



## **Consolidated Financial Statements and Notes**

Year ended December 31, 2023

**Extendicare Inc.**  
**Dated: March 7, 2024**

# Extendicare Inc.

## Consolidated Financial Statements

Years ended December 31, 2023 and 2022

<b>Management’s Responsibility for Consolidated Financial Statements</b> .....	<b>1</b>
<b>Independent Auditor’s Report</b> .....	<b>2</b>
<b>Consolidated Financial Statements</b> .....	<b>7</b>
<b>Notes to the Consolidated Financial Statements</b>	
<b>1 General Information and Nature of the Business</b> .....	<b>12</b>
<b>2 Basis of Preparation</b> .....	<b>12</b>
<b>3 Material Accounting Policies</b> .....	<b>12</b>
<b>4 Significant Transactions</b> .....	<b>18</b>
<b>5 Accounts Receivable</b> .....	<b>19</b>
<b>6 Property and Equipment</b> .....	<b>19</b>
<b>7 Goodwill and Other Intangible Assets</b> .....	<b>20</b>
<b>8 Other Assets</b> .....	<b>20</b>
<b>9 Joint Ventures</b> .....	<b>21</b>
<b>10 Provisions</b> .....	<b>22</b>
<b>11 Long-term Debt</b> .....	<b>22</b>
<b>12 Other Long-term Liabilities</b> .....	<b>24</b>
<b>13 Share-based Compensation</b> .....	<b>24</b>
<b>14 Share Capital</b> .....	<b>25</b>
<b>15 Revenue</b> .....	<b>26</b>
<b>16 Expenses by Nature</b> .....	<b>26</b>
<b>17 Other Income and Expense</b> .....	<b>26</b>
<b>18 Net Finance Costs</b> .....	<b>27</b>
<b>19 Earnings per Share</b> .....	<b>27</b>
<b>20 Discontinued Operations</b> .....	<b>28</b>
<b>21 Income Taxes</b> .....	<b>29</b>
<b>22 Commitments and Contingencies</b> .....	<b>30</b>
<b>23 Employee Benefits</b> .....	<b>31</b>
<b>24 Management of Risks and Financial Instruments</b> .....	<b>33</b>
<b>25 Capital Management</b> .....	<b>36</b>
<b>26 Related Party Transactions</b> .....	<b>37</b>
<b>27 Significant Subsidiaries</b> .....	<b>37</b>
<b>28 Segmented Information</b> .....	<b>37</b>

# Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Extencicare Inc. ("Extencicare" 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, using management's best estimates and judgments, where appropriate. In the opinion of management, these consolidated financial statements reflect fairly the financial position, results of operations and cash flows of Extencicare 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.

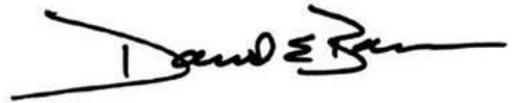
The board of directors of Extencicare (the "Board of Directors") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors carries out this responsibility principally through its independent Audit Committee comprised 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 Extencicare.

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 7, 2024



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## Independent Auditor's 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, 2023 and December 31, 2022
- 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 material accounting policy information

(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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### **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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.



Extendicare Inc.  
March 7, 2024

### **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, 2023. 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 auditor's 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(c), 3(g), 6, and 17 to the financial statements. Property and equipment is a significant portion of the non-financial assets, being \$295,897 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 ended December 31, 2023, the Company did not record any impairment charges.

#### **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 judgment 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



Extendicare Inc.  
March 7, 2024

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 auditor's 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 auditor's 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 auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's 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 auditor's 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.



Extendicare Inc.  
March 7, 2024

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.

### ***Auditor's 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 auditor's 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 auditor's report to the



Extendicare Inc.  
March 7, 2024

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 auditor's 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 auditor's 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 auditor's 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 auditor's report is

W. G. Andrew Smith

Vaughan, Canada

March 7, 2024

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

<i>(thousands of dollars)</i>	<i>notes</i>	<b>2023</b>	<b>2022</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents		<b>75,184</b>	167,281
Restricted cash		<b>729</b>	2,701
Accounts receivable	<b>5</b>	<b>88,370</b>	61,166
Income taxes recoverable		<b>2,656</b>	2,908
Other assets	<b>8</b>	<b>20,199</b>	23,982
<b>Total current assets</b>		<b>187,138</b>	258,038
Non-current assets			
Property and equipment	<b>6</b>	<b>295,897</b>	388,719
Goodwill and other intangible assets	<b>7</b>	<b>124,307</b>	97,064
Other assets	<b>8</b>	<b>34,977</b>	30,468
Deferred tax assets	<b>21</b>	<b>5,885</b>	7,290
Investment in joint ventures	<b>4, 9</b>	<b>24,527</b>	—
<b>Total non-current assets</b>		<b>485,593</b>	523,541
<b>Total assets</b>		<b>672,731</b>	781,579
<b>Liabilities and Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities		<b>203,259</b>	250,140
Income taxes payable	<b>24</b>	<b>3,248</b>	5,606
Long-term debt	<b>11</b>	<b>19,879</b>	19,239
<b>Total current liabilities</b>		<b>226,386</b>	274,985
Non-current liabilities			
Long-term debt	<b>11</b>	<b>314,637</b>	364,735
Provisions	<b>10</b>	<b>10,343</b>	10,512
Other long-term liabilities	<b>12</b>	<b>23,351</b>	23,757
Deferred tax liabilities	<b>21</b>	<b>10,094</b>	6,889
<b>Total non-current liabilities</b>		<b>358,425</b>	405,893
<b>Total liabilities</b>		<b>584,811</b>	680,878
Share capital	<b>14</b>	<b>467,347</b>	475,415
Equity portion of convertible debentures	<b>11</b>	<b>7,085</b>	7,085
Contributed surplus	<b>13</b>	<b>13,087</b>	10,619
Accumulated deficit		<b>(393,471)</b>	(384,620)
Accumulated other comprehensive loss		<b>(6,128)</b>	(7,798)
<b>Shareholders' equity</b>		<b>87,920</b>	100,701
<b>Total liabilities and equity</b>		<b>672,731</b>	781,579

See accompanying notes to the consolidated financial statements.  
 Commitments and Contingencies and Subsequent Events (*Note 22*).



**Alan D. Torrie**  
 Chairman



**Michael Guerriere**  
 President and Chief Executive Officer

**Extendicare Inc.**  
**Consolidated Statements of Earnings**  
Years ended December 31

<i>(thousands of dollars except for per share amounts)</i>	<i>notes</i>	<b>2023</b>	<b>2022</b>
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	<b>15</b>	<b>1,304,957</b>	1,221,577
Operating expenses		<b>1,153,935</b>	1,113,048
Administrative costs		<b>55,835</b>	51,075
<b>Total expenses</b>	<b>16</b>	<b>1,209,770</b>	1,164,123
<b>Earnings before depreciation, amortization, and other</b>		<b>95,187</b>	57,454
Depreciation and amortization		<b>32,225</b>	31,559
Other expense	<b>17</b>	<b>2,686</b>	13,953
Share of profit from investment in joint ventures	<b>9</b>	<b>(20)</b>	—
<b>Earnings before net finance costs and income taxes</b>		<b>60,296</b>	11,942
Net finance costs	<b>18</b>	<b>15,493</b>	16,438
<b>Earnings (loss) before income taxes</b>		<b>44,803</b>	(4,496)
Current income tax expense		<b>6,812</b>	3,150
Deferred income tax expense (recovery)		<b>4,009</b>	(3,135)
<b>Total income tax expense</b>	<b>21</b>	<b>10,821</b>	15
<b>Earnings (loss) from continuing operations</b>		<b>33,982</b>	(4,511)
<b>DISCONTINUED OPERATIONS</b>			
Earnings from discontinued operations, net of income taxes	<b>20</b>	—	74,065
<b>Net earnings</b>		<b>33,982</b>	69,554
<b>Basic Earnings per Share</b>			
Earnings (loss) from continuing operations	<b>19</b>	<b>\$0.40</b>	\$(0.05)
Net earnings	<b>19</b>	<b>\$0.40</b>	\$0.78
<b>Diluted Earnings per Share</b>			
Earnings (loss) from continuing operations	<b>19</b>	<b>\$0.40</b>	\$(0.05)
Net earnings	<b>19</b>	<b>\$0.40</b>	\$0.76

See accompanying notes to the consolidated financial statements.

