EXTENDICARE®

... helping people live better

Building a Better Future

Extendicare Inc. **2020 ANNUAL REPORT**

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Dr. Matthew Morgan
Chief Medical Officer

Fellow Extendicare shareholders,

The past year has been challenging for everyone across Canada and globally. COVID-19 has impacted every one of our communities and lives, but for our long-term care (LTC) residents and team members, it has been especially difficult.

All of our homes have suffered hardship in one form or another. In some homes, we lost dearly loved residents. Many homes have battled significant outbreaks that made frontline caregivers sick. We lost a cherished member of our care team, as well as family members of some of our team members to this terrible virus. In all homes, difficult sacrifices have been made by caregivers, residents and family members to protect each other during extremely trying circumstances.

Rendering of future Extendicare Stittsville long-term care home.
Drawings by Montgomery Sisam Architects Inc.

The impact of the hardships and tragedies we have experienced will be with us for many years to come. While the loss is devastating, it has brought many long-standing challenges in seniors care to the forefront of the policy agenda. As we mourn those we lost, we are optimistic that the pandemic has provided the impetus for systemic change to build a better future for our aging population. This is both critical and necessary, as the need for our services continues to grow.

Sustained Vigilance

Vaccination is playing a vital role to minimize the impact of COVID-19. Every effort is being made to vaccinate all residents, team members and family members who are designated as essential caregivers. While vaccination is crucial to stop the spread of COVID-19, increased resources are still needed to contain and mitigate the spread of the virus. This includes routine point-of-care testing of staff and visitors, increased staffing and continued vigilance in using personal protective equipment.

Governments at all levels have been very supportive of the sector's pandemic defense efforts and continue to provide financial assistance to fund these costs, for which we are grateful.

We will not let our guard down as the virus continues to circulate in communities surrounding our homes and new variants emerge. We will continue to use every precaution

and tool available to help ensure the safety of our residents and team members. Enhanced infection prevention measures to reduce transmission risk will be maintained until the threat of the pandemic recedes.

Building a Better Future

The COVID-19 pandemic laid bare the challenges that have burdened seniors care, and LTC homes in particular, for decades. Longstanding issues such as insufficient funding for care staff, a critical shortage of LTC beds and outdated homes that need replacement, are now front and centre in the minds of the public. These challenges are expected to become more urgent as our aging population drives up demand for services. The hardship and tragedy we have witnessed during the past year has brought much-needed attention to these issues and, more importantly, is starting to drive change that will improve the quality of care for our seniors. We know more needs to be done and we are ready to do more. Our residents deserve it and our team members are eager for it to happen.

In recent months, the Government of Ontario has made a series of major announcements that, taken together, represent a wholesale renewal of the LTC sector. A new capital program will enable replacement of aging facilities and a significant expansion in bed capacity. A major increase in funding for resident care will enable a significant enhancement in the quality of care for residents and the quality of work life for caregivers. The Federal Government has launched an effort to define national standards for LTC which, if they are backed by federal funding, may prompt other provinces to adopt programs similar to those announced in Ontario. Taken together, these developments signal a once-in-a-generation opportunity to enhance services for seniors. Extendicare intends to be a strong partner in driving change and to take full advantage of this opportunity to upgrade our operations.

To date, the Government of Ontario has announced $2.68 billion in investments to support the construction of 30,000 new and upgraded LTC beds by 2028. Extendicare submitted 22 applications to build more than 4,200 beds to replace all our existing 3,285 Class C beds and to add new beds. The first of our projects, a new 256-bed LTC home in Sudbury to replace the 234-bed Extendicare Falconbridge home, broke ground in November. We will commence construction of a 192-bed LTC home in Kingston this spring and expect to start a third project in Ottawa before the end of 2021. With three more projects planned for 2022, we plan to invest more than $400 million to redevelop six LTC homes to provide modern, functional and safe living spaces for our residents. In March, the government announced that three more Extendicare applications have been approved, enabling further construction activity into 2023.

LONG-TERM CARE	HOME HEALTH CARE	RETIREMENT LIVING	GROUP PURCHASING SERVICES	CONTRACT SERVICES & CONSULTING
EXTENDICARE ... helping people live better	ParaMed Redefining Care	Esprit Lifestyle Communities	SGP Purchasing Partner Network	Extendicare assist
58	**8.4M**	**11**	**79K**	**52**
Long-term care homes owned	Home Health Care hours delivered (TTM)	Retirement communities owned	Third-party residents served	Homes under contract

The Government of Ontario has also announced commitments to increase operating funding for staff in LTC with $4.9 billion over four years to enhance direct care for LTC residents from a daily average of 2.75 hours to four hours. We enthusiastically support these changes and are encouraged by the government's strong support for the sector.

Investing in the future of our industry requires long-term planning and commitment. We will build a better future by investing in our people with training and recruitment programs, and investing in our facilities to provide modern places to live and work. This is a multi-year agenda, backed by a sound business plan and a strong balance sheet that provides the support and financial flexibility required to meet our goals. We will provide additional details and updates on our progress in the months ahead.

Expanding Options for Seniors

Seniors have always expressed a preference for staying in their own homes and maintaining their independence for as long as possible. The challenges faced by the LTC sector during the pandemic have brought more attention to the need for alternatives, particularly to the ways in which homecare services can be enhanced to support seniors living in their own homes longer. As waitlists for LTC get longer, it is clear that we will not be able to build enough beds to meet the demand for services driven by our aging population. Homecare will help to fill that gap.

During the early days of the pandemic, our ParaMed homecare division experienced a sudden drop in demand for services as society locked down. Volumes dropped by more than 25% in six weeks. However, the success of homecare providers to deliver safe care in the midst of the pandemic resulted in a rapid rebound in demand for services. There is not a single documented case of COVID-19 transmission to a client by a ParaMed caregiver. As a result of this strong track record, homecare referrals today are significantly higher than pre-pandemic levels.

Despite the recovery in demand, workforce capacity limitations continue to constrain care volumes. In response, we have augmented our recruiting capacity and established a caregiver training program where we provide tuition and paid, on-the-job training with a guaranteed job upon graduation. In 2020, we graduated 300 new caregivers and plan to train more than 600 new hires per year. With vaccines starting to reach those at greatest risk from COVID-19, we expect more of our homecare staff to return to work in the coming months.

Despite the pandemic, we successfully completed implementation of the new, cloud-based technology platform that underpins our home health care operations. As a result, we have improved efficiency in scheduling and back office activities and increased the hours of care provided by each caregiver by approximately 10% through better scheduling and more efficient time utilization. The resulting higher compensation for each caregiver will drive greater retention of staff and better quality of care. As restrictions ease and people return to work, we expect to realize the full value of these efficiency gains through continued volume growth.

Societal adoption of technology to enable virtual connections driven by the pandemic has also improved access to virtual homecare. During the past year, we have seen growing demand for virtual visits and the introduction of billing codes to fund the provision of virtual services for the first time. Although these changes were the result of pandemic-related health restrictions, with the growing comfort level and clear recognition of the benefits of the new technology among caregivers and clients, we expect the use of virtual services to continue to expand in the future.

Our retirement living operations were also impacted by the pandemic, largely due to restrictions on in-person tours and limited move-ins due to enhanced infection control protocols. Despite this challenge, we are pleased with the performance of our stabilized communities, having maintained an average occupancy of more than 90% and with the continued, albeit slow, growth of our lease up communities. As restrictions are relaxed, we expect to see occupancy levels improve and a resumption of lease up growth.

The unprecedented challenges faced by the seniors' care sector have driven strong demand for our B2B offerings. Extendicare Assist contract services and SGP group purchasing performed strongly throughout the pandemic, with the number of clients served by SGP growing by more than 20% in 2020. Pressure to improve performance and to seek economies of scale will support continued growth in these services in the coming years.

We will continue to work with partners across the health-care sector to learn from our experiences to enhance the services we provide to seniors. We have already started on a path to drive important improvements and are proud to play a part in designing a better future that will give Canadians the care they deserve.

Thank you

In closing, we cannot thank our team members and health system partners enough for all they have done and all that they continue to do. Nor can we sufficiently express our condolences to those who have lost loved ones and faced hardship through the pandemic.

Extendicare exists to help people live better. In the wake of devastating loss, our mission has never been more important. Positive change is afoot throughout the health-care system. We see an increasing need for the services we provide and positive momentum among stakeholders to innovate and improve. As an industry leader, we are ready and willing to play our part to build a better future for seniors across Canada.

On behalf of the Board of Directors and management team, thank you for your continued support of Extendicare.

Sincerely,

Dr. Michael Guerriere
President & CEO

Alan Torrie
Chairman

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 31, 2020

Extendicare Inc.
Dated: February 25, 2021

Management's Discussion and Analysis

Year ended December 31, 2020
Dated: February 25, 2021

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BASIS OF PRESENTATION

This Management's Discussion and Analysis (MD&A) provides information on Extendicare Inc. and its subsidiaries, and unless the context otherwise requires, references to "Extendicare", the "Company", "we", "us" and "our" or similar terms refer to Extendicare Inc., either alone or together with its subsidiaries. The Company's common shares (the "Common Shares") are listed on the Toronto Stock Exchange (TSX) under the symbol "EXE". The registered office of Extendicare is located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada, L3R 9W2.

The Company and its predecessors have been in operation since 1968 and is one of the largest private-sector owner/operators of long-term care (LTC) homes in Canada and the largest private-sector provider of publicly funded home health care services in Canada through its wholly owned subsidiary ParaMed Inc. (ParaMed). In addition, the Company owns and operates retirement communities in secondary markets under the Esprit Lifestyle Communities brand. As well, the Company provides business-to-business services through its Extendicare Assist division (contract and consulting) and SGP Purchasing Partner Network (SGP) division (group purchasing). The Company's qualified and highly trained workforce of over 23,000 individuals is passionate about providing high quality services to help people live better.

In June 2020, the Company initiated a wind-up plan to cease operations of its wholly owned Bermuda-based captive insurance company, Laurier Indemnity Company, Ltd. (the "Captive"), which the Company had been presenting as a separate U.S. segment. As a result of the wind-up plan, the Company has classified the U.S. segment as a discontinued operation and re-presented its comparative consolidated statement of earnings. Accordingly, the Company is no longer presenting a separate U.S. segment and has re-presented the comparative financial information presented in this MD&A (refer to the discussion under "Discontinued Operations").

The Company has prepared this MD&A to provide information to current and prospective investors of the Company to assist them to understand the Company's financial results for the year ended December 31, 2020. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020 and 2019, and the notes thereto, prepared in accordance with International Financial Reporting Standards (IFRS).

In this document, "Q1" refers to the three-month period ended March 31; "Q2" refers to the three-month period ended June 30; "Q3" refers to the three-month period ended September 30; and "Q4" refers to the three-month period ended December 31. Except as otherwise specified, references to years indicate the fiscal year ended December 31, 2020, or December 31 of the year referenced.

In this MD&A, the Company uses a number of performance measures and indicators to monitor and analyze the financial results that do not have standardized meanings prescribed by generally accepted accounting principles (GAAP) and, therefore, may not be comparable to similar performance measures and indicators used by other issuers. Please refer to the "Key Performance Indicators" and "Non-GAAP Measures" sections of this MD&A for details.

The annual and interim MD&A, financial statements and notes thereto are available on the Company's website at www.extendicare.com. All currencies are in Canadian dollars unless otherwise indicated.

This MD&A is dated as of February 25, 2021, the date this report was approved by the Company's board of directors (the "Board of Directors" or "Board"), and is based upon information available to management as of that date. This MD&A should not be considered all-inclusive, as it does not include all changes that may occur in general economic, political and environmental conditions. Additionally, other events may or may not occur, which could affect the Company in the future.

ADDITIONAL INFORMATION

Additional information about the Company, including its latest Annual Information Form, may be found on SEDAR's website at www.sedar.com under the Company's issuer profile and on the Company's website at www.extendicare.com.

FORWARD-LOOKING STATEMENTS

This Annual Report contains certain forward-looking statements within the meaning of applicable Canadian securities laws ("forward-looking statements" or "forward-looking information"). Statements other than statements of historical fact contained in this Annual Report may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to the Company, including, without limitation: statements regarding its business operations, business strategy, growth strategy, results of operations and financial condition; statements relating to the expected annual revenue, net operating income yield (NOI Yield) and adjusted funds from operations (AFFO) to be derived from development projects; statements relating to indemnification provisions in respect of disposed operations; and in particular statements in respect of the impact of measures taken to mitigate the impact of COVID-19, the availability of various government programs and financial assistance announced in respect of COVID-19, the impact of COVID-19 on the Company's operating costs, staffing, procurement, occupancy levels and volumes in its home health care business, the impact on the capital and credit markets and the Company's ability to access the credit markets as a result of COVID-19, increased litigation and regulatory exposure and the outcome of any litigation and regulatory proceedings. Forward-looking statements can often be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will" or other similar expressions or the negative thereof. These forward-looking statements reflect the Company's current expectations regarding future results, performance or achievements and are based upon information currently available to the Company and on assumptions that the Company believes are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements, as they are subject to a number of risks and uncertainties.

Although forward-looking statements are based upon estimates and assumptions that the Company believes are reasonable based upon information currently available, these statements are not representations or guarantees of future results, performance or achievements of the Company and are inherently subject to significant business, economic and competitive uncertainties and contingencies. In addition to the assumptions and other factors referred to specifically in connection with these forward-looking statements, the risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by the forward-looking statements, include, without limitation, the following: the occurrence of a pandemic, epidemic or outbreak of a contagious illness, such as COVID-19; changes in the overall health of the economy and changes in government; the availability and ability of the Company to attract and retain qualified personnel; changes in the health care industry in general and the long-term care industry in particular because of political, legal and economic influences; changes in applicable accounting policies; changes in regulations governing the health care and long-term care industries and the compliance by the Company with such regulations; changes in government funding levels for health care services; the ability of the Company to renew its government licenses and customer contracts; changes in labour relations and costs; changes in tax laws; resident care and class action litigation, including the Company's exposure to punitive damage claims, increased insurance costs and other claims; the ability of the Company to maintain and increase resident occupancy levels and business volumes; changes in competition; changes in demographics and local environment economies; changes in foreign exchange and interest rates; changes in the financial markets, which may affect the ability of the Company to refinance debt; and the availability and terms of capital to the Company to fund capital expenditures and acquisitions; changes in the anticipated outcome and benefits of dispositions, acquisitions and development projects, including risks relating to completion; and those other risks, uncertainties and other factors identified in the Company's other public filings with the Canadian securities regulators available on SEDAR's website at www.sedar.com under the Company's issuer profile.

In particular, risks and uncertainties related to the effects of COVID-19 on Extendicare include: the length, spread and severity of the pandemic; the nature and extent of the measures taken by all levels of governments and public health officials, both short and long term, in response to COVID-19; domestic and global credit and capital markets; the Company's ability to access capital on favourable terms or at all due to the potential for reduced revenue and increased operating expenses as a result of COVID-19; the availability of insurance on favourable terms; litigation and/or regulatory proceedings against or

involving the Company, regardless of merit; the health and safety of the Company's employees and its residents and clients; and domestic and global supply chains, particularly in respect of personal protective equipment (PPE). Given the evolving circumstances surrounding COVID-19, it is difficult to predict how significant the adverse impact will be on the global and domestic economy and the business operations and financial position of Extendicare.

Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this Annual Report are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on such forward-looking statements and assumptions as management cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. The forward-looking statements speak only as of the date of this Annual Report. Except as required by applicable securities laws, the Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

BUSINESS STRATEGY

Our vision is to be the leading provider of care and services to seniors in Canada. We strive to provide quality, person-centred care through compassionate caregivers across the continuum of care – offering the services seniors need wherever they need it as they age and their care needs change – and to be an employer of choice in the communities in which we operate.

Our long-term care business provides high quality care in the homes we own and operate across the country. Capital investment is focused on redeveloping our older LTC homes in the portfolio; the timing and extent of such redevelopment depends primarily upon the government funding available and general development factors, such as construction costs. We also provide contract services and consulting to a growing list of third-party LTC homes and retirement communities through our Extendicare Assist division. Both our operations and those of our Extendicare Assist clients are supported by our SGP Purchasing Partner Network division. We intend to continue to grow our third-party services offerings to gain market share and capitalize on the organic growth in the Canadian seniors care market.

Our core long-term care services are complemented by a market leading home health care platform operating under the ParaMed brand. Demand for home care is growing in tandem with the aging of the population, trending at an average market growth of 4% per year, according to Statistics Canada. Strategic investments in systems and ongoing transformation of our processes are designed to enable volume growth in line with the market, while improving efficiency and resulting profitability.

Our private-pay retirement business operates under the Esprit Lifestyle Communities brand. We continue to consider new developments and expansions in secondary markets where supply and demand dynamics are favourable.

We are continually enhancing our operations and technology to provide excellent care to the growing number of Canadian seniors. These enhancements broaden the range of services available to seniors, while driving improved profitability and greater diversification for the Company. We believe that the effective execution of this strategy will provide an appropriate and consistent return to our shareholders who have demonstrated their belief in our mission by investing in the Company.

SIGNIFICANT EVENTS

Impact of COVID-19 Pandemic

The fourth quarter of 2020 saw a resurgence of COVID-19 cases across the country, along with the discovery of new variants of the virus. This second wave has been more severe than the first due to higher rates of community spread, making it more challenging to stop the spread of the virus to senior care homes, despite increased measures having been implemented.

Emergency measures enacted by Canada's federal and provincial governments to combat the spread of COVID-19 remain in place or have been reinstated in most regions. These measures include the implementation of travel bans, self-imposed quarantine periods, social distancing, and a number of changes in the regulatory regimes in which our businesses operate, particularly in respect of health and labour requirements. We continue to work closely with all levels of government, health authorities, our industry partners and advocacy groups on various initiatives to help ensure our collective response to the crisis is focused on the protection and care of our residents, clients and staff.

As part of our efforts to further enhance our operations, we welcomed Dr. Matthew Morgan to Extendicare in the newly-created role of Chief Medical Officer on October 19, 2020. His focus is on developing and coordinating the implementation of clinical strategies that result in better outcomes for residents, clients and their families. Dr. Morgan is a practicing General Internal Medicine physician with a Masters in Clinical Epidemiology, and an Assistant Professor in the Faculty of Medicine at the University of Toronto.

As of February 24, 2021 eight of our 69 long-term care homes and retirement communities are in outbreak with active cases, with a total of only three residents who have an active infection. We continue to work closely with our Extendicare Assist clients to help them manage outbreaks in their homes.

Vaccinations play a vital role in minimizing the impact of COVID-19 and we are actively working to vaccinate residents and staff at our homes. As of February 24, 2021, approximately 91% of our LTC residents and 33% of our LTC staff have received the first dose of the vaccine, and approximately 65% of our LTC residents have received their second dose. In respect of our retirement communities, approximately 71% of our residents and 33% of our staff have received the first dose of the vaccine. Vaccination of our home health care staff is also now under way. We are encouraging our staff to be vaccinated as soon as the vaccine is available and we are compensating them for time and travel expenses required to access the vaccine. Our staff have responded enthusiastically to the program. As increased supply is made available, we expect to see a significant increase in the number of staff vaccinated.

To realize the full benefit of vaccines to provide immunity from COVID-19, a sufficient number of residents and staff, and the broader population, will have to be fully vaccinated. Vaccines are only a part of our response to COVID-19. We continue to maintain our enhanced infection prevention measures, focused on reducing transmission risk and points of potential exposure, to address the emergence of new variants of concern. This includes routine testing of staff in cooperation with local public health authorities, increased staffing levels in our homes and disciplined use of PPE. We are maintaining our enhanced infection prevention measures to address the unique nature of the COVID-19 virus, including such measures as universal masking, maintaining sufficient levels of PPE, single-site employer policies, limiting LTC occupancy to no more than two residents per room and voluntary testing of staff in our Ontario LTC homes. Routine staff testing enables us to identify positive staff, which in many cases are asymptomatic or presymptomatic, to minimize the potential for the virus to enter our homes. In the absence of herd immunity, we continue to believe that testing is the best preventative measure currently available to avoid outbreaks in our LTC homes. Following a successful point-of-care antigen testing pilot program in Ontario in the fourth quarter of 2020, we are now in the process of implementing this across Ontario using the Abbott Panbio test for all staff and visitors increasing testing frequency to two to three times a week, particularly in areas where there is higher virus prevalence in the surrounding community. We are also expanding the use of the point-of-care antigen testing in our western provinces where we operate LTC homes. These changes to our testing program enable instantaneous results, thereby reducing the likelihood that infected staff work in the home undetected.

Since the COVID-19 outbreak, our LTC home occupancy has declined from historical levels and in Ontario dropped below 97% beginning in Q2 2020. The Ontario government provided full funding related to basic occupancy for LTC homes in the province since the inception of the pandemic, which currently is in place until March 31, 2021. To date, each of the western provinces in which we operate LTC homes have provided additional funding to support COVID-19 costs. In certain provinces, this funding includes specific funding to address occupancy reductions.

Our retirement communities have experienced declines in stabilized occupancy and slower growth in lease-up occupancy as move-ins and tours have been impacted by COVID-19. We expect challenges in occupancy to continue as ongoing restrictions on in-person tours and protocols and restrictions related to move-ins continue.

In our home health care operations, the cancellation or disruption of elective procedures in acute care hospitals, the adoption of social distancing and self-isolation by clients, restrictions on non-urgent care services and reductions in our workforce capacity, resulted in a significant drop in our average daily volumes (ADV) in Q2 2020 and increased the workload of the back-office staff, primarily to manage suspended services and staff scheduling changes due to the impact of COVID-19. The volume declines and resultant revenue decreases led to our home health care operating subsidiary, ParaMed Inc., qualifying for, and receiving, funding under the Federal government's Canada Emergency Wage Subsidy (CEWS) program (refer to "Key Performance Indicators – ParaMed Canada Emergency Wage Subsidy"). We have experienced a gradual recovery in ADV since the low point in April 2020; however, our ADV remains below prior year and pre-COVID-19 levels.

Weekly referrals returned to pre-COVID-19 levels during Q4 2020, but industry-wide shortfalls in workforce capacity have prevented ADV from reaching pre-pandemic levels. The workforce limitations continue to be exacerbated by the pandemic, including increased demand for health care workers from hospitals and LTC, challenges securing child care and the availability of federal income support programs. As a result, our workforce capacity remains well below our pre-COVID-19 capacity, resulting in lower referral acceptance levels and a slower pace of recovery of our home health care volumes. To address this shortfall in our workforce capacity, we have made long-term investments in 2020 in key initiatives designed to accelerate growth in our workforce. In partnership with various colleges in Ontario, we launched a personal support worker (PSW) program designed to "fast-track" PSW students by combining their education with concurrent on the job training and tuition assistance. We also launched an in-house program to attract new health support workers (HSW), providing candidates with training and work experience in addition to a path to completing their PSW certification. During 2020, we graduated and hired almost 300 new caregivers through these programs, and are targeting to increase capacity to over 600 annually. We

continue to focus on returning our employees who have been on a leave of absence due to constraints or concerns as a result of COVID-19 to our active workforce. In addition, in Q4 2020 we implemented a wage harmonization program for all non-unionized front-line workers in our home health care operations to simplify and enhance our pay levels.

For the year ended December 31, 2020, we have incurred an estimated $71.0 million of pandemic-related operating expenses and $3.5 million in COVID-19 related administrative costs. These costs are partially offset by $44.4 million in revenue or expense recovery associated with the various provincial government programs, resulting in a reduction of our consolidated net operating income (NOI) and Adjusted EBITDA of approximately $26.6 million and $30.1 million, respectively. We have incurred a further estimated $43.9 million in pandemic pay, funded by programs announced by the Ontario and Alberta governments, to temporarily increase hourly wages for certain eligible front-line employees. We have recorded the pandemic pay in operating expenses and recognized the related offsetting funding for these programs as revenue. In addition, as at December 31, 2020, we have $15.7 million in PPE inventory to ensure that we continue to have sufficient supply to provide the necessary level of protection to our residents, clients and staff as COVID-19 measures continue to be in place.

The following table provides a summary of the estimated revenue recognized and the operating and administrative costs incurred related to COVID-19 for the three and twelve months ended December 31, 2020.

Estimated COVID-19 Revenue, Operating Expenses and Administrative Costs

	Three months ended December 31, 2020				Year ended December 31, 2020			
(millions of dollars)	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Total**	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Total**
Revenue	**25.6**	—	**6.4**	**32.0**	**64.7**	—	**23.6**	**88.3**
Operating expenses	**34.3**	**0.1**	**7.2**	**41.6**	**88.9**	**1.1**	**24.9**	**114.9**
NOI impact	**(8.7)**	**(0.1)**	**(0.8)**	**(9.6)**	**(24.2)**	**(1.1)**	**(1.3)**	**(26.6)**
Administrative costs	—	—	—	**0.7**	—	—	—	**3.5**
Adjusted EBITDA impact	**(8.7)**	**(0.1)**	**(0.8)**	**(10.3)**	**(24.2)**	**(1.1)**	**(1.3)**	**(30.1)**

Subsequent to December 31, 2020, the Ontario Ministry of Long-Term Care (MLTC), announced an additional $398.0 million in funding to support the province's LTC sector in managing the second wave. The announcement included $268.0 million in additional prevention and containment funding to LTC homes to further support the additional costs associated with screening, staffing and PPE. This newly announced funding is intended to cover COVID costs incurred during 2020 through to March 31, 2021, the MLTC's fiscal year end. Subsequent to year end, we received additional funding related to 2020 of $6.6 million and expect additional funding related to 2020 may be further allocated from the $268.0 million, the amount and timing of which is uncertain.

The Federal Government and the provincial governments where we operate have all announced various programs and financial assistance to address the increased costs and other challenges presented by COVID-19, and we continue to access such programs where appropriate to mitigate the financial impacts of COVID-19. The amount and timing of these payments does not always align with the additional expenses incurred. As a result, we expect to see ongoing significant volatility in our operating and financial results until the effects of COVID-19 are behind us.

While we believe that the financial impacts of COVID-19 that we are experiencing will largely reverse as we emerge from the pandemic, there can be no assurance that they will so reverse and that COVID-19 or any other pandemic, epidemic or outbreak will not have a material adverse effect on the business, results of operations and financial condition of the Company.

Ontario Long-Term Care Home Capital Development Funding Program

During 2020, the Ontario Ministry of Long-Term Care (MLTC) announced a new Long-Term Care Home Capital Development Funding program (New Funding Program) for the development of new and replacement LTC beds. The program includes a $1.75 billion investment to redevelop 12,000 beds and add an additional 8,000 beds over the next five years. The New Funding Program provides for new base construction funding subsidy (CFS) per diems ranging from $20.53 to $23.78 per bed, depending on the size and geography of the LTC home, representing a 14% to 32% increase from the $18.03 CFS under the previous program. The CFS is payable over 25 years following completion of the project. The New Funding Program also introduces a capital development grant of between 10% and 17% of total eligible project costs, up to an applicable maximum grant amount based on the geographic location of the project, payable upon substantial completion of

the project. This New Funding Program is an important step to address the aging infrastructure within long-term care for which the industry has been advocating for more than a decade.

Long-term Care Redevelopment

We have submitted applications to the MLTC in respect of 22 projects to build over 4,200 beds to redevelop our existing 3,285 Class C beds and to add new LTC beds, in keeping with the Ontario government's focus on replacing aging infrastructure and increasing the number of LTC beds in the province. Construction began on our first project in November 2020, as discussed below, and we have five projects in advanced stages of approvals with the MLTC. We are in the final approval stages to proceed with the construction of a 192-bed LTC home in Kingston in Q2 2021, with an additional project anticipated to break ground in 2021 and three additional projects in 2022. We continue to work closely with our industry partners and the government to consider further enhancements to the New Funding Program to address specific requirements for certain geographic areas and to streamline the related approval and licensing processes to expedite those projects that are feasible within this new program.

