



Caring for  
seniors today,  
growing for  
tomorrow

# Board of Directors

<b>Alan D. Torrie</b> <sup>GN, HR</sup>	Non-executive Chairman, Chair of the Governance and Nominating Committee
<b>Norma Beauchamp</b> <sup>HR, INV, QR</sup>	
<b>Dr. Michael Guerriere</b>	President and Chief Executive Officer
<b>Sandra L. Hanington</b> <sup>A, GN, QR</sup>	Chair of the Quality and Risk Committee
<b>Alan R. Hibben</b> <sup>A, GN, INV</sup>	
<b>Brent Houlden</b> <sup>A, QR</sup>	Chair of the Audit Committee
<b>Donna E. Kingelin</b> <sup>HR, QR</sup>	Chair of the Human Resources Committee
<b>Samir Manji</b> <sup>INV</sup>	
<b>Al Mawani</b> <sup>A, HR, INV</sup>	Chair of the Investment Committee

**Committees** - A Audit, GN Governance and Nominating, HR Human Resources, INV Investment, QR Quality and Risk

# Leadership

<b>Dr. Michael Guerriere</b>	President and Chief Executive Officer
<b>David E. Bacon</b>	Senior Vice President and Chief Financial Officer
<b>John Toffoletto</b>	Senior Vice President, Chief Legal Officer and Corporate Secretary
<b>Leslie Sarauer</b>	Senior Vice President and Chief Human Resources Officer
<b>Bruce Wienberg</b>	Senior Vice President, Resident Care
<b>Victor Rocca</b>	Senior Vice President, ParaMed
<b>Dr. Matthew Morgan</b>	Chief Medical Officer
<b>Lisa Pearson</b>	Vice President, Public Affairs
<b>Kathryn Bradley</b>	Vice President, Strategy and Performance

---

# Care

---

Quality

Innovation

Growth



**Danielle Zhang**  
Administrator,  
Extencare Bayview

Care

---

# Quality

---

Innovation

Growth



**Natasha Milijasevic**  
Senior Director,  
Quality Risk and Innovation

MARCH 28, 2022

# Letter to Shareholders

Over the past year, our efforts have remained focused on keeping our residents, clients and team members safe from the ongoing challenges of the COVID-19 pandemic. Vaccines have played a vital role in reducing the impact of the virus, protecting the majority of those who are fully vaccinated from severe illness and hospitalization.

The most recent wave, caused by the highly transmissible Omicron variant, resulted in more cases than in any previous wave, but most were mild due to very high vaccination rates throughout our residents and staff. We remain vigilant to the ongoing risks of COVID-19; however, cases have been declining since the peak in mid-January, and we are cautiously optimistic for the remainder of 2022.

Throughout the pandemic, our dedicated frontline team members have provided high quality, compassionate care. Despite the extended duration of the pandemic, our team has demonstrated a truly admirable level of commitment to those we serve, particularly impressive given the continually evolving circumstances. We are forever grateful for their exceptional efforts on behalf of our residents and clients.

We have a very diverse team, in keeping with our values and inclusive culture. We believe that diversity leads to better decision making, better care for our residents and clients, and ultimately better results for our shareholders. Accordingly, we were delighted when Extendicare was recognized by the Globe and Mail in their 2022 Women Lead Here list of companies with the highest representation of women in the executive ranks. Forty-three percent of our executives and thirty-three percent of the Company's board are women.

## Positioned for sustainable growth

In early 2022, we made important strategic changes to focus our operations and position us to drive future growth. The sale of our Esprit retirement business was an initial step that will remove a line of business and provide capital to advance our growth strategy, thus allowing us to focus on our remaining businesses where we have deep experience and scale. More recently, we announced the creation of a long-term care (LTC) development and ownership partnership with Axiom Infrastructure and agreements with Revera to operate their 56 homes in Ontario and Manitoba.