**Extendicare Inc.**  
**Consolidated Statements of Comprehensive Income**  
**Years ended December 31**

<i>(thousands of dollars)</i>	<b>2023</b>	<b>2022</b>
<b>Net earnings</b>	<b>33,982</b>	69,554
<b>Other Comprehensive Income, Net of Taxes</b>		
Items that will not be reclassified to profit or loss:		
Defined benefit plan actuarial gains	<b>2,272</b>	5,403
Tax expense on changes in defined benefit plan	<b>(602)</b>	(1,433)
Other comprehensive income, net of taxes	<b>1,670</b>	3,970
<b>Total comprehensive income</b>	<b>35,652</b>	73,524

See accompanying notes to the consolidated financial statements.

**Extendicare Inc.**  
**Consolidated Statements of Changes in Equity**  
**Years ended December 31**

<i>(thousands of 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, 2022		89,562,499	500,877	7,085	8,182	(402,453)	(11,768)	101,923
Purchase of shares for cancellation	14	(5,011,180)	(28,076)	—	—	(6,947)	—	(35,023)
Share-based compensation	13	177,425	2,614	—	2,437	(2,411)	—	2,640
Net earnings		—	—	—	—	69,554	—	69,554
Dividends declared	14	—	—	—	—	(42,363)	—	(42,363)
Other comprehensive income		—	—	—	—	—	3,970	3,970
<b>Balance at December 31, 2022</b>		<b>84,728,744</b>	<b>475,415</b>	<b>7,085</b>	<b>10,619</b>	<b>(384,620)</b>	<b>(7,798)</b>	<b>100,701</b>

<i>(thousands of 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>
<b>Balance at January 1, 2023</b>		<b>84,728,744</b>	<b>475,415</b>	<b>7,085</b>	<b>10,619</b>	<b>(384,620)</b>	<b>(7,798)</b>	<b>100,701</b>
Purchase of shares for cancellation	14	(1,749,131)	(9,829)	—	—	(1,227)	—	(11,056)
Share-based compensation	13	178,702	1,761	—	2,468	(1,202)	—	3,027
Net earnings		—	—	—	—	33,982	—	33,982
Dividends declared	14	—	—	—	—	(40,404)	—	(40,404)
Other comprehensive income		—	—	—	—	—	1,670	1,670
<b>Balance at December 31, 2023</b>		<b>83,158,315</b>	<b>467,347</b>	<b>7,085</b>	<b>13,087</b>	<b>(393,471)</b>	<b>(6,128)</b>	<b>87,920</b>

See accompanying notes to the consolidated financial statements.

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

<i>(thousands of dollars)</i>	<i>notes</i>	<b>2023</b>	<b>2022<sup>(1)</sup></b>
<b>Operating Activities</b>			
Net earnings		<b>33,982</b>	69,554
Adjustments for:			
Share-based compensation		<b>3,027</b>	2,640
Depreciation and amortization	<b>6, 7</b>	<b>32,225</b>	32,124
Net finance costs	<b>11, 18, 20</b>	<b>15,493</b>	16,869
Current taxes	<b>20, 21</b>	<b>6,412</b>	2,621
Deferred taxes	<b>20, 21</b>	<b>4,009</b>	(2,667)
Defined benefit plan expenses	<b>23</b>	<b>1,245</b>	914
Defined benefit plan contributions	<b>23</b>	<b>(2,560)</b>	(3,184)
Gain on sale of retirement living segment, net of tax	<b>20</b>	—	(67,920)
Gain on sale of SK LTC homes, net of tax	<b>20</b>	—	(6,317)
Gain on sale of assets to joint venture, net of tax	<b>4</b>	<b>(8,720)</b>	—
Share of profit from investment in joint venture	<b>9</b>	<b>(20)</b>	—
Other income and expense	<b>17</b>	—	4,942
		<b>85,093</b>	49,576
Net change in operating assets and liabilities			
Accounts receivable		<b>(29,200)</b>	4,042
Other assets		<b>2,432</b>	1,400
Accounts payable and accrued liabilities		<b>(14,427)</b>	48,774
		<b>43,898</b>	103,792
Interest paid, net		<b>(11,649)</b>	(14,946)
Income taxes (paid) received, net		<b>(8,965)</b>	10,023
<b>Net cash from operating activities</b>		<b>23,284</b>	98,869
<b>Investing Activities</b>			
Purchase of property, equipment and other intangible assets	<b>6, 7</b>	<b>(129,413)</b>	(101,629)
Change in other assets	<b>8</b>	<b>2,540</b>	4,129
Proceeds from sale of retirement living segment, net of taxes paid	<b>20</b>	—	245,631
Proceeds from sale of SK LTC homes, net of taxes paid	<b>20</b>	—	7,513
Proceeds from sale of assets to joint venture	<b>4</b>	<b>66,927</b>	—
Investment in joint ventures	<b>9</b>	<b>(25,373)</b>	—
Distributions from investment in joint venture	<b>26</b>	<b>866</b>	—
<b>Net cash (used in) from investing activities</b>		<b>(84,453)</b>	155,644
<b>Financing Activities</b>			
Issuance of long-term debt	<b>11</b>	<b>38,962</b>	36,393
Repayment of long-term debt and lease liabilities	<b>11, 20</b>	<b>(20,289)</b>	(150,622)
Change in restricted cash		<b>1,972</b>	326
Purchase of shares for cancellation	<b>14</b>	<b>(11,056)</b>	(35,023)
Dividends paid	<b>14</b>	<b>(40,432)</b>	(42,551)
Financing costs	<b>11</b>	<b>(85)</b>	(382)
<b>Net cash used in financing activities</b>		<b>(30,928)</b>	(191,859)
(Decrease) increase in cash and cash equivalents		<b>(92,097)</b>	62,654
Cash and cash equivalents at beginning of period		<b>167,281</b>	104,627
<b>Cash and cash equivalents at end of period</b>		<b>75,184</b>	167,281

<sup>(1)</sup>Certain comparative information has been reclassified to conform to the current year presentation. See accompanying notes to the 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 in operation since 1968. The Company is a leading provider of care and services for seniors across Canada, operating under the Extendicare, ParaMed, Extendicare Assist and SGP Purchasing Partner Network ("SGP") 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.

## 2. BASIS OF PREPARATION

### a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). These consolidated financial statements were approved by the board of directors (the "Board") on March 7, 2024.

### 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 Judgment

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, 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. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below. The recorded amounts for such items are based on management's best available information and are subject to assumptions and judgment, which may change as time progresses; accordingly, actual results could differ from estimates.

