 million as a liability) (*Note 8*).

Financial Covenants

The Company is subject to debt service coverage covenants on certain of its loans. The Company was in compliance with all of these covenants as at June 30, 2021.

8. OTHER LONG-TERM LIABILITIES

	June 30, 2021	December 31, 2020
Accrued pension and benefits obligation	31,822	35,531
Interest rate swaps (<i>Note 7</i>)	1,520	2,573
Other	1,972	1,955
	35,314	40,059

9. SHARE-BASED COMPENSATION

Equity-settled Long-term Incentive Plan

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

PSUs and DSUs granted under the LTIP do not carry any voting rights. DSUs vest immediately upon grant and PSUs vest with a term of not less than 24 months and not more than 36 months from the date of grant. During the three months ended June 30, 2021, the Company did not settle any PSUs. During the three months ended June 30, 2020, the Company settled PSUs and DSUs totalling 34,554, of which 5,922 were settled in cash to cover withholding taxes payable and 28,632 were settled with Common Shares issued from treasury. During the six months ended June 30, 2021, the Company settled 40,892 PSUs, of which 17,478 were settled in cash to cover withholding taxes payable (\$0.1 million) and 23,414 were settled with Common Shares issued from treasury, all of which occurred in the three months ended March 31, 2021. During the six months ended June 30, 2020, the Company settled PSUs and DSUs totalling 104,387, of which 29,627 were settled in cash to cover withholding taxes payable (\$0.2 million) and 74,760 were settled with Common Shares issued from treasury.

The Company's DSUs and PSUs were an expense of \$1.2 million for the three months ended June 30, 2021 (three months ended June 30, 2020 – \$0.4 million) and \$2.0 million for the six months ended June 30, 2021 (six months ended June 30, 2020 – \$0.7 million).

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

	June 30, 2021	December 31, 2020
Contributed surplus – DSUs	2,953	2,565
Contributed surplus – PSUs	3,487	2,351
	6,440	4,916

As at June 30, 2021, an aggregate of 4,240,738 (December 31, 2020 - 4,264,152) Common Shares are reserved and available for issuance pursuant to the LTIP.

DSU and PSU activity is as follows:

	Deferred Share Units		Performance Share Units	
	Six months ended June 30, 2021	Twelve months ended December 31, 2020	Six months ended June 30, 2021	Twelve months ended December 31, 2020
Units outstanding, beginning of period	381,731	337,029	695,087	399,521
Granted	47,907	98,721	471,712	334,214
Reinvested dividend equivalents	13,349	25,136	27,640	48,791
Forfeited	—	—	(13,617)	(62,207)
Settled	—	(79,155)	(40,892)	(25,232)
Units outstanding, end of period	442,987	381,731	1,139,930	695,087
Weighted average fair value of units granted during the period at grant date	\$8.09	\$5.76	\$7.36	\$7.41

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

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

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

10. SHARE CAPITAL

Common Shares

Each Common Share is transferable and represents an equal and undivided beneficial interest in the assets of the Company. Each Common Share entitles the holder to one vote at all meetings of shareholders of the Company. Shareholders are entitled

to receive dividends from the Company if, as and when declared by the Board. During the three and six months ended June 30, 2021 and 2020, the Company declared cash dividends of \$0.12 per share and \$0.24 per share, respectively.

Dividend Reinvestment Plan

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

During the three and six months ended June 30, 2021, the Company did not issue any Common Shares in connection with DRIP (three months ended June 30, 2020 – 44,155 Common Shares at a value of \$0.3 million and six months ended June 30, 2020 – 231,813 Common Shares at a value of \$1.7 million).

Normal Course Issuer Bid (NCIB)

During the three and six months ended June 30, 2021, under the NCIB that commenced on January 15, 2020 and ended on January 14, 2021, the Company did not purchase any Common Shares. During three and six months ended June 30, 2020, under the NCIB that commenced on January 15, 2019 and ended on January 14, 2020, the Company did not purchase any Common Shares.

11. EXPENSES BY NATURE

	Three months ended June 30,		Six months ended June 30,	
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Employee wages and benefits	244,917	229,342	493,057	441,923
Government grants	(7,667)	—	(17,362)	—
Food, drugs, supplies and other variable costs	20,746	19,639	45,008	33,108
Property based and leases	14,486	12,084	30,807	24,593
Other	17,150	12,715	32,780	25,843
Total operating expenses and administrative costs	289,632	273,780	584,290	525,467

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

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy (CEWS) program, which was designed to help Canadian employers that have experienced revenue declines to re-hire workers laid off as a result of COVID-19, help prevent further job losses and better position the employers to resume normal operations after the COVID-19 pandemic. Various changes have been made to the CEWS program since the original announcement including extending the program until September 2021. The Company's home health care subsidiary, ParaMed Inc., applied for and received CEWS during the six months ended June 30, 2021 in respect of the six claims periods under the CEWS program between December 20, 2020 and June 5, 2021. Payments under the CEWS program are accounted for as government grants under IAS 20 and are recorded on a net basis as a reduction to operating expenses of the home health care segment, thereby impacting the home health care segment net operating income for six months ended June 30, 2021.