Canada's population of seniors over the age of 75 is growing rapidly and is projected to nearly double by 2035. These demographic trends and the chronic shortage of LTC beds point to enduring opportunity for sustainable growth in LTC and home health services. According to estimates in a report by the Conference Board of Canada, 200,000 new LTC beds and a major increase in home health care services will be needed by 2035. Extendicare's extensive experience, substantial scale and specialized skills position us to drive service improvement and expand to meet demand in both areas. By narrowing our focus, we are better able to meet the growing needs of seniors – first by supporting them in their

own homes, then if independent living becomes untenable, in an LTC home – while driving growth and sustainable value creation for our shareholders.

The Axium partnership is a new business model that enables Extendicare to participate in growth of the LTC sector with less capital investment. Extendicare will have a 15% ownership stake in the properties included in the joint venture along with a management interest to operate the home. Partnering with Axium allows us to pursue more LTC redevelopment projects, new builds and acquisitions, with a higher return on capital than would be possible if we owned the homes outright.

The Revera agreement more than doubles our Assist portfolio by adding management contracts for 56 homes. Twenty-four of these homes will immediately become part of the Axium partnership, giving Extendicare a 15% ownership stake. Revera retains ownership of the other 32 homes and intends to pursue redevelopment of these properties. A key part of the agreement with Revera is a right of first offer to acquire the redevelopment projects, providing a pipeline of new LTC homes for the joint venture with Axium.

Subject to regulatory approvals, the Revera agreement brings together two of the most experienced long-term care teams in Canada, to pursue a shared mission to improve seniors' care under the Extendicare brand. Taken together with the disposition of our retirement homes, these agreements highlight the capital efficient nature of our new business model. The retirement operations generated \$13.4 million in net operating income in 2021 which we sold for \$307.5 million. The Revera/Axium agreements, which are expected to generate approximately \$17.0 million in annual revenue from contract services and a 15% share of distributions from the 24 joint venture properties, were purchased for an enterprise value of \$70 million. This will replace a large portion of the net income from our retirement operation.

Extendicare SGP group purchasing performed strongly in 2021, with the number of beds served increasing by 18%. By bringing an additional 56 homes into SGP, the Revera agreement will take the beds served by SGP to 100,000. Sector wide, as seniors' care providers work to ensure high quality care in the face of unprecedented challenges, we

expect to continue to see strong demand for our experience, proven processes and excellent pricing made possible by the scale of our group purchasing operation.

### Modernizing and expanding long-term care services

COVID-19 has highlighted the critical need for better care and increased capacity to meet the needs of Canada's growing seniors population. We have been strong advocates for improvement in seniors care for many years and are relieved to see both federal and some provincial governments making policy changes supported by considerable investment to help address the situation. The Government of Ontario has put in place an LTC capital funding program to build 30,000 new beds and 28,000 replacement beds and the Federal government has announced \$3 billion in new LTC spending to support the implementation of national standards beginning in 2022-2023. We are committed to working with government partners across the country to address the needs in LTC and we have the experience and the expertise to play a leadership role.

We are making considerable progress in our program to redevelop our older homes in Ontario and add new beds. We have submitted 21 redevelopment applications to the Ontario government, representing 4,600 beds, which would replace all our existing 3,285 Class C beds. To date, we have been awarded beds for 14 of these projects, including three currently under construction, totaling 2,976 beds. We intend to break ground on three new projects in 2022, although surging inflation may cause delays if the government's capital program does not keep pace with construction costs.

### Strengthening home health care

Over the course of 2021, our home health care volumes rebounded to pre-pandemic levels, growing 9.8% over 2020 levels. Despite temporary headwinds early in the new year driven by Omicron-related staff absences, we are optimistic that activity levels will continue to improve in 2022. Our new systems are in place and will enable growth without having to increase back-office costs.