A more subjective estimate is the determination of the recoverable amount of cash-generating units ("CGUs") subject to an impairment test in accordance with IAS 36 *Impairment of assets*. In addition, the assessment of contingencies and provisions are subject to judgment, the gain on sale of assets to the joint ventures includes variable consideration, and the measurement of variable consideration is subject to judgment.

## 3. MATERIAL 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) 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.

### c) Property and Equipment

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

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 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. 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

### d) 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.

### e) 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 a 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 judgment 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.

## f) 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 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
Operational entitlements	7 to 30 years
Computer software licences	5 to 7 years
Internal development costs for software	Useful life of software

## g) 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 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 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 normalized earnings before interest, depreciation and amortization and the 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, and estimated market capitalization or discount rate.

Goodwill is allocated to its respective CGUs for the purpose of impairment testing. 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 judgment, 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.

## **h) 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.

## **i) 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.

## **j) Provisions**

Provisions comprise estimated decommissioning 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 assessment of the time value of money and the risks specific to the obligation. Any increase in the provision due to passage of time is recognized as accretion expense 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.

### **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.

## **k) 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.

## **l) 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.

## **m) 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 LTC 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's managed services are composed of its management, consulting and group purchasing divisions. Through the Extencare Assist division, the Company provides management, consulting and other services to third parties and joint ventures to which the Company is a party; and through the SGP 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. Rates are contractual, 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.

## **n) Finance Costs, Finance Income, and Deferred Financing Costs**

Finance costs include: interest expense on long-term debt; accretion of the discount on 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.

## **o) 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.

## **p) 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.

## **q) New Accounting Policy Adopted**

### **JOINT VENTURES**

Joint ventures are accounted for in the Company's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the joint venture from the date of acquisition, increased by the Company's contributions and reduced by distributions received. The Company's share of joint venture profit or loss is included in the consolidated statements of earnings.

Unrealized gains and losses arising from transactions with the joint ventures are eliminated against the investment in the

joint ventures to the extent of the Company's interest in the joint ventures; unrealized losses are eliminated to the extent that there is no evidence of impairment.

## r) Future Changes in Accounting Policies

### CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

Beginning on 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. The adoption of these amendments is not expected to have a material impact on the consolidated financial statements.

## 4. SIGNIFICANT TRANSACTIONS

### Revera Transactions

On March 1, 2022, the Company entered into agreements with Revera Inc. and its affiliates ("Revera") to acquire a 15% managed interest in AXR Operating (National) LP (now Axiom Extendicare LTC II LP ("Axiom JV II")), which owns 19 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 continues to be owned by Axiom LTC Limited Partnership (with its affiliates, "Axiom") and Extendicare is operating the homes in consideration for a customary management fee.

In addition, the Company entered into management contracts with Revera to manage all of Revera's other LTC homes, which comprise 30 Class C homes located in Ontario and one personal care home located in Manitoba, and has offered employment to Revera's head office LTC personnel. In addition, the Company entered 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 granted the Company (either alone or with Axiom) a right to participate in any redevelopment of Revera's 30 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.

On August 1, 2023, Extendicare completed the Revera Transactions.

The aggregate consideration paid for the acquisition of the joint venture interest and rights to manage the 56 homes was \$69.7 million, comprised of cash proceeds, net of holdbacks, of \$32.6 million and the assumption of Extendicare's prorated share of fixed rate mortgages within the joint venture of \$37.1 million, subject to post-closing adjustments. Included in the purchase price, and recorded as an intangible asset, was \$20.8 million for the rights to manage the operations of the 56 homes.

### Axiom Transaction

On March 1, 2022, the Company entered into an agreement with Axiom in respect of the formation of a joint venture, Axiom Extendicare LTC LP ("Axiom JV"), to jointly redevelop certain of Extendicare's existing Ontario Class C homes. Axiom owns an 85% interest in the joint venture and Extendicare has the remaining 15% managed interest. The Company continues 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 transaction with Axiom, Extendicare and Axiom entered into a master development agreement pursuant to which Extendicare granted Axiom 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 in the future should the parties so choose. 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 Axiom participates. Upon receipt of necessary redevelopment approvals, the homes would be acquired by Axiom JV and the Company would operate the homes on the same terms as it will operate the homes acquired in the Revera Acquisition.

On September 13, 2023, Extendicare completed the sale of four of its redevelopment projects, Sudbury, Kingston, Stittsville, and Peterborough (960 LTC beds), to Axiom JV, in which Extendicare has a 15% managed interest (the "Axiom Transaction") for an aggregate purchase price of \$147.3 million, before assumption of debt of \$72.3 million. The net book value was \$135.8 million, resulting in a gain, net of taxes, certain closing costs and other costs of \$8.7 million. The gain is also net of \$2.7 million of gain eliminated related to the Company's 15% interest in the joint venture.

**5. ACCOUNTS RECEIVABLE**

	2023	2022
Trade receivables	87,201	61,908
Other receivables	3,431	1,353
<b>Accounts receivable</b>	<b>90,632</b>	<b>63,261</b>
Less: trade receivable allowance	(2,262)	(2,095)
<b>Accounts receivable, net of allowance</b>	<b>88,370</b>	<b>61,166</b>

**6. PROPERTY AND EQUIPMENT**

	Land & Land Improvements	Buildings & Leasehold Improvements	Right-of- use Assets	Furniture & Equipment	Construction in Progress ("CIP")	Projects in Progress ("PIP")	Total
<b>Cost</b>							
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
Derecognition	(2)	(1,565)	(1,669)	(2,021)	—	—	(5,257)
Transfers	94	11,569	—	1,107	—	(12,770)	—
Disposal of retirement living operations (Note 20)	(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
Additions	<b>628</b>	<b>2,252</b>	<b>1,251</b>	<b>5,969</b>	<b>62,951</b>	<b>10,600</b>	<b>83,651</b>
Derecognition	—	<b>(1)</b>	<b>(803)</b>	<b>(80)</b>	—	—	<b>(884)</b>
Sale of assets to joint venture (Note 4)	—	—	—	—	<b>(150,573)</b>	—	<b>(150,573)</b>
Transfers	<b>948</b>	<b>6,782</b>	—	<b>6,536</b>	—	<b>(14,266)</b>	—
<b>December 31, 2023</b>	<b>38,764</b>	<b>344,301</b>	<b>106,440</b>	<b>78,838</b>	<b>33,043</b>	<b>7,417</b>	<b>608,803</b>

	Land & Land Improvements	Buildings & Leasehold Improvements	Right-of- use Assets	Furniture & Equipment	CIP	PIP	Total
<b>Accumulated Depreciation and Impairment Losses</b>							
January 1, 2022	5,968	211,021	44,059	32,524	—	—	293,572
Depreciation	537	14,330	5,832	7,046	—	—	27,745
Derecognition	(2)	(1,565)	(1,669)	(2,021)	—	—	(5,257)
Impairment losses (Note 17)	133	4,505	—	304	—	—	4,942
Disposal of retirement living operations (Note 20)	(555)	(29,381)	(4)	(3,172)	—	—	(33,112)
December 31, 2022	6,081	198,910	48,218	34,681	—	—	287,890
Depreciation	<b>531</b>	<b>11,153</b>	<b>5,932</b>	<b>8,023</b>	—	—	<b>25,639</b>
Derecognition	—	<b>(1)</b>	<b>(577)</b>	<b>(45)</b>	—	—	<b>(623)</b>
<b>December 31, 2023</b>	<b>6,612</b>	<b>210,062</b>	<b>53,573</b>	<b>42,659</b>	—	—	<b>312,906</b>
<b>Carrying Amounts</b>							
December 31, 2022	31,107	136,358	57,774	31,732	120,665	11,083	388,719
<b>December 31, 2023</b>	<b>32,152</b>	<b>134,239</b>	<b>52,867</b>	<b>36,179</b>	<b>33,043</b>	<b>7,417</b>	<b>295,897</b>

## 7. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Operational Entitlements <sup>(1)</sup>	Software and Other Intangible Assets	Total
<b>Cost</b>				
January 1, 2022	45,850	—	78,486	124,336
Additions	—	—	10,951	10,951
Disposal of retirement living operations (Note 20)	—	—	(2,928)	(2,928)
Derecognition	—	—	(67)	(67)
December 31, 2022	45,850	—	86,442	132,292
Additions	—	20,809	13,020	33,829
<b>December 31, 2023</b>	<b>45,850</b>	<b>20,809</b>	<b>99,462</b>	<b>166,121</b>

<sup>(1)</sup> Amounts related to operational entitlements as part of the transactions with Revera and Axium (Note 4).