12. OTHER EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Impairment (Note 3)	—	2,780	—	2,780
	—	2,780	—	2,780

Impairment

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

13. NET FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Interest expense	6,938	7,187	13,758	14,228
Interest revenue	(450)	(620)	(965)	(1,550)
Accretion	320	307	637	611
Foreign exchange and fair value adjustments	(39)	735	(546)	2,995
Net finance costs	6,769	7,609	12,884	16,284

Foreign Exchange

Foreign exchange gains or losses related to deferred consideration and other balances denominated in U.S. dollars for the three and six months ended June 30, 2021 is a loss of \$0.2 million and \$0.5 million, respectively (three and six months ended June 30, 2020 – loss of \$0.3 million and gain of \$0.7 million, respectively).

Fair Value Adjustments

Fair value adjustments related to interest rate swap contracts on certain mortgages for the three and six months ended June 30, 2021 were a gain of \$0.2 million and \$1.1 million, respectively (three and six months ended June 30, 2020 – loss of \$0.5 million and \$3.7 million, respectively) (*Note 7, 8*).

14. EARNINGS PER SHARE

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Numerator for Basic and Diluted Earnings per Share				
<i>Earnings (loss) from continuing operations</i>				
Net earnings (loss) for basic earnings per share	960	(3,659)	9,283	2,247
Less: earnings from discontinued operations, net of tax	—	(5,230)	—	(9,899)
Earnings (loss) from continuing operations for basic earnings per share	960	(8,889)	9,283	(7,652)
Add: after-tax interest on convertible debt	1,554	1,541	3,106	3,078
Earnings (loss) from continuing operations for diluted earnings per share	2,514	(7,348)	12,389	(4,574)
<i>Net earnings (loss)</i>				
Net earnings (loss) for basic earnings per share	960	(3,659)	9,283	2,247
Add: after-tax interest on convertible debt	1,554	1,541	3,106	3,078
Net earnings (loss) for diluted earnings per share	2,514	(2,118)	12,389	5,325
Denominator for Basic and Diluted Earnings per Share				
Actual weighted average number of shares	89,562,499	89,509,112	89,552,862	89,430,542
DSUs	417,218	316,659	401,522	304,168
Weighted average number of shares for basic earnings per share	89,979,717	89,825,771	89,954,384	89,734,710
Shares issued if all convertible debt was converted	10,326,531	10,326,531	10,326,531	10,326,531
PSUs	308,484	24,279	391,506	33,799
Total for diluted earnings per share	100,614,732	100,176,581	100,672,421	100,095,040
Basic Earnings per Share (in dollars)				
Earnings (loss) from continuing operations	\$0.01	\$(0.10)	\$0.10	\$(0.09)
Earnings from discontinued operations	—	\$0.06	—	\$0.11
Net earnings (loss)	\$0.01	\$(0.04)	\$0.10	\$0.03
Diluted Earnings per Share (in dollars)				
Earnings (loss) from continuing operations	\$0.01	\$(0.10)	\$0.10	\$(0.09)
Earnings from discontinued operations	—	\$0.05	—	\$0.10
Net earnings (loss)	\$0.01	\$(0.04)	\$0.10	\$0.03

15. DISCONTINUED OPERATIONS

After the U.S. Sale Transaction, the Company retained the Captive, which, along with third-party insurers, insured the Company's U.S. general and professional liability risks up to the date of the U.S. Sale Transaction, and was reported as the U.S. segment.

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Earnings from Discontinued Operations				
Administrative costs	—	611	—	842
Other income	—	(5,502)	—	(9,537)
Earnings before net finance costs	—	4,891	—	8,695
Accretion	—	—	—	—
Foreign exchange and fair value adjustments	—	(339)	—	(1,204)
Earnings from discontinued operations	—	5,230	—	9,899

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Cash Flows from Discontinued Operations				
Net cash used in operating activities	—	(5,858)	—	(5,616)
Net cash from investing activities	—	5,858	—	5,616
Effect on cash flows	—	—	—	—

16. COMMITMENTS AND CONTINGENCIES

Commitments

As at June 30, 2021, the Company has outstanding commitments of \$77.1 million in connection with the construction contract related to two new LTC redevelopment construction projects which are both under construction as of June 30, 2021. The Company has outstanding commitments of \$19.8 million in connection with a five-year agreement for cloud-based enterprise resource planning software. Payments under the agreement are due annually in advance and the agreement expires in 2025.