Home health care will continue to be key to meeting seniors' care needs, so we expect to see strong growth in this sector in the coming years. As there are nearly 40,000 people on the

LONG-TERM CARE

58

Long-term care homes owned

EXTENDICARE  
... helping people live better

HOME HEALTH CARE

9.2M

Home Health Care hours delivered (TTM)

ParaMed  
Redefining Care

RETIREMENT LIVING

11

Retirement communities owned

Esprit  
Lifestyle Communities

GROUP PURCHASING SERVICES

93K

Third-party residents served

SGP | PURCHASING PARTNER NETWORK

CONTRACT SERVICES & CONSULTING

50

Homes under contract

EXTENDICARE  
assist



Care  
Quality

---

# Innovation

---

Growth

**Anji Bhattacharyya**  
District Director, ParaMed





LTC waitlist in Ontario alone, supply of LTC beds will continue to lag demand for the foreseeable future. Home health care services are the only realistic option to mitigate the gap in care.

Going forward, we are positioned to pioneer new and broadened home health care services, including bringing LTC-like services to clients in their homes – a crucial need given capacity backlogs and aging of the Canadian population. Extendicare will play a key role in providing these services, leveraging our expertise in both LTC and home health care to address the needs of the large number of seniors waiting for LTC.

### Investing in our people and services

System-wide shortages of health care workers are driving capacity constraints, while demand continues to grow, and backlogs lengthen. To operate in this environment, Extendicare is investing in training and education to support our expansion plans.

In 2021, we made significant investments in staff recruitment and training programs to counter the staffing challenges facing the health sector. We are actively increasing the number of caregivers in LTC in keeping with the Ontario government's funding framework to provide four hours of care per resident per day by 2024. This represents a 30% increase in care hours, requiring thousands of new caregivers.

To meet this demand, Extendicare has partnered with a variety of colleges – approximately 3,000 students per year will do part of their training in Extendicare LTC homes or home health care operations. In addition to training new workers, we are working with government and industry groups to increase compensation in the sector to improve staff retention and attract new workers.

We have also invested in alternative platforms for providing care, including virtual care, which is a growing component of our service mix, borne out of necessity during the pandemic. As well, we have opened nursing clinics in 18 Ontario locations to provide home health care like services for ambulatory patients, with improved efficiency and reduced travel time for nurses.

### Looking to a future of integrated health care

We are expanding the boundaries of our care to improve customer service by integrating our operations more tightly with the rest of the publicly funded health care system.

As part of this strategy, we launched a Transitional Care Unit of 55 beds at one of our LTC homes with The Ottawa Hospital in May of last year, and, given its initial success, we are currently seeking approval to double it to 110 beds. Working in partnership with hospital staff, we are able to care for higher needs patients to support their transition out of hospital to LTC and home health care, while alleviating pressure on hospital capacity. We have also proposed to create specialized Behavioural Support Units in some of our homes for residents with challenging behavioural needs. These types of partnerships will increasingly become part of our service mix, making Extendicare an integral part of the continuum of care for seniors.

### Working together to make real change in the sector

The COVID-19 pandemic has been a challenging time for our residents, their families and our team members. The pandemic shone a light on the need and opportunity for change across the seniors care sector. It is clear that conditions are ripe for innovation, and the need for a concerted effort by the whole sector has never been clearer. It is going to take everyone at the table — governments, for-profits, not-for-profits, municipal homes and home health care agencies — working together, to reduce the care gap and meet the growing needs of seniors.

Extendicare has provided publicly funded health care services in Canada for more than 50 years. As an industry leader, we are embracing the opportunity to lead change, applying both our clinical expertise and the experience of the pandemic to build a better future for seniors' care. This will benefit our residents, team members and shareholders as we grow our operations to meet the needs of the rapidly expanding seniors demographic across Canada.

Thank you for your continued interest in and support of Extendicare.

On behalf of our team,



Dr. Michael Guerriere  
President & CEO



Alan Torrie  
Chairman

Care  
Quality  
Innovation

---

# Growth

---

**Laverne Hudson**

Vice President,  
Property Development and Construction





# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year ended December 31, 2021

Extendicare Inc.