	Goodwill	Operational Entitlements	Software and Other Intangible Assets	Total
<b>Accumulated Amortization</b>				
January 1, 2022	—	—	31,852	31,852
Amortization	—	—	4,379	4,379
Disposal of retirement living operations (Note 20)	—	—	(936)	(936)
Derecognition	—	—	(67)	(67)
December 31, 2022	—	—	35,228	35,228
Amortization	—	550	6,036	6,586
<b>December 31, 2023</b>	<b>—</b>	<b>550</b>	<b>41,264</b>	<b>41,814</b>
<b>Carrying Amounts</b>				
December 31, 2022	45,850	—	51,214	97,064
<b>December 31, 2023</b>	<b>45,850</b>	<b>20,259</b>	<b>58,198</b>	<b>124,307</b>

## 8. OTHER ASSETS

	2023	2022
Construction funding subsidy receivable	29,602	32,142
Supply inventory	4,899	8,260
Prepayments and other	20,675	14,048
<b>Total other assets</b>	<b>55,176</b>	54,450
Less: current portion	(20,199)	(23,982)
<b>Other assets, non-current portion</b>	<b>34,977</b>	30,468

### Construction Funding Subsidy Receivable

Construction funding subsidy receivable represents discounted amounts receivable from the Government of Ontario with respect to construction funding subsidies for LTC homes. As at December 31, 2023, the current portion of construction funding subsidy receivable was \$1.7 million (December 31, 2022 – \$2.5 million). These subsidies represent funding for a portion of LTC home construction costs over a 20-year to 25-year period. The weighted average remaining term of this funding is 14 years.

## Supply Inventory

As at December 31, 2022, supply inventory was 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 \$28.7 million (December 31, 2022 – \$29.5 million), to lock in a rate of 5.40% for the full term of the loan, maturing in April 2027.

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, 2023, the interest rate swap was classified as an asset of \$0.1 million (December 31, 2022 – asset of \$0.2 million).

## 9. JOINT VENTURES

The Company has investments in the following joint ventures, each of which are accounted for using the equity method:

	<b>December 31, 2023</b>
Interest in Axium JV II - 15% ownership	<b>16,637</b>
Interest in Axium JV - 15% ownership	<b>7,890</b>
<b>Total</b>	<b>24,527</b>

The assets and liabilities of the joint ventures for the periods below including fair value adjustments at acquisition and a reconciliation to the carrying amount of Extencicare's interest are as follows:

	<b>December 31, 2023</b>
Current assets (including cash and cash equivalents - \$31,548)	<b>41,873</b>
Non-current assets	<b>607,142</b>
<b>Total assets</b>	<b>649,015</b>
Current liabilities (Current portion of long-term debt - \$78,160)	<b>195,841</b>
Long-term debt	<b>292,362</b>
<b>Total liabilities</b>	<b>488,203</b>
<b>Total net assets (100%)</b>	<b>160,812</b>
Company share of net assets (15%)	<b>24,527</b>
<b>Carrying amount of investment in joint ventures</b>	<b>24,527</b>

	<b>2023</b>
Investment in joint ventures as at December 31, 2022	—
Investment in joint ventures	<b>25,373</b>
Distributions from investment in joint venture	<b>(866)</b>
Share of profit from investment in joint ventures	<b>20</b>
<b>Investment in joint ventures as at December 31, 2023</b>	<b>24,527</b>

Financial information of the joint ventures for the period after the Revera Transactions were concluded are as follows:

	<b>2023</b>
<b>Revenue</b>	<b>140,223</b>
Operating expenses	<b>131,295</b>
Administrative costs	<b>14</b>
<b>Earnings before depreciation, amortization, and net finance costs</b>	<b>8,914</b>
Depreciation and amortization	<b>4,717</b>
Other expense	<b>146</b>
Net finance costs	<b>3,917</b>
<b>Net income (100%)</b>	<b>134</b>
<b>Company share of net income (15%)</b>	<b>20</b>

## 10. PROVISIONS

	<b>Decommissioning Provisions</b>
January 1, 2022	11,312
Provisions used	(53)
Reclassification to liabilities directly associated with assets held for sale ( <i>Note 20</i> )	(888)
Accretion	141
December 31, 2022	10,512
Accretion	<b>370</b>
Change in measurement	<b>(539)</b>
<b>December 31, 2023</b>	<b>10,343</b>

### 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, 2022 - \$12.3 million) was discounted using a rate of 3.18% (December 31, 2022 - 3.37%) over an average estimated time to settle of 5 years.

## 11. LONG-TERM DEBT

	<b>Interest Rate</b>	<b>Year of Maturity</b>	<b>2023</b>	<b>2022</b>
Convertible unsecured subordinated debentures	5.00%	2025	<b>124,867</b>	123,719
CMHC mortgages, fixed rate	2.65% - 7.70%	2024 - 2037	<b>39,878</b>	43,498
CMHC mortgages, variable rate	Variable	2025	<b>20,507</b>	21,121
Non-CMHC mortgages and loans	3.49% - 5.64%	2025 - 2038	<b>99,499</b>	103,248
Construction facilities and loans	N/A	N/A	—	33,288
Lease liabilities <sup>(1)</sup>	3.53% - 5.50%	2024 - 2029	<b>52,447</b>	63,502
Total debt			<b>337,198</b>	388,376
Deferred financing costs			<b>(2,682)</b>	(4,402)
Total debt, net of deferred financing costs			<b>334,516</b>	383,974
Less: current portion			<b>(19,879)</b>	(19,239)
<b>Long-term debt</b>			<b>314,637</b>	364,735

<sup>(1)</sup> 'Year of Maturity' excludes options to extend the lease term at the end of the non-cancellable lease term.