In October 2020, the Company received all of the necessary approvals to commence construction of the first of its redevelopment projects, a new 256-bed LTC home in Sudbury, Ontario that will replace an existing 234-bed Class C LTC home close by. The new LTC home will include 154 private rooms, with the balance providing semi-private accommodation. Construction commenced in Q4 2020 under a fixed-price construction agreement ($47.3 million) and is anticipated to be completed in Q4 2022. Total Adjusted Development Costs of the new LTC home are estimated at $62.3 million, which is net of a $5.4 million capital development grant, receivable on the substantial completion of the project. As at December 31, 2020, the Company had incurred $3.0 million of the estimated Adjusted Development Costs. Stabilized NOI of the new home is estimated to be $3.1 million and the home will receive CFS payments of approximately $1.9 million per annum over 25 years. The NOI Yield of the project is anticipated to be approximately 8.0%. Refer to the discussion under "Non-GAAP Measures" in respect of references to "Adjusted Development Costs" and "NOI Yield".

Ontario Government COVID-19 Long-Term Care Commission

On July 29, 2020, the Ontario government launched an independent commission into COVID-19 and long-term care (the "Commission"). Led by three commissioners, the Commission's mandate is to investigate and provide a report of findings and recommendations in respect of how COVID-19 spread within LTC homes, how residents, staff, and families were impacted, and the adequacy of measures taken by the province and other parties to prevent, isolate and contain the virus and the impact of existing physical infrastructure, staffing approaches, labour relations, clinical oversight and other features of the LTC system.

During Q4 2020, the Commission issued interim recommendations based upon meetings with approximately 200 individuals from almost 50 different organizations in the LTC sector, including government, LTC service providers, family associations, unions and medical professionals. Extendicare, which presented to the Commission on October 8, 2020, fully supports the Commission's interim recommendations, which include enhanced funding and recruitment in respect of LTC staff, priority COVID-19 testing for LTC residents and staff and mandated collaboration with hospitals. The commissioners are expected to deliver their final report by April 2021.

Following an announcement in November 2020 and a subsequent announcement on December 17, 2020, the Ontario government released its staffing plan (the "LTC Staffing Plan"). The LTC Staffing Plan outlines the government's strategy to invest up to $1.9 billion annually by 2024-2025, to increase the hours of direct care for LTC residents to four hours a day per resident on a phased-in approach over the next four years and to introduce programs to accelerate the education and recruitment of thousands of additional PSWs, registered practical nurses and registered nurses required to increase the direct care hours. In addition, the LTC Staffing Plan includes plans to support continued professional development and growth of LTC staff to improve retention; improve conditions by increasing full-time employment and promoting innovative approaches to work and technology and improve oversight and guidance of medical outcomes and measurement of key performance indicators. This new program is in response to the Commission's interim recommendations and the Long-Term Care Staffing Study published on July 30, 2020, in connection with the July 31, 2019 report released by Justice Gillese on the *Public Inquiry into the Safety and Security of Residents in the Long-Term Care System.* The industry has long advocated for increases to the direct care hours for residents and welcomes the proposed legislative changes and the acknowledgement of the need to introduce enhanced education and recruitment programs to support this important change.

Saskatchewan Ombudsman Long-term Care Investigation

On February 8, 2021, the Company received formal notification that the Saskatchewan Ombudsman is commencing an investigation into the COVID-19 outbreak at the Extendicare Parkside LTC home in Regina, which began in late November 2020 and, has since been cleared. As part of this investigation, the Ombudsman will be investigating the Company's response

to the pandemic at the home, both in advance of and during the outbreak, as well as the Saskatchewan Ministry of Health and the Saskatchewan Health Authority's (SHA) governance, oversight and support of the home throughout the pandemic to date. The Company worked closely with the Government of Saskatchewan and the SHA prior to and during the outbreak at Extendicare Parkside and intends to fully co-operate with the work of the Ombudsman.

Financing Activity

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

In April 2020, the Company secured a Canadian Mortgage and Housing Corporation (CMHC) insured mortgage of $47.8 million, inclusive of fees, on a retirement community. The mortgage matures in June 2030 and has a fixed rate of 2.19% per annum. The previously existing construction loan of $25.8 million was repaid on closing.

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

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

BUSINESS OVERVIEW

As at December 31, 2020, the Company owned and operated 58 LTC homes and 11 retirement communities, through its Extendicare and Esprit Lifestyle Communities divisions, respectively, and provided contract services to 52 LTC homes and retirement communities for third parties through Extendicare Assist. In total, Extendicare operated or provided contract services to a network of 121 LTC homes and retirement communities across four provinces in Canada, with capacity for 15,567 residents. The majority of these homes are in Ontario and Alberta, which accounted for approximately 77% and 11% of residents served, respectively.

In addition to providing group purchasing services to the Company's own operations, SGP supports third-party clients representing approximately 78,900 senior residents across Canada, as at December 31, 2020.

With respect to the Company's home health care operations, ParaMed delivered approximately 8.4 million hours of home health care services for the year ended December 31, 2020, excluding the British Columbia (B.C.) contracts that expired in January 2020. The majority of ParaMed's volumes are generated in Ontario and Alberta, representing 93% and 4%, respectively. As noted in "Significant Events – Impact of COVID-19 Pandemic", volumes have been significantly impacted in ParaMed as a result of COVID-19. In addition, the ongoing recovery of ParaMed's volumes continues to be impacted by the COVID-19 related reduction in our workforce capacity that has not recovered as quickly as our referrals. While we are unable to predict with any certainty the extent and duration of these COVID-19 related factors on our workforce capacity and volumes, as well as any long-term effects, we believe that the impacts we are experiencing will reverse as we emerge from the pandemic.

The Company reports on the following segments: i) long-term care; ii) retirement living; iii) home health care; iv) contract services, consulting and group purchasing as "other operations"; and v) the corporate functions and any intersegment eliminations as "corporate". For financial reporting purposes, the Company's owned and operated homes are reported under the "long-term care" or the "retirement living" operating segment based on the predominant level of care provided. The Company's homes under contract with Extendicare Assist are reported under the "other operations" segment, as the revenue from those operations is earned on a fee-for-service basis.

In June 2020, the Company initiated a wind-up plan to cease operations of the Captive. As a result, the remaining portion of the U.S. segment has been classified as a discontinued operation and is no longer being presented as a separate segment (refer to the discussion under "Discontinued Operations").

The following table summarizes the contribution of the business segments to the Company's consolidated revenue and NOI for the three months and year ended December 31, 2020 and 2019. The impact of COVID-19 on all segments and the impact of CEWS on the home health care segment impacts the comparability of the contributions of the business segments to the Company's consolidated revenue and NOI. Refer to "Significant Events – Impact of COVID-19 Pandemic" and "Key Performance Indicators – ParaMed Canada Emergency Wage Subsidy" for additional details to understand the impacts on the business segments.

	Three months ended December 31				Year ended December 31			
	2020		2019		2020		2019	
Operating Segments as % of	**Revenue**	**NOI**	**Revenue**	**NOI**	**Revenue**	**NOI**	**Revenue**	**NOI**
Long-term care	**62.4 %**	**16.6 %**	57.3 %	62.4 %	**61.8 %**	**28.4 %**	56.9 %	58.0 %
Retirement living	**3.9 %**	**6.0 %**	3.9 %	9.1 %	**4.1 %**	**7.6 %**	3.6 %	8.6 %
Home health care	**31.3 %**	**69.3 %**	36.7 %	18.0 %	**31.8 %**	**54.9 %**	37.4 %	23.5 %
Other	**2.4 %**	**8.1 %**	2.1 %	10.5 %	**2.3 %**	**9.1 %**	2.1 %	9.9 %
Total	**100.0 %**	**100.0 %**	100.0 %	100.0 %	**100.0 %**	**100.0 %**	100.0 %	100.0 %

The following describes the operating segments of the Company.

Long-term Care

The Company owns and operates 58 LTC homes with capacity for 8,138 residents, inclusive of a stand-alone designated supportive living home (140 suites) and a designated supportive living wing (60 suites) in Alberta and two retirement wings (76 suites) in Ontario.

Provincial legislation and regulations closely control all aspects of the operation and funding of LTC homes and government-funded supportive living homes, including the fee structure, subsidies, the adequacy of physical homes, standards of care and accommodation, equipment and personnel. A substantial portion of the fees paid to providers of these services are funded by provincial programs, with a portion to be paid by the resident. No individual is refused access to long-term care due to an inability to pay, as a government subsidy, generally based on an income test, is available for residents who are unable to afford the resident co-payment. Long-term care funding in Ontario is provided in four envelopes allocated to personal care, programming, food and accommodation, respectively. The first three envelopes must be spent entirely on residents and are independently audited with any surplus funding returned to the government. The additional COVID-19 pandemic related funding being provided in Ontario is expected to be subject to this same reconciliation process. In Alberta, designated supportive living homes provide an alternative setting for residents not yet requiring the needs of a more expensive LTC home. Such homes are licensed, regulated and funded by Alberta Health Services (AHS) in a similar manner to LTC homes, including a government-determined fee structure.

In Ontario, long-term care operators have the opportunity to receive additional funding through higher accommodation rates charged to residents for private and semi-private accommodation, at maximum preferred accommodation rates that are fixed by the government. Long-term care operators are permitted to designate up to 60% of the resident capacity of a home as preferred accommodation and charge higher accommodation rates that vary according to the structural classification of the LTC home.

The following summarizes the government funding rate changes for LTC during 2020 in Ontario and Alberta, the Company's largest LTC markets, exclusive of one-time funding in respect of COVID-19 (refer to the discussion under "Significant Events – Impact of COVID-19 Pandemic").

Ontario LTC Funding Changes

Effective April 1, 2020, the MLTC implemented a global inflationary funding increase across the accommodation and flow-through envelopes of 1.5% for Ontario LTC providers. This represents incremental annual revenue for the Company of approximately $5.1 million, of which approximately $1.6 million applies to the accommodation envelope (non flow-through). In comparison, in 2019, the MLTC provided a global funding increase of 1%, representing approximately $3.3 million of annual revenue for the Company, of which approximately $1.1 million related to the accommodation envelope.

In addition, effective April 1, 2020, the MLTC eliminated structural compliance premium (SCP) funding for eligible Class A, B and C beds and replaced it with a new LTC minor capital funding program to be phased in over three years. For the first year under the new program, the Company's funding remains unchanged at $1.3 million, with modest increases during the phase in period.

In respect of the annual inflationary rate increases for preferred accommodation premiums paid for by residents to LTC providers for private and semi-private accommodation, the MLTC implemented a 1.9% increase effective July 1, 2020 (2019 – 2.3%). However, to provide relief to families experiencing challenges due to COVID-19, this increase in rates for residents has been deferred until July 1, 2021, and LTC providers will instead be compensated directly by the MLTC. For older LTC beds that are not classified as "New" or "A" beds, the maximum daily preferred accommodation premiums increased to $8.69 and $19.54 for semi-private and private rooms, respectively. For newer LTC beds that are classified as "New" or "A" beds, the maximum daily preferred accommodation premiums increased to $13.02 and $27.15 for semi-private and private rooms, respectively.

Alberta LTC Funding Changes

In 2020, the annual inflationary increase for the portion of the accommodation rates paid directly by residents of LTC and designated supportive living homes to providers was deferred from July to October. Effective October 1, 2020, AHS increased the accommodation rates by 2.5%, representing additional annual revenue for the Company of approximately $0.7 million (2019 – 1.6%, $0.5 million).

In September 2020, AHS announced adjustments to the government funding for providers of LTC and designated supportive living homes retroactive to April 1, 2020, representing additional annual revenue for the Company of approximately $0.3 million (2019 – $0.4 million).

Retirement Living

Under the Esprit Lifestyle Communities brand, the Company owns and operates 11 retirement communities with 1,050 suites. Four of these communities (341 suites) are located in Saskatchewan and seven communities (709 suites) are located in Ontario.

The Company's retirement communities provide accommodation and services to private-pay residents at rates set by the Company based on the services provided and market conditions. The monthly fees vary depending on the type of accommodation, level of care and services chosen by the resident and the location of the retirement community. Residents are able to choose the living arrangements best suited to their personal preference and needs, as well as the level of care and support they receive as their needs evolve over time.

Home Health Care

The Company provides home health care services through ParaMed, whose professionals and staff members are skilled in providing complex nursing care, occupational, physical and speech therapy and assistance with daily activities to accommodate clients of all ages living at home.

Provincial governments fund a wide range of home health care services and contract these services to providers such as ParaMed. ParaMed receives approximately 98% of its revenue from contracts tendered by locally administered provincial agencies, with the remainder coming from private clients.

Other Operations

The Company leverages its size, scale and operational expertise in the senior care industry to provide contract services and consulting to third-parties through other operations, which are composed of its Extendicare Assist and SGP divisions.

CONTRACT SERVICES AND CONSULTING

Through its Extendicare Assist division, the Company provides a wide range of contract services and consulting to third parties. Extendicare Assist partners with not-for-profit and for-profit organizations, hospitals and municipalities seeking to improve their management practices, quality of care practices and operating efficiencies. Extendicare Assist provides a broad range of services aimed at meeting the needs of its partners, including: financial administration, record keeping, regulatory compliance and purchasing. In addition, Extendicare Assist provides consulting services to third parties for the development and redevelopment of LTC homes. Extendicare Assist's contract services portfolio consisted of 52 LTC homes and retirement communities with capacity for 6,379 residents as at December 31, 2020.

GROUP PURCHASING SERVICES

Through its 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. SGP negotiates long-term, high volume contracts with suppliers that provide members with preferred pricing, thereby providing a cost-effective means to secure quality national brand-name products, along with a range of innovative services. As at December 31, 2020, SGP provided services to third parties representing approximately 78,900 senior residents across Canada, which increased to 79,900 by January 31, 2021.

KEY PERFORMANCE INDICATORS

In addition to those measures identified under "Non-GAAP Measures", management uses certain key performance indicators in order to compare the financial performance of the Company's continuing operations between periods. In addition, we assess the operations on a same-store basis between the reported periods. Such performance indicators may not be comparable to similar indicators presented by other companies. Set forth below is an analysis of the key performance indicators and a discussion of significant trends when comparing the Company's financial results from continuing operations.

The following is a glossary of terms for some of the Company's key performance indicators:

"Average Daily Volume" or "ADV" in the context of the home health care operations, is measured as the number of hours of service provided divided by the number of days in the period;

"Occupancy" is measured as the percentage of the number of earned resident days (or the number of occupied suites in the case of a retirement community) relative to the total available resident days. Total available resident days is the number of beds (or suites in the case of a retirement community) available for occupancy multiplied by the number of days in the period;

"Stabilized" is the classification by the Company of an LTC home or retirement community that has achieved and sustained its expected stabilized occupancy level for three consecutive months, which level varies from project to project;

"Lease-up" is any LTC home or retirement community not classified as stabilized;

"Non same-store" or "NSS" generally refers to those homes, communities or businesses that were not continuously operated by the Company since the beginning of the previous fiscal year or have been classified as held for sale; and

"Same-store" or "SS" generally refers to those homes, communities or businesses that were continuously operated by the Company since the beginning of the previous fiscal year, and which are not classified as held for sale.

Long-term Care

The following table provides the average occupancy levels of the LTC operations for the past eight quarters.

Long-term Care Homes					**2020**					**2019**
Average Occupancy *(%)*	**Q4**	**Q3**	**Q2**	**Q1**	**Year**	**Q4**	**Q3**	**Q2**	**Q1**	**Year**
Total LTC	**87.7 %**	**90.0 %**	**93.5 %**	**97.0 %**	**92.0 %**	97.8 %	97.9 %	97.5 %	96.9 %	97.5 %
Change over prior year period (bps)	**(1,010)**	**(790)**	**(400)**	**10**	**(550)**	20	10	30	50	20
Sequential quarterly change (bps)	**(230)**	**(350)**	**(350)**	**(80)**		(10)	40	60	(70)	
Ontario LTC										
Total ON LTC	**85.3 %**	**87.9 %**	**92.9 %**	**97.6 %**	**90.9 %**	98.2 %	98.5 %	98.2 %	97.5 %	98.1 %
Preferred Accommodation(1)										
"New" homes – private	**88.4 %**	**88.0 %**	**91.7 %**	**95.4 %**	**90.8 %**	95.8 %	95.9 %	96.3 %	95.1 %	95.8 %
"C" homes – private	**80.7 %**	**86.5 %**	**89.5 %**	**92.8 %**	**87.4 %**	93.1 %	94.2 %	93.8 %	96.2 %	94.3 %
"C" homes – semi-private	**54.6 %**	**58.6 %**	**63.5 %**	**66.3 %**	**60.7 %**	66.7 %	66.5 %	65.6 %	65.3 %	66.0 %

(1) Average occupancy reported for the available private and semi-private rooms reflects the percentage of residents occupying those beds and paying the respective premium rates.

The average occupancy at the Company's LTC homes was 87.7% for Q4 2020, down from 97.8% in Q4 2019 and down by 230 bps from Q3 2020. Occupancy levels throughout 2020 were significantly impacted by COVID-19, resulting in an average occupancy for the year of 92.0%, down 550 bps from 2019. In terms of the quarterly trends prior to the impact of the pandemic in 2020, occupancy softness is to be expected during the winter months as a result of seasonal influenza outbreaks, which can lead to a temporary freeze on admissions.

In Ontario, overall government funding is occupancy-based, but once the average occupancy level of 97% or higher for the calendar year is achieved, operators receive government funding based on 100% occupancy. In the event of closure to admissions related to an outbreak, full funding is preserved in Ontario, otherwise referred to as occupancy protection funding. The Company's Ontario LTC homes generally average above the 97% occupancy threshold, with all but one having done so in 2019. In response to COVID-19, the Ontario government provided basic occupancy protection funding for all LTC homes to the end of 2020, which was further extended to March 31, 2021. However, the current occupancy protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies. The impact of the loss of preferred accommodation revenue was $0.7 million for the year ended December 31, 2020.

To date, each of the western provinces in which we operate LTC homes have provided additional funding to support COVID-19 costs. In certain provinces, this funding includes specific funding to address occupancy shortfalls.

Retirement Living

The following table summarizes the composition of the Company's 11 retirement communities in operation as at December 31, 2020. The Barrieview opened in October 2019 and is classified as non same-store and in lease-up. Bolton Mills, which opened at the beginning of 2019, and West Park Crossing remain classified as lease-up.

Retirement Communities	Location	Total	Stabilized	Lease-up	Same Store	Non-Same Store
Cedar Crossing	Simcoe, ON	69	69		69	
Douglas Crossing	Uxbridge, ON	148	148		148	
Empire Crossing	Port Hope, ON	63	63		63	
Harvest Crossing	Tillsonburg, ON	100	100		100	
Riverbend Crossing	Regina, SK	67	67		67	
Stonebridge Crossing	Saskatoon, SK	116	116		116	
Yorkton Crossing	Yorkton, SK	79	79		79	
Lynde Creek Manor	Whitby, ON	93	93		93	
West Park Crossing	Moose Jaw, SK	79		79	79	
The Barrieview	Barrie, ON	124		124		124
Bolton Mills	Bolton, ON	112		112	112	
Total suites		**1,050**	**735**	**315**	**926**	**124**
Total communities		**11**	**8**	**3**	**10**	**1**

AS AT OCCUPANCY

The following table provides the period end occupancy of the retirement communities in total and for each of the stabilized, lease-up, same-store and non same-store groupings for the past eight quarters, with the prior period information for such groupings restated based on the classifications as at December 31, 2020.

Sequential occupancy declines in stabilized retirement communities are generally to be expected during the winter months; however, occupancy levels during 2020 have been negatively impacted by COVID-19, which has experienced periods of restricted move-ins and in-person tours of prospective residents since March 2020. As a result, stabilized occupancy of 90.7% as at December 31, 2020, was down 440 bps from December 31, 2019. In-person tours for prospective residents recommenced in our retirement communities in Ontario in the latter part of Q2 2020 and early Q3 2020, contributing to the sequential improvement in stabilized occupancy levels in Q3 2020 by 180 bps. However, in-person tour restrictions were reinstated in certain markets in Ontario in October 2020, resulting in a sequential decline in stabilized occupancy at the end of 2020 by 240 bps from September 30, 2020. We have been restricted to virtual tours in our Saskatchewan communities throughout the pandemic which has also contributed to our occupancy decline. Subsequent to December 31, 2020, stabilized occupancy improved by 50 bps to 91.2%, as at January 31, 2021. We believe occupancy levels will continue to be negatively impacted temporarily by COVID-19.

Total occupancy levels of 84.6% as at December 31, 2020, represents a decline of 100 bps from December 31, 2019, and sequentially from September 30, 2020, reflecting the negative impact of COVID-19 on the stabilized portfolio, offset in part by improvement in lease-up occupancy compared to the same prior year period.

Other factors impacting the trends over the past eight quarters were the opening of Bolton Mills (112 suites) at the beginning of 2019 that resulted in a sequential decline in total and lease-up occupancy levels at the end of Q1 2019 and the opening of The Barrieview (124 suites) in October 2019 that resulted in a sequential decline in total occupancy at the end of Q4 2019.

Retirement Communities				**2020**				**2019**
As at Occupancy *(%)*	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Total communities	**84.6 %**	**85.6 %**	**84.1 %**	**86.0 %**	85.6 %	86.6 %	83.8 %	80.9 %
Change over prior year period (bps)	**(100)**	**(100)**	**30**	**510**	(300)	(290)	(220)	10
Sequential quarterly change (bps)	**(100)**	**150**	**(190)**	**40**	(100)	280	290	(770)
Stabilized communities	**90.7 %**	**93.1 %**	**91.3 %**	**92.8 %**	95.1 %	94.1 %	92.5 %	91.0 %
Change over prior year period (bps)	**(440)**	**(100)**	**(120)**	**180**	530	250	380	780
Sequential quarterly change (bps)	**(240)**	**180**	**(150)**	**(230)**	100	160	150	120
Lease-up communities	**70.2 %**	**68.3 %**	**67.3 %**	**70.2 %**	63.5 %	57.6 %	50.3 %	41.9 %
SS communities	**84.1 %**	**85.4 %**	**84.1 %**	**86.2 %**	88.0 %	86.6 %	83.8 %	80.9 %
NSS communities	**87.9 %**	**87.1 %**	**83.9 %**	**84.7 %**	67.7 %	— %	— %	— %

AVERAGE OCCUPANCY

The following table provides the average occupancy of the retirement communities in total and for each of the same-store, non same-store, stabilized and lease-up groupings for the past eight quarters, with the prior period information for such groupings restated based on the classifications as at December 31, 2020. The same factors discussed above under "As at Occupancy" contributed to the variances in average occupancy.

Retirement Communities					**2020**					**2019**
Average Occupancy *(%)*	**Q4**	**Q3**	**Q2**	**Q1**	**Year**	**Q4**	**Q3**	**Q2**	**Q1**	**Year**
Total communities	**84.6 %**	**84.4 %**	**84.4 %**	**85.7 %**	**84.8 %**	81.7 %	85.5 %	82.0 %	79.3 %	82.1 %
Change over prior year period (bps)	**290**	**(110)**	**240**	**640**	**270**	(670)	(240)	(240)	(110)	(340)
Sequential quarterly change (bps)	**20**	**—**	**(130)**	**400**		(380)	350	270	(910)	
Stabilized communities	**91.3 %**	**91.9 %**	**91.5 %**	**93.5 %**	**92.1 %**	94.9 %	94.0 %	91.4 %	90.7 %	92.7 %
Change over prior year period (bps)	**(360)**	**(210)**	**10**	**280**	**(60)**	510	390	430	810	510
Sequential quarterly change (bps)	**(60)**	**40**	**(200)**	**(140)**		90	260	70	90	
Lease-up communities	**69.0 %**	**67.0 %**	**67.9 %**	**67.5 %**	**67.8 %**	50.7 %	52.7 %	45.8 %	35.7 %	46.9 %
SS communities	**84.4 %**	**84.4 %**	**84.5 %**	**86.7 %**	**85.0 %**	87.0 %	85.5 %	82.0 %	79.3 %	83.5 %
NSS communities	**86.6 %**	**84.5 %**	**84.0 %**	**77.9 %**	**83.3 %**	41.0 %	— %	— %	— %	41.0 %

Home Health Care

AVERAGE DAILY VOLUME

The table set out below provides the service volumes and ADV of the home health care operations, including and excluding volumes related to the B.C. contracts, for the past eight quarters.

ParaMed's ADV has declined significantly due to the impact of COVID-19. Excluding the impact of the B.C. contracts, ParaMed's ADV declined by 9.8% in 2020 as compared to 2019.

The peak impact of COVID-19 on ParaMed's ADV occurred in April 2020, which resulted in a 20.7% decline in Q2 2020 over Q2 2019. Since that time we have experienced a gradual recovery in ADV, with sequential improvements of 11.6% and 5.2%, in Q3 2020 and Q4 2020, respectively. The recovery of ADV during Q4 2020 was tempered by seasonal softness around the December holidays and the implementation of further lockdown measures, particularly school closures, which negatively impacts our workforce capacity. ADV in Q4 2020 remained below pre-COVID-19 levels by 5.4% when compared to Q4 2019. For the four weeks ending February 14, 2021, our ADV was 24,324, an increase of 1.6% from ADV for Q4 2020. Our referral activity recovered to pre-COVID-19 levels in Q4 2020; however, our workforce capacity remains well below our pre-COVID-19 capacity, resulting in lower referral acceptance levels and a slower pace of recovery of our home health care volumes (refer to the discussion under "Significant Events – Impact of COVID-19 Pandemic").

Home Health Care					**2020**					**2019**
Service Volumes	**Q4**	**Q3**	**Q2**	**Q1**	**Year**	**Q4**	**Q3**	**Q2**	**Q1**	**Year**
Total Operations										
Hours of service *(000's)*	**2,202.7**	**2,093.2**	**1,854.6**	**2,319.5**	**8,470.0**	2,661.2	2,652.7	2,660.5	2,595.3	10,569.7
ADV	**23,943**	**22,752**	**20,380**	**25,489**	**23,142**	28,926	28,834	29,236	28,837	28,958
Change over prior year period	**(17.2)%**	**(21.1)%**	**(30.3)%**	**(11.6)%**	**(20.1)%**	(3.2)%	(2.1)%	(2.7)%	(4.1)%	(3.0)%
Sequential quarterly change	**5.2 %**	**11.6 %**	**(20.0)%**	**(11.9)%**		0.3 %	(1.4)%	1.4 %	(3.5)%	
Excluding B.C.										
Hours of service *(000's)*	**2,202.7**	**2,093.2**	**1,854.6**	**2,246.1**	**8,396.6**	2,329.2	2,322.5	2,340.0	2,291.9	9,283.6
ADV	**23,943**	**22,752**	**20,380**	**24,682**	**22,942**	25,318	25,245	25,714	25,465	25,435
Change over prior year period	**(5.4)%**	**(9.9)%**	**(20.7)%**	**(3.1)%**	**(9.8)%**	(4.6)%	(3.3)%	(3.7)%	(4.9)%	(4.1)%
Sequential quarterly change	**5.2 %**	**11.6 %**	**(17.4)%**	**(2.5)%**		0.3 %	(1.8)%	1.0 %	(4.0)%	

PARAMED CANADA EMERGENCY WAGE SUBSIDY

On April 11, 2020, the Government of Canada enacted the CEWS program, which was designed to help Canadian employers that have experienced revenue declines to re-hire workers laid off as a result of COVID-19, help prevent further job losses and better position the employers to resume normal operations after the COVID-19 pandemic. Further changes to the CEWS program were announced on July 17, 2020 and October 14, 2020, extending the program until June 2021. We have remained

focused on maintaining our workforce capacity to ensure we are able to respond quickly to increases in demand for home health care services and resume operating at normalized levels as the pandemic recedes. In addition, we continue to make investments aimed at increasing our workforce capacity within our home health care segment, including the introduction of new programs in Q3 2020 designed to accelerate the hiring and training of home health care front-line workers (refer to "Significant Events – Impact of COVID-19 Pandemic").

As a result of the revenue declines experienced by ParaMed, the Company's home health care subsidiary, ParaMed applied for and received $91.2 million in CEWS in respect of all claims periods in 2020 ($50.8 million recorded in Q3 2020 for the claims periods March 15, 2020 to July 4, 2020, and $40.4 million recorded in Q4 2020 for the claims periods July 5, 2020 to December 19, 2020). Payments under the CEWS program are accounted for as government grants under IAS 20 and are recorded on a net basis as a reduction to operating expenses of the home health care segment, thereby impacting the home health care segment net operating income for Q3 2020, Q4 2020 and the year ended December 31, 2020. ParaMed may file for additional CEWS funding contingent on the rate of volume recovery and resulting impact on revenue in 2021 under the extended program.