Dated: February 24, 2022



# Management’s Discussion and Analysis

Year ended December 31, 2021

Dated: February 24, 2022

---

## TABLE OF CONTENTS

Basis of Presentation .....	1	2021 Fourth Quarter Financial Review .....	19
Additional Information .....	2	2021 Financial Review .....	21
Forward-looking Statements .....	2	Adjusted Funds from Operations .....	24
Subsequent Event .....	3	Liquidity and Capital Resources .....	26
Significant Developments .....	4	Other Contractual Obligations and Contingencies .....	30
Business Overview .....	9	Discontinued Operations .....	31
Key Performance Indicators .....	12	Accounting Policies and Estimates .....	32
Select Annual Information .....	16	Non-GAAP Measures .....	35
Select Quarterly Financial Information .....	17	Risks and Uncertainties .....	36
Statement of Earnings .....	18		

---

## BASIS OF PRESENTATION

This Management’s Discussion and Analysis (“MD&A”) provides information on Extencicare Inc. and its subsidiaries, and unless the context otherwise requires, references to “Extencicare”, the “Company”, “we”, “us” and “our” or similar terms refer to Extencicare 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 Extencicare is located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada, L3R 9W2.

Extencicare is a recognized leader in the delivery of quality health care services to Canadians across the continuum of seniors’ care. In operation since 1968, it 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, provides business-to-business contract and consulting services through its Extencicare Assist division and services its homes and communities and those of its clients through its group purchasing division SGP Purchasing Partner Network (“SGP”).

In October 2021, the Company announced it is in the process of transitioning the delivery of long-term care services operated at the Company’s five LTC homes in Saskatchewan (the “Saskatchewan LTC Homes”) to the Saskatchewan Health Authority (“SHA”). The timing of the transfer of the operations, and potentially the related assets, is anticipated to be completed in 2022 (the “Saskatchewan LTC Home Transition”). Accordingly, the Company classified its Saskatchewan LTC Homes as discontinued in Q4 2021 and re-presented its comparative consolidated statement of earnings, including the comparative financial information presented in this MD&A (refer to the discussion under “Discontinued Operations – Saskatchewan LTC Home Transition” and *Note 18* of the audited consolidated financial statements for the year ended December 31, 2021).

In June 2020, Extencicare completed the dissolution of its wholly owned Bermuda-based captive insurance company, Laurier Indemnity Company, Ltd. (the “Captive”). As a result of the initiation of the wind up plan, the Company classified the formerly separate U.S. segment as a discontinued operation in Q2 2020 and re-presented its comparative consolidated statement of earnings, including the comparative financial information presented in this MD&A. Accordingly, the Company is no longer presenting a separate U.S. segment (refer to the discussion under “Discontinued Operations – Former U.S. Segment” and *Note 18* of the audited consolidated financial statements for the year ended December 31, 2021).

## In This MD&A

This MD&A has been prepared 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, 2021. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021 and year ended December 31, 2020, 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, 2021, 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. 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 other materials are available on the Company's website at [www.extendicare.com](http://www.extendicare.com). All currencies are in Canadian dollars unless otherwise indicated.

This MD&A is dated as of February 24, 2022, 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](http://www.sedar.com) under the Company's issuer profile and on the Company's website at [www.extendicare.com](http://www.extendicare.com).

## FORWARD-LOOKING STATEMENTS

This MD&A contains 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 MD&A 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 the sale by the Company of its retirement living operations (the "Retirement Living Sale"); statements relating to the Saskatchewan LTC Home Transition; 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, employee costs and pay equity; 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](http://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.

The preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this MD&A 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 MD&A. 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.

## **SUBSEQUENT EVENT**

### **Sale of Retirement Living Portfolio**

On February 3, 2022, the Company entered into a definitive agreement to sell its retirement living operations composed of 11 retirement communities (1,050 suites), located in Ontario and Saskatchewan, to Sienna-Sabra LP, a partnership formed between Sienna Senior Living Inc. and SABRA Healthcare REIT, for an aggregate purchase price of \$307.5 million (the "Retirement Living Sale").

The Retirement Living Sale is structured on a debt-free basis, with existing debt associated with the portfolio of approximately \