### Principal Repayments

	<b>Convertible Debentures</b>	<b>Mortgages and Loans Regular</b>	<b>Maturity</b>	<b>Lease Liabilities</b>	<b>Total</b>
2024	—	8,278	—	15,529	23,807
2025	126,500	7,276	35,921	15,028	184,725
2026	—	6,831	—	14,011	20,842
2027	—	5,115	25,954	7,235	38,304
2028	—	5,712	—	2,021	7,733
Thereafter	—	56,924	7,873	6,593	71,390
<b>Total debt principal and lease liability repayments</b>	126,500	90,136	69,748	60,417	346,801
Unamortized accretion of 2025 convertible debentures	(1,633)	—	—	—	(1,633)
Interest on lease liabilities	—	—	—	(7,970)	(7,970)
<b>Principal and lease liabilities, after accretion and interest</b>	124,867	90,136	69,748	52,447	337,198

## Long-term Debt Continuity

	2023	2022
As at January 1	383,974	536,851
Issuance of long-term debt	38,962	36,393
New lease liabilities	1,251	5,476
Accretion and other	1,148	1,001
Repayments <sup>(i)</sup>	(7,983)	(136,687)
Payment of lease liabilities	(12,306)	(11,304)
Increase in deferred financing costs	(85)	(382)
Amortization of deferred financing costs and other <sup>(i)</sup>	1,805	6,077
Assumed debt related to the Retirement Living Sale (Note 20)	—	(53,451)
Assumed debt related to the Axium Transaction (Note 4)	(72,250)	—
<b>As at end of period</b>	<b>334,516</b>	<b>383,974</b>

<sup>(i)</sup> Includes amounts related to the Retirement Living Sale in comparative period (Note 20).

## 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 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 basis points.

## 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 \$0.1 million for the year ended December 31, 2023 (December 31, 2022 – gain of \$0.3 million), recorded in net finance costs.

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

## Construction Facilities

	2023	2022
Construction facilities	92,500	156,573
Amount drawn down, end of period	—	(33,288)
<b>Construction facilities available</b>	<b>92,500</b>	<b>123,285</b>

On September 13, 2023, Axium JV assumed the construction facilities upon closing of the Axium Transaction. The Company continues to guarantee a portion of these construction facilities (Notes 4, 22).

In December 2023, the Company secured a \$92.5 million construction facility in connection with its 256-bed LTC redevelopment project in Orleans, Ontario. The facility bears interest at a fixed rate of 5.72%, includes a construction period that commences after the initial drawdown and converts to a 25-year non-revolving term loan no later than 30 months after the initial drawdown. Interest is capitalized during construction. As at December 31, 2023, the amount drawn down is nil. Subsequent to December 31, 2023, the Company entered into an agreement of purchase and sale to sell this redevelopment project to, and have the related construction facility assumed by, Axiom JV, subject to customary closing conditions, including receipt of regulatory approvals (*Note 22*).

## Lease Liabilities

Lease liabilities include leases on LTC homes and head and district offices. The Company operates nine Ontario LTC 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, 2023, the Company has recognized new and renewed district office lease liabilities of \$1.3 million (December 31, 2022 – \$5.5 million).

## Credit Facilities

The Company has two demand credit facilities totalling \$112.3 million. One is secured by 14 Class C LTC 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, 2023, \$27.3 million of the facilities secure the Company's defined benefit pension plan obligations (December 31, 2022 – \$30.5 million), \$8.0 million secures the Company's obligation to fund capital contributions to the joint ventures in connection with construction of LTC redevelopment projects within the joint ventures, and \$6.1 million was used in connection with obligations relating to LTC homes (December 31, 2022 – \$4.8 million), leaving \$70.9 million unutilized (December 31, 2022 – \$77.0 million).

## Interest Rates

The weighted average interest rate of all long-term debt as at December 31, 2023, was approximately 5.4% (December 31, 2022 – 5.5%).

## Financial Covenants

The Company is subject to debt service coverage covenants on certain of its loans. The Company was in compliance with all of these covenants as at December 31, 2023.

## 12. OTHER LONG-TERM LIABILITIES

	2023	2022
Accrued pension and benefits obligation ( <i>Note 23</i> )	19,570	23,757
Other	3,781	—
<b>Other long-term liabilities</b>	<b>23,351</b>	<b>23,757</b>

## 13. 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:

<i>(number of units)</i>	PSUs	
	2023	2022
Settled in Common Shares issued from treasury	178,702	177,425
Settled in cash	180,313	350,198
<b>PSUs settled during the period</b>	<b>359,015</b>	<b>527,623</b>

The Company's DSUs and PSUs were an expense of \$4.2 million for the year ended December 31, 2023 (December 31, 2022 – \$5.1 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:

	<b>2023</b>	<b>2022</b>
Contributed surplus – DSUs	<b>6,240</b>	4,994
Contributed surplus – PSUs	<b>6,847</b>	5,625
<b>Total</b>	<b>13,087</b>	10,619

As at December 31, 2023, an aggregate of 3,884,611 (December 31, 2022 – 4,063,313) Common Shares were reserved and available for issuance pursuant to the LTIP.

DSU and PSU activity was as follows:

<i>(number of units)</i>	<b>DSUs</b>		<b>PSUs</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Units outstanding, beginning of year	<b>670,671</b>	507,811	<b>1,302,586</b>	1,176,273
Granted	<b>133,874</b>	125,018	<b>541,178</b>	582,875
Reinvested dividend equivalents	<b>53,268</b>	37,842	<b>102,286</b>	92,478
Forfeited	—	—	<b>(100,194)</b>	(21,417)
Settled	—	—	<b>(359,015)</b>	(527,623)
<b>Units outstanding, end of year</b>	<b>857,813</b>	670,671	<b>1,486,841</b>	1,302,586
Weighted average fair value of units granted during the period at grant date	<b>\$6.64</b>	\$6.92	<b>\$6.35</b>	\$8.07

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 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:

	<b>2023</b>			<b>2022</b>	
Grant date	<b>November 21, 2023</b>	<b>August 22, 2023</b>	<b>March 14, 2023</b>	September 6, 2022	March 11, 2022
Vesting date	<b>March 14, 2026</b>	<b>March 14, 2026</b>	<b>March 14, 2026</b>	March 11, 2025	March 11, 2025
PSUs granted	<b>9,288</b>	<b>2,088</b>	<b>529,802</b>	49,375	533,500
Fair value of AFFO component	<b>\$3.25</b>	<b>\$3.30</b>	<b>\$3.16</b>	\$3.60	\$3.87
Fair value of TSR component	<b>\$3.34</b>	<b>\$3.25</b>	<b>\$3.19</b>	\$4.06	\$4.24
Grant date fair value	<b>\$6.59</b>	<b>\$6.55</b>	<b>\$6.35</b>	\$7.66	\$8.11
Expected volatility of the Company's Common Shares	<b>18.48 %</b>	<b>17.79 %</b>	<b>19.18 %</b>	23.72 %	31.52 %
Expected volatility of the Index	<b>16.94 %</b>	<b>16.06 %</b>	<b>16.43 %</b>	16.29 %	22.00 %
Risk-free rate	<b>4.32 %</b>	<b>4.68 %</b>	<b>3.50 %</b>	3.56 %	1.67 %
Dividend yield	<b>nil</b>	<b>nil</b>	<b>nil</b>	nil	nil

## 14. 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, 2023 and 2022, the Company declared cash dividends of \$0.48 per share.

In June 2023, the Company received approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase for cancellation up to 7,273,707 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, 2023, and

provides the Company with flexibility to purchase Common Shares for cancellation until June 29, 2024, 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 36,281 Common Shares. During the year ended December 31, 2023, the Company purchased 1,121,631 Common Shares at a cost of \$7.0 million, representing a weighted average price per share of \$6.23.

Under its prior NCIB that commenced on June 30, 2022 and ended on June 29, 2023, the Company purchased 5,638,680 Common Shares at a cost of \$39.1 million, representing a weighted average price per share of \$6.94, of which 627,500 were acquired during 2023 at a cost of \$4.1 million, representing a weighted average price per share of \$6.53.

## 15. REVENUE

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 LTC revenue (December 31, 2022 – 77%), and approximately 99% of the home health care revenue for 2023 (December 31, 2022 – 99%).