PARAMED TRANSFORMATION

In 2017, we initiated a $12.0 million project to transform ParaMed's business (the "ParaMed Transformation"), which includes the implementation of a new cloud-based system to optimize scheduling and automate work processes, in an effort to increase workforce capacity, reduce staff turnover and in turn improve volumes. By the end of Q1 2020, 95% of ParaMed's volumes had been converted to the new cloud-based platform and the remaining volumes in Alberta were converted in Q4 2020, which was delayed due to COVID. Total project costs incurred were $11.7 million over the life of the project with $0.9 million impacting NOI in 2020 ($0.1 million in Q4 2020).

PARAMED B.C. CONTRACT EXPIRATION

As previously announced, ParaMed ceased providing services to the B.C. health authorities at the end of January 2020 (the "ParaMed B.C. Contract Expiration"). In connection with the expiration of the contracts, the Company recorded a charge of $1.4 million in Q1 2019, primarily for facilities related costs.

For the year ended December 31, 2020, ParaMed's B.C. contracts contributed revenue of $3.0 million and NOI of less than $0.1 million, all of which was earned in Q1 2020. For Q4 2019, ParaMed's B.C. contracts contributed revenue of $13.3 million and NOI of $0.1 million. For the year ended December 31, 2019, the B.C. contracts represented approximately 12% of ParaMed's annual volumes, generated $50.7 million of revenue and incurred a net operating loss of $0.3 million.

Other Operations

The following table provides information in respect of the third-party clients receiving services from Extendicare Assist and SGP at the end of each period for the past eight quarters. At December 31, 2020, Extendicare Assist was providing contract services to third-parties representing 52 LTC homes and retirement communities with capacity for 6,379 senior residents. SGP continues to grow its market share, increasing its third-party residents served by 21.9% at December 31, 2020, over December 31, 2019. The underlying demand for SGP's services remains strong and at the end of January 2021, the number of residents served by SGP had grown to 79,900.

	2020				2019			
Other Operations	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Extendicare Assist Contract Services								
Homes at period end	**52**	**53**	**53**	**53**	53	53	53	54
Resident capacity	**6,379**	**6,543**	**6,543**	**6,601**	6,601	6,601	6,601	6,661
Change over prior year period	**(3.4)%**	**(0.9)%**	**(0.9)%**	**(0.9)%**	1.6 %	(0.5)%	(0.5)%	0.4 %
Sequential quarterly change	**(2.5)%**	**— %**	**(0.9)%**	**— %**	— %	— %	(0.9)%	2.5 %
SGP Clients								
Third-party senior residents	**78,937**	**79,372**	**75,165**	**72,886**	64,762	64,261	58,673	57,050
Change over prior year period	**21.9 %**	**23.5 %**	**28.1 %**	**27.8 %**	26.8 %	26.1 %	16.6 %	24.8 %
Sequential quarterly change	**(0.5)%**	**5.6 %**	**3.1 %**	**12.5 %**	0.8 %	9.5 %	2.8 %	11.7 %

SELECT ANNUAL INFORMATION

The following is a summary of selected annual financial information for each of the past three years.

(thousands of dollars unless otherwise noted)	**2020**	**2019**	**2018**
Financial Results			
Revenue	**1,158,293**	1,131,950	1,119,602
Earnings before depreciation, amortization and other expense (Adjusted EBITDA)	**133,138**	92,299	95,009
Earnings from continuing operations	**42,586**	14,799	10,385
per basic and diluted share *($)*	**0.47**	0.17	0.12
Earnings from discontinued operations	**11,603**	13,831	21,353
Net earnings	**54,189**	28,630	31,738
per basic and diluted share *($)*	**0.60**	0.32	0.36
AFFO	**79,167**	52,600	57,751
per basic share *($)*	**0.88**	0.59	0.65
per diluted share *($)*	**0.83**	0.57	0.63
Cash dividends declared	**42,963**	42,672	42,351
per share *($)*	**0.480**	0.480	0.480
Financial Position ***(at year end)***			
Total assets	**963,127**	888,800	896,324
Total non-current liabilities	**555,418**	497,515	543,359
Long-term debt	**493,207**	422,535	454,344
Long-term debt, including current portion	**564,597**	556,306	528,970

Financial Results – The selected information provided for each of the years under the heading “Financial Results” reflects the classification of disposed U.S. operations and those of the Captive as discontinued (refer to the discussion under “Discontinued Operations”).

Effective January 1, 2019, the Company adopted IFRS 16 *Leases*, using the modified retrospective approach, under which the comparative information presented for 2018 has not been restated. The impact of adopting this standard on net earnings and overall cash flow was neutral; however, it reduced administrative costs in 2019 by $2.9 million, thereby increasing Adjusted EBITDA, and increased depreciation costs by $2.6 million and interest costs of $0.5 million.

The financial results for 2019 reflect an improvement in earnings from continuing operations of $4.4 million in comparison to 2018 primarily as a result of a pre-tax impairment charge of $16.2 million in respect of certain of the Company’s retirement communities and long-term care homes recorded in 2018 partially offset by an increase in depreciation and amortization costs of $1.7 million (exclusive of the impact of the adoption of IFRS 16 in 2019), a net change in foreign exchange and fair value adjustments of $2.2 million and a decline in Adjusted EBITDA. The decrease in Adjusted EBITDA in 2019 as compared to 2018, reflects growth in NOI of the LTC and retirement living operations, offset by lower volumes and higher back office operating costs of the home health care operations, and an increase in administrative costs (exclusive of the impact of the adoption of IFRS 16).

Financial Position – Total assets and non-current liabilities declined at the end of 2019 from the prior year largely due to the “run off” of the former U.S. self-insured liabilities and related investments held by the Captive and an increase in current portion of long-term debt due to maturities, partially offset by an increase in property and equipment that included the completion of a retirement living community in October 2019, and the recognition of right-of-use assets on transition to IFRS 16. Long-term debt, including the current portion, increased in 2019 as compared to 2018, reflecting new mortgages on retirement communities of $25.3 million draws on construction financing of $20.7 million and the recognition of lease liabilities of $5.8 million on transition to IFRS 16, partially offset by scheduled debt repayments.

A comparison between the 2020 and 2019 financial results and financial position of the Company is provided in the discussion under the headings “2020 Financial Review” and “Liquidity and Capital Resources”.

SELECT QUARTERLY FINANCIAL INFORMATION

The following is a summary of select quarterly financial information for the past eight quarters.

				2020				2019
(thousands of dollars unless otherwise noted)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**307,742**	**296,786**	**281,947**	**271,818**	290,895	282,733	284,053	274,269
Net operating income	**55,804**	**75,976**	**19,934**	**30,383**	32,877	34,867	35,320	30,386
NOI margin	***18.1%***	***25.6%***	***7.1%***	***11.2%***	*11.3%*	*12.3%*	*12.4%*	*11.1%*
Adjusted EBITDA	**41,046**	**63,794**	**8,167**	**20,131**	23,527	23,846	25,152	19,774
Adjusted EBITDA margin	***13.3%***	***21.5%***	***2.9%***	***7.4%***	*8.1%*	*8.4%*	*8.9%*	*7.2%*
Earnings (loss) from continuing operations	**15,594**	**34,644**	**(8,889)**	**1,237**	4,467	5,353	4,966	13
per basic share *($)*	**0.17**	**0.39**	**(0.10)**	**0.01**	0.05	0.06	0.06	—
per diluted share *($)*	**0.17**	**0.36**	**(0.10)**	**0.01**	0.05	0.06	0.06	—
Earnings (loss) from discontinued operations	**1,882**	**(178)**	**5,230**	**4,669**	5,621	1,906	3,359	2,945
Net earnings	**17,476**	**34,466**	**(3,659)**	**5,906**	10,088	7,259	8,325	2,958
per basic share *($)*	**0.19**	**0.38**	**(0.04)**	**0.07**	0.11	0.08	0.10	0.03
per diluted share *($)*	**0.19**	**0.36**	**(0.04)**	**0.07**	0.11	0.08	0.10	0.03
AFFO	**21,804**	**42,787**	**2,946**	**11,630**	11,365	13,693	14,927	12,615
per basic share *($)*	**0.24**	**0.48**	**0.03**	**0.13**	0.13	0.15	0.17	0.14
per diluted share *($)*	**0.23**	**0.44**	**0.03**	**0.13**	0.12	0.15	0.16	0.14
Maintenance Capex	**7,573**	**2,381**	**2,157**	**1,755**	6,028	3,056	2,312	916
Cash dividends declared	**10,743**	**10,746**	**10,743**	**10,731**	10,701	10,680	10,657	10,634
per share *($)*	**0.120**	**0.120**	**0.120**	**0.120**	0.120	0.120	0.120	0.120
Weighted Average Number of Shares *(000's)*								
Basic	**89,898**	**89,864**	**89,826**	**89,644**	89,467	89,253	89,039	88,825
Diluted	**100,362**	**100,223**	**100,177**	**100,023**	99,850	99,614	99,415	99,186

The following is a reconciliation of "earnings (loss) from continuing operations before income taxes" to Adjusted EBITDA and "net operating income".

				2020				2019
(thousands of dollars)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Earnings (loss) from continuing operations before income taxes	**21,717**	**47,457**	**(11,907)**	1,603	6,452	7,594	7,169	769
Add (Deduct):								
Depreciation and amortization	**9,884**	**9,373**	**9,685**	9,853	10,597	9,861	9,705	9,427
Net finance costs	**6,959**	**6,964**	**7,609**	8,675	6,478	6,391	7,303	8,149
Other expense	**2,486**	—	**2,780**	—	—	—	975	1,429
Adjusted EBITDA	**41,046**	**63,794**	**8,167**	20,131	23,527	23,846	25,152	19,774
Administrative costs	**14,758**	**12,182**	**11,767**	10,252	9,350	11,021	10,168	10,612
Net operating income	**55,804**	**75,976**	**19,934**	30,383	32,877	34,867	35,320	30,386

There are a number of factors affecting the trend of the Company's quarterly results from continuing operations. With respect to the core operations, while year-over-year quarterly comparisons will generally remain comparable, sequential quarters can vary materially for seasonal and other trends. In respect of 2020, COVID-19 has impacted the Company's quarterly results from continuing operations (refer to "Significant Events – Impact of COVID-19 Pandemic" and "Key Performance Indicators – ParaMed Canada Emergency Wage Subsidy"). The significant factors that impact the results from period to period, in addition to the impacts that result from COVID-19, are as follows:

- Ontario long-term care funding tied to flow-through funding envelopes requires revenue be deferred until it is matched with the related costs for resident care in the periods in which the costs are incurred, resulting in a fluctuation in revenue and operating expenses by quarter, with both generally being at their lowest in the Q1 and at their highest in Q4;
- Ontario long-term care providers generally receive annual flow-through funding increases and case mix index adjustments effective April 1st and accommodation funding increases effective July 1st, and Alberta long-term care

providers generally receive annual inflationary rate increases and acuity-based funding adjustments on April 1st and accommodation funding increases effective July 1st;

- maintenance capex spending, which impacts AFFO, fluctuates on a quarterly basis with the timing of projects and seasonality and is generally at its lowest in Q1 and its highest in Q4;
- utility costs are generally at their highest in Q1 and their lowest in Q2 and Q3; and
- certain line items that are reported separately due to their transitional nature that would otherwise distort the comparability of the historical trends, being "other expense" and "foreign exchange and fair value adjustments".

STATEMENT OF EARNINGS

The following provides the consolidated statement of earnings for the periods ended December 31, 2020 and 2019.

	Three months ended December 31			**Year ended December 31**		
(thousands of dollars unless otherwise noted)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Revenue	**307,742**	290,895	16,847	**1,158,293**	1,131,950	26,343
Operating expenses	**251,938**	258,018	(6,080)	**976,196**	998,500	(22,304)
Net operating income	**55,804**	32,877	22,927	**182,097**	133,450	48,647
Administrative costs	**14,758**	9,350	5,408	**48,959**	41,151	7,808
Adjusted EBITDA	**41,046**	23,527	17,519	**133,138**	92,299	40,839
Depreciation and amortization	**9,884**	10,597	(713)	**38,795**	39,590	(795)
Other expense	**2,486**	—	2,486	**5,266**	2,404	2,862
Earnings before net finance costs and income taxes	**28,676**	12,930	15,746	**89,077**	50,305	38,772
Interest expense (net of capitalized interest)	**7,109**	7,623	(514)	**28,478**	28,733	(255)
Interest revenue	**(597)**	(1,004)	407	**(2,681)**	(3,688)	1,007
Accretion	**315**	303	12	**1,237**	1,195	42
Foreign exchange and fair value adjustments	**132**	(444)	576	**3,173**	2,081	1,092
Net finance costs	**6,959**	6,478	481	**30,207**	28,321	1,886
Earnings from continuing operations before income taxes	**21,717**	6,452	15,265	**58,870**	21,984	36,886
Income tax expense (recovery)						
Current	**7,280**	1,068	6,212	**21,623**	8,287	13,336
Deferred	**(1,157)**	917	(2,074)	**(5,339)**	(1,102)	(4,237)
Total income tax expense	**6,123**	1,985	4,138	**16,284**	7,185	9,099
Earnings from continuing operations	**15,594**	4,467	11,127	**42,586**	14,799	27,787
Earnings from discontinued operations	**1,882**	5,621	(3,739)	**11,603**	13,831	(2,228)
Net earnings	**17,476**	10,088	7,388	**54,189**	28,630	25,559
Earnings from continuing operations	**15,594**	4,467	11,127	**42,586**	14,799	27,787
Add (Deduct) [(1)]**:**						
Foreign exchange and fair value adjustments	**145**	(255)	400	**2,255**	1,732	523
Other expense	**2,486**	—	2,486	**4,515**	2,070	2,445
Earnings from continuing operations before separately reported items, net of taxes	**18,225**	4,212	14,013	**49,356**	18,601	30,755

(1) The separately reported items being added to or deducted from earnings (loss) from continuing operations are net of income taxes, and are non-GAAP measures. Refer to the discussion of non-GAAP measures.

The following provides a reconciliation of "earnings from continuing operations before income taxes" to "Adjusted EBITDA" and "net operating income".

	Three months ended December 31			Year ended December 31		
(thousands of dollars)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Earnings from continuing operations before income taxes	**21,717**	6,452	15,265	**58,870**	21,984	36,886
Add (Deduct):						
Depreciation and amortization	**9,884**	10,597	(713)	**38,795**	39,590	(795)
Net finance costs (income)	**6,959**	6,478	481	**30,207**	28,321	1,886
Other expense	**2,486**	—	2,486	**5,266**	2,404	2,862
Adjusted EBITDA	**41,046**	23,527	17,519	**133,138**	92,299	40,839
Administrative costs	**14,758**	9,350	5,408	**48,959**	41,151	7,808
Net operating income	**55,804**	32,877	22,927	**182,097**	133,450	48,647

2020 FOURTH QUARTER FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for Q4 2020, as compared to Q4 2019. Refer to the discussion that follows under "Summary of Results of Operations by Segment" for an analysis of the revenue and net operating income by operating segment.

Revenue

Revenue of $307.7 million for Q4 2020 increased by $16.8 million or 5.8% from $290.9 million in Q4 2019. Excluding the year-over-year decline in revenue from the ParaMed B.C. contracts ($13.3 million) from Q4 2019, revenue increased by $30.1 million or 10.9% in Q4 2020 from $277.6 million in the same prior year period. This increase in revenue was driven primarily by funding related to COVID-19 ($32.0 million), LTC funding enhancements, expansion of the retirement living operations and growth in other operations, partially offset by a decline in home health care volumes, timing of LTC flow-through funding and lower preferred accommodation revenue in the LTC operations.

Operating Expenses

Operating expenses of $251.9 million for Q4 2020 declined by $6.1 million or 2.4% from Q4 2019. Excluding the year-over-year decline in operating expenses from the ParaMed B.C. contracts ($13.2 million) from Q4 2019 and the CEWS ($40.4 million) received by the home health care segment in Q4 2020, operating expenses increased by $47.5 million or 19.4% to $292.3 million in Q4 2020 from $244.8 million in the same prior year period. The increase in operating expenses was driven by increased estimated costs related to COVID-19 and pandemic pay programs ($41.6 million), higher costs of resident care in the LTC operations, increased workers compensation and benefits costs and investments in training and technology programs and a wage harmonization program for non-unionized front-line workers in the home health care operations, and growth in the lease-up retirement living operations, offset by the impact of lower home health care volumes.

Net Operating Income

Net operating income improved by $22.9 million to $55.8 million for Q4 2020 as compared to $32.9 million for Q4 2019 and represented 18.1% of revenue as compared to 11.3% for Q4 2019. Excluding the impact of the ParaMed B.C. contracts ($0.1 million) from Q4 2019 and the CEWS ($40.4 million) received by the home health care segment in Q4 2020, NOI declined by $17.4 million or 53.0% to $15.4 million in Q4 2020 from $32.8 million in the same prior year period, representing 5.0% and 11.8% of revenue, respectively. Growth in NOI from the retirement living and other operations segments was offset by estimated costs of COVID-19 in excess of funding ($9.6 million), lower volumes and increased operating costs, including one-time costs, in the home health care operations and increased costs of resident care, along with lower preferred accommodation revenue, in the LTC operations.

Administrative Costs

Administrative costs increased by $5.4 million or 57.8% to $14.8 million for Q4 2020 and include the impact of lower costs associated with the ParaMed Transformation project of $0.9 million incurred in Q4 2019, increased severance provisions of $1.8 million as compared to Q4 2019 related to management back office functions and administrative costs related to COVID-19 of $0.7 million incurred in Q4 2020. Excluding these impacts, administrative costs increased by $3.8 million primarily due to higher labour costs associated with increased management and support staff of key back office functions and increased insurance costs.

Adjusted EBITDA

Adjusted EBITDA increased by $17.5 million to $41.0 million for Q4 2020 as compared to $23.5 million for Q4 2019, and represented 13.3% of revenue as compared to 8.1%, respectively, primarily due to higher NOI, partially offset by increased administrative costs, as discussed above.

Depreciation and Amortization

Depreciation and amortization costs declined by $0.7 million to $9.9 million for Q4 2020.

Other Expense

Other expense of $2.5 million recorded in Q4 2020 represents a non-cash, non-recurring actuarial adjustment in respect of a legacy post-retirement benefits plan.

Net Finance Costs

Net finance costs increased by $0.5 million for Q4 2020, primarily due to lower interest revenue of $0.4 million earned on cash on hand as a result of lower interest rates, and a net unfavourable change of $0.6 million in foreign exchange and fair value adjustments related to the Company's interest rate swaps, partially offset by lower interest expense. Interest expense of $7.1 million declined by $0.5 million reflecting a lower weighted average interest rate, partially offset by increased debt levels.

Income Taxes

The income tax provision was $6.1 million for Q4 2020, representing an effective tax rate of 28.2%, as compared to $2.0 million and an effective tax rate of 30.8% for Q4 2019. The Q4 2020 income tax provision includes $10.7 million of current income taxes payable on the CEWS ($40.4 million) received by the home health care segment in Q4 2020, partially offset by a decline in taxable income in the other operating segment legal entities.

Earnings from Continuing Operations

Earnings from continuing operations were $15.6 million ($0.17 per basic share) for Q4 2020 as compared to $4.5 million ($0.05 per basic share) for Q4 2019, largely driven by the impact of the CEWS ($40.4 million) received by the home health care segment ($29.7 million, net of tax, or $0.33 per basic share), partially offset by the estimated costs of COVID-19 in excess of funding ($7.6 million, net of tax, or $0.08 per basic share), the increase in administrative costs, other expense of $2.5 million and the decline in NOI from the home health care operations (excluding the impact of the CEWS) and from the LTC operations.

Summary of Results of Operations by Segment

The following summarizes the Company's segmented "revenue", "operating expenses" and "net operating income", followed by an analysis of the operating performance of each of the Company's operating segments.

Three months ended December 31 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Other Operations**	**Total**
2020					
Revenue	**192,112**	**12,047**	**96,387**	**7,196**	**307,742**
Operating expenses	**182,863**	**8,725**	**57,705**	**2,645**	**251,938**
Net operating income	**9,249**	**3,322**	**38,682**	**4,551**	**55,804**
NOI margin %	***4.8 %***	***27.6 %***	***40.1 %***	***63.2 %***	***18.1 %***
2019					
Revenue	166,656	11,356	106,699	6,184	290,895
Operating expenses	146,135	8,363	100,778	2,742	258,018
Net operating income	20,521	2,993	5,921	3,442	32,877
NOI margin %	*12.3 %*	*26.4 %*	*5.5 %*	*55.7 %*	*11.3 %*
Change					
Revenue	25,456	691	(10,312)	1,012	16,847
Operating expenses	36,728	362	(43,073)	(97)	(6,080)
Net operating income	(11,272)	329	32,761	1,109	22,927

LONG-TERM CARE OPERATIONS

Revenue from the LTC operations grew by $25.5 million or 15.3% to $192.1 million for Q4 2020, largely driven by funding of $25.6 million to support the costs associated with COVID-19 and pandemic pay programs, with the balance primarily due to funding enhancements largely tied to the Ontario flow-through funding envelopes, offset by timing of flow-through funding, and lower preferred accommodation revenue due to the impact of COVID-19.

Net operating income from the LTC operations was $9.2 million for Q4 2020 as compared to $20.5 million for Q4 2019, a decrease of $11.3 million or 54.9%, with NOI margins of 4.8% and 12.3%, respectively. Operating expenses included increased costs associated with COVID-19 and pandemic pay programs, estimated at $34.3 million, that were $8.7 million in excess of COVID-19 related funding of $25.6 million (refer to "Significant Events – Impact of COVID-19 Pandemic"). In addition, results for Q4 2019 included favourable labour accrual adjustments of $1.4 million. The balance of the decline in NOI of $1.2 million was due to increased costs of resident care in excess of funding, primarily higher labour costs, and lower preferred accommodation revenue.

RETIREMENT LIVING OPERATIONS

The following table summarizes the breakdown of the same-store and non same-store operating results of the retirement living operations.

Three months ended December 31					**Retirement Living**	
(thousands of dollars unless otherwise noted)	**Same-store**		**Non same-store**		**Total**	
2020						
Revenue	**10,445**		**1,602**		**12,047**	
Operating expenses	**7,818**		**907**		**8,725**	
Net operating income / margin %	**2,627**	***25.2 %***	**695**	***43.4 %***	**3,322**	***27.6 %***
Average occupancy / weighted average available suites	***84.4 %***	***926***	***86.6 %***	***124***	***84.6 %***	***1,050***
2019						
Revenue	10,661		695		11,356	
Operating expenses	7,512		851		8,363	
Net operating income / margin %	3,149	*29.5 %*	(156)	*(22.4)%*	2,993	*26.4 %*
Average occupancy / weighted average available suites	*87.0 %*	*925*	*41.0 %*	*123*	*81.7 %*	*1,048*
Change						
Revenue	(216)		907		691	
Operating expenses	306		56		362	
Net operating income	(522)		851		329	

Revenue from retirement living operations grew by $0.7 million or 6.1% to $12.0 million for Q4 2020, primarily attributable to the contribution from non same-store operations of $0.9 million related to the opening of The Barrieview in October 2019. This was partially offset by a decline in revenue from same-store operations due to occupancy declines in the stabilized communities as a result of the impact of COVID-19.

Net operating income from the retirement living operations was $3.3 million for Q4 2020 as compared to $3.0 million for Q4 2019, an increase of $0.3 million or 11.0%, reflecting the contribution from The Barrieview. The decline from same-store operations of $0.5 million was due to the impact of the pandemic on occupancy levels of the stabilized communities, increased costs related to lease-up activity and estimated costs related to COVID-19 of $0.1 million in Q4 2020.

HOME HEALTH CARE OPERATIONS

The following discussion of the home health care operations excludes the B.C. contracts, which contributed revenue of $13.3 million and NOI of $0.1 million in Q4 2019, and the CEWS received in Q4 2020 of $40.4 million (refer to "Key Performance Indicators – ParaMed Canada Emergency Wage Subsidy").

Revenue from the home health care operations increased by $3.0 million or 3.2% to $96.4 million for Q4 2020 from $93.4 million for Q4 2019, reflecting funding of $6.4 million recognized in Q4 2020 to support the costs associated with COVID-19 and pandemic pay programs, partially offset by a decline in ADV of 5.4% due to the impact of COVID-19.

Net operating income from the home health care operations was a loss of $1.7 million for Q4 2020 as compared to NOI of $5.8 million for Q4 2019, a decrease of $7.5 million, with NOI margins of (1.8)% and 6.2%, respectively. The decline in NOI of $7.5 million includes one-time costs of $3.7 million associated with implementing a wage harmonization program for non-unionized front-line workers and $2.4 million in investments in technology and training aids to support the new in-house and college partnership training programs and continued back-office efficiencies. Excluding these items, NOI declined by $1.4 million, largely attributable to lower volumes, increased workers compensation and benefits costs, and net costs of $0.8 million associated with COVID-19 in excess of pandemic pay programs and other COVID assistance (refer to the discussion under "Significant Events – Impact of COVID-19 Pandemic"), partially offset by lower costs associated with the ParaMed Transformation project.

OTHER OPERATIONS

Revenue from other operations increased by $1.0 million or 16.4% to $7.2 million in Q4 2020 compared to Q4 2019, largely due to the increase in group purchasing clients.

Net operating income from other operations increased by $1.1 million or 32.2% to $4.6 million for Q4 2020 compared to Q4 2019, due to revenue growth from an increase in group purchasing clients and lower operating expenses related to reduced travel and business promotion, partially offset by increased staff to support the growth in operations.

2020 FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for the year ended December 31, 2020, as compared to the same period in 2019. Refer to the discussion that follows under "Summary of Results of Operations by Segment" for an analysis of the revenue and net operating income by operating segment, including the components of non same-store revenue and net operating income.

Revenue

Revenue of $1,158.3 million for the year ended December 31, 2020, increased by $26.3 million or 2.3% from the year ended December 31, 2019. Excluding the year-over-year decline in revenue from the ParaMed B.C. contracts ($47.7 million) and the incremental funding related to Bill 148 recorded in Q2 2019 ($2.2 million), revenue increased by $76.2 million or 7.1% to $1,155.3 million this period from $1,079.1 million in the same prior year period. The increase in revenue was driven primarily by funding related to COVID-19 ($88.3 million), LTC funding enhancements, expansion of the retirement living operations, growth in other operations and the impact of the leap day in Q1 2020, offset by a decline in home health care volumes and lower preferred accommodation revenue in LTC operations.

Operating Expenses

Operating expenses of $976.2 million for the year ended December 31, 2020, declined by $22.3 million or 2.2% from the year ended December 31, 2019. Excluding the year-over-year decline in operating expenses from the ParaMed B.C. contracts ($48.0 million) and the CEWS ($91.2 million) received by the home health care segment in 2020, operating expenses increased by $116.9 million or 12.3% to $1,064.4 million for the year ended December 31, 2020, from $947.5 million in the same prior year period. The increase in operating expenses was driven by increased estimated costs related to COVID-19 and pandemic pay programs ($114.9 million), higher costs of resident care in the LTC operations, increased workers compensation, benefits and back-office costs and investments in training and technology programs and a wage harmonization program for non-unionized front-line workers in the home health care operations, and expansion of the retirement living operations, and the impact of the leap day in Q1 2020, partially offset by the impact of lower home health care volumes.

Net Operating Income

Net operating income improved by $48.6 million to $182.1 million for the year ended December 31, 2020, and represented 15.7% of revenue as compared to 11.8% for the year ended December 31, 2019. Excluding the year-over-year impact of the incremental funding related to Bill 148 ($2.2 million) received in Q2 2019, partially offset by the favourable impact of the ParaMed B.C. contracts ($0.3 million) and the CEWS ($91.2 million) received by the home health care segment in 2020, NOI declined by $40.7 million or 30.9% to $90.9 million for the year ended December 31, 2020, from $131.6 million in the same prior year period, representing 7.9% and 12.2% of revenue, respectively. Growth in NOI from the retirement living and other operations segments was offset by estimated costs of COVID-19 in excess of funding ($26.6 million), lower volumes and increased operating costs, including one-time costs, in the home health care operations and increased costs of resident care, along with lower preferred accommodation revenue in the LTC operations.