Legal Proceedings

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

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

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

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

17. MANAGEMENT OF RISKS AND FINANCIAL INSTRUMENTS

(a) Management of Risks

LIQUIDITY RISK

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

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

In addition to cash generated from its operations and cash on hand, the Company has available undrawn credit facilities totalling \$73.2 million (December 31, 2020 – \$71.3 million).

CURRENCY RISK

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

	June 30, 2021		December 31, 2020	
	US\$	C\$	US\$	C\$
Assets				
Current assets	13,349	16,549	13,664	17,387
Liabilities				
Current liabilities	3,929	4,985	4,142	5,270
Indemnification provisions	662	820	668	850
Other non-current liabilities	551	683	551	701
Net asset exposure	8,207	10,061	8,303	10,566

INTEREST RATE RISK

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

To mitigate interest rate risk, the Company's long-term care debt portfolio includes fixed-rate debt and variable-rate debt with interest rate swaps in place. At June 30, 2021, CMHC variable-rate mortgages of \$22.4 million and construction loans of \$43.1 are variable-rate debt, which do not have interest rate swaps in place. The Company's credit facility, and future borrowings, may be at variable rates which would expose the Company to the risk of interest rate volatility (*Note 7*).

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

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

	Carrying Amount	
	June 30, 2021	December 31, 2020
Fixed-rate long-term debt ⁽¹⁾	495,508	508,801
Variable-rate long-term debt ⁽¹⁾	65,556	65,982
Total	561,064	574,783

⁽¹⁾ Includes current portion and excludes netting of deferred financing costs.

Fair Value Sensitivity Analysis for Variable-rate Instruments

All long-term debt with variable rates are classified as other financial liabilities, which are measured at amortized cost using the effective interest method of amortization; therefore, changes in interest rates would not affect OCI or net earnings with respect to variable-rate debt. As at June 30, 2021, long-term debt with variable rates represented 11.7% of total debt (December 31, 2020 – 11.5%). The value of the interest rate swaps is subject to fluctuations in interest rates, changes in fair value of these swaps are recognized in net earnings.

Cash Flow Sensitivity Analysis for Variable-rate Instruments

An increase of 100 basis points in interest rates would have decreased net earnings by \$0.1 million and a decrease of 100 basis points in interest rates would have increased net earnings by \$0.1 million, for the three months ended June 30, 2021. This analysis assumes that all other variables remain constant, and excludes variable interest rate debt that is locked in through interest rate swaps.

(b) Fair values of Financial Instrument

As at June 30, 2021	Amortized Cost	Fair Value through Profit and Loss	Total Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:					
Cash and cash equivalents	132,451	—	132,451	132,451	Level 1
Restricted cash	2,768	—	2,768	2,768	Level 1
Accounts receivable	51,174	—	51,174	51,174	
Amounts receivable and other assets ^{(1) (2)}	39,004	—	39,004	39,078	Level 2
	225,397	—	225,397	225,471	
Financial liabilities:					
Accounts payable	8,660	—	8,660	8,660	
Interest rate swaps	—	1,520	1,520	1,520	Level 2
Long-term debt excluding convertible debentures ⁽³⁾	438,934	—	438,934	420,759	Level 2
Convertible debentures	122,130	—	122,130	130,169	Level 1
	569,724	1,520	571,244	561,108	

⁽¹⁾ Includes primarily amounts receivable from government.

⁽²⁾ Includes current portion.

⁽³⁾ Excludes netting of deferred financing costs.

As at December 31, 2020	Amortized Cost	Fair Value through Profit and Loss	Total Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:					
Cash and cash equivalents	179,956	—	179,956	179,956	Level 1
Restricted cash	2,509	—	2,509	2,509	Level 1
Accounts receivable	58,328	—	58,328	58,328	
Amounts receivable and other assets ^{(1) (2)}	42,061	—	42,061	43,485	Level 2
	282,854	—	282,854	284,278	
Financial liabilities:					
Accounts payable	16,482	—	16,482	16,482	
Interest rate swaps	—	2,573	2,573	2,573	Level 2
Long-term debt excluding convertible debentures ⁽³⁾	453,154	—	453,154	486,766	Level 2
Convertible debentures	121,629	—	121,629	128,398	Level 1
	591,265	2,573	593,838	634,219	

⁽¹⁾ Includes primarily amounts receivable from government.

⁽²⁾ Includes current portion.

⁽³⁾ Excludes netting of deferred financing costs.