## 16. EXPENSES BY NATURE

	2023	2022 <sup>(1)</sup>
Employee wages and benefits	1,024,898	979,446
Food, drugs, supplies and other variable costs	67,149	72,834
Property based and leases	63,713	56,835
Other	54,010	55,008
<b>Total operating expenses and administrative costs from continuing operations</b>	<b>1,209,770</b>	<b>1,164,123</b>

<sup>(1)</sup>Certain comparative information has been reclassified to conform to the current year presentation.

## 17. OTHER INCOME AND EXPENSE

	2023	2022
Impairment ( <i>Notes 6, 7</i> )	—	4,942
Strategic transformation costs	11,806	9,011
Gain on sale of assets to joint venture ( <i>Note 4</i> )	(9,120)	—
<b>Total other expense from continuing operations</b>	<b>2,686</b>	<b>13,953</b>

## Impairment

### GOODWILL

The Company completed its annual impairment assessment of the carrying value of goodwill. There was no impairment of goodwill during the years ended December 31, 2023 and December 31, 2022.

### PROPERTY AND EQUIPMENT

During the year ended December 31, 2023, the Company did not record any impairment charges.

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 LTC 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.

The Company completes the assessment of the recoverable amount of its CGUs 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 maintenance capital 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 15.4%, derived from third-party information.

## Strategic Transformation Costs

During the year ended December 31, 2023, the Company incurred costs related to the strategic transformation of the Company related to the transactions with Revera and Axiom in respect of the ownership, operation and redevelopment of LTC homes (*Note 4*). Costs incurred include transaction, legal, regulatory, IT integration and management transition costs of \$11.8 million (December 31, 2022 – \$9.0 million).

**18. NET FINANCE COSTS**

	2023	2022 <sup>(1)</sup>
Interest expense	20,630	20,612
Interest revenue	(6,192)	(5,018)
Accretion	974	1,227
Other	81	(383)
<b>Net finance costs from continuing operations</b>	<b>15,493</b>	<b>16,438</b>

<sup>(1)</sup>Certain comparative information has been reclassified to conform to the current year presentation.

**19. 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.

	2023	2022
<b>Numerator for Basic and Diluted Earnings per Share</b>		
<b>Earnings (loss) from continuing operations</b>		
Net earnings for basic earnings per share	33,982	69,554
Less: earnings from discontinued operations, net of tax	—	(74,065)
Earnings (loss) from continuing operations for basic earnings per share	33,982	(4,511)
Add: after-tax interest on convertible debt	6,338	6,286
Earnings from continuing operations for diluted earnings per share	40,320	1,775
<b>Net earnings</b>		
Net earnings for basic earnings per share	33,982	69,554
Add: after-tax interest on convertible debt	6,338	6,286
Net earnings for diluted earnings per share	40,320	75,840
<b>Denominator for Basic and Diluted Earnings per Share</b>		
Actual weighted average number of shares	84,237,271	88,439,654
Actual weighted average number of DSUs	748,344	569,138
Weighted average number of shares for basic earnings per share	84,985,615	89,008,792
Shares issued if all convertible debt was converted	10,326,531	10,326,531
PSUs	907,281	680,042
Total for diluted earnings per share	96,219,427	100,015,365
<b>Basic Earnings per Share (in dollars)</b>		
Earnings (loss) from continuing operations	\$0.40	\$(0.05)
Earnings from discontinued operations	\$0.00	\$0.83
Net earnings	\$0.40	\$0.78
<b>Diluted Earnings per Share (in dollars)</b>		
Earnings (loss) from continuing operations	\$0.40	\$(0.05)
Earnings from discontinued operations	\$0.00	\$0.74
Net earnings	\$0.40	\$0.76

## 20. DISCONTINUED OPERATIONS

On May 16, 2022, the Company completed the sale of its retirement living operations to Sienna-Sabra LP. In addition, on October 9, 2022, the Company completed the transition of the operations and delivery of care services of its Saskatchewan long-term care homes ("SK LTC Homes") to the Saskatchewan Health Authority ("SHA"), including the sale of the property and equipment, certain assets and the assumption of certain liabilities by the SHA.

Financial information of the discontinued operations in the consolidated statements of earnings is set out below:

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

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

For the year ended December 31, 2022	<b>Retirement Living</b>	<b>SK LTC Homes</b>	<b>Total</b>
<b>Cash Flows from Discontinued Operations</b>			
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

## 21. 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:

	2023	2022
Earnings (loss) from continuing operations before income taxes	44,803	(4,496)
Tax rate	26.5 %	26.5 %
Income taxes (recovery) at statutory rates of 26.5%	11,873	(1,191)
Income tax effect relating to the following items:		
Non-deductible items	1,089	1,387
Non-taxable income	(2,139)	(119)
Other items	(2)	(62)
<b>Income tax expense from continuing operations</b>	<b>10,821</b>	<b>15</b>

### Summary of Operating and Capital Loss Carryforwards

The Company and its subsidiaries have no operating loss carryforwards available as at December 31, 2023 (December 31, 2022 – \$3.2 million), which are recognized in deferred tax assets. Capital loss carryforwards of \$71.5 million (December 31, 2022 – \$71.6 million) which have not been tax benefited, are available indefinitely to apply against future capital gains.

### Recognized Deferred Tax Assets and Liabilities

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.

Net deferred tax liabilities changed in 2023 to \$4.2 million (deferred tax liabilities of \$10.1 million net of deferred tax assets of \$5.9 million) from a net deferred tax asset position of \$0.4 million (deferred tax liabilities of \$6.9 million net of deferred tax assets of \$7.3 million) at December 31, 2022.

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, 2023	Recognized in Net Earnings	Recognized in Other Comprehensive Income	Recognized in Discontinued Operations	Other	Balance December 31, 2023
Property and equipment, goodwill and other intangible assets	21,598	2,922	—	—	—	24,520
Provisions	(3,040)	129	—	—	—	(2,911)
Accrued pension and benefits obligation	(6,911)	348	602	—	—	(5,961)
Operating loss carryforwards	(851)	851	—	—	—	—
Other	(11,197)	(241)	—	—	(1)	(11,439)
<b>Deferred tax (assets)/ liabilities, net</b>	<b>(401)</b>	<b>4,009</b>	<b>602</b>	<b>—</b>	<b>(1)</b>	<b>4,209</b>

	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 <sup>(1)</sup>	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)

## 22. COMMITMENTS AND CONTINGENCIES

### Commitments

As at December 31, 2023, the Company has outstanding commitments in connection with construction contracts for its LTC redevelopment projects. The Company also has outstanding commitments in connection with various IT service and licence 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
2024	26,241	13,424	39,665
2025 and thereafter	43,374	5,186	48,560
<b>Total</b>	<b>69,615</b>	<b>18,610</b>	<b>88,225</b>

On October 10, 2023, the Company entered into a \$71.7 million fixed-price construction agreement in connection with the construction of a new 256-bed LTC home in Orleans, Ontario. Construction commenced in the fourth quarter of 2023 and the home is targeted to open in the second quarter of 2026.

In December 2023, the Company entered into agreements to sell the land and buildings associated with its Sudbury (Falconbridge) and Kingston Class C LTC homes (in total, 464 beds), (collectively, the "Dispositions"), which are scheduled to close in 2024 when the corresponding redevelopment projects currently under construction in Axiom JV are completed. The Sudbury (Countryside) and Kingston (Limestone Ridge) redevelopment projects in Axiom JV are expected to open in the first and third quarters of 2024, respectively; each respective sale is expected to close shortly thereafter. The Dispositions are subject to certain conditions. Proceeds from the Dispositions, before transaction costs and taxes, are expected to be \$5.3 million in respect of Sudbury (Falconbridge) and \$3.8 million in respect of Kingston.