Administrative Costs

Administrative costs increased by $7.8 million or 19.0% to $49.0 million for the year ended December 31, 2020 and include the impact of lower costs associated with the ParaMed Transformation project of $3.6 million incurred in 2019, increased severance provisions of $0.7 million as compared to 2019, and administrative costs related to COVID-19 of $3.5 million incurred in 2020. Excluding these impacts, administrative costs increased by $7.2 million primarily due to higher labour costs associated with increased management and support staff of key back office functions and higher insurance costs.

Adjusted EBITDA

Adjusted EBITDA increased by $40.8 million to $133.1 million for the year ended December 31, 2020, as compared to $92.3 million for the year ended December 31, 2019, and represented 11.5% of revenue as compared to 8.2%, respectively, primarily due to higher NOI, partially offset by increased administrative costs, as discussed above.

Depreciation and Amortization

Depreciation and amortization costs declined by $0.8 million to $38.8 million for the year ended December 31, 2020,

Other Expense

Other expense of $5.3 million recorded in the year ended December 31, 2020, related to an impairment charge of $2.7 million in respect of certain of the Company’s retirement communities in Saskatchewan recorded in Q2 2020, and $2.5 million for a non-cash, non-recurring actuarial adjustment in respect of a legacy post-retirement benefits plan recorded in Q4 2020. Other expense of $2.4 million recorded in the year ended December 31, 2019, related to costs associated with the ParaMed B.C. Contract Expiration and a representation and standstill agreement entered into with the Sandpiper group.

Net Finance Costs

Net finance costs increased by $1.9 million for the year ended December 31, 2020, primarily due to lower interest revenue of $1.0 million earned on cash on hand due to lower interest rates, and a net unfavourable change of $1.1 million in foreign exchange and fair value adjustments related to the Company’s interest rate swaps, partially offset by lower interest expense. Interest expense of $28.5 million declined by $0.3 million reflecting a lower weighted average interest rate, partially offset by a reduction in the amount of capitalized interest of $0.7 million and higher debt levels in 2020, as compared to 2019.

Income Taxes

The income tax provision was $16.3 million for the year ended December 31, 2020, representing an effective tax rate of 27.7%, as compared to $7.2 million and an effective tax rate of 32.7% for the year ended December 31, 2019. The income tax provision for the year ended December 31, 2020, includes $24.2 million of current income taxes payable on the CEWS ($91.2 million) received by the home health care segment, partially offset by a decline in remaining taxable income in the other operating segments legal entities. Tax rates were impacted by, among other things, the tax impact of foreign exchange and fair value adjustments and the “other expense” items, as noted above. Excluding the impact of these separately reported items, the effective tax rate was 26.7% for the year ended December 31, 2020, as compared to 29.7% for the year ended December 31, 2019, reflecting the applicable level of taxable income or loss of the Company's legal entities.

Earnings from Continuing Operations

Earnings from continuing operations were $42.6 million ($0.47 per basic share) for the year ended December 31, 2020, as compared to earnings of $14.8 million ($0.17 per basic share) for the year ended December 31, 2019, largely driven by the impact of the CEWS ($91.2 million) received by the home health care segment ($67.0 million, net of tax, or $0.75 per basic share), partially offset by the estimated costs of COVID-19 in excess of funding ($22.1 million, net of tax, or $0.25 per basic share), higher administrative costs, increased other expense of $2.9 million, and the decline in NOI from the home health care operations (excluding the impact of the CEWS) and from the LTC operations.

Summary of Results of Operations by Segment

The following summarizes the Company’s segmented “revenue”, “operating expenses” and “net operating income”, followed by an analysis of the operating performance of each of the Company’s operating segments.

Year ended December 31 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Other Operations**	**Total**
2020					
Revenue	**715,550**	**47,801**	**368,189**	**26,753**	**1,158,293**
Operating expenses	**663,790**	**34,032**	**268,273**	**10,101**	**976,196**
Net operating income	**51,760**	**13,769**	**99,916**	**16,652**	**182,097**
NOI margin %	***7.2 %***	***28.8 %***	***27.1 %***	***62.2 %***	***15.7 %***
2019					
Revenue	643,785	41,276	422,995	23,894	1,131,950
Operating expenses	566,375	29,844	391,646	10,635	998,500
Net operating income	77,410	11,432	31,349	13,259	133,450
NOI margin %	*12.0 %*	*27.7 %*	*7.4 %*	*55.5 %*	*11.8 %*
Change					
Revenue	71,765	6,525	(54,806)	2,859	26,343
Operating expenses	97,415	4,188	(123,373)	(534)	(22,304)
Net operating income	(25,650)	2,337	68,567	3,393	48,647

LONG-TERM CARE OPERATIONS

Revenue from LTC operations grew by $71.8 million or 11.1% to $715.6 million for the year ended December 31, 2020, largely driven by funding of $64.7 million to support the costs associated with COVID-19 and pandemic pay programs, approximately $4.9 million from increases in the Ontario flow-through funding envelopes which are offset by increased operating expenses associated with resident care, and other funding enhancements, including incremental funding of $0.8 million in certain provinces for the leap day in Q1 2020, partially offset by lower preferred accommodation revenue.

Net operating income from the LTC operations was $51.8 million for the year ended December 31, 2020, as compared to $77.4 million for the year ended December 31, 2019, a decrease of $25.7 million or 33.1%, with NOI margins of 7.2% and 12.0%, respectively. Operating expenses included costs associated with COVID-19 and pandemic pay programs, estimated at $88.9 million, that were $24.2 million in excess of COVID-19 related funding of $64.7 million (refer to "Significant Events – Impact of COVID-19 Pandemic"). In addition, results for 2019 included favourable labour accrual adjustments of $1.1 million. The balance of the decline in NOI of $0.4 million was due to increased costs of resident care in excess of funding, primarily related to higher labour costs, and lower preferred accommodation revenue, partially offset by the leap day in Q1 2020.

RETIREMENT LIVING OPERATIONS

The following table summarizes the breakdown of the same-store and non same-store operating results of the retirement living operations.

Year ended December 31					**Retirement Living**	
(thousands of dollars unless otherwise noted)	**Same-store**		**Non same-store**		**Total**	
2020						
Revenue	**41,837**		**5,964**		**47,801**	
Operating expenses	**30,317**		**3,715**		**34,032**	
Net operating income / margin %	**11,520**	***27.5 %***	**2,249**	***37.7 %***	**13,769**	***28.8 %***
Average occupancy / weighted average available suites	***85.0 %***	***925***	***83.3 %***	***124***	***84.8 %***	***1,049***
2019						
Revenue	40,581		695		41,276	
Operating expenses	28,643		1,201		29,844	
Net operating income / margin %	11,938	*29.4 %*	(506)	*— %*	11,432	*27.7 %*
Average occupancy / weighted average available suites	*83.5 %*	*925*	***41.0 %***	*31*	*82.1 %*	*956*
Change						
Revenue	1,256		5,269		6,525	
Operating expenses	1,674		2,514		4,188	
Net operating income	(418)		2,755		2,337	*— %*

Revenue from retirement living operations grew by $6.5 million or 15.8% to $47.8 million for the year ended December 31, 2020, of which non same-store operations contributed $5.3 million as a result of the opening of The Barrieview in October 2019. Organic growth from same-store operations of $1.3 million, was primarily due to lease-up activity, partially offset by the impact of COVID-19 on occupancy levels of the stabilized communities in 2020.

Net operating income from the retirement living operations was $13.8 million for the year ended December 31, 2020, as compared to $11.4 million for the year ended December 31, 2019, an increase of $2.3 million or 20.4%, reflecting the contribution from The Barrieview of $2.8 million. The decline from same-store operations of $0.4 million reflected growth in occupancy to 85.0% from 83.5% due to lease-up activity, offset by the impact of the pandemic on occupancy levels of the stabilized communities and the increased estimated costs related to COVID-19 of $1.1 million for the year ended December 31, 2020.

HOME HEALTH CARE OPERATIONS

The following discussion of the home health care operations excludes the impact of: the B.C. contracts, which contributed revenue of $3.0 million and NOI of less than $0.1 million for the year ended December 31, 2020, as compared to revenue of $50.7 million and a net operating loss of $0.3 million for the year ended December 31, 2019; incremental funding of $2.2 million related to Bill 148 received in Q2 2019; and the CEWS received in 2020 of $91.2 million (refer to "Key Performance Indicators – ParaMed Canada Emergency Wage Subsidy").

Revenue from the home health care operations declined by $4.9 million or 1.3% to $365.2 million for the year ended December 31, 2020, from $370.1 million in the same prior year period, primarily due to a decline in ADV of 9.8% due to COVID-19, partially offset by funding of $23.6 million to support the costs associated with COVID-19 and pandemic pay programs, and approximately $1.0 million of incremental leap day revenue in Q1 2020.

Net operating income from the home health care operations was $8.7 million for the year ended December 31, 2020, as compared to $29.5 million for the year ended December 31, 2019, a decrease of $20.8 million, with NOI margins of 2.4% and 8.0%, respectively. The decline in NOI of $20.8 million was largely attributable to lower volumes, higher workers compensation, benefits and back office costs, one-time costs of $3.7 million associated with implementing a wage harmonization program for non-unionized front-line workers and $2.8 million in investments in technology and training aids to support the new in-house and college partnership training programs and continued back-office efficiencies, and net costs associated with COVID-19 of $1.3 million in excess of pandemic pay programs and other COVID assistance (refer to the discussion under "Significant Events – Impact of COVID-19 Pandemic"), partially offset by lower costs associated with the ParaMed Transformation project of $1.4 million.

OTHER OPERATIONS

Revenue from other operations increased by $2.9 million or 12.0% to $26.8 million, largely due to an increase in group purchasing clients.

Net operating income from other operations increased by $3.4 million or 25.6% to $16.7 million for the year ended December 31, 2020, due to revenue growth from an increase in clients and lower operating expenses related to reduced travel and business promotion, partially offset by increased staff to support the growth in operations.

ADJUSTED FUNDS FROM OPERATIONS

The following provides a reconciliation of “net earnings” to FFO and AFFO. A reconciliation of “net cash from operating activities” to AFFO is also provided under “Reconciliation of Net Cash from Operating Activities to AFFO”.

	Three months ended December 31			Year ended December 31		
(thousands of dollars unless otherwise noted)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Earnings from continuing operations	**15,594**	4,467	11,127	**42,586**	14,799	27,787
Add (Deduct):						
Depreciation and amortization	**9,884**	10,597	(713)	**38,795**	39,590	(795)
Depreciation for FFEC (maintenance capex) [(1)]	**(1,868)**	(1,855)	(13)	**(7,520)**	(6,898)	(622)
Depreciation for office leases [(2)]	**(610)**	(621)	11	**(2,489)**	(2,588)	99
Other expense	**2,486**	—	2,486	**5,266**	2,404	2,862
Foreign exchange and fair value adjustments	**132**	(444)	576	**3,173**	2,081	1,092
Current income tax expense (recovery) on other expense, foreign exchange and fair value adjustments [(3)]	—	(7)	7	—	(265)	265
Deferred income tax expense (recovery)	**(1,157)**	917	(2,074)	**(5,339)**	(1,102)	(4,237)
FFO (continuing operations)	**24,461**	13,054	11,407	**74,472**	48,021	26,451
Amortization of deferred financing costs	**489**	436	53	**2,010**	1,714	296
Accretion costs	**315**	303	12	**1,237**	1,195	42
Non-cash share-based compensation	**797**	376	421	**2,002**	1,598	404
Principal portion of government capital funding	**1,447**	1,369	78	**5,792**	5,486	306
Additional maintenance capex [(1)]	**(5,705)**	(4,173)	(1,532)	**(6,346)**	(5,414)	(932)
AFFO	**21,804**	11,365	10,439	**79,167**	52,600	26,567
Per Basic Share *($)*						
FFO	**0.27**	0.15	0.12	**0.83**	0.54	0.29
AFFO	**0.24**	0.13	0.11	**0.88**	0.59	0.29
Per Diluted Share *($)*						
FFO	**0.26**	0.15	0.11	**0.80**	0.54	0.26
AFFO	**0.23**	0.12	0.11	**0.83**	0.57	0.26
Dividends *($)*						
Declared	**10,743**	10,701	42	**42,963**	42,672	291
Declared per share *($)*	**0.12**	0.12	—	**0.48**	0.48	—
Weighted Average Number of Shares *(thousands)*						
Basic	**89,898**	89,467		**89,808**	89,148	
Diluted	**100,362**	99,850		**100,275**	99,539	
Current income tax expense (recovery) included in FFO	**7,280**	1,075	6,205	**21,623**	8,552	13,071
Total maintenance capex [(1)]	**7,573**	6,028	1,545	**13,866**	12,312	1,554

(1) The aggregate of the items “depreciation for FFEC” and “additional maintenance capex” represents total actual maintenance capex incurred in the period. An amount equivalent to depreciation for FFEC, or furniture, fixtures, equipment and computers, is deducted in determining FFO, and the difference from the actual total maintenance capex incurred is adjusted for in determining AFFO.

(2) Represents depreciation related to office leases under IFRS 16.

(3) Represents current income tax with respect to items that are excluded from the computation of FFO and AFFO, such as foreign exchange and fair value adjustments, and other expense.

AFFO 2020 Financial Review

For Q4 2020, AFFO improved by $10.4 million to $21.8 million ($0.24 per basic share) from $11.4 million ($0.13 per basic share) for Q4 2019, reflecting the increase in Adjusted EBITDA, partially offset by higher maintenance CAPEX, current income taxes and net interest costs. AFFO in Q4 2020 included the CEWS received by the home health care segment, net of tax, of $29.7 million ($0.33 per basic share) and estimated COVID-19 related costs in excess of funding, net of tax, of $7.6 million ($0.08 per basic share).

For the year ended December 31, 2020, AFFO improved by $26.6 million to $79.2 million ($0.88 per basic share) from $52.6 million ($0.59 per basic share) for the year ended December 31, 2019, reflecting the increase in Adjusted EBITDA, partially offset by higher current income taxes and net interest costs. AFFO for the year ended December 31, 2020, included the

CEWS received by the home health care segment, net of tax, of $67.0 million ($0.75 per basic share) and estimated COVID-19 related costs in excess of funding, net of tax, of $22.1 million ($0.25 per basic share).

Dividends declared as a percentage of AFFO for the year ended December 31, 2019, represented a payout ratio of 54%. In addition to cash generated from operations and cash on hand of $180.0 million at December 31, 2020, the Company has available undrawn credit facilities totalling $71.3 million (refer to the discussion under "Liquidity and Capital Resources").

A discussion of the factors impacting net earnings and Adjusted EBITDA can be found under "2020 Fourth Quarter Financial Review" and "2020 Financial Review".

The effective tax rate on FFO from continuing operations was 22.5% for the year ended December 31, 2020, as compared to 15.1% for the year ended December 31, 2019. The Company's current income taxes for 2020 have been impacted by the effects of COVID-19 and the impact of the CEWS received by the home health care segment. In particular, increased costs as a result of COVID-19 and the CEWS received by ParaMed have had an impact on the level of taxable income in our various legal entities and the resulting effective tax rate on the Company's FFO. The determination of FFO includes a deduction for current income tax expense and does not include deferred income tax expense. As a result, the effective tax rates on FFO can be impacted by: adjustments to estimates of annual deferred timing differences, particularly when dealing with cash-based tax items versus accounting accruals; changes in the proportion of earnings between taxable and non-taxable entities; book-to-file adjustments for prior year filings; and the ability to utilize loss carryforwards. In 2021, the Company expects the effective tax rate on FFO will be in the range of 13% to 15%. However, the continuing impact of the COVID-19 pandemic on the Company's operations and financial results may impact the effective tax rate on FFO.

Maintenance capex was $7.6 million for Q4 2020 as compared to $6.0 million for Q4 2019 and to $2.4 million for Q3 2020, representing 2.5%, 2.1% and 0.8% of revenue, respectively. Maintenance capex was $13.9 million for the year ended December 31, 2020, as compared to $12.3 million for the year ended December 31, 2019, representing 1.2% and 1.1% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality.

Reconciliations of Net Cash from Operating Activities and Adjusted EBITDA to AFFO

The following provides a reconciliation of "net cash from operating activities" to AFFO.

	Three months ended December 31		**Year ended December 31**	
(thousands of dollars)	**2020**	**2019**	**2020**	**2019**
Net cash from operating activities	**46,387**	4,996	**121,265**	45,190
Add (Deduct):				
Net change in operating assets and liabilities, including interest, taxes and payments for U.S. self-insured liabilities	**(17,847)**	12,419	**(32,562)**	17,215
Current income tax on items excluded from AFFO [1]	—	(1,299)	**10**	(1,579)
Depreciation for office leases [2]	**(610)**	(621)	**(2,489)**	(2,588)
Depreciation for FFEC (maintenance capex) [3]	**(1,868)**	(1,855)	**(7,520)**	(6,898)
Additional maintenance capex [3]	**(5,705)**	(4,173)	**(6,346)**	(5,414)
Principal portion of government capital funding	**1,447**	1,369	**5,792**	5,486
Amounts offset through investments held for self-insured liabilities [4]	—	529	**1,017**	1,188
AFFO	**21,804**	11,365	**79,167**	52,600

(1) Represents current income tax with respect to items that are excluded from the computation of AFFO, such as foreign exchange and fair value adjustments, and other expense.

(2) Represents depreciation related to office leases under IFRS 16.

(3) The aggregate of the items "depreciation for FFEC" and "additional maintenance capex" represents total actual maintenance capex incurred in the period. An amount equivalent to depreciation for FFEC, or furniture, fixtures, equipment and computers, is deducted in determining FFO, and the difference from the actual total maintenance capex incurred is adjusted for in determining AFFO.

(4) Represents AFFO of the Captive that decreases/(increases) its investments held for self-insured liabilities not impacting the Company's reported cash and cash equivalents.

The following provides a reconciliation of "Adjusted EBITDA" to AFFO.

	Three months ended December 31			Year ended December 31		
(thousands of dollars unless otherwise noted)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Adjusted EBITDA	**41,046**	23,527	17,519	**133,138**	92,299	40,839
Add (Deduct):						
Depreciation for FFEC (maintenance capex) [(1)]	**(1,868)**	(1,855)	(13)	**(7,520)**	(6,898)	(622)
Depreciation for office leases [(2)]	**(610)**	(621)	11	**(2,489)**	(2,588)	99
Accretion costs	**(315)**	(303)	(12)	**(1,237)**	(1,195)	(42)
Interest expense	**(7,109)**	(7,623)	514	**(28,478)**	(28,733)	255
Interest revenue	**597**	1,004	(407)	**2,681**	3,688	(1,007)
	31,741	14,129	17,612	**96,095**	56,573	39,522
Current income tax expense [(3)]	**7,280**	1,075	6,205	**21,623**	8,552	13,071
FFO (continuing operations)	**24,461**	13,054	11,407	**74,472**	48,021	26,451
Amortization of deferred financing costs	**489**	436	53	**2,010**	1,714	296
Accretion costs	**315**	303	12	**1,237**	1,195	42
Non-cash share-based compensation	**797**	376	421	**2,002**	1,598	404
Principal portion of government capital funding	**1,447**	1,369	78	**5,792**	5,486	306
Additional maintenance capex [(1)]	**(5,705)**	(4,173)	(1,532)	**(6,346)**	(5,414)	(932)
AFFO	**21,804**	11,365	10,439	**79,167**	52,600	26,567

(1) The aggregate of the items "depreciation for FFEC" and "additional maintenance capex" represents total actual maintenance capex incurred in the period. An amount equivalent to depreciation for FFEC, or furniture, fixtures, equipment and computers, is deducted in determining FFO, and the difference from the actual total maintenance capex incurred is adjusted for in determining AFFO.

(2) Represents depreciation related to office leases under IFRS 16.

(3) Excludes current income tax with respect to items that are excluded from the computation of FFO and AFFO, such as foreign exchange and fair value adjustments, and other expense.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The following summarizes the sources and uses of cash between continuing and discontinued operations for 2020 and 2019.

	Year ended December 31, 2020			Year ended December 31, 2019		
(thousands of dollars unless otherwise noted)	**Continuing**	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
Net cash from (used in) operating activities	**127,294**	**(6,029)**	**121,265**	58,919	(13,729)	45,190
Net cash from (used in) investing activities	**(4,028)**	**6,029**	**2,001**	(960)	13,729	12,769
Net cash used in financing activities	**(38,163)**	—	**(38,163)**	(28,668)	—	(28,668)
Foreign exchange gain (loss) on U.S. cash held	**396**	—	**396**	(727)		(727)
Increase in cash and cash equivalents	**85,499**	—	**85,499**	28,564	—	28,564
Cash and cash equivalents at beginning of year	**94,457**	—	**94,457**	65,893		65,893
Cash and cash equivalents at end of period	**179,956**	—	**179,956**	94,457	—	94,457

As at December 31, 2020, the Company had cash and cash equivalents on hand of $180.0 million, reflecting an increase in cash of $85.5 million from the beginning of the year. Cash flow generated from operating activities of the continuing operations of $127.3 million was in excess of cash dividends paid of $41.3 million.

Net cash from operating activities of the continuing operations was a source of cash of $127.3 million for the year ended 2020, up $68.4 million or 116.0% as compared to a source of cash of $58.9 million for the year ended 2019, due to the increase in earnings and a favourable net change in working capital between periods. Accounts payable and accrued liabilities increased primarily due to deferred funding related to COVID-19 and timing of income tax payments and payroll cycles. This was partially offset by an increase in other assets and accounts receivable, primarily due to an increase in PPE inventory and timing of payments and funding in connection with pandemic pay programs.

Net cash from investing activities of the continuing operations was a use of cash of $4.0 million for the year ended 2020 as compared to a use of cash of $1.0 million for the year ended 2019. The 2020 activity included purchases of property, equipment and other intangible assets of $33.1 million, partially offset by the repatriation of $23.3 million (US$17.0 million)

from the Captive and collection of other assets of $5.8 million. The 2019 activity included purchases of property, equipment and other intangible assets of $33.2 million, partially offset by the repatriation of cash of $26.7 million (US$20.0 million) from the Captive and collection of other assets of $5.5 million.

The table that follows summarizes the capital expenditures. Growth capex relates to the construction of new beds, building improvements, IT projects, or other capital projects, all of which are aimed at earnings growth. Maintenance capex relates to the actual capital expenditures incurred to sustain and upgrade existing property and equipment.

	Year ended December 31	
(thousands of dollars)	**2020**	**2019**
Growth capex	**19,234**	21,595
Deduct: capitalized interest	—	(725)
Growth capex, excluding capitalized interest	**19,234**	20,870
Maintenance capex	**13,866**	12,312
	33,100	33,182

Management monitors and prioritizes the capital expenditure requirements of its properties throughout the year, taking into account the urgency and necessity of the expenditure. In 2021, the Company expects to spend in the range of $14.0 million to $16.0 million in maintenance capex and in the range of $60.0 million to $70.0 million in growth capex related primarily to the construction of the 256-bed Sudbury LTC home, redevelopment activities and investments in technology as part of our ongoing strategy of transitioning our key IT platforms to the cloud to support our growth initiatives. Depending on the timing of further announcements of our LTC redevelopment projects during 2021 the level of our growth capex could change.

Net cash from financing activities of the continuing operations was a use of cash of $38.2 million for the for the year ended 2020, an increase of $9.5 million from $28.7 million for the year ended 2019. The 2020 activity included new debt of $62.4 million, which included the refinancing of a $25.8 million construction loan, and draws on construction financing of $4.3 million, offset by debt repayments of $55.4 million, cash dividends paid of $41.3 million and financing costs. The 2019 activity included debt repayments of $35.7 million, cash dividends paid of $37.2 million, partially offset by new mortgages on retirement communities of $25.3 million and draws on construction financing of $20.7 million.

Discontinued operations reflect the payment of claims for U.S. self-insured liabilities and the Captive's costs to administer and manage the settlement of the claims as a component of net cash from operating activities, which payments and costs were funded by the Captive. Changes in the Captive's investments held for U.S. self-insured liabilities, prior to its deregistration, were reported as a component of net cash from investing activities, as those invested funds were not included in the Company's cash and cash equivalents (refer to "Discontinued Operations").

Capital Structure

SHAREHOLDERS' EQUITY

Total shareholders' equity as at December 31, 2020, was $128.2 million as compared to $115.4 million at December 31, 2019. The improvement was primarily attributable to contributions from net earnings and dividend reinvestments pursuant to the Company's Dividend Reinvestment Plan (the "DRIP"), partially offset by dividends declared of $43.0 million.

As at December 31, 2020, the Company had 89.5 million Common Shares issued and outstanding (carrying value – $500.6 million) as compared to 89.2 million Common Shares (carrying value – $498.1 million) as at December 31, 2019. The increase in Common Shares was attributable to dividend reinvestments pursuant to the DRIP (231,813 Common Shares) and shares issued under the Company's equity-based compensation plan (74,760 Common Shares).

Share Information ***(thousands)***	**February 24, 2021**	**December 31, 2020**	**December 31, 2019**
Common Shares (TSX symbol: EXE) [(1)]	**89,539.1**	**89,539.1**	89,232.5

(1) Closing market value per the TSX on February 24, 2021, was $6.59.

As at February 25, 2021, the Company had an aggregate of 4,264,152 Common Shares reserved and available for issuance pursuant to the Company's long-term incentive plan, of which there were in aggregate 1,076,818 performance share units and deferred share units outstanding as at December 31, 2020 (refer to *Note 11* of the audited consolidated financial statements).

As at February 25, 2021, the Company had $126.5 million in aggregate principal amount of convertible subordinate debentures outstanding that mature in April 2025 (the "2025 Debentures"), which in the aggregate are convertible into 10,326,531 Common Shares.

Dividend Reinvestment Plan

The Company has a DRIP pursuant to which shareholders who are Canadian residents may elect to reinvest their cash distributions in additional Common Shares at a 3% discount. During the year ended December 31, 2020, pursuant to the DRIP, the Company issued Common Shares at a value of $1.7 million as compared with $5.4 million in the same prior year period.

On March 19, 2020, the Company announced the suspension of the DRIP in respect of any future declared dividends until further notice, as the Company believes it is in the best interests of the Company and its shareholders to not issue shares at current prices. Accordingly, the dividend paid on April 15, 2020 to shareholders of record on March 31, 2020, was the last dividend payment eligible for reinvestment by participating shareholders under the DRIP. Subsequent dividends will be paid only in cash.

Dividends

The Company declared cash dividends of $0.48 per share in the year ended December 31, 2020, consistent with that declared in the same 2019 period, representing dividends declared of $43.0 million and $42.7 million in each period respectively.

Normal Course Issuer Bid (NCIB)

During 2020, and prior to its expiration on January 14, 2021, the Company did not purchase any Common Shares under its NCIB that commenced on January 15, 2020, for which it sought and received approval from the TSX to purchase for cancellation up to 8,000,000 Common Shares. During 2019, the Company did not purchase any Common Shares under its NCIB that expired on January 14, 2020, for which it sought and received approval from the TSX to purchase for cancellation up to 8,830,000 Common Shares.

Long-term Debt

Long-term debt totalled $564.6 million as at December 31, 2020, as compared to $556.3 million as at December 31, 2019, representing an increase of $8.3 million, due to new debt of $62.4 million, which included the refinancing of a $25.8 million construction loan, draws on construction loans of $4.3 million and an increase in lease liabilities, partially offset by debt repayments of $55.4 million and an increase in deferred financing costs. The current portion of long-term debt as at December 31, 2020, was $71.4 million and included $43.1 million drawn on demand construction loans. The Company intends to fund repayments of construction loans from proceeds of permanent mortgage financing upon occupancy stabilization. The Company is subject to debt service coverage covenants on certain of its loans and was in compliance with all of these covenants as at December 31, 2020. Details of the components, maturities dates, terms and conditions of long-term debt are provided in *Note 9* of the audited consolidated financial statements.

CREDIT FACILITIES

The Company has two demand credit facilities totalling $112.3 million, one of which is secured by 13 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, 2020, $35.6 million of the facilities secure the Company's defined benefit pension plan obligations and $5.4 million was used in connection with obligations relating to LTC homes and retirement communities, leaving $71.3 million available.