BASIS FOR DETERMINING FAIR VALUES

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

Fair values for investments designated as FVTPL are based on quoted market prices. Accounts receivable are recorded at amortized cost. The carrying values of accounts receivable approximate fair values due to their short-term maturities, with the

exception of the amounts receivable due from the government of Ontario, which are valued at discounted future cash flows using current applicable rates for similar instruments of comparable maturity and credit quality (*Note 5*). The fair values of convertible debentures are based on the closing price of the publicly traded convertible debentures on each reporting date, and the fair values of mortgages and other debt are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

FAIR VALUE HIERARCHY

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

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

18. SEGMENTED INFORMATION

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

The long-term care segment represents the 58 long-term care homes that the Company owns and operates in Canada. The retirement living segment represents 11 retirement communities that the Company owns and operates in Canada. The retirement communities provide accommodation and services to private-pay residents at rates set by the Company based on the services provided and market conditions. Through our wholly owned subsidiary ParaMed, ParaMed’s home health care operations provide complex nursing care, occupational, physical and speech therapy, and assistance with daily activities to accommodate those living at home.

The Company’s other operations are composed of its contract services, consulting and group purchasing divisions. Through our Extencicare Assist division, the Company provides contract services and consulting to third parties; and through our SGP Purchasing Partner Network division, the Company offers cost-effective purchasing contracts to other senior care providers for food, capital equipment, furnishings, cleaning and nursing supplies, and office products. The Company ceased operation of the U.S. segment and is treating it as a discontinued operation (*Note 15*), thus it is no longer presented as a separate segment.

	Three months ended June 30, 2021					
	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
<i>(in thousands of Canadian dollars)</i>						
CONTINUING OPERATIONS						
Revenue	187,166	12,301	101,097	6,885	—	307,449
Operating expenses	177,388	8,601	87,056	3,153	—	276,198
Net operating income	9,778	3,700	14,041	3,732	—	31,251
Administrative costs					13,434	13,434
Earnings before depreciation and amortization						17,817
Depreciation and amortization					9,307	9,307
Earnings before net finance costs and income taxes						8,510
Net finance costs					6,769	6,769
Earnings before income taxes						1,741
Income tax expense (recovery)						
Current					2,091	2,091
Deferred					(1,310)	(1,310)
Total income tax expense					781	781
Net earnings						960

	Three months ended June 30, 2020					
<i>(in thousands of Canadian dollars)</i>	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
CONTINUING OPERATIONS						
Revenue	178,471	11,737	85,467	6,272	—	281,947
Operating expenses	167,360	8,221	84,048	2,384	—	262,013
Net operating income	11,111	3,516	1,419	3,888	—	19,934
Administrative costs					11,767	11,767
Earnings before depreciation, amortization, and other expense						8,167
Depreciation and amortization					9,685	9,685
Other expense					2,780	2,780
Loss before net finance costs and income taxes						(4,298)
Net finance costs					7,609	7,609
Loss before income taxes						(11,907)
Income tax expense (recovery)						
Current					(1,848)	(1,848)
Deferred					(1,170)	(1,170)
Total income tax recovery					(3,018)	(3,018)
Loss from continuing operations						(8,889)
DISCONTINUED OPERATIONS						
Earnings from discontinued operations, net of income taxes						5,230
Net loss						(3,659)
	Six months ended June 30, 2021					
<i>(in thousands of Canadian dollars)</i>	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
CONTINUING OPERATIONS						
Revenue	392,301	24,475	198,764	14,290	—	629,830
Operating expenses	366,234	17,328	168,761	5,992	—	558,315
Net operating income	26,067	7,147	30,003	8,298	—	71,515
Administrative costs					25,975	25,975
Earnings before depreciation and amortization						45,540
Depreciation and amortization					19,162	19,162
Earnings before net finance costs and income taxes						26,378
Net finance costs					12,884	12,884
Earnings before income taxes						13,494
Income tax expense (recovery)						
Current					4,918	4,918
Deferred					(707)	(707)
Total income tax expense					4,211	4,211
Net earnings						9,283

	Six months ended June 30, 2020					
<i>(in thousands of Canadian dollars)</i>	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
CONTINUING OPERATIONS						
Revenue	338,711	23,776	178,567	12,711	—	553,765
Operating expenses	309,164	16,551	172,831	4,902	—	503,448
Net operating income	29,547	7,225	5,736	7,809	—	50,317
Administrative costs					22,019	22,019
Earnings before depreciation, amortization, and other expense						28,298
Depreciation and amortization					19,538	19,538
Other expense					2,780	2,780
Earnings before net finance costs and income taxes						5,980
Net finance costs					16,284	16,284
Loss before income taxes						(10,304)
Income tax expense (recovery)						
Current					225	225
Deferred					(2,877)	(2,877)
Total income tax recovery					(2,652)	(2,652)
Loss from continuing operations						(7,652)
DISCONTINUED OPERATIONS						
Earnings from discontinued operations, net of income taxes						9,899
Net earnings						2,247