In March 2024, the Company entered into an agreement of purchase and sale to sell its Orleans, Ontario 256 funded LTC beds currently under construction to Axiom JV, with Extencicare retaining a 15% managed interest. The transaction is anticipated to close in the second quarter of 2024, subject to customary closing conditions, including receipt of regulatory approvals from the Ontario Ministry of Long-Term Care.

### Guarantees

The Company provides unsecured guarantees related to certain credit facilities held by its joint ventures; namely, construction loans and letter of credit facilities in support of ongoing construction of joint venture LTC redevelopment projects and term loans and lease-up credit facilities for operating joint venture LTC homes. As at December 31, 2023, 24 LTC homes within the joint ventures have existing credit facilities available of up to \$610.7 million. The guarantees provided by the Company vary depending upon the joint venture and the project, but are typically either on a joint and several basis for 50% of the loan amount or on a several basis for 15% of the loan amount or some lesser portion thereof. The amount of the guarantees will vary as borrowings increase on projects under construction and reduce as homes move into operations when guarantee requirements are generally lower. As at December 31, 2023, the Company has provided unsecured guarantees of \$98.5 million in support of the credit facilities held by its joint ventures.

The joint ventures are subject to debt service coverage covenants on certain of their respective credit facilities. The joint ventures were in compliance with the covenants as at December 31, 2023.

## 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, four active class actions against the Company in Ontario were consolidated 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. On March 7, 2024, the consolidated claim was certified against the Company, but only in respect of the Ontario LTC homes it owns and with a gross negligence cause of action. The Company and/or the plaintiffs may appeal the decision in whole or in part.

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 LTC 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, 2023. This matter could have a materially adverse impact on the Company's business, results of operations and financial condition.

## 23. 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	
	2023	2022	2023	2022	2023	2022
Fair value of plan assets	3,997	4,222	2,545	1,998	6,542	6,220
Present value of obligations	5,261	5,646	23,775	26,655	29,036	32,301
<b>Deficit</b>	<b>(1,264)</b>	<b>(1,424)</b>	<b>(21,230)</b>	<b>(24,657)</b>	<b>(22,494)</b>	<b>(26,081)</b>

### 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

	2023	2022
<b>Present Value of Defined Benefit Obligations</b>		
Accrued benefit obligations		
Balance at beginning of year	32,301	39,783
Current service cost	14	20
Benefits paid	(2,539)	(2,667)
Interest costs	1,538	1,064
Actuarial gain	(2,278)	(5,899)
Balance at end of year	29,036	32,301
Plan assets		
Fair value at beginning of year	6,220	6,029
Employer contributions	595	705
Actual loss on plan assets	(6)	(496)
Interest income on plan assets	307	170
Benefits paid	(574)	(188)
Fair value at end of year	6,542	6,220
<b>Defined benefit obligations</b>	<b>22,494</b>	<b>26,081</b>

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

	2023	2022
Accounts payable and accrued liabilities	2,924	2,324
Other long-term liabilities ( <i>Note 12</i> )	19,570	23,757
<b>Defined benefit obligations, end of year</b>	<b>22,494</b>	<b>26,081</b>

#### EFFECT OF CHANGES TO DEFINED BENEFIT OBLIGATIONS

	2023	2022
<b>Expenses Recognized in Net Earnings</b>		
Annual benefit plan expenses		
Current service cost	14	20
Interest costs	1,231	894
<b>Defined benefit plan expenses included in administrative costs</b>	<b>1,245</b>	<b>914</b>
<b>Actuarial Gain Recognized in Other Comprehensive Income</b>		
Amount in accumulated deficit at January 1	(7,747)	(11,717)
Actuarial gain arising from changes in liability experience and assumption changes	2,278	5,899
Loss on assets	(6)	(496)
Income tax expense on actuarial gain	(602)	(1,433)
<b>Amount in accumulated deficit at December 31</b>	<b>(6,077)</b>	<b>(7,747)</b>

**PLAN ASSETS**

	<b>2023</b>	<b>2022</b>
Equities	<b>53 %</b>	52 %
Fixed income securities	<b>39 %</b>	40 %
Real estate / commercial mortgage	<b>8 %</b>	8 %
	<b>100 %</b>	100 %

**ACTUARIAL ASSUMPTIONS**

	<b>2023</b>	<b>2022</b>
Discount rate for accrued obligation at end of year	<b>4.60 %</b>	5.00 %
Discount rate for plan expenses	<b>5.00 %</b>	2.75 %
Rate of compensation increase	— %	— %
Income Tax Act limit increase	<b>3.00 %</b>	3.00 %
Average remaining service years of active employees	<b>2</b>	2
Mortality table	<b>CPM2014Publ w/ MI-2017</b>	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 2023 by the amounts shown below.

	<b>Increase (Decrease) in Benefit Obligation</b>	<b>Increase (Decrease) in Net Earnings</b>
Discount rate		
1% increase	(2,130)	78
1% decrease	2,457	(110)
Mortality rate		
10% increase	(656)	31
10% decrease	719	(31)

**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, 2023 were \$14.6 million (December 31, 2022 – \$13.0 million).

**24. 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:

<b>As at December 31, 2023</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Less than 1 Year</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>More than 5 Years</b>
Convertible unsecured subordinated debentures	<b>124,867</b>	<b>134,933</b>	6,325	128,608	—	—
CMHC mortgages, fixed rate	<b>39,878</b>	<b>52,399</b>	4,929	4,802	12,955	29,713
CMHC mortgages, variable rate	<b>20,507</b>	<b>21,293</b>	1,466	19,827	—	—
Non-CMHC mortgages and loans	<b>99,499</b>	<b>129,734</b>	9,216	25,185	44,172	51,161
Lease liabilities	<b>52,447</b>	<b>60,417</b>	15,529	15,028	23,267	6,593
Accounts payable and accrued liabilities	<b>203,259</b>	<b>203,259</b>	203,259	—	—	—
Income taxes payable	<b>3,248</b>	<b>3,248</b>	3,248	—	—	—
	<b>543,705</b>	<b>605,283</b>	<b>243,972</b>	<b>193,450</b>	<b>80,394</b>	<b>87,467</b>

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, 2023, the Company has available undrawn credit facilities totalling \$70.9 million (December 31, 2022 – \$77.0 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:

	<b>Carrying Amount</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	<b>75,184</b>	167,281
Restricted cash	<b>729</b>	2,701
Accounts receivable, net of allowance	<b>88,370</b>	61,166
Construction funding subsidy receivable	<b>29,602</b>	32,142
	<b>193,885</b>	263,290

### **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, 2023, receivables from government agencies represented approximately 62% of the total receivables (December 31, 2022 – 70%). 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:

	<b>2023</b>	<b>2022</b>
Current	<b>63,684</b>	46,078
Between 30 and 90 days	<b>14,623</b>	8,476
Over 90 days	<b>8,894</b>	7,354
Less: provision for receivable impairment	<b>(2,262)</b>	(2,095)
	<b>84,939</b>	59,813

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 \$29.6 million (December 31, 2022 – \$32.1 million) of discounted amounts receivable due from government agencies. These represent amounts funded by the Ontario government for a portion of LTC home construction costs over a 20-year or 25-year period (*Note 8*). The Company does not believe there is any credit exposure for these amounts due from government agencies.