LONG-TERM DEBT KEY METRICS

The following table presents the principal, or notional, amounts and related weighted average interest rates by year of maturity, of the Company's long-term debt obligations as at December 31, 2020. The Company had an aggregate of $43.1 million drawn on construction loans at the end of 2020, which are repayable on demand and, in any event, are to be fully repaid by the earlier of achieving stabilized occupancy as defined by the agreements and specified dates. Consequently, these loans are reflected as current and due in 2021 in the following table. Permanent financing for each of the communities may be sought upon maturity of the construction financing.

(millions of dollars unless otherwise noted)	**2021**	**2022**	**2023**	**2024**	**2025**	**After 2025**	**Total**	**Fair Value**
Convertible Debentures (at face value)								
Fixed rate	—	—	—	—	126.5	—	**126.5**	128.4
Average interest rate	— %	— %	— %	— %	5.00 %	— %	**5.00 %**	
Long-term Debt								
Fixed rate (including fixed through swap)	18.3	62.0	57.5	8.5	25.1	137.9	**309.4**	332.1
Average interest rate	3.80 %	3.50 %	4.00 %	4.10 %	4.00 %	4.20 %	**3.82 %**	
Variable rate	44.0	0.9	0.9	0.9	19.3	—	**66.0**	67.0
Average interest rate	2.70 %	2.64 %	2.64 %	2.64 %	2.64 %	— %	**2.68 %**	
Lease Liabilities								
Fixed rate	11.1	10.3	10.5	10.9	11.4	23.6	**77.8**	86.9
Average interest rate	6.55 %	6.60 %	6.60 %	6.58 %	6.52 %	6.36 %	**6.55 %**	

Management has limited the amount of debt that may be subject to changes in interest rates, with only $22.9 million of mortgage debt and $43.1 million of construction loans at variable rates. The Company's other variable-rate mortgages and term loan aggregating $88.1 million as at December 31, 2020, have effectively been converted to fixed-rate financings with interest rate swaps over the full term. As at December 31, 2020, the interest rate swaps were valued as a liability of $2.6 million.

The following summarizes key metrics of consolidated long-term debt as at December 31, 2020, and December 31, 2019.

(thousands of dollars unless otherwise noted)	**December 31, 2020**	**December 31, 2019**
Weighted average interest rate of long-term debt outstanding	**4.3 %**	4.7 %
Weighted average term to maturity of long-term debt outstanding	**6.4 yrs**	6.7 yrs
Trailing twelve months consolidated net interest coverage ratio[(1)]	**5.2 X**	3.5 X
Trailing twelve months consolidated interest coverage ratio[(2)]	**4.7 X**	3.1 X
Debt to Gross Book Value (GBV)		
Total assets (carrying value)	**963,127**	888,800
Accumulated depreciation on property and equipment	**269,947**	251,403
Accumulated amortization on other intangible assets	**30,445**	23,951
GBV	**1,263,519**	1,164,154
Debt [(3)]	**579,654**	570,536
Debt to GBV	**45.9 %**	49.0 %

(1) Net interest coverage ratio is defined as Adjusted EBITDA divided by net interest (interest expense before reduction of capitalized interest, net of interest revenue)

(2) Interest coverage ratio is defined as Adjusted EBITDA divided by interest expense before reduction of capitalized interest.

(3) Debt includes convertible debentures at face value of $126.5 million, and excludes deferred financing costs.

Future Liquidity and Capital Resources

The Company's consolidated cash and cash equivalents on hand was $180.0 million as at December 31, 2020, as compared with $94.5 million as at December 31, 2019, representing an increase of $85.5 million. In addition, the Company has access to a further $71.3 million in undrawn demand credit facilities. Cash and cash equivalents exclude restricted cash of $2.5 million.

As discussed under "Significant Events – Financing Activity", during the year ended December 31, 2020, the Company renewed and extended non-CMHC mortgages on three LTC homes and finalized new non-CMHC mortgages on two retirement communities. The Company also renewed one CMHC mortgage on a LTC home and finalized a new CMHC

mortgage on a retirement community to replace a construction loan. As a result of these financing activities, the Company does not have any scheduled debt maturities until Q1 2022.

Construction began on our first LTC redevelopment project in Sudbury, Ontario in November 2020. We have an additional five projects in advanced stages of approvals with the MLTC that we anticipate having under construction by the end of 2022. We intend to leverage our strong liquidity as at December 31, 2020, to pursue competitive construction financing options for these projects as required based on the timing of the construction costs of approved projects and the anticipated timing of additional future approvals from the MLTC.

Management believes that cash from operating activities and future debt financings will be sufficiently available to support the Company's ongoing business operations, maintenance capex and debt repayment obligations. Growth through redevelopment of the LTC homes over the next few years, strategic acquisitions and developments will necessitate the raising of funds through debt, equity financings and/or among other means. Decisions will be made on a specific transaction basis and will depend on market and economic conditions at the time. However, given COVID-19's potential impact on the Company's financial performance and operations, as well as on the economy such that capital and credit markets and industry sentiment are adversely affected, it may be more difficult for the Company to access the necessary capital or credit markets or if able to do so, at a higher cost or less advantageous terms than existing borrowings. In addition, reduced revenue and higher operating costs due to COVID-19 may result in reductions or early prepayments of existing financings if covenants are unable to be met (refer to "Risks and Uncertainties").

OTHER CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Commitments

As at December 31, 2020, the Company has outstanding commitments of $45.4 million in connection with the construction contract related to its new 256-bed LTC home in Sudbury, Ontario, of which $25.9 million is estimated to be payable in 2021 and the balance in 2022, based on the anticipated construction schedule. The Company also has outstanding commitments of $19.8 million in connection with a five-year agreement in connection with a finance and human resources cloud-based IT platform as part of our ongoing strategy of transitioning our key IT platforms to the cloud to support our growth initiatives. Payments under the agreement are due annually in advance and the agreement expires in 2025.

Defined Benefit Pension Plan Obligations

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 accrued benefit liability on the statement of financial position as at December 31, 2020, was $37.9 million (2019 – $36.5 million). The registered defined benefit plan was in an actuarial deficit of $2.7 million, with plan assets of $4.6 million and accrued benefit obligations of $7.3 million as at December 31, 2020 (2019 – an actuarial deficit of $2.8 million with plan assets of $5.3 million and accrued benefit obligations of $8.1 million). The accrued benefit obligations of the supplementary plans were $35.9 million as at December 31, 2020 (2019 – $33.7 million). The benefit obligations under the supplementary plans are secured by a letter of credit totalling $35.6 million as at December 31, 2020 (2019 – $38.1 million) and plan assets of $0.7 million (2019 – $nil). The letter of credit renews annually in May based on an actuarial valuation of the pension obligations. The annual benefit payments under the supplementary pension plan are funded from cash from operations and are expected to be in the range of $2.1 million to $2.3 million over the next five years. The annual contributions to the registered pension plan are less than $0.1 million. Since the majority of the accrued benefit obligations represent obligations under the non-registered supplementary plan, which is not required to be funded, changes in future market conditions are not expected to have a material adverse effect on the Company's cash flow requirements with respect to its pension obligations, or on its pension expense. Further details are provided in *Note 21* of the audited consolidated financial statements.

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. The Company intends to vigorously defend itself against these claims. However, given the status of the proceedings the Company is unable to assess the potential outcome of legal proceedings and they could have a materially adverse impact on the Company's business, results of operations and financial condition (refer to "Risks and Uncertainties").

In December 2020, the Ontario government 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.

In December 2020, the Company was served with a statement of claim naming the Company and the owner of a LTC home to which the Company provides contracted services, as well as certain entities related to the owner. The claim seeks an order certifying the claim as a class action and alleges negligence, gross negligence, breach of fiduciary duty, breach of contract and wrongful death in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons, all residents of the residence and all family members of such individuals. The claim seeks damages in the aggregate of $40.0 million.

In October 2020, the Company was served with a statement of claim naming it and multiple other defendants, including multiple LTC homes and their respective owners and operators, the Government of Ontario and several Ontario cities, including the City of Toronto. The claim seeks an order certifying the action as a class action and alleges negligence, breach of fiduciary duty and breach of section 7 of the *Canadian Charter of Rights and Freedoms* by the multiple defendants, including the Company, in the operation of certain LTC homes and provision of care to residents. The claim seeks aggregate damages of $600.0 million from the multiple defendants.

In October 2020, the Company was served with a statement of claim alleging negligence, breach of contract, breach of certain statutory duties and Human Rights Code breaches in respect of all residents of a Company LTC home as well as their family members. In January 2021, the claim was amended to include further allegations of gross negligence and claim against 35 Company LTC homes and 36 LTC homes to which the Company provides contract services. The claim seeks an order certifying the action as a class action and damages in the aggregate amount of $210.0 million.

In June 2020, the Company was served with an amended statement of claim adding the Company to a statement of claim previously issued to the owner of a long-term care and retirement community to which the Company provides contracted services under its Extendicare Assist division. The claim seeks an order certifying the claim as a class action pursuant to the *Class Proceedings Act* (Ontario) and alleges negligence and breach of contract in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons, all residents of the residence and all family members of such individuals. The claim seeks damages in the aggregate of $40.0 million.

In September 2018, the Company was served with a statement of claim seeking an order certifying the claim as a class action pursuant to the *Class Proceedings Act* (Ontario). The claim alleges that the Company failed to properly apply certain required medical equipment sterilization protocols at one or more of its home health care clinics and seeks $20.0 million in damages. The claim was certified as a class action proceeding in September 2020.

DISCONTINUED OPERATIONS

After the sale of its U.S. business in 2015 (the “U.S. Sale Transaction”), the Company retained the Captive, which, along with third-party insurers, insured the Company’s U.S. general and professional liability risks up to the date of the U.S. Sale Transaction, and was reported as the U.S. segment.

As at June 30, 2020, there were no open general and professional liability claims remaining and the updated actuarial valuation of incurred but not reported claims as at June 30, 2020 was immaterial. As a result, the Board of Directors of the Captive approved a wind up plan to deregister the Captive with the Bermuda Monetary Authority (BMA) and subsequently dissolve the Captive, thereby ceasing the operations of the U.S. segment. Concurrently, the Company entered into a termination agreement with the Captive to assume the remaining obligations and certain liabilities of the Captive effective June 30, 2020.

In September 2020, the BMA approved the deregistration of the Captive. As a result, the remaining portion of the U.S. segment has been classified as a discontinued operation. Accordingly, the comparative interim condensed consolidated statement of earnings has been re-presented.

Effective June 30, 2020, the accrual for self-insured general and professional liabilities was reduced to $nil from $12.2 million (US$9.4 million) at the beginning of the year as a result of claims settlements, the transfer of certain remaining obligations of the Captive to the Company in accordance with a termination agreement and a release of the balance of the accrued self-insured liabilities. Any expense incurred or release of reserves for U.S. self-insured liabilities are presented as discontinued operations.

The Company held investments within the Captive for settlement of the U.S. self-insured liabilities that were subject to insurance regulatory requirements (December 31, 2019 – $27.6 million (US$21.2 million)), and as such were excluded from the Company's general corporate use. Following the receipt of approval by the BMA to deregister the Captive, the remaining balance of restricted cash was released to the Company. During 2020, the Captive transferred $23.3 million (US$17.0 million) of cash previously held for investment to the Company for general corporate use.

Earnings from Discontinued Operations

Earnings from discontinued operations were $1.9 million for Q4 2020 and $11.6 million for the year ended December 31, 2020, and included a release of reserves of $nil and $9.5 million, respectively, and a valuation change to indemnification provisions of $2.0 million in respect of the former U.S. operations . In comparison, earnings were $5.6 million for Q4 2019 and $13.8 million for the year ended December 31, 2019, and included a release of reserves of $5.2 million and $11.6 million, respectively. The balance of the earnings were impacted by administrative costs, and foreign exchange and fair value adjustments. Further details are provided in *Note 18* of the audited consolidated financial statements.

ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Policies and Estimates

A full discussion of the Company's critical accounting policies and estimates is provided in *Note 3* of the audited consolidated financial statements for the year ended December 31, 2020, and under the heading "Future Changes in Accounting Policies" that follows this section.

Management considers an understanding of the Company's accounting policies to be essential to an understanding of its financial statements because their application requires significant judgement and reliance on estimations of matters that are inherently uncertain, which affect the application of the accounting policies and reported amounts. Estimates and underlying assumptions are reviewed on an ongoing basis giving consideration to past experience and other factors that management believes are reasonable under the circumstances. Accordingly, actual results could differ from those estimated. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are discussed below.

VALUATION OF CASH GENERATING UNITS AND IMPAIRMENT

Non-financial assets consist of property and equipment, intangible assets with finite lives, intangible assets with indefinite lives and goodwill. Property and equipment represents approximately 55% of the Company's total assets as at December 31, 2020, and goodwill and other intangibles represent approximately 9%. A CGU is defined to be the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets. The Company has identified the home health care segment and each individual LTC home and retirement community as a CGU.

Goodwill and indefinite-life intangibles are tested annually, except in the year of acquisition, and other assets are assessed for impairment when indicators of impairment exist. If any such indication exists, then the asset's recoverable amount is reassessed. For goodwill, and intangible assets that have indefinite useful lives or 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.

The determination of recoverable amounts can be significantly impacted by estimates related to current market valuations, current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. Estimates and assumptions used in the determination of any impairment loss are based upon information that is known at the time, along with future outlook. When impairment tests are performed, the estimated useful lives of the assets are reassessed, with any change accounted for prospectively. Actual results can differ from these estimates and can have either a positive or negative impact on the estimate, and impact whether an impairment situation exists.

During 2020, the Company performed an impairment assessment of its operations and recognized a pre-tax impairment charge of property and equipment in the amount of $2.8 million in respect of certain of the Company's retirement communities in Saskatchewan.

TAX UNCERTAINTIES

Tax uncertainties are evaluated on the basis of whether it is more likely than not that a tax position will ultimately be sustained upon examination by the relevant taxing authorities. Tax uncertainties are measured using a probability adjusted or expected value model whereby amounts are recorded if there is any uncertainty about a filing position, determined by multiplying the amount of the exposure by the probability that the entity's filing position will not be sustained. The

assessment of tax uncertainties relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

DEFERRED TAX ASSETS AND LIABILITIES

The Company uses the asset and liability method of accounting for deferred income taxes, which takes into account the differences between financial statement treatment and tax treatment of certain transactions, assets and liabilities. Deferred tax assets and liabilities are recognized to reflect the expected future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax values as well as available tax loss carryforwards. Deferred tax assets and liabilities are measured using the substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to be recovered or settled. 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. As at December 31, 2020, the Company had recognized deferred tax assets totalling $15.8 million (2019 – $12.7 million). Management believes that it is more likely than not that the Company will realize the benefits of these deductible differences. In addition, as at December 31, 2020, there were capital losses available for Canadian income tax purposes of $51.3 million (2019 – $41.7 million) that have not been tax benefited and are available indefinitely to apply against future capital gains.

New Accounting Policies Adopted

Beginning on January 1, 2020, the Company adopted certain IFRS standards and amendments in preparing the financial results for the year ended December 31, 2020, the nature and effect of which are provided in *Note 3* of the audited consolidated financial statements, and described below:

DEFINITION OF A BUSINESS

Beginning on January 1, 2020, The Company adopted the IASB issued amendments regarding the definition of a business under IFRS 3 *Business Combinations.* This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether a acquired set of activities and assets is a group of assets rather than a business. The adoption of the amendment to IFRS 3 did not have a material impact on the consolidated financial statements.

Future Changes in Accounting Policies

The following accounting standards, amendments and interpretations will take effect for the Company after December 31, 2020, the nature and effect of which are provided in *Note 3* of the audited consolidated financial statements, and described below:

DERECOGNITION OF FINANCIAL LIABILITIES

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

RENT CONCESSION RELATED TO COVID-19

Beginning on January 1, 2021, the Company will adopt the IASB amendment *Covid-19-Related Rent Concessions (Amendment to IFRS 16)*. This amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The adoption of the *IASB amendment Covid-19-Related Rent Concessions* is not expected to have a material impact on the consolidated financial statements.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures (DC&P) to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the DC&P was conducted as at December 31, 2020, by management under the supervision of the Company's CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosures in Issuers' Annual and Interim Filings, were effective as at December 31, 2020.

Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting (ICFR) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

Management, under the supervision of the Company's CEO and CFO, has evaluated the effectiveness of our ICFR using the 2013 Integrated Control framework as published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that our ICFR were effective and that there were no material weaknesses in the Company's ICFR as at December 31, 2020.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgement in evaluating controls and procedures.

NON-GAAP MEASURES

The Company assesses and measures operating results and financial position based on performance measures referred to as "net operating income", "net operating income margin", "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "earnings before depreciation, amortization, and other expense", "earnings (loss) from continuing operations before separately reported items, net of taxes", "Funds from Operations" and "Adjusted Funds from Operations". These measures are commonly used by the Company and its investors as a means of assessing the performance of the core operations in comparison to prior periods. They are presented by the Company on a consistent basis from period to period, thereby allowing for consistent comparability of its operating performance. In addition, the Company assesses its return on investment in development activities using the non-GAAP financial measure "NOI Yield". These measures are not recognized under GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures are presented in this document because either: (i) management believes that they are a relevant measure for users of the Company's financial statements to assess the Company's operating performance and ability to pay cash dividends; or (ii) certain ongoing rights and obligations of the Company may be calculated using these measures. Such non-GAAP measures may differ from similar computations as reported by other issuers, and accordingly, may not be comparable to similarly titled measures as reported by such issuers. They are not intended to replace earnings (loss) from continuing operations, net earnings (loss), cash flow, or other measures of financial performance and liquidity reported in accordance with GAAP.

References to "net operating income", or "NOI", in this document are to revenue less operating expenses, and this value represents the underlying performance of the operating business segments. References to "net operating income margin" are to net operating income as a percentage of revenue.

References to "EBITDA" in this document are to earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization. References to "Adjusted EBITDA" in this document are to EBITDA adjusted to exclude the line item "other expense", and as a result, is equivalent to the line item "earnings before depreciation, amortization, and other expense" reported on the consolidated statements of earnings. References to "Adjusted EBITDA Margin" are to Adjusted EBITDA as a percentage of revenue. Management believes that certain lenders, investors and analysts use EBITDA, Adjusted EBITDA and Adjusted EBITDA margin to measure a company's ability to service debt and meet other payment obligations, and as a common valuation measurement.

References to "earnings (loss) from continuing operations before separately reported items, net of tax" in this document are to earnings (loss) from continuing operations, excluding the following separately reported line items: "foreign exchange and fair value adjustments" and "other expense". These line items are reported separately and excluded from certain performance measures, because they are transitional in nature and would otherwise distort historical trends. They relate to the change in the fair value of or gains and losses on termination of convertible debentures and interest rate agreements, as well as gains or losses on the disposal or impairment of assets and investments, and foreign exchange gains or losses on capital items. In addition, these line items may include acquisition related costs, restructuring charges, proxy related costs and the write-off of unamortized deferred financing costs on early retirement of debt. The above separately reported line items are reported on a pre-tax and on an after-tax basis as a means of deriving earnings (loss) from operations and related earnings per share excluding such items.

"Funds from Operations", or "FFO", is defined as Adjusted EBITDA less depreciation for furniture, fixtures, equipment and computers, or "depreciation for FFEC", depreciation for office leases, accretion costs, net interest expense and current income taxes. Depreciation for FFEC is considered representative of the amount of maintenance (non-growth) capital expenditures, or "maintenance capex", to be used in determining "Funds from Operations", as the depreciation term is generally in line with the life of these assets. FFO is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and/operate income-producing properties. Management believes that certain investors and analysts use FFO, and as such has included FFO to assist with their understanding of the Company's operating results.

"Adjusted Funds from Operations", or "AFFO", is defined as FFO plus: i) the reversal of non-cash deferred financing and accretion costs; ii) the reversal of non-cash share-based compensation; iii) the principal portion of government capital funding; iv) amounts received from income support arrangements; and v) the reversal of income or loss of the captive insurance company that was included in the determination of FFO, as those operations are funded through investments held for U.S. self-insured liabilities, which are not included in the Company's reported cash and cash equivalents. In addition, AFFO is further adjusted to account for the difference in total maintenance capex incurred from the amount deducted in the determination of FFO. Since the Company's actual maintenance capex spending fluctuates on a quarterly basis with the timing of projects and seasonality, the adjustment to AFFO for these expenditures from the amount of depreciation for FFEC already deducted in determining FFO, may result in an increase to AFFO in the interim periods reported. Management believes that AFFO is a relevant measure of the ability of the Company to earn cash and pay cash dividends to shareholders.

Both FFO and AFFO are subject to other adjustments, as determined by management in its discretion, that are not representative of the Company's operating performance.

References to "payout ratio" in this document are to the ratio of dividends declared per share to AFFO per basic share.

References to "NOI Yield" in this document are to a financial measure used by the Company to assess its return on investment in development activities. NOI Yield is defined by the Company as the estimated stabilized NOI of a development property in the first year it achieves expected stabilized occupancy, plus the annual construction funding subsidy (CFS) for certain LTC homes, if applicable, divided by the estimated Adjusted Development Costs, as defined below. Management believes that this is a relevant measure of the Company's total economic return of a development project.

"Adjusted Development Costs" is defined as development costs on a GAAP basis (which includes the cost of land, hard and soft development costs, furniture, fixtures and equipment) plus/minus cumulative net operating losses/earnings generated by the development property prior to achieving expected stabilized occupancy, plus an estimated imputed cost of capital during the development period through to the expected stabilized occupancy, net of any capital development government grant receivable on substantial completion of construction for certain LTC homes, if applicable.

Reconciliations of "earnings (loss) from continuing operations before income taxes" to "Adjusted EBITDA" and "net operating income" are provided under "Select Quarterly Financial Information", "2020 Fourth Quarter Financial Review " and "2020 Financial Review".

Reconciliations of "earnings from continuing operations" to "FFO" and "AFFO" are provided under "Adjusted Funds from Operations".

Reconciliations of "net cash from operating activities" and "Adjusted EBITDA" to "AFFO" are provided under "Adjusted Funds from Operations – Reconciliations of Net Cash from Operating Activities and Adjusted EBITDA to AFFO".

RISKS AND UNCERTAINTIES

The risks and uncertainties described below could adversely affect the business, results of operations and financial condition of the Company, cause the trading price of the Company's securities to decline and cause the actual outcome of matters to differ materially from the expectations of the Company regarding future results, performance or achievements reflected in information in this MD&A and other information provided by the Company from time to time. The risks and uncertainties described below, which is not an exhaustive description of the risks and uncertainties faced by the Company, should be carefully considered by investors.

General Business Risks

The Company is subject to general business risks inherent in the senior care industry, including: changes in government regulation and oversight; changing consumer preferences; fluctuations in occupancy levels and business volumes; the availability and ability of the Company to attract and retain qualified personnel; the ability of the Company to renew its government licenses and customer contracts; changes in government funding and reimbursement programs, including the

ability to achieve adequate government funding increases; changes in labour relations and costs; increases in other operating costs; competition from other senior care providers; changes in neighbourhood or location conditions and general economic conditions; health related risks, including disease outbreaks (for example, the potential continued impacts of COVID-19) and control risks; changes in accounting principles and policies; the imposition of increased taxes or new taxes; capital expenditure requirements; and changes in the availability and cost of both short- and long-term financing, which may render refinancing of long-term debt difficult or unattractive. Any one of, or a combination of, these factors may adversely affect the business, results of operations and financial condition of the Company.

In addition, there are inherent legal, reputational and other risks involved in providing accommodation and health care services to seniors. The vulnerability and limited mobility of some seniors enhances such risks. Such risks include fires or other catastrophic events at a Company location which may result in injury or death, negligent or inappropriate acts by employees or others who come into contact with the residents and clients, and unforeseen events at locations at which the Company operates that result in damage to the Company's brand or reputation or to the industry as a whole.

Risks Related to a Pandemic, Epidemic or Outbreak of a Contagious Illness, such as COVID-19

The occurrence of a pandemic, epidemic, or other outbreak of an infectious illness or other public health crisis in areas in which we operate could have a material adverse effect on the business, results of operations and financial condition of the Company. Federal, provincial or local health agencies may, or we may choose to, ban or limit admissions to our LTC homes and retirement communities and/or suspend or limit the home health care services we provide as a precautionary measure in a crisis to avoid the spread of a contagious illness or other public health crisis, resulting in reduced occupancy and service volumes, on both a short and longer term basis. Even in the absence of any such ban, limit or suspension, our clients may postpone or refuse services or delay residency in an attempt to avoid possible exposure. Also, enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure or address actual illness in our LTC homes and retirement communities or in respect of home health care clients (for example, enhanced screening and protective equipment) would result in increased costs. In addition, a pandemic, epidemic or other outbreak might adversely impact our operations by causing staffing and supply shortages. Although continued or enhanced government funding or assistance may mitigate some of these impacts, there is no certainty the extent to which that will be the case. In addition, outbreaks cause our facilities and our management to spend considerable time planning for and addressing such events, which diverts their attention from other business concerns. Also, to the extent a pandemic, epidemic or other outbreak results in adverse outcomes for the Company's residents, clients and employees, the likelihood of claims being brought against the Company in respect of such adverse outcomes as well as adverse regulatory changes being instituted increases, and the ability and cost of insuring against such claims may become more challenging. Further, such outbreaks may impact the overall economy so that credit markets are adversely affected, which may make it more difficult for the Company to access the credit markets or, if able to do so, at a higher cost or less advantageous terms, potentially impacting, among other things, re-financings and our development plans and timelines.

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The pandemic has resulted in a number of the foregoing events to transpire (see "Significant Events – Impact of COVID-19 Pandemic" for further details), and while we believe that the financial impacts of COVID-19 that we are experiencing will largely reverse as we emerge from the pandemic, there can be no assurance that they will so reverse and that COVID-19 or any other pandemic, epidemic or outbreak will not have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Growth and Redevelopment Activities

The Company expects that it will continue to have opportunities to acquire businesses and properties, develop properties, redevelop or expand existing LTC homes, and grow its home health care, private-pay retirement, contract services, consulting and group purchasing businesses, but there can be no assurance that this will be the case.

The number of licensed LTC beds are restricted by the provinces and any new licenses are awarded through a request for proposal process. The provinces also regulate the manner in which LTC homes are developed and redeveloped. If regulatory approvals are required in order to expand operations (via development or otherwise) or redevelop operations of the Company, the inability of the Company to obtain the necessary approvals, changes in standards applicable to such approvals and possible delays and expenses associated with obtaining such approvals could adversely affect the ability of the Company to expand or redevelop and, accordingly, to maintain or increase its revenue and earnings.

Approximately 40% of the Company's owned LTC beds are in older Ontario homes that are subject to redevelopment. In Ontario, licenses for LTC homes are issued for a fixed term of not more than 30 years, after which the license may or may not be renewed. LTC operators are to be notified of license renewals at least three years prior to the maturity date. License terms

for Class B and C LTC homes in Ontario are set to expire in June 2025, unless the license terms are extended until the homes are redeveloped to the government's new design standards whereafter a new license will be issued upon successful application. Given the significant backlog in demand for long-term care, the lack of alternative care environments and license extension precedents to-date, management is of the view that it is likely that licenses will be extended until redevelopment can be completed; however, there can be no assurance that this will be the case. The Company has submitted applications to the MLTC in respect of 22 projects to build over 4,200 beds to redevelop its existing 3,285 C beds and to add new LTC beds under the government's development program for new and replacement beds (see "Significant Events – Long-term Care Redevelopment"). The extent to which such redevelopment plans are not implemented or proceed on significantly different timing, terms or government funding than currently anticipated, could have a material adverse effect on the business, results of operations and financial condition of the Company.

The success of the business acquisition and development activities of the Company, including the expansion of its private-pay retirement operations, will be determined by numerous factors, including the ability of the Company to identify suitable acquisition targets, competition for acquisition and development opportunities, purchase price, ability to obtain external sources of funding or adequate financing on reasonable terms, the financial performance of the businesses or homes after acquisition or development, and the ability of the Company to effectively integrate and operate the acquired businesses or homes. Acquired businesses or homes, and development projects, may not meet financial or operational expectations due to the possibility that the Company has insufficient management expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, unexpected costs or delays associated with their acquisition or development, as well as the general investment risks inherent in any real estate investment or business acquisition. Moreover, new acquisitions may require significant management attention, place additional demands on the Company's resources, systems, procedures and controls, and capital expenditures that would otherwise be allocated by the Company in a different manner to existing businesses. Any failure by the Company to identify suitable candidates for acquisition, successfully complete development projects, secure financing, or operate the new businesses effectively may have a material adverse effect on the business, results of operations and financial condition of the Company.

The success of the Company's ability to grow its contract services, consulting, group purchasing and home health care businesses will be determined by numerous factors, including the ability of the Company to retain, renew and secure new contracts, identify suitable markets, develop competitive services and marketing and pricing strategies, attract and retain residents and clients, and hire, retain and motivate key personnel. Changes in government funding policies and regulatory changes, the risks related to which are described below under "Risks Related to Government Funding and Regulatory Changes", in addition to the financial performance of these businesses, also impact the Company's growth potential. Any failure by the Company to grow or operate its businesses effectively may have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Occupancy and Business Volumes

Senior care providers compete primarily on a local and regional basis with many other health care, long-term care and retirement living providers, including large publicly held companies, privately held companies, not-for-profit organizations, hospital-based LTC units, rehabilitation hospitals, home health care agencies, and rehabilitative therapy providers. The Company's ability to compete successfully varies from location to location and depends on a number of factors, including the number of competitors in the local market, the types of services available, the Company's local reputation for quality care, the commitment and expertise of its staff, the Company's local service offerings, the cost of care in each locality, and the physical appearance, location, age and condition of its residences. Increased competition could limit the Company's ability to attract and retain residents and clients and thus maintain or increase occupancy levels and business volumes. An inability to continue to attract residents and clients could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Government Funding and Regulatory Changes

The Company's earnings are highly reliant on government funding and reimbursement programs, and the effective management of staffing and other costs of operations, which are strictly monitored by government regulatory authorities. Given that the Company operates in a labour-intensive industry, where labour costs account for a significant portion of the Company's operating costs (approximately 86% in 2020, excluding estimated costs related to COVID-19 and CEWS), government funding constraints, or funding enhancements that are not commensurate with increased costs, could have a significant adverse effect on the Company's results from operations and cash flows. The Company is unable to predict whether governments will adopt changes in their funding and regulatory programs, and if adopted and implemented, the impact, if any, such changes will have on the Company's business, results of operations and financial condition.

Health care providers are subject to surveys, inspections, audits and investigations by government authorities to ensure compliance with applicable laws and licensure requirements of the various government funding programs. Long-term care operators and publicly funded home health care providers must comply with applicable regulations that, depending on the jurisdiction in which they operate, may relate to such matters as staffing levels, client care related operating standards, occupational health and safety, client confidentiality, billing and reimbursement, along with environmental and other standards. Retirement communities are also subject to extensive government regulation and oversight, licensure requirements and the potential for regulatory change. The government review process is intended to determine compliance with survey and certification requirements, and other applicable laws. Remedies for survey deficiencies can be levied based upon the scope and severity of the cited deficiencies and range from notices of deficiencies to revocation of licenses or termination of contracts. The revocation of a license by authorities or the cancellation of a service contract due to inadequate performance by the operator has been historically infrequent and is usually preceded by a series of warnings, notices and other sanctions.

Non-compliance with applicable laws and licensure requirements could result in adverse consequences, including severe penalties, which may include criminal sanctions and fines, civil monetary penalties and fines, administrative and other sanctions, including reimbursement of government funding or exclusion from participation in government-funded programs, or one or more third-party payor networks, and reputational damage to the Company. These penalties could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company accrues for costs that may result from investigations, or any possible related litigation, to the extent that an outflow of funds is probable and a reliable estimate of the amount of associated costs can be made; however, there can be no assurance that such accruals are accurate or sufficient.

With respect to home health care services, approximately 98% of ParaMed's revenue is from contracts tendered by locally administered provincial agencies, at specified billing rates and, among other things, quality operating and performance standards. Home health care service providers must ensure their key performance indicators are meeting or exceeding provincial targets in order to continue to receive their allocated funding volumes and/or retain their contracts. Contracts with qualified service providers are generally awarded through a competitive bidding model. Any failure by ParaMed to retain its government contracts, including in connection with any regulatory or other funding changes, may have a material adverse effect on the business, results of operations and financial condition of the Company.

The majority of ParaMed's volumes are generated in Ontario and Alberta, representing 93% and 4%, respectively, based on volumes delivered in 2020. In Alberta, government contracts have specified termination dates and or/renewal periods, following which they are put out to tender. Since 2012, ParaMed's government-funded business in Ontario has been obtained through evergreen contracts with the LHINs. A service provider's ability to retain its existing business is evaluated based on, among other things, an established set of quality indicators. Under this regime, all of ParaMed's government contracts in Ontario have remained in effect. In 2019, the Ontario government created the Ontario Health agency to act as central point of accountability and oversight for the provinces' public health care system. As a result, ParaMed's contracts with the LHINs may be impacted by the integration of the LHINs into the new agency and may need to be assigned or reissued. The treatment of these contracts is not yet known. While any change in home care contracting and associated government operating models would represent a significant change, the underlying market demand and government guiding principles, such as continuity of care between patients and caregivers, is such that it is likely that there would be minimal disruption to ParaMed's business service provision; however, the Company is unable to predict the nature and extent such changes will have on the Company's business, results of operations and financial condition.

Risks Related to Dependence on Key Personnel

The success of the Company depends, to a significant extent, on the efforts and abilities of its executive officers and other members of management, as well as its ability to attract and retain qualified personnel to manage existing operations and future growth. Although the Company has entered into employment agreements with certain of its key employees, it cannot be certain that any of these individuals will not voluntarily terminate his or her employment with the Company. The loss of an executive officer or other key employee could negatively affect the Company's ability to develop and pursue its business strategy, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

CONFLICTS OF INTEREST

The Company's Board of Directors may, from time to time, in their individual capacities deal with parties with whom the Company may be dealing, or may be seeking investments similar to those desired by the Company. The relevant constating documents of the Company contain conflict of interest provisions requiring the Company's directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Risks Related to Labour Intensive Business

AVAILABILITY AND COST OF PERSONNEL

The senior care industry is labour intensive, with approximately 86% of the Company's operating costs represented by labour costs, excluding estimated costs related to COVID-19 and CEWS. The Company competes with other health care providers in attracting and retaining qualified and skilled personnel to manage and operate its businesses. The health care industry has historically been afflicted with shortages of qualified personnel, such as nurses, certified nurse's assistants, nurse's aides, therapists and PSWs, particularly in non-urban settings, which have been amplified by the challenges brought on by the COVID-19 pandemic. This shortage along with general inflationary pressures may require the Company to enhance its pay and benefits package to compete effectively for qualified personnel. The Company may not be able to recover such added costs through increased government funding and reimbursement programs, or through increased rates charged to residents and clients. In addition, the Company has contracted out select dietary and housekeeping services provided in some of its homes. Should the Company become dissatisfied with the quality or cost of such contracted services, it may need to terminate the related contracts and recruit replacement staff at an incremental cost and potential business disruption. The inability to retain and/or attract qualified personnel and meet minimum staffing levels may result in: a reduction in occupancy levels and volume of services provided; the use of staffing agencies at added costs; an increased risk in the inability to provide continuity of care between the Company's staff and its residents and clients; and an increased risk of the Company being subject to fines and penalties. An increase in personnel costs or a failure to attract, train and retain qualified and skilled personnel could adversely affect the business, results of operations and financial condition of the Company.

WORKPLACE HEALTH AND SAFETY

The Company recognizes that ensuring a healthy and safe workplace minimizes injuries and other risks its employees may face in carrying out their duties, improves productivity and helps to minimize any liability or penalties which could be incurred in connection with workplace injuries. The Company has health and workplace safety programs in place and has established policies and procedures aimed at ensuring compliance with applicable legislative requirements. Failure to comply with appropriate and established workplace health and safety policies and procedures or applicable legislative requirements could result in increased workplace injury-related liability and penalties and reputational damage to the Company and thus have a material adverse effect on the business, results of operations and financial condition of the Company.

LABOUR RELATIONS

The Company employs over 23,000 individuals, of whom approximately 74% are represented by labour unions. Labour relations with the unions are governed by numerous collective bargaining agreements with different unions. Upon expiration of the collective bargaining agreements, the Company may not be able to negotiate collective agreements on satisfactory terms. There can be no assurance that the Company will not at any time, whether in connection with the renegotiation of a collective bargaining agreement or otherwise, experience strikes, other labour disruptions or any other type of conflict with unions or employees which could have a material adverse effect on the Company's business, operating results and financial condition. The homes that the Company operates are generally subject to legislation that prohibits both strikes and lock-outs, and requires compulsory arbitration to settle labour disputes. In jurisdictions where strikes and lockouts are permitted, certain essential services regulations apply which provide for the continuation of resident care and most services.

There can be no assurance that employees who are not currently unionized will not, in the future, become unionized, the result of which could increase the Company's labour costs, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Liability and Insurance

Operating in the senior care industry exposes the Company to an inherent risk of claims of wrongful death, personal injury, professional malpractice and other potential claims being brought by the Company's residents, clients, and employees. From time to time, the Company is subject to lawsuits alleging, among other claims, that the Company did not properly treat or care for a client or resident, that the Company failed to follow internal or external procedures that resulted in harm to a client or resident, or that the Company's employees mistreated the Company's residents or clients resulting in harm. In addition, attempts to advance class action lawsuits have become prevalent in the Canadian marketplace, including senior care, and in particular as a result of the COVID-19 pandemic. There can be no assurance that the Company will not face risks of this nature. Refer to the discussion under "Other Contractual Obligations and Contingencies – Legal Proceedings, Claims and Regulatory Actions".

The Company maintains business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the business, historical experience and industry standards. There can be no assurance, however, that claims in excess of the insurance coverage, or in excess of the Company's reserves, or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms, particularly given the impact of the COVID-19 pandemic. Furthermore, there are certain types of risks, generally of a catastrophic nature, such as war, non-certified acts of terrorism, environmental contamination, and more recently infectious diseases, such as COVID-19, which are either uninsurable or are not insurable on an economically viable basis. A successful claim against the Company not covered by, or in excess of, such insurance, or in excess of the Company's reserves for self-insured retention levels, could have a material adverse effect on the business, results of operations and financial condition of the Company. Claims against the Company, regardless of their merit or eventual outcome, may also have a material adverse effect on the ability of the Company to attract residents and clients, or maintain favourable standings with regulatory authorities.

Risks Related to Privacy of Client Information and Cyber Security

As a custodian of a large amount of personal information, including health information, relating to its residents, clients and employees, the Company is exposed to the potential loss, misuse or theft of any such information. If the Company were found to be in violation of federal and provincial laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Company. In addition, cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. The Company mitigates this risk by deploying appropriate information technology systems, including controls around logical access, physical access and data management, and training its employees relating to safeguarding of sensitive information.

The Company has deployed operational technology solutions enabling process automation, electronic health record data collection and automated business intelligence. Technology deployments also present security and privacy risks that must be managed proactively and effectively to prevent breaches that can have a material adverse impact on the Company's reputation and results of operations. To counter internet-based and internal security threats, the Company invests in cyber defense technologies to identify risks to its network, software and hardware systems. Extendicare partners with leading technology security firms to mitigate identified risks and develop contingency plans. As security threats to the Company's financial, client and employee data increase and evolve, the Company adjusts and adopts new counter-measures in an effort to ensure it maintains high privacy and security standards. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future and any such losses may have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Tax Rules and Regulations

The Company is subject to audits from federal, state and provincial tax jurisdictions and is therefore subject to risk in the interpretation of tax legislation and regulations. Tax rules and regulations are complex and require careful review by the Company's tax management and its external tax consultants. Differences in interpretation of tax rules and regulations could result in tax assessments and penalties for the untimely payment of the determined tax liability, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Financing

DEBT FINANCING

Due to the level of real property ownership by the Company, a significant portion of the consolidated cash flow of the Company is devoted to servicing debt, including mortgages, convertible debentures, credit facilities and lease liabilities, and there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Company were unable to meet its required interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. In particular, given COVID-19's potential impact on the Company's financial performance and operations, as well as on the economy such that capital and credit markets and industry sentiment are adversely affected, it may be more difficult for the Company to access the necessary capital or credit markets or if able to do so, at a higher cost or less advantageous terms than existing

borrowings. In addition, reduced revenue and higher operating costs due to COVID-19 may result in reductions or early prepayments of existing financings if covenants are unable to be met.

The Company has two demand credit facilities totalling $112.3 million, one of which is secured by 13 Class C LTC homes in Ontario ($47.3 million) and the other is secured by the assets of the home health care business ($65.0 million), of which $71.3 million was available and unutilized as at December 31, 2020. Neither of these facilities has financial covenants but do contain normal and customary terms, including annual re-appraisals of the homes that could limit the maximum level of the line of credit and other restrictions on Extendicare's subsidiaries making certain payments, investments, loans and guarantees. A demand for repayment of amounts drawn on the lines of credit could inhibit the flow of cash dividends by the Company on a temporary basis until alternative financing is obtained.

The Company cannot predict whether future financing will be available, what the terms of such future financing will be (including, whether it will result in a higher cost of borrowing – see "Interest Rates" below) or whether its existing debt agreements will allow for the timely arrangement and implementation of such future financing. If the Company were unable to obtain additional financing or refinancing when needed or on satisfactory terms, it could have a material adverse effect on the business, results of operations and financial condition of the Company.

DEBT COVENANTS

The Company and its subsidiaries are in compliance with all of their respective financial covenants as at December 31, 2020. However, there can be no assurance that future covenant requirements will be met. The Company's bank lines and other debt may be affected by its ability to remain in compliance. If the Company does not remain in compliance with its financial covenants, its ability to amend the covenants or refinance its debt may be affected.

INTEREST RATES

The Company has limited the amount of debt that may be subject to changes in interest rates, with only $22.9 million of mortgage debt and $43.1 million of construction loans at variable rates as at December 31, 2020. The Company primarily finances its properties through fixed-rate mortgages and considers securing interest rate swap agreements for any variable-rate debt to mitigate exposure to interest rate changes. The Company's other variable-rate mortgages and term loan aggregating $88.1 million as at December 31, 2020, have effectively been converted to fixed-rate financings with interest rate swaps over the full term. The Company maintains risk management control systems to monitor interest rate risk attributable to its outstanding or forecasted debt obligations as well as any offsetting hedge positions. The Company does not enter into financial instruments for trading or speculative purposes.

Risks Related to Real Property Ownership

REAL PROPERTY OWNERSHIP

All real property investments are subject to a degree of risk. They are affected by various factors, including geographic concentration, changes in general economic conditions (such as the availability of mortgage financing) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to residents, competition from other available space and various other factors. In addition, fluctuations in interest rates could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company owns, or operates under 25-year lease arrangements whereby ownership transfers at the end of the lease term, 100% of its LTC homes and retirement communities, excluding those to which it provides contract services. LTC homes and retirement communities are limited in terms of alternative uses; therefore, their values are directly driven by the cash flow from operations. All but 11 of the Company's 69 homes owned by it at December 31, 2020, are government-funded senior care homes. The value of the real property depends, in part, on government funding, license terms, and reimbursement programs. In addition, overbuilding in any of the market areas in which the Company operates could cause its homes to experience decreased occupancy or depressed margins, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Moreover, certain significant expenditures relating to real property ownership, such as real estate taxes, maintenance costs and mortgage payments, represent liabilities that must be met regardless of whether the property is producing any income.

Real property investments are relatively illiquid, thereby limiting the ability of the Company to vary its portfolio in a timely manner in response to changed economic or investment conditions. By specializing in LTC homes and retirement communities, the Company is exposed to adverse effects on these segments of the real estate market. There is a risk that the Company would not be able to sell its real property investments or that it may realize sale proceeds below their current carrying value.

CAPITAL INTENSIVE INDUSTRY

The Company must commit a substantial portion of its funds to maintain and enhance its property and equipment to meet regulatory standards, operate efficiently and remain competitive in its markets. During 2020, the company incurred $13.9 million in maintenance capex, and expects to spend in the range of $14.0 million to $16.0 million in 2021 to sustain and upgrade its existing property and equipment. In addition to recurring maintenance capex, the Company invests in enhancements of existing properties aimed at earnings growth and improved profitability, including redevelopment of LTC homes under provincial programs. See "– Risks Related to Growth and Redevelopment Activities". These, as well as other future capital requirements, could adversely impact the amount of cash available to the Company and have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Environmental, Health and Safety Laws

The Company is subject to various environmental, health and safety laws and regulations, both as an owner of real property and as a provider of health care services, governing the storage, handling, use, and disposal of equipment, materials and waste products. The Company may become liable for the costs of removal or remediation of certain hazardous, toxic, or regulated substances present at, released on or disposed of from its properties or other service locations, regardless of whether or not the Company knew of, or was responsible for, their presence, release or disposal. The failure to remove, remediate, or otherwise address such substances, if any, may adversely affect operations or the ability to sell such properties or to borrow using such properties as collateral, and could potentially result in claims by public or private parties, including by way of civil action, and have a material adverse effect on the business, results of operations and financial condition of the Company.

With respect to the Company's pre-1980 properties, management has determined that future costs could be incurred for possible asbestos remediation at these sites. 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. Based upon current assumptions, the estimated fair value of the decommissioning provision related to the asbestos remediation was approximately $10.2 million undiscounted, or $9.7 million discounted, as at December 31, 2020, refer to *Note 8* of the audited consolidated financial statements.

Environmental, health and safety laws may change and the Company may become subject to more stringent laws in the future. Compliance with more stringent environmental, health and safety laws, which may be more rigorously enforced, could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to the Common Shares and Debentures

UNPREDICTABILITY AND VOLATILITY OF THE COMMON SHARE PRICE

A publicly traded company does not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Common Shares will trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly operating results, dividends and other factors beyond the control of the Company. The annual yield on the Common Shares, represented as the ratio of annual dividend to the market price per Common Share, as compared to the annual yield on other financial instruments, may also influence the price of the Common Shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Common Shares.

CASH DIVIDENDS ARE NOT GUARANTEED AND MAY FLUCTUATE WITH THE PERFORMANCE OF THE COMPANY

The declaration and payment of dividends by the Company is at the discretion of the Board as to the amount and timing of dividends to be declared and paid, after consideration of a number of factors, including results of operations, requirements for capital expenditures and working capital, future financial prospects of the Company, debt covenants and obligations and any other factors deemed relevant by the Board. All of these factors are susceptible to a number of risks and other factors beyond the control of the Company. The amount of funds available for distribution will fluctuate with the performance of the Company. If the Board determines that it would be in the Company's best interests, it may reduce the amount and frequency of dividends to be distributed to Shareholders and such reductions may significantly effect the market value of the Common Shares.

A high dividend yield results in a higher cost of capital incurred by the Company in raising capital through the issue of Common Shares to fund future growth and equally can inhibit the ability of the Company to grow through acquisition or new developments. Therefore, the Board also has to balance the dividend yield relative to its growth plans and need to raise capital.

Funds available for dividends are driven by cash generated from operations and may be dependent upon the Company's plan for growth-based capital expenditures. The timing and amount of capital expenditures will directly affect the amount of cash available for dividends to Shareholders. Dividend payments to Shareholders may be reduced, or even eliminated, at times when the Company cannot access the capital markets for raising cash and/or when Directors deem it necessary to make significant capital or other expenditures. The Company may be required to reduce dividends or access the capital markets in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to the Company for necessary or desirable capital expenditures.

COMPANY STRUCTURE

The Company does not carry on business directly, but does so indirectly through its subsidiaries. The Company has no major assets of its own, other than the LTC homes that it leases to its subsidiary, Extendicare (Canada) Inc. (ECI), and the direct and indirect interests it has in its subsidiaries (including ECI, ParaMed and the subsidiaries that own and operate the Company's retirement communities), all of which are separate legal entities. The Company is therefore financially dependent on lease payments that it receives from ECI and dividends and other distributions it receives from all of its subsidiaries.

FUTURE ISSUES OF COMMON SHARES AND PREFERRED SHARES AND DILUTION

The Company's articles permit the issuance of an unlimited number of Common Shares and preferred shares of the Company (the "Preferred Shares"), issuable in series, equal to 50% of the number of Common Shares that are issued and outstanding, for the consideration and on the terms and conditions that the Board may determine without Shareholder approval. Shareholders have no pre-emptive rights in connection with such future issues. Future issues of Common Shares and/or Preferred Shares could be dilutive to the interests of Shareholders and could adversely affect the prevailing market price of the Common Shares.

LEVERAGE AND RESTRICTIVE COVENANTS IN CURRENT AND FUTURE INDEBTEDNESS

The ability of the Company to pay dividends is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of the Company (including its subsidiaries). The degree to which the Company is leveraged could have important consequences to Shareholders, including: (i) that the Company's ability to obtain additional financing in the future for working capital, capital expenditures or acquisitions may be limited; (ii) that a significant portion of the Company's cash flow from operations may be dedicated to the payment of the principal of, and interest on, its indebtedness; (iii) that certain of the Company's borrowings could be financed at variable rates of interest, which exposes the Company to the risk of increased interest rates; and (iv) that the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may reduce funds available for the Company to pay dividends.

CHANGES IN THE COMPANY'S CREDITWORTHINESS MAY AFFECT THE VALUE OF THE COMMON SHARES

The perceived creditworthiness of the Company may affect the market price or value and the liquidity of the Common Shares.

MATTERS AFFECTING TRADING PRICES FOR THE DEBENTURES

The 2025 Debentures are listed on the TSX. No assurance can be given that an active or liquid trading market for the 2025 Debentures will develop or be sustained. If an active or a liquid market for the 2025 Debentures fails to develop or be sustained, the prices at which the 2025 Debentures trade may be adversely affected. Whether or not the 2025 Debentures will trade at lower prices depends on many factors, including liquidity of the 2025 Debentures, prevailing interest rates and the markets for similar securities, the market price of the Common Shares, general economic conditions, and the Company's financial condition, historic financial performance and future prospects.

The Company may determine to redeem outstanding 2025 Debentures for Common Shares or to repay outstanding principal amounts thereunder at maturity of the 2025 Debentures by issuing additional Common Shares. Accordingly, Shareholders may suffer dilution.

DEBENTURES – CREDIT RISK AND PRIOR RANKING INDEBTEDNESS; ABSENCE OF COVENANT PROTECTION

The likelihood that purchasers of the 2025 Debentures will receive payments owing to them under the terms of the 2025 Debentures will depend on the Company's financial condition and creditworthiness. In addition, the 2025 Debentures are unsecured obligations of the Company and are subordinate in right of payment to all of the Company's existing and future senior indebtedness. Therefore, if the Company becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Company's assets will be available to pay its obligations with respect to the 2025 Debentures only after it has paid all of its senior indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the 2025 Debentures then outstanding. The 2025 Debentures are also effectively subordinate to claims of creditors of the Company's subsidiaries except to the extent the Company is a creditor of such subsidiaries ranking at least pari passu with such other creditors. The trust indenture, pursuant to which the Company issued the 2025 Debentures (the "Indenture"), does not prohibit or limit the ability of the Company or its subsidiaries to incur additional debt or liabilities (including senior indebtedness) or to make distributions except in respect of distributions where an event of default caused by the failure to pay interest when due has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect holders of 2025 Debentures in the event of a future leveraged transaction involving the Company or any of its subsidiaries.

CONVERSION OF THE DEBENTURES FOLLOWING CERTAIN TRANSACTIONS

In the case of certain transactions, the 2025 Debentures will become convertible into the securities, cash or property receivable by a Shareholder under the transaction. The change could substantially lessen or eliminate the value of the conversion privilege associated with the 2025 Debentures in the future. For example, if the Company were acquired in a cash merger, the 2025 Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on the Company's future prospects and other factors.

REDEMPTION OF THE DEBENTURES PRIOR TO MATURITY

The 2025 Debentures may be redeemed, at the option of the Company, at any time and from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest.

INABILITY OF THE COMPANY TO PURCHASE THE DEBENTURES IN CASH ON A CHANGE OF CONTROL

If a change of control of the Company occurs, debentureholders will have the right to require the Company to redeem the 2025 Debentures in an amount equal to 101% of the principal amount of the 2025 Debentures plus accrued and unpaid interest until the date of redemption. If holders of 2025 Debentures holding 90% or more of all the 2025 Debentures exercise their right to require the Company to redeem such 2025 Debentures, the Company may acquire the remaining 2025 Debentures on the same terms. In such event, the conversion privilege associated with the 2025 Debentures would be eliminated. Although the Company may be required to purchase all outstanding 2025 Debentures upon the occurrence of a change of control, it is possible that following a change of control, the Company will not have sufficient funds at that time to make any required purchase of outstanding 2025 Debentures or that restrictions contained in other indebtedness will restrict those purchases.

... helping people live better

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Year ended December 31, 2020

Extendicare Inc.
Dated: February 25, 2021

Extendicare Inc.
Consolidated Financial Statements

Years ended December 31, 2020 and 2019

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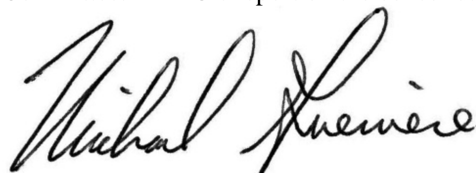
Management’s Responsibility for Consolidated Financial Statements

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

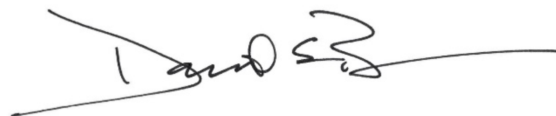
A system of internal accounting and administrative controls is maintained by management to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that financial records are properly maintained to provide accurate and reliable consolidated financial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

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

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



MICHAEL GUERRIERE
President and Chief Executive Officer



DAVID BACON
Senior Vice President and Chief Financial Officer

February 25, 2021

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Extendicare Inc.

Opinion

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

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of earnings and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Description of the matter

We draw attention to Notes 2(c), 3(d), 3(h), 5 and 15 to the financial statements. Property and equipment is a significant portion of the non-financial assets, being $525,904 thousand, and is primarily comprised of retirement communities and long-term care homes, each property being a cash-generating unit ("CGU"). The Entity recognizes impairment losses in net earnings if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Significant assumptions in determining the recoverable amount of CGUs include:

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

During the year, the Entity recorded a pre-tax impairment charge of $2,780 thousand, in respect of certain of its retirement communities in Saskatchewan. Both retirement communities have not performed as expected, primarily due to competitive market conditions, impacting rates, occupancy and labour and benefit costs.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

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

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

Description of the matter

We draw attention to Notes 2(c), 3(g), 3(h) and 6 to the financial statements. The Entity's goodwill amounts to $51,675 thousand of which a significant portion relates to the home health care CGU. The Entity tests goodwill for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired. The Entity recognizes impairment losses in net earnings if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. Significant assumptions in determining the recoverable amount of goodwill include the normalized earnings before interest, taxes depreciation and amortization ("normalized EBITDA") and earnings multiple.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

We evaluated the appropriateness of the normalized EBITDA assumption used in the determination of the recoverable amount of the home health care CGU by comparing it to the Entity's actual historical EBITDA. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the normalized EBITDA assumption.

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors'

report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditors' report is Paola Cipolla
Vaughan, Canada
February 25, 2021

Extendicare Inc.

Consolidated Statements of Financial Position

As at December 31

(in thousands of Canadian dollars)	*notes*	2020	2019
Assets			
Current assets			
Cash and cash equivalents		**179,956**	94,457
Restricted cash		**2,509**	2,441
Accounts receivable	*4*	**58,328**	50,382
Income taxes recoverable		**15,063**	15,958
Other assets	*7*	**40,226**	20,661
Total current assets		**296,082**	183,899
Non-current assets			
Property and equipment	*5*	**525,904**	530,527
Goodwill and other intangible assets	*6*	**88,178**	89,874
Other assets	*7*	**37,133**	71,752
Deferred tax assets	*19*	**15,830**	12,748
Total non-current assets		**667,045**	704,901
Total assets		**963,127**	888,800
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**187,071**	136,922
Income taxes payable		**16,693**	1,606
Long-term debt	*9*	**71,390**	133,771
Provisions	*8*	**4,367**	3,572
Total current liabilities		**279,521**	275,871
Non-current liabilities			
Long-term debt	*9*	**493,207**	422,535
Provisions	*8*	**10,567**	25,541
Other long-term liabilities	*10*	**40,059**	35,187
Deferred tax liabilities	*19*	**11,585**	14,252
Total non-current liabilities		**555,418**	497,515
Total liabilities		**834,939**	773,386
Share capital	*12*	**500,577**	498,116
Equity portion of convertible debentures	*9*	**7,085**	7,085
Contributed surplus	*11*	**4,916**	3,675
Accumulated deficit		**(370,963)**	(382,189)
Accumulated other comprehensive loss		**(13,427)**	(11,273)
Shareholders' equity		**128,188**	115,414
Total liabilities and equity		**963,127**	888,800

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

Approved by the Board

Alan D. Torrie
Chairman

Michael Guerriere
President and Chief Executive Officer

Extendicare Inc.

Consolidated Statements of Earnings

Years ended December 31

(in thousands of Canadian dollars except for per share amounts)	*notes*	2020	2019 (1)
CONTINUING OPERATIONS			
Revenue	*13, 25*	**1,158,293**	1,131,950
Operating expenses		**976,196**	998,500
Administrative costs		**48,959**	41,151
Total expenses	*14*	**1,025,155**	1,039,651
Earnings before depreciation, amortization, and other expense		**133,138**	92,299
Depreciation and amortization		**38,795**	39,590
Other expense	*15*	**5,266**	2,404
Earnings before net finance costs and income taxes		**89,077**	50,305
Net finance costs	*16*	**30,207**	28,321
Earnings before income taxes		**58,870**	21,984
Income tax expense (recovery)			
Current		**21,623**	8,287
Deferred		**(5,339)**	(1,102)
Total income tax expense	*19*	**16,284**	7,185
Earnings from continuing operations		**42,586**	14,799
DISCONTINUED OPERATIONS			
Earnings from discontinued operations, net of income taxes	*18*	**11,603**	13,831
Net earnings		**54,189**	28,630
Basic and Diluted Earnings per Share			
Earnings from continuing operations	*17*	**$0.47**	$0.17
Net earnings	*17*	**$0.60**	$0.32

See accompanying notes to consolidated financial statements.

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

Extendicare Inc.

Consolidated Statements of Comprehensive Income

Years ended December 31

(in thousands of Canadian dollars)	***notes***	**2020**	**2019**
Net earnings		**54,189**	28,630
Other comprehensive income (loss), net of taxes			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (losses)	*21*	**(2,611)**	(1,419)
Tax recovery (expense) on defined benefit plan actuarial gains (losses)	*19*	**692**	376
Defined benefit plan actuarial gains (losses), net of taxes		**(1,919)**	(1,043)
Items that are or may be reclassified subsequently to profit or loss:			
Net change in foreign currency translation adjustment		**(235)**	(2,513)
Other comprehensive income (loss), net of taxes		**(2,154)**	(3,556)
Total comprehensive income		**52,035**	25,074

See accompanying notes to consolidated financial statements.

Extendicare Inc.

Consolidated Statements of Changes in Equity

Years ended December 31

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

(in thousands of Canadian dollars, except for number of shares)	***notes***	***Number of shares***	**Share capital**	**Equity portion of convertible debentures**	**Contributed surplus**	**Accumulated deficit**	**Accumulated other comprehensive loss**	**Shareholders' equity**
Balance at January 1, 2019		*88,489,984*	492,064	7,085	2,706	(368,147)	(7,717)	125,991
DRIP	*12*	*693,466*	5,423	—	—	—	—	5,423
Share-based compensation	*11*	*49,062*	629	—	969	—	—	1,598
Net earnings		—	—	—	—	28,630	—	28,630
Dividends declared		—	—	—	—	(42,672)	—	(42,672)
Other comprehensive loss		—	—	—	—	—	(3,556)	(3,556)
Balance at December 31, 2019		89,232,512	498,116	7,085	3,675	(382,189)	(11,273)	115,414

See accompanying notes to consolidated financial statements.

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

(in thousands of Canadian dollars)	*notes*	2020	2019
Operating Activities			
Net earnings		**54,189**	28,630
Adjustments for:			
Depreciation and amortization	*5, 6*	**38,795**	39,590
Share-based compensation	*11*	**2,002**	1,598
Deferred taxes	*19*	**(5,057)**	212
Current taxes	*19*	**21,633**	6,973
Net finance costs	*9*	**27,034**	26,888
Defined benefit plan expenses	*15, 21*	**3,706**	1,325
Defined benefit plan contributions	*21*	**(4,930)**	(2,380)
Other income	*15, 18*	**(8,781)**	(9,175)
Foreign exchange and fair value adjustments	*16*	**1,843**	(2,007)
		130,434	91,654
Net change in operating assets and liabilities			
Accounts receivable		**(7,946)**	200
Other assets	*7*	**(19,855)**	1,133
Accounts payable and accrued liabilities		**49,852**	(5,111)
		152,485	87,876
Interest paid		**(26,296)**	(27,933)
Interest received		**2,681**	3,677
Income taxes paid		**(5,982)**	(5,661)
Payments of self-insured liabilities		**(1,623)**	(12,769)
Net cash from operating activities		**121,265**	45,190
Investing Activities			
Purchase of property, equipment and other intangible assets	*5*	**(33,100)**	(33,182)
Decrease in investments held for self-insured liabilities	*7*	**29,307**	40,464
Decrease in other assets	*7*	**5,794**	5,487
Net cash from (used in) investing activities		**2,001**	12,769
Financing Activities			
Issuance of long-term debt	*9*	**62,362**	45,987
Repayment of long-term debt	*9*	**(55,403)**	(35,658)
Decrease (increase) in restricted cash	*7*	**(68)**	(151)
Dividends paid		**(41,263)**	(37,218)
Financing costs		**(3,791)**	(1,628)
Net cash used in financing activities		**(38,163)**	(28,668)
Increase in cash and cash equivalents		**85,103**	29,291
Cash and cash equivalents at beginning of period		**94,457**	65,893
Foreign exchange gain (loss) on cash held in foreign currency		**396**	(727)
Cash and cash equivalents at end of period		**179,956**	94,457

See accompanying notes to consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF THE BUSINESS

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

2. BASIS OF PREPARATION

a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements were approved by the board of directors (the "Board") on February 25, 2021.

b) Basis of Measurement

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

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

c) Use of Estimates and Judgement

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

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

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

The more subjective estimates are:

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

The assessment of contingencies and provisions are subject to judgement.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Consolidation

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

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

b) Foreign Currency

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

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

c) Cash and Cash Equivalents

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

d) Property and Equipment

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

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

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

Depreciation and amortization are computed on a straight-line basis based on the useful lives of each component of property and equipment. Depreciation of long-term care (LTC) homes or retirement communities under construction commences in the month after the home is available for its intended use based upon the useful life of the asset, as outlined in the following table. Land and Construction in Progress are not depreciated. The depreciation methods, useful lives and residual values are reviewed at least annually, and adjusted if appropriate.

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

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

e) Government Grants

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

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

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

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

f) Leases

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

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

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

g) Goodwill and Other Intangible Assets

GOODWILL

Goodwill represents the excess amount of consideration given over the fair value of the underlying net assets acquired in a business combination and is measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired.

OTHER INTANGIBLE ASSETS

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

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

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

Customer relationships acquired in connection with the purchase of a Canadian home health care business represent the intangible asset underlying the various contracts in the business. These assets are being amortized over the estimated useful lives over 15 years.

Non-compete agreements acquired through acquisitions are amortized on a straight-line basis over the period until the agreement expires.

Lifetime leases acquired in connection with one retirement community are amortized over twelve to thirteen years.

Computer software licences are amortized over five to seven years. Cost associated with the acquisition and internal development of software are amortized over its useful life.

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

h) Impairment

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

NON-FINANCIAL ASSETS

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

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

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

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

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

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

FINANCIAL ASSETS

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

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

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

i) Employee Benefits

DEFINED BENEFIT PLANS

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

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

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

DEFINED CONTRIBUTION PLANS

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

SHORT-TERM EMPLOYEE BENEFITS

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

j) Share-Based Compensation

EQUITY-SETTLED LONG-TERM INCENTIVE PLANS

Awards for deferred share units (DSUs) and performance share units (PSUs) are a share-based component of director and executive compensation, which are accounted for based on the intended form of settlement. Under a long-term incentive plan (LTIP), the Board has the discretion to settle the DSU and PSU awards in cash, market-purchased Common Shares, or Common Shares issued from treasury. Based on the Board's intention to settle the awards in Common Shares issued from treasury, the PSU and DSU awards are accounted for as equity-settled awards. Settlement of the DSUs and PSUs are net of any applicable taxes and other source deductions required to be withheld by the Company, which amounts are anticipated to approximate 50% of the fair value of the award on the redemption date. The compensation expense for these equity-settled awards is prorated over the vesting or performance period, with a corresponding increase to contributed surplus. The fair value of each award is measured at the grant date. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. In addition, PSU and DSU participants are credited with dividend equivalents in the form of additional units when dividends are paid on Common Shares in the ordinary course of business.

k) Provisions

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

SELF-INSURED LIABILITIES

As a result of the sale of the U.S. business in 2015 (U.S. Sale Transaction), the Company no longer self-insures, but retained the associated obligation relating to the self-insured liabilities. The accrual for self-insured liabilities includes the estimated costs of both reported claims and claims incurred but not yet reported. The provision for self-insured liabilities is based on estimates of loss based upon assumptions made by management supported by actuarial projections and the advice of external risk management and legal counsel. The accrual for self-insured liabilities is discounted based on the projected timing of future payment obligations.

DECOMMISSIONING PROVISIONS

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

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

INDEMNIFICATION PROVISIONS

Indemnification provisions include management's best estimate of amounts required to indemnify for obligations related to tax, a corporate integrity agreement (CIA), and other items, resulting from the U.S. Sale Transaction.

l) Fair Value Measurement

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

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

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

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

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

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

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

m) Financial Instruments

FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

n) Revenue

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

i. Long-term Care

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

and it varies between a monthly or more frequent basis; and payments from residents are typically due at the beginning of each month.

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

ii. Home Health Care

Home health care services provided include complex nursing care, occupational, physical and speech therapy and assistance with daily activities to accommodate clients 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 provided to the customer. Private-pay services provided are invoiced at the end of each month based on the services provided, and the billing frequency of government-funded services varies between monthly and bi-weekly depending on the jurisdiction in which the Company operates.

iii. Retirement Living

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

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

iv. Other Services

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

o) Finance Costs and Finance Income

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

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

p) Income Taxes

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

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

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

Current and deferred income tax assets and liabilities are offset when there is a legally enforceable right of offset; and the income taxes are levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities

simultaneously, for each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

q) Discontinued Operations

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

r) New Accounting Policy Adopted

Definition of a Business

Beginning on January 1, 2020, The Company adopted the IASB issued amendments regarding the definition of a business under IFRS 3 *Business Combinations.* This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether a acquired set of activities and assets is a group of assets rather than a business. The adoption of the amendment to IFRS 3 did not have a material impact on the consolidated financial statements.

s) Future Changes in Accounting Policies

Derecognition of financial liabilities

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

Rent concessions related to COVID-19

Beginning on January 1, 2021, the Company will adopt the IASB amendment *Covid-19-Related Rent Concessions (Amendment to IFRS 16)*. This amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The adoption of the *IASB amendment Covid-19-Related Rent Concessions* is not expected to have a material impact on the consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	2020	2019
Trade receivables	**51,873**	48,509
Other receivables	**8,622**	4,035
Accounts receivable	**60,495**	52,544
Less: Trade receivable allowance	**(2,167)**	(2,162)
Accounts receivable - net of allowance	**58,328**	50,382

5. PROPERTY AND EQUIPMENT

	Land & Land Improvements	Buildings	Furniture & Equipment	Leasehold Improvements	Construction in Progress (CIP)	Total
Cost or Deemed Cost						
January 1, 2019	58,280	587,161	63,047	1,927	30,851	741,266
Recognition of right-of-use assets on initial application of IFRS 16	—	5,780	—	—	—	5,780
Adjusted January 1, 2019	58,280	592,941	63,047	1,927	30,851	747,046
Additions	247	13,763	6,147	406	21,666	42,229
Write-off of fully depreciated assets	(197)	(906)	(5,213)	(1,029)	—	(7,345)
Transfer from CIP	3,080	33,746	2,543	—	(39,369)	—
December 31, 2019	61,410	639,544	66,524	1,304	13,148	781,930
January 1, 2020	**61,410**	**639,544**	**66,524**	**1,304**	**13,148**	**781,930**
Additions	**379**	**9,962**	**7,746**	**45**	**12,218**	**30,350**
Write-off of fully depreciated assets	**(133)**	**(7,165)**	**(5,425)**	**(926)**	**—**	**(13,649)**
Impairment (*Note 15*)	**—**	**(2,780)**	**—**	**—**	**—**	**(2,780)**
Transfer from CIP	**188**	**361**	**353**	**—**	**(902)**	**—**
December 31, 2020	**61,844**	**639,922**	**69,198**	**423**	**24,464**	**795,851**

	Land & Land Improvements	Buildings	Furniture & Equipment	Leasehold Improvements	Construction in Progress (CIP)	Total
Accumulated Depreciation						
January 1, 2019	4,580	191,780	28,251	1,806	—	226,417
Recognition of right-of-use assets on initial application of IFRS 16	—	—	—	—	—	—
Adjusted January 1, 2019	4,580	191,780	28,251	1,806	—	226,417
Additions	647	24,775	6,474	435	—	32,331
Write-off of fully depreciated	(197)	(906)	(5,213)	(1,029)	—	(7,345)
December 31, 2019	5,030	215,649	29,512	1,212	—	251,403
January 1, 2020	**5,030**	**215,649**	**29,512**	**1,212**	**—**	**251,403**
Additions	**679**	**24,398**	**7,048**	**68**	**—**	**32,193**
Write-off of fully depreciated assets	**(133)**	**(7,165)**	**(5,425)**	**(926)**	**—**	**(13,649)**
December 31, 2020	**5,576**	**232,882**	**31,135**	**354**	**—**	**269,947**
Carrying amounts						
At December 31, 2019	56,380	423,895	37,012	92	13,148	530,527
At December 31, 2020	**56,268**	**407,040**	**38,063**	**69**	**24,464**	**525,904**

Right-of-use assets included in buildings were $100.0 million (2019 – $97.8 million) with accumulated depreciation of $42.0 million (2019 – $37.0 million).

New and renewed leases have been recognized as right-of-use asset within buildings of $2.2 million during the year ended December 31, 2020 (2019 – $11.0 million).

No borrowing costs were capitalized related to development projects under construction during the year ended December 31, 2020 (2019 – $0.7 million at an average capitalization rate of 4.5%).

6. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
Cost or Deemed Cost			
January 1, 2019	51,675	62,034	113,709
Additions	—	1,933	1,933
Write-off of fully amortized assets	—	(1,817)	(1,817)
December 31, 2019	51,675	62,150	113,825
January 1, 2020	**51,675**	**62,150**	**113,825**
Additions	**—**	**4,906**	**4,906**
Write-off of fully amortized assets	**—**	**(108)**	**(108)**
December 31, 2020	**51,675**	**66,948**	**118,623**

	Goodwill	Other Intangible Assets	Total
Accumulated Amortization			
January 1, 2019	—	18,509	18,509
Additions	—	7,259	7,259
Write-off of fully amortized assets	—	(1,817)	(1,817)
December 31, 2019	—	23,951	23,951
January 1, 2020	**—**	**23,951**	**23,951**
Additions	**—**	**6,602**	**6,602**
Write-off of fully amortized assets	**—**	**(108)**	**(108)**
December 31, 2020	**—**	**30,445**	**30,445**
Carrying amounts			
At December 31, 2019	51,675	38,199	89,874
At December 31, 2020	**51,675**	**36,503**	**88,178**

7. OTHER ASSETS

	2020	2019
Construction funding subsidy receivable	**42,061**	47,854
Supply inventory	**22,012**	6,804
Prepaid, deposits and other	**13,286**	8,713
Investments held for self-insured liabilities	**—**	27,562
Interest rate swaps *(Note 9)*	**—**	1,480
	77,359	92,413
less: current portion	**(40,226)**	(20,661)
	37,133	71,752

Construction Funding Subsidy Receivable

Construction funding subsidy receivable represents discounted amounts receivable due from the government of Ontario with respect to construction funding subsidies for long-term care homes, totalling $42.1 million (December 31, 2019 – $47.9 million) of which $5.6 million (December 31, 2019 – $5.8 million) is current. These subsidies represent funding for a portion of long-term care home construction costs over a 20-year or 25-year period. The weighted average remaining term of this funding is 15 years.

Supply Inventory

Supply inventory is primarily comprised of personal protective equipment (PPE) and other related supplies.

Investments Held for Self-insured Liabilities

After the U.S. Sale Transaction, the Company retained its wholly owned Bermuda-based captive insurance company, Laurier Indemnity Company, Ltd. (the "Captive"), which, along with third-party insurers, insured the Company's U.S. general and professional liability risks up to the date of the U.S. Sale Transaction.

The Company held U.S. dollar-denominated investments within the Captive for settlements of the self-insured liabilities that were subject to insurance regulatory requirements.

On June 23, 2020, the Board of Directors of the Captive approved a wind up plan to deregister and dissolve the Captive (*Note 18*). On September 21, 2020, the Bermuda Monetary Authority (BMA) approved the deregistration of the Captive and the U.S. dollar denominated investments were released to the Company.

8. PROVISIONS

	Accrual for Self-insured	Indemnification Provisions	Decommissioning Provisions	Total
January 1, 2019	37,138	13,713	9,365	60,216
Provisions released	(11,579)	—	—	(11,579)
Provisions used	(12,769)	(5,757)	(34)	(18,560)
Accretion	648	—	195	843
Effect of movements in exchange rates	(1,277)	(530)	—	(1,807)
December 31, 2019	12,161	7,426	9,526	29,113
Less: current portion	(3,572)	—	—	(3,572)
	8,589	7,426	9,526	25,541
January 1, 2020	**12,161**	**7,426**	**9,526**	**29,113**
Provisions released	**(9,537)**	**(2,023)**	**—**	**(11,560)**
Provisions used	**(3,246)**	**(61)**	**(4)**	**(3,311)**
Accretion	**—**	**—**	**195**	**195**
Effect of movements in exchange rates	**622**	**(125)**	**—**	**497**
December 31, 2020	**—**	**5,217**	**9,717**	**14,934**
Less: current portion	**—**	**(4,367)**	**—**	**(4,367)**
	—	**850**	**9,717**	**10,567**

Accrual for Self-Insured Liabilities

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

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

Indemnification Provisions

As a result of the U.S. Sale Transaction, the Company agreed to indemnify certain obligations of the U.S. operations related to tax, a corporate integrity agreement (the "CIA"), and other items. Any revisions to these estimates are recorded as a part of discontinued operations (*Note 18*). As at December 31, 2020, the remaining provisions totaled $5.2 million (US$4.1 million) (December 31, 2019 – $7.4 million or US$5.7 million).

Decommissioning Provisions

The decommissioning provisions relate to possible asbestos remediation of the Company's pre-1980 constructed homes. An estimated undiscounted cash flow amount of approximately $10.2 million (December 31, 2019 – $10.7 million) was discounted using a rate of 0.48% (December 31, 2019 – 1.64%) over an estimated time to settle of 7 years.

9. LONG-TERM DEBT

	Interest Rate	Year of Maturity	2020	2019
Convertible unsecured subordinated debentures	5.00 %	2025	**121,629**	120,675
CMHC mortgages, fixed rate	2.19% - 7.70%	2022 - 2037	**141,638**	128,878
CMHC mortgages, variable rate	Variable	2025	**22,869**	—
Non-CMHC mortgages	3.11% - 5.64%	2022 - 2038	**167,729**	164,349
Construction loans	Variable	on demand	**43,113**	64,601
Lease liabilities	0.92% - 7.19%	2021 - 2034	**77,805**	86,208
			574,783	564,711
Deferred financing costs			**(10,186)**	(8,405)
Total debt, net of deferred financing costs			**564,597**	556,306
Less: current portion			**(71,390)**	(133,771)
Long-term debt, net of deferred financing costs			**493,207**	422,535

Convertible Unsecured Subordinated Debentures

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

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

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

CMHC Mortgages

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

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

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

In October 2019, the Company secured a CMHC-insured mortgage of $9.3 million, inclusive of fees, on a retirement community. The new mortgage matures in September 2029, with a fixed rate of 2.49% per annum.

In April 2019, the Company secured a CMHC-insured mortgage of $16.0 million, inclusive of fees, on a retirement community. The new mortgage matures in September 2029, with a fixed rate of 2.81% per annum.

Non-CMHC Mortgages

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

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

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

Construction Loans

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

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

All construction loans have been reflected as current.

As at December 31, 2020, an aggregate of $43.1 million was drawn on the construction loans (December 31, 2019 – $64.6 million), leaving $4.9 million available (December 31, 2019 – $13.1 million); in addition, as at December 31, 2020, letters of credit totalling $0.7 million were issued under credit facilities (December 31, 2019 – $1.3 million), leaving $1.1 million available (December 31, 2019 – $1.3 million).

Lease Liabilities

Lease liabilities as at December 31, 2020 include leases on long-term care homes and head and district offices. The Company operates nine Ontario long-term care homes, which were built between 2001 and 2003, under 25-year lease arrangements. The liabilities associated with the head and district office leases is amortized over the remaining lease terms ranging up to 14 years.

During the year ended December 31, 2020, the Company has recognized new and renewed district office lease liabilities of $2.2 million (2019 - $10.3 million).

Credit Facilities

The Company has two demand credit facilities totalling $112.3 million. One is secured by 13 Class C long-term care homes in Ontario and the other is secured by the assets of the home health care business. Neither of these facilities has financial covenants but do contain normal and customary terms. As at December 31, 2020, $35.6 million of the facilities secure the Company's defined benefit pension plan obligations (December 31, 2019 – $38.1 million), $5.4 million was used in connection with obligations relating to long-term care homes and retirement communities (December 31, 2019 – $5.5 million), leaving $71.3 million unutilized (December 31, 2019 – $68.7 million).

Deferred Financing Costs

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

Principal Repayments

	Convertible Debentures	Mortgages Regular	Mortgages Maturity	Construction Loans	Lease Liabilities	Total
2021	—	19,155	—	43,113	15,864	78,132
2022	—	14,084	48,830	—	14,400	77,314
2023	—	10,713	47,729	—	13,828	72,270
2024	—	9,451	—	—	13,551	23,002
2025	126,500	8,173	36,220	—	13,262	184,155
2026 and thereafter	—	81,520	56,361	—	26,383	164,264
Total debt principal and lease liability	126,500	143,096	189,140	43,113	97,288	599,137
Unamortized accretion of 2025 convertible debentures	(4,871)	—	—	—	—	(4,871)
Interest on lease liabilities	—	—	—	—	(19,483)	(19,483)
	121,629	143,096	189,140	43,113	77,805	574,783

Long-term Debt Continuity

	Amount
January 1, 2019	528,970
Initial recognition of lease liabilities upon transition to IFRS 16	5,780
Issuance of long-term debt	45,987
New lease liabilities	10,316
Accretion and other	900
Repayments	(35,658)
Addition - deferred financing costs	(1,628)
Amortization of deferred financing costs and other	1,639
December 31, 2019	556,306
January 1, 2020	**556,306**
Issuance of long-term debt	**62,362**
New lease liabilities	**2,159**
Accretion and other	**954**
Repayments	**(55,403)**
Addition - deferred financing costs	**(3,791)**
Amortization of deferred financing costs and other	**2,010**
December 31, 2020	**564,597**

Interest Rates

The weighted average interest rate of all long-term debt as at December 31, 2020, was approximately 4.3% (December 31, 2019 – 4.7%). As at December 31, 2020, 88.5% of the long-term debt, including interest rate swaps, was at fixed rates (December 31, 2019 – 88.6%).

Interest Rate Swaps

The interest rate swaps include swap contracts relating to mortgages, with notional amounts totalling $88.1 million (December 31, 2019 – $82.1 million), to lock in the rates between 3.11% and 5.04% for the full term of the loans being three to ten years.

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

As at December 31, 2020, the interest rate swaps were valued as a liability of $2.6 million (December 31, 2019 – $0.8 million net asset, including a liability of $0.7 million) (*Notes 7 & 10*).

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, 2020.

10. OTHER LONG-TERM LIABILITIES

	2020	2019
Accrued pension and benefits obligation *(Note 21)*	**35,531**	32,609
Interest rate swaps (*Note 9*)	**2,573**	702
Other	**1,955**	1,876
	40,059	35,187

11. SHARE-BASED COMPENSATION

Equity-settled Long-term Incentive Plan

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

PSUs and DSUs granted under the LTIP do not carry any voting rights. DSUs vest immediately upon grant and PSUs vest with a term of not less than 24 months and not more than 36 months from the date of grant. During the year ended December 31, 2020, the Company settled PSUs and DSUs totalling 104,387, of which 29,627 were settled in cash to cover withholding taxes payable ($0.2 million) and 74,760 were settled with Common Shares issued from treasury. During the year ended December 31, 2019, the Company settled PSUs totalling 61,285, of which 12,223 were settled in cash to cover withholding taxes payable ($0.1 million) and 49,062 were settled with Common Shares issued from treasury.

The Company's DSUs and PSUs were an expense of $2.2 million for the year ended December 31, 2020 (2019 – $1.7 million).

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

	2020	2019
Contributed surplus – DSUs	**2,565**	2,594
Contributed surplus – PSUs	**2,351**	1,081
	4,916	3,675

As at December 31, 2020, an aggregate of 4,264,152 Common Shares are reserved and available for issuance pursuant to the LTIP.

DSU and PSU activity is as follows:

	Deferred Share Units		Performance Share Units	
	2020	**2019**	**2020**	**2019**
Units outstanding, beginning of period	**337,029**	239,725	**399,521**	188,909
Granted	**98,721**	82,384	**334,214**	292,581
Reinvested dividend equivalents	**25,136**	14,920	**48,791**	17,889
Forfeited	**—**	—	**(62,207)**	(38,573)
Settled	**(79,155)**	—	**(25,232)**	(61,285)
Units outstanding, end of period	**381,731**	337,029	**695,087**	399,521
Weighted average fair value of units granted during the period at grant date	**$5.76**	$8.26	**$7.41**	$9.62

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

using the previous day's closing trading price of the Common Shares. The fair values of the TSR component were measured using the Monte Carlo simulation method.

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

		2020	2019
Grant date	**March 10, 2020**	**December 17, 2020**	May 31, 2019
Vesting date	**March 10, 2023**	**March 10, 2023**	May 31, 2022
PSUs granted	**323,168**	**11,046**	292,581
Fair value of AFFO component	**$3.64**	**$3.41**	$4.04
Fair value of TSR component	**$3.80**	**$3.01**	$5.58
Grant date fair value	**$7.44**	**$6.42**	$9.62
Expected volatility of the Company's Common Shares	**19.79 %**	**35.46 %**	20.49 %
Expected volatility of the Index	**11.05 %**	**24.28 %**	9.42 %
Risk-free rate	**0.55 %**	**0.25 %**	1.40 %
Dividend yield	**nil**	**nil**	nil

12. SHARE CAPITAL

		2020		2019
	Shares	**Amount**	*Shares*	**Amount**
Balance at beginning of year	*89,232,512*	**498,116**	*88,489,984*	492,064
Transactions with shareholders				
DRIP	*231,813*	**1,700**	*693,466*	5,423
Share-based compensation	*74,760*	**761**	*49,062*	629
Balance at end of year	*89,539,085*	**500,577**	*89,232,512*	498,116

Common Shares

Each Common Share is transferable and represents an equal and undivided beneficial interest in the assets of the Company. Each Common Share entitles the holder to one vote at all meetings of shareholders of the Company. Shareholders are entitled to receive dividends from the Company if, as and when declared by the Board. During 2020 and 2019, the Company declared cash dividends of $0.48 per share.

Dividend Reinvestment Plan

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

During 2020, the Company issued 231,813 Common Shares at a value of $1.7 million (2019 – 693,466 Common Shares at a value of $5.4 million).

Normal Course Issuer Bid (NCIB)

In January 2020, the Company received approval from the TSX to renew its NCIB to purchase for cancellation up to 8,000,000 Common Shares (representing approximately 10% of its public float) through the facilities of the TSX, and through alternative Canadian trading systems, in accordance with TSX rules. The NCIB commenced on January 15, 2020, and provides the Company with flexibility to purchase Common Shares for cancellation until January 14, 2021, 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, on any trading day, purchases under the NCIB will not exceed 42,703 Common Shares.

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

13. REVENUE

	2020	2019
Long-term care	**715,550**	643,785
Retirement living	**47,801**	41,276
Home health care	**368,189**	422,995
Other operations	**26,753**	23,894
Total revenue	**1,158,293**	1,131,950

Funding for the Company's LTC homes and home health care services is regulated by provincial authorities. Revenue from provincial programs represented approximately 67% of the Company's long-term care revenue, excluding additional funding received in connection with COVID-19, (2019 – 69%), and approximately 98% of the home health care revenue for both 2020 and 2019.

Retirement living includes accommodation revenue of approximately $17.6 million (2019 – $16.6 million) and services revenue of approximately $30.2 million (2019 – $24.7 million). Services revenue represents a combination of monthly service fees paid by the residents, including proceeds retained by the Company upon the sale of homes in the life lease community.

14. EXPENSES BY NATURE

	2020	2019 (1)
Employee wages and benefits	**925,087**	876,651
Government grants	**(91,175)**	—
Food, drugs, supplies and other variable costs	**80,568**	53,872
Property based and leases	**51,901**	48,942
Other	**58,774**	60,186
Total operating expenses and administrative costs	**1,025,155**	1,039,651

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

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy (CEWS) program, which was designed to help Canadian employers that have experienced revenue declines to re-hire workers laid off as a result of COVID-19, help prevent further job losses and better position the employers to resume normal operations after the COVID-19 pandemic. Further changes to the CEWS program were announced on July 17, 2020 and October 14, 2020, extending the program until June 2021. The Company's home health care subsidiary, ParaMed Inc., applied for and received $91.2 million in CEWS during the year ended December 31, 2020 in respect of all claims periods under the CEWS program between March 15, 2020 and December 19, 2020. Payments under the CEWS program are accounted for as government grants under IAS 20 and are recorded on a net basis as a reduction to operating expenses of the home health care segment, thereby impacting the home health care segment net operating income for the year ended December 31, 2020.

15. OTHER EXPENSE

	2020	2019
Impairment *(Note 5)*	**2,780**	—
Other costs *(Note 21)*	**2,486**	975
Termination of B.C. market home health care contracts	**—**	1,429
	5,266	2,404

Impairment

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

The impairment charge for the retirement living operations relates to the write down of the carrying value of the property and equipment of two Saskatchewan retirement communities that were acquired in early 2016; one of which was newly opened at that time and is still in lease up. Both communities have not performed as expected, primarily due to competitive market conditions, impacting rates, occupancy and labour and benefit costs.

The determination of recoverable amounts can be significantly impacted by estimates related to current market valuations, current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. Estimates and assumptions used in the determination of the impairment loss for both the retirement communities were based upon information that was known at the time, along with the future outlook. The Company completes the assessment of the impairment amount of each of these properties (each being a CGU), by comparing the recoverable amount (in this case the value in use) of each CGU, determined using the direct capitalization method, to their carrying values. The direct capitalization method divides the estimated stabilized net operating income, after adjusting for management fee and capital maintenance, by estimated market capitalization rate of 7%, derived from a combination of third-party information and industry trends. The fair value is a Level 3 valuation (*Note 22*).

Other Costs

In the fourth quarter of 2020, the Company recorded a $2.5 million non-cash, non-recurring actuarial adjustment in respect of a legacy post-retirement benefits plan *(Note 21)*.

In the second quarter of 2019, the Company incurred other costs of $1.0 million in connection with a representation and standstill agreement entered into on April 22, 2019, with Sandpiper Real Estate Fund 2 Limited Partnership, Sandpiper Real Estate Fund 3 Limited Partnership, Sandpiper GP 2 Inc., and Sandpiper GP 3 Inc.

Termination of B.C. Market Home Health Care Contracts

In the first quarter of 2019, the Company was informed by the health authorities in British Columbia with whom it had contracts, that such contracts would not be renewed in March 2020. Accordingly, the Company ceased its home health care operations in British Columbia during the first quarter of 2020. The Company recognized a $1.4 million provision in the first quarter of 2019 for costs to be incurred in connection with the contract expiration.

16. NET FINANCE COSTS

	2020	**2019**
Interest expense	**28,478**	28,733
Interest revenue	**(2,681)**	(3,688)
Accretion	**1,237**	1,195
Foreign exchange and fair value adjustments	**3,173**	2,081
Net finance costs	**30,207**	28,321

Foreign Exchange

Foreign exchange gains or losses related to deferred consideration and other balances denominated in U.S. dollars for the year ended December 31, 2020 is a gain of $0.2 million (2019 - loss of $0.8 million).

Fair Value Adjustments

Fair value adjustments related to interest rate swap contracts on certain mortgages were a loss of $3.4 million for the year ended December 31, 2020 (2019 - loss of $1.3 million) (*Note 9*).

17. EARNINGS PER SHARE

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

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

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

	2020	2019 [(1)]
Numerator for Basic and Diluted Earnings per Share		
Earnings from continuing operations		
Net earnings for basic earnings per share	**54,189**	28,630
Less: earnings from discontinued operations, net of tax	**(11,603)**	(13,831)
Earnings from continuing operations for basic earnings per share	**42,586**	14,799
Add: after-tax interest on convertible debt	**6,170**	6,117
Earnings from continuing operations for diluted earnings per share	**48,756**	20,916
Net earnings		
Net earnings for basic earnings per share	**54,189**	28,630
Add: after-tax interest on convertible debt	**6,170**	6,117
Net earnings for diluted earnings per share	**60,359**	34,747
Denominator for Basic and Diluted Earnings per Share		
Actual weighted average number of shares	**89,485,110**	88,868,741
DSUs	**323,161**	279,173
Weighted average number of shares for basic earnings per share	**89,808,271**	89,147,914
Shares issued if all convertible debt was converted	**10,326,531**	10,326,531
PSUs	**140,533**	64,886
Total for diluted earnings per share	**100,275,335**	99,539,331
Basic Earnings per Share (*in dollars*)		
Earnings from continuing operations	**$0.47**	$0.17
Earnings from discontinued operations	**$0.13**	$0.16
Net earnings	**$0.60**	$0.32
Diluted Earnings per Share (*in dollars*)		
Earnings from continuing operations	**$0.47**	$0.17
Earnings from discontinued operations	**$0.12**	$0.14
Net earnings	**$0.60**	$0.32

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

18. DISCONTINUED OPERATIONS

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

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

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

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

	2020	2019
Earnings from Discontinued Operations		
Administrative costs	**996**	1,188
Other income	**(11,561)**	(11,579)
Earnings before net finance costs	**10,565**	10,391
Accretion	**—**	648
Foreign exchange and fair value adjustments	**(1,330)**	(4,088)
Net finance costs	**(1,330)**	(3,440)
Earnings before income taxes	**11,895**	13,831
Current	**10**	(1,314)
Deferred	**282**	1,314
Income tax expense	**(292)**	—
Earnings from discontinued operations	**11,603**	13,831

Earnings from discontinued operations includes the release of the accrual for self-insured liabilities of $9.5 million for the year ended December 31, 2020 (2019 – $11.6 million), the valuation change to the indemnification provisions of $2.0 million for the year ended December 31, 2020 (2019 – $nil), and foreign exchange and fair value gain of $1.3 million for the year ended December 31, 2020 (2019 – $4.1 million), net of administrative costs and interest expense.

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

	2020	2019
Cash Flows from Discontinued Operations		
Net cash used in operating activities	**(6,029)**	(13,729)
Net cash from investing activities	**6,029**	13,729
Effect on cash flows	**—**	—

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

	2020	2019
Assets		
Other assets (*Note 7*)	**—**	27,562
Total assets	**—**	27,562
Liabilities		
Accounts payable and accrued liabilities	**—**	1,565
Provisions	**—**	12,160
Total liabilities	**—**	13,725
Net assets directly associated with discontinued operations	**—**	13,837

19. INCOME TAXES

Effective Tax Rate

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

	2020	2019 [1]
Earnings from continuing operations before income taxes	**58,870**	21,984
Tax rate	**26.5 %**	26.5 %
Income taxes at statutory rates of 26.5%	**15,601**	5,826
Income tax effect relating to the following items:		
Non-deductible items	**817**	886
Non-taxable income (loss)	**(78)**	56
Prior year adjustment	**—**	413
Other items	**(56)**	4
	16,284	7,185

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

Summary of Operating and Capital Loss Carryforwards

The Company and its Canadian corporate subsidiaries have $26.2 million net operating loss carryforwards available as at December 31, 2020 (2019 – $12.9 million), which expire in the years 2036 through 2040, which are recognized in deferred tax assets and capital loss carryforwards of $51.3 million (2019 – $41.7 million) which have not been tax benefited and are available indefinitely to apply against future capital gains.

Deferred tax assets recognized as at December 31, 2020, were $15.8 million (2019 – $12.7 million). Net deferred tax assets increased in 2020 to $4.2 million from a net deferred tax liability position of $1.5 million at December 31, 2019.

Recognized Deferred Tax Assets and Liabilities

Net deferred tax liabilities comprise the following:

	2020			2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, Goodwill and other intangible assets	**10,625**	**32,554**	**21,929**	6,002	26,937	20,935
Provisions	**3,026**	**—**	**(3,026)**	3,456	—	(3,456)
Accrued pension and benefits obligation	**10,039**	**—**	**(10,039)**	9,672	—	(9,672)
Operating loss carryforwards	**6,946**	**—**	**(6,946)**	3,445	—	(3,445)
Other	**7,443**	**1,280**	**(6,163)**	4,681	1,823	(2,858)
Set-off of tax	**(22,249)**	**(22,249)**	**—**	(14,508)	(14,508)	—
Deferred tax (assets)/liabilities, net	**15,830**	**11,585**	**(4,245)**	12,748	14,252	1,504

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

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

	Balance January 1, 2020	Recognized in Net Earnings	Recognized in Other Comprehensive Income	Recognized in Discontinued Operations	Change in Foreign Exchange	Balance December 31, 2020
Property and equipment, Goodwill and other intangible assets	20,935	**994**	—	—	—	**21,929**
Provisions	(3,456)	**109**	—	**282**	**39**	**(3,026)**
Accrued pension and benefits obligation	(9,672)	**325**	**(692)**	—	—	**(10,039)**
Operating loss carryforwards	(3,445)	**(3,501)**	—	—	—	**(6,946)**
Other	(2,858)	**(3,305)**	—	—	—	**(6,163)**
Deferred tax (assets)/ liabilities, net	1,504	**(5,378)**	**(692)**	**282**	**39**	**(4,245)**

	Balance January 1, 2019	Recognized in Net Earnings	Recognized in Other Comprehensive Income	Recognized in Discontinued Operations	Change in Foreign Exchange	Balance December 31, 2019
Property and equipment, Goodwill and other intangible assets	19,789	1,146	—	—	—	20,935
Provisions	(5,093)	249	—	1,314	74	(3,456)
Accrued pension and benefits obligation	(9,599)	303	(376)	—	—	(9,672)
Operating loss carryforwards	(1,519)	(1,926)	—	—	—	(3,445)
Other	(1,980)	(874)	—	—	(4)	(2,858)
Deferred tax (assets)/ liabilities, net	1,598	(1,102)	(376)	1,314	70	1,504

20. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2020, the Company has outstanding commitments of $45.4 million in connection with the construction contract related to a new 256-bed LTC home in Sudbury, Ontario. Construction commenced in the fourth quarter of 2020 and is targeted to be complete in the fourth quarter of 2022. The Company also has outstanding commitments of $19.8 million in connection with a five-year agreement for cloud-based enterprise resource planning software. Payments under the agreement are due annually in advance and the agreement expires in 2025.

Legal Proceedings 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. The Company intends to vigorously defend itself against these claims. However, given the status of the proceedings the Company is unable to assess the potential outcome of legal proceedings and they could have a materially adverse impact on the Company's business, results of operations and financial condition.

In December 2020, the Ontario government 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.

In December 2020, the Company was served with a statement of claim naming the Company and the owner of a LTC home to which the Company provides contracted services, as well as certain entities related to the owner. The claim seeks an order certifying the claim as a class action and alleges negligence, gross negligence, breach of fiduciary duty, breach of contract and wrongful death in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons, all residents of the residence and all family members of such individuals. The claim seeks damages in the aggregate of $40.0 million.

In October 2020, the Company was served with a statement of claim naming it and multiple other defendants, including multiple LTC homes and their respective owners and operators, the Government of Ontario and several Ontario cities, including the City of Toronto. The claim seeks an order certifying the action as a class action and alleges negligence, breach of fiduciary duty and breach of section 7 of the *Canadian Charter of Rights and Freedoms* by the multiple defendants, including the Company, in the operation of certain LTC homes and provision of care to residents. The claim seeks aggregate damages of $600.0 million from the multiple defendants.

In October 2020, the Company was served with a statement of claim alleging negligence, breach of contract, breach of certain statutory duties and Human Rights Code breaches in respect of all residents of a Company LTC home as well as their family members. In January 2021, the claim was amended to include further allegations of gross negligence and claim against 35 Company LTC homes and 36 LTC homes to which the Company provides contract services. The claim seeks an order certifying the action as a class action and damages in the aggregate amount of $210.0 million.

In June 2020, the Company was served with an amended statement of claim adding the Company to a statement of claim previously issued to the owner of a long-term care and retirement community to which the Company provides contracted services under its Extendicare Assist division. The claim seeks an order certifying the claim as a class action pursuant to the *Class Proceedings Act* (Ontario) and alleges negligence and breach of contract in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons, all residents of the residence and all family members of such individuals. The claim seeks damages in the aggregate of $40.0 million.

In September 2018, the Company was served with a statement of claim seeking an order certifying the claim as a class action pursuant to the *Class Proceedings Act* (Ontario). The claim alleges that the Company failed to properly apply certain required medical equipment sterilization protocols at one or more of its home health care clinics and seeks $20.0 million in damages. The claim was certified as a class action proceeding in September 2020.

21. EMPLOYEE BENEFITS

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

Defined Benefit Plans

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

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

	Defined Benefit Plan		**Supplementary Defined Benefit Plans**		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Fair value of plan assets	**4,577**	5,325	**713**	—	**5,290**	5,325
Present value of obligations	**7,294**	8,137	**35,873**	33,678	**43,167**	41,815
Deficit	**(2,717)**	(2,812)	**(35,160)**	(33,678)	**(37,877)**	(36,490)

FUNDING

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

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

DEFINED BENEFIT OBLIGATIONS

	2020	2019
Present Value of Defined Benefit Obligations		
Accrued benefit obligations		
Balance at beginning of year	**41,815**	41,189
Current service cost	**176**	98
Recognition of supplementary health and dental plan *(Note 15)*	**2,486**	—
Benefits paid	**(5,363)**	(2,614)
Interest costs	**1,198**	1,399
Actuarial loss	**2,855**	1,743
Balance at end of year	**43,167**	41,815
Plan assets		
Fair value at beginning of year	**5,325**	5,066
Employer contributions	**1,302**	159
Actual return on plan assets	**244**	321
Interest income on plan assets	**154**	172
Benefits paid	**(1,735)**	(393)
Fair value at end of year	**5,290**	5,325
Defined benefit obligations	**37,877**	36,490

The expected contribution to the benefit plans for the coming year is approximately $2.4 million.

	2020	2019
Current accrued liabilities	**2,346**	3,881
Other long-term liabilities *(Note 10)*	**35,531**	32,609
Accrued benefit liability at end of year	**37,877**	36,490

EFFECT OF CHANGES TO DEFINED BENEFIT OBLIGATIONS

	2020	2019
Expense Recognized in Net Earnings		
Annual benefit plan expense		
Current service cost	**176**	98
Recognition of supplementary health and dental plan *(Note 15)*	**2,486**	—
Interest costs	**1,044**	1,227
Defined benefit plan expenses recognized in the year - included in administrative expenses	**3,706**	1,325
Actuarial Losses Recognized in Other Comprehensive Income		
Amount accumulated in accumulated deficit at January 1	**(11,279)**	(10,236)
Actuarial loss arising from changes in liability experience and assumption changes	**(2,855)**	(1,740)
Return on assets	**244**	321
Income tax recovery on actuarial loss	**692**	376
Amount recognized in accumulated deficit at December 31	**(13,198)**	(11,279)

PLAN ASSETS

	2020	2019
Equities	**47 %**	47 %
Fixed income securities	**34 %**	33 %
Real estate / commercial mortgage	**19 %**	20 %
	100 %	100 %

ACTUARIAL ASSUMPTIONS

	2020	2019
Discount rate for year-end accrued obligation	**2.25 %**	3.00 %
Discount rate for period expense	**3.00 %**	3.50 %
Rate of compensation increase	**— %**	— %
Income Tax Act limit increase	**3.00 %**	3.00 %
Average remaining service years of active employees	**2**	2

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

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

Changes to the following actuarial assumptions, while holding the other assumptions constant, would have affected the defined benefit obligation and related expense for 2020 by the amounts shown below.

	Increase (Decrease) in Benefit Obligation	Increase (Decrease) in Net Earnings
Discount rate		
1% increase	(3,800)	215
1% decrease	4,494	(282)
Rate of compensation increase*		
1% increase	—	—
1% decrease	—	—
Mortality rate		
10% increase	(922)	(20)
10% decrease	1,050	24

* No impact as actual salary rates are used in valuation for 2020.

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 2020 were $15.1 million (2019 - $17.1 million).

22. MANAGEMENT OF RISKS AND FINANCIAL INSTRUMENTS

(a) Management of Risks

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting its contractual obligations. The Company manages our liquidity risk through the use of budgets and forecasts. Cash requirements are monitored regularly based on actual financial results and actual cash flows to ensure that there are sufficient resources to meet operational requirements. In

addition, since there is a risk that current borrowings and long-term debt may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt, the Company attempts to appropriately structure the timing of contractual long-term debt renewal obligations and exposures.

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

As at December 31, 2020	Carrying Amount	Contractual Cash Flows	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
Convertible debentures	**121,629**	**154,963**	6,325	6,325	142,313	—
CMHC mortgages, fixed rate	**141,638**	**170,323**	16,931	35,232	24,204	93,956
CMHC mortgages, variable rate	**22,869**	**26,116**	1,538	1,538	23,040	—
Non-CMHC mortgages	**167,729**	**212,737**	12,822	35,789	87,836	76,290
Construction loans	**43,113**	**43,113**	43,113	—	—	—
Lease liabilities	**77,805**	**97,288**	15,864	14,400	40,641	26,383
Accounts payable and accrued liabilities	**187,071**	**187,071**	187,071	—	—	—
Income taxes payable	**16,693**	**16,693**	16,693	—	—	—
	778,547	**908,304**	**300,357**	**93,284**	**318,034**	**196,629**

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

In addition to cash generated from its operations and cash on hand, the Company has available undrawn credit facilities totalling $71.3 million (2019 – $68.7 million).

CREDIT RISK

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

	Carrying Amount	
	2020	**2019**
Cash and cash equivalents	**179,956**	94,457
Restricted cash	**2,509**	2,441
Accounts receivables, net of allowance	**58,328**	50,382
Investments held for self-insured liabilities	**—**	27,562
Government note receivables	**42,061**	47,854
	282,854	222,696

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, 2020, receivables from government agencies represented approximately 90% of the total receivables (2019 – 80%). 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:

	2020	2019
Current	**36,170**	32,252
Between 30 and 90 days	**9,650**	12,704
Over 90 days	**6,053**	3,553
Less: provision for receivable impairment	**(2,167)**	(2,162)
	49,706	46,347

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

Notes and Amounts Receivable

Included in notes and amounts receivable were $42.1 million (2019 – $47.9 million) of discounted amounts receivable due from government agencies. These represent amounts funded by the Ontario government for a portion of LTC home construction costs over a 20-year or 25-year period *(Note 7)*. The Company does not believe there is any credit exposure for these amounts due from government agencies.

CURRENCY RISK

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

As a result of the U.S. Sale Transaction, the Company's exposure to foreign currency risk has been significantly reduced. The following table outlines the net asset exposure to items retained from the U.S. Sale Transaction as at December 31, 2020.

		2020
	US$	**C$**
Assets		
Current assets	*13,664*	**17,387**
Liabilities		
Current liabilities	*4,142*	**5,270**
Indemnification provisions	*668*	**850**
Non-current liabilities	*551*	**701**
Net asset exposure	*8,303*	**10,566**

Net Earnings Sensitivity Analysis

As at December 31, 2020 and December 31, 2019, the Company does not have any revenue in foreign currencies.

Every one cent strengthening of the Canadian dollar against the U.S. dollar in 2020 would favourably impact net earnings by $0.1 million and OCI by $0.1 million. This analysis assumes that all other variables, in particular the interest rates, remain constant.

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, 2020, CMHC variable-rate mortgages of $22.9 million and construction loans of

$43.1 million are variable-rate debt, which do not have interest rate swaps in place. The Company's credit facility, and future borrowings, may be at variable rates which would expose the Company to the risk of interest rate volatility (*Note 9*).

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

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

	Carrying Amount	
	2020	**2019**
Fixed-rate long-term debt [(1)]	**508,801**	500,110
Variable-rate long-term debt [(1)]	**65,982**	64,601
Total	**574,783**	564,711

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

Fair Value Sensitivity Analysis for Variable-rate Instruments

All long-term debt with variable rates are classified as other financial liabilities, which are measured at amortized cost using the effective interest method of amortization; therefore, changes in interest rates would not affect OCI or net earnings with respect to variable-rate debt. As at December 31, 2020, long-term debt with variable rates represented 11.5% of total debt (2019 – 11.4%). The value of the interest rate swaps is subject to fluctuations in interest rates, changes in fair value of these swaps are recognized in net earnings.

Cash Flow Sensitivity Analysis for Variable-rate Instruments

An increase of 100 basis points in interest rates would have decreased net earnings by $0.5 million and a decrease of 100 basis points in interest rates would have increased net earnings by $0.5 million. This analysis assumes that all other variables, in particular foreign currency rates, remains constant, and excludes variable interest rate debt that is locked in through interest rate swaps.

(b) Fair values of Financial Instruments

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

[(1)] Includes primarily amounts receivable from government.
[(2)] Includes current portion.
[(3)] Excludes netting of deferred financing costs.

As at December 31, 2019	Amortized Cost	Fair Value through Profit and Loss	Total Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:					
Cash and cash equivalents	94,457	—	94,457	94,471	Level 1
Restricted cash	2,441	—	2,441	2,441	Level 1
Invested assets [1]	354	—	354	354	Level 2
Accounts receivable	50,382	—	50,382	50,382	
Interest rate swaps	—	1,480	1,480	1,480	Level 2
Amounts receivable and other assets [2] [3]	47,854	—	47,854	51,950	Level 2
Investments held for self-insured liabilities	6,316	21,246	27,562	27,562	Level 1
	201,804	22,726	224,530	228,640	
Financial liabilities:					
Accounts payable	18,021	—	18,021	18,021	
Interest rate swaps	—	702	702	702	Level 2
Long-term debt excluding convertible	444,036	—	444,036	450,382	Level 2
Convertible debentures	120,675	—	120,675	132,585	Level 1
	582,732	702	583,434	601,690	

[1] Included in other assets.
[2] Includes primarily amounts receivable from government.
[3] Includes current portion.
[4] Excludes netting of deferred financing costs.

BASIS FOR DETERMINING FAIR VALUES

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

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

FAIR VALUE HIERARCHY

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

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

23. CAPITAL MANAGEMENT

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

Capital Structure

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

	2020	2019
Current portion of long-term debt [1]	**71,390**	133,771
Long-term debt [1]	**493,207**	422,535
Total debt	**564,597**	556,306
Less: Cash and cash equivalents	**(179,956)**	(94,457)
Net debt	**384,641**	461,849
Share capital	**500,577**	498,116
	885,218	959,965

[1] Net of financing costs.

24. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel

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

	2020	2019
Salaries and short-term benefits	**3,615**	2,636
Share-based compensation	**1,725**	1,231
	5,340	3,867

25. SEGMENTED INFORMATION

The Company reports the following segments: i) long-term care; ii) retirement living; iii) home health care; iv) contract services, consulting and group purchasing as “other operations”; and v) the corporate functions and any intersegment eliminations, not allocated to other segments as “corporate”.

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

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

						2020
(in thousands of Canadian dollars)	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
CONTINUING OPERATIONS						
Revenue	**715,550**	**47,801**	**368,189**	**26,753**	**—**	**1,158,293**
Operating expenses	**663,790**	**34,032**	**268,273**	**10,101**	**—**	**976,196**
Net operating income	**51,760**	**13,769**	**99,916**	**16,652**	**—**	**182,097**
Administrative costs					**48,959**	**48,959**
Earnings before depreciation, amortization, and other						**133,138**
Depreciation and amortization					**38,795**	**38,795**
Other expense					**5,266**	**5,266**
Earnings before net finance costs and income taxes						**89,077**
Net interest costs					**27,034**	**27,034**
Foreign exchange and fair value adjustments					**3,173**	**3,173**
Net finance costs					**30,207**	**30,207**
Earnings before income taxes						**58,870**
Income tax expense (recovery)						
Current					**21,623**	**21,623**
Deferred					**(5,339)**	**(5,339)**
Total income tax expense					**16,284**	**16,284**
Earnings from continuing operations						**42,586**
DISCONTINUED OPERATIONS						
Earnings from discontinued operations, net of income taxes						**11,603**
Net earnings						**54,189**

						2019 [1]
(in thousands of Canadian dollars)	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
CONTINUING OPERATIONS						
Revenue	643,785	41,276	422,995	23,894	—	1,131,950
Operating expenses	566,375	29,844	391,646	10,635	—	998,500
Net operating income	77,410	11,432	31,349	13,259	—	133,450
Administrative costs					41,151	41,151
Earnings before depreciation, amortization, and other						92,299
Depreciation and amortization					39,590	39,590
Other expense					2,404	2,404
Earnings before net finance costs and income taxes						50,305
Net interest costs					26,240	26,240
Foreign exchange and fair value adjustments					2,081	2,081
Net finance costs					28,321	28,321
Earnings before income taxes						21,984
Income tax expense (recovery)						
Current					8,287	8,287
Deferred					(1,102)	(1,102)
Total income tax expense					7,185	7,185
Earnings from continuing operations						14,799
DISCONTINUED OPERATIONS						
Earnings from discontinued operations, net of income taxes						13,831
Net earnings						28,630

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

26. SIGNIFICANT SUBSIDIARIES

The following is a list of the significant subsidiaries as at December 31, 2020, all of which are 100% directly or indirectly owned by the Company.

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

27. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Ontario Ministry of LTC issued further COVID funding announcements totalling $398.0 million, which included $268.0 million in funding for COVID prevention and containment efforts. A portion of this newly announced funding is intended to cover the funding shortfall related to COVID incremental costs incurred during 2020. Following the announcement the Company received $6.6 million. The balance of the funding has not yet been allocated and is undeterminable.

STOCK EXCHANGE LISTING

Toronto Stock Exchange Symbols:
Common Shares – EXE
2025 Convertible Debt (5.0%) – EXE.DB.C

TRANSFER AGENT

Computershare Trust Company of Canada
Tel: (800) 564-6253 Fax: (866) 249-7775
email: service@computershare.com
www.computershare.com

PUBLISHED INFORMATION

Additional information about Extendicare, including this report, is available for viewing or printing on its website, in addition to news releases, quarterly reports and other filings with the securities commissions. Printed copies are available upon request.

VISIT EXTENDICARE'S WEBSITE AT WWW.EXTENDICARE.COM

3000 Steeles Avenue East, Suite 103, Markham, Ontario, Canada L3R 4T9
T 905.470.4000 **F** 905.470.5588 www.extendicare.com

Rendering of future site of Extendicare Stittsville long-term care home. Drawings by Montgomery Sisam Architects Inc.