### **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, 2023, CMHC variable-rate mortgages of \$20.5 million and construction facilities and loans of nil (December 31, 2022 – \$21.1 million and \$33.3 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 11*).

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:

	<b>2023</b>		<b>2022</b>	
	<b>Percentage of Total Debt</b>	<b>Carrying Amount</b>	<b>Percentage of Total Debt</b>	<b>Carrying Amount</b>
Fixed-rate long-term debt <sup>(i)</sup>	<b>93.9 %</b>	<b>316,691</b>	86.0 %	333,967
Variable-rate long-term debt <sup>(i)</sup>	<b>6.1 %</b>	<b>20,507</b>	14.0 %	54,409
<b>Total</b>	<b>100.0 %</b>	<b>337,198</b>	100.0 %	388,376

<sup>(i)</sup> 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 \$0.2 million and a decrease of 100 basis points in interest rates would have increased net earnings by \$0.2 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

The following table presents the fair value and fair value hierarchy of the Company's financial instruments and excludes financial instruments measured at amortized cost that are short-term in nature. The Carrying amounts of the Company's financial instruments approximate their fair values except for the items presented below.

<b>As at December 31, 2023</b>	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Fair Value Hierarchy</b>
Financial assets			
Construction funding subsidy receivable <sup>(i)</sup>	29,602	28,268	Level 2
	<b>29,602</b>	<b>28,268</b>	
Financial liabilities			
Long-term debt <sup>(i)(ii)</sup>	159,884	157,679	Level 2
Convertible unsecured subordinated debentures	124,867	123,970	Level 1
	<b>284,751</b>	<b>281,649</b>	
<hr/>			
<b>As at December 31, 2022</b>	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Fair Value Hierarchy</b>
Financial assets			
Construction funding subsidy receivable <sup>(i)</sup>	32,142	30,636	Level 2
	32,142	30,636	
Financial liabilities			
Long-term debt <sup>(i)(ii)(iii)</sup>	201,155	193,971	Level 2
Convertible unsecured subordinated debentures	123,719	119,543	Level 1
	324,874	313,514	

<sup>(i)</sup> Includes current portion.

<sup>(ii)</sup> Excludes leases, convertible debentures and netting of deferred financing costs.

<sup>(iii)</sup> Certain comparative information has been reclassified to conform to the current year presentation.

### 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.

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.

## 25. 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.

	2023	2022
Current portion of long-term debt <sup>(i)</sup>	19,879	19,239
Long-term debt <sup>(i)</sup>	314,637	364,735
Total debt	334,516	383,974
Less: cash and cash equivalents	(75,184)	(167,281)
Net debt	259,332	216,693
Share capital	467,347	475,415
<b>Total capital structure</b>	<b>726,679</b>	<b>692,108</b>

<sup>(i)</sup> Net of deferred financing costs.

## 26. RELATED PARTY TRANSACTIONS

### Compensation of Key Management Personnel

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

	2023	2022
Salaries and short-term benefits	3,799	3,480
Share-based compensation	2,804	2,778
<b>Total compensation</b>	<b>6,603</b>	<b>6,258</b>

### Transactions with Joint Ventures

On September 13, 2023, the Company sold four LTC homes under construction to Axium JV. The Company accounted for this transaction as a sale of assets, and has consequently eliminated a portion of the resulting gain of \$2.7 million related to its 15% interest in the joint venture, as an unrealized gain against the investment in the joint venture, to be recognized as other income over the bed licence term of the underlying LTC homes sold into the joint venture. For details on the transaction, see *Note 4*.

Related party transactions occur between the Company and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Except as disclosed elsewhere in these consolidated financial statements, the related party balances are included in accounts receivable and accounts payable, other liabilities, revenue, and other income, as applicable.

As at December 31, 2023, \$5.2 million (December 31, 2022 – nil) of the Company's accounts receivable related to its joint ventures, and \$2.7 million (December 31, 2022 – nil) of the Company's other long-term liabilities related to unrealized gain (*Note 12*). For the year ended December 31, 2023, \$5.6 million (December 31, 2022 – nil) of its revenue related to the joint ventures.

There were \$0.9 million of distributions from the joint ventures to the Company for the year ended December 31, 2023 (December 31, 2022 – nil).

## 27. SIGNIFICANT SUBSIDIARIES

The following is a list of the significant subsidiaries as at December 31, 2023, all of which are 100% directly or indirectly owned by the Company.

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

## 28. SEGMENTED INFORMATION

The Company reports on the following segments: i) LTC; ii) home health care; iii) managed services, composed of its Extendicare Assist and SGP divisions; and iv) the corporate functions, including the Company's joint venture interests, and any intersegment eliminations as "corporate".

The LTC segment represents the 53 LTC 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 Extencare Assist division, the Company provides management, consulting and other services to third parties and joint ventures to which the Company is a party; and through the SGP 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; in the comparative period, the two are treated as discontinued operations and are therefore excluded from continuing operations (Note 20).

	<b>2023</b>				
	<b>Long-term Care</b>	<b>Home Health Care</b>	<b>Managed Services</b>	<b>Corporate</b>	<b>Total</b>
<b>CONTINUING OPERATIONS</b>					
<b>Revenue</b>	<b>788,101</b>	<b>469,085</b>	<b>47,771</b>	<b>—</b>	<b>1,304,957</b>
Operating expenses	706,301	424,927	22,707	—	1,153,935
<b>Net operating income</b>	<b>81,800</b>	<b>44,158</b>	<b>25,064</b>	<b>—</b>	<b>151,022</b>
Administrative costs				55,835	55,835
<b>Earnings before depreciation, amortization, and other</b>					<b>95,187</b>
Depreciation and amortization				32,225	32,225
Other expense				2,686	2,686
Share of profit from investment in joint ventures				(20)	(20)
<b>Earnings before net finance costs and income taxes</b>					<b>60,296</b>
Net finance costs				15,493	15,493
<b>Earnings before income taxes</b>					<b>44,803</b>
Current income tax expense				6,812	6,812
Deferred income tax expense				4,009	4,009
Total income tax expense				10,821	10,821
<b>Earnings from continuing operations</b>					<b>33,982</b>
<b>DISCONTINUED OPERATIONS</b>					
Earnings from discontinued operations, net of income taxes					—
<b>Net earnings</b>					<b>33,982</b>
<b>2022</b>					
	<b>Long-term Care</b>	<b>Home Health Care</b>	<b>Managed Services</b>	<b>Corporate</b>	<b>Total</b>
<b>CONTINUING OPERATIONS</b>					
<b>Revenue</b>	767,095	421,647	32,835	—	1,221,577
Operating expenses	698,548	399,152	15,348	—	1,113,048
<b>Net operating income</b>	<b>68,547</b>	<b>22,495</b>	<b>17,487</b>	<b>—</b>	<b>108,529</b>
Administrative costs				51,075	51,075
<b>Earnings before depreciation, amortization, and other</b>					<b>57,454</b>
Depreciation and amortization				31,559	31,559
Other expense				13,953	13,953
<b>Earnings before net finance costs and income taxes</b>					<b>11,942</b>
Net finance costs				16,438	16,438
<b>Loss before income taxes</b>					<b>(4,496)</b>
Current income tax expense				3,150	3,150
Deferred income tax recovery				(3,135)	(3,135)
Total income tax expense				15	15
<b>Loss from continuing operations</b>					<b>(4,511)</b>
<b>DISCONTINUED OPERATIONS</b>					
Earnings from discontinued operations, net of income taxes					74,065
<b>Net earnings</b>					<b>69,554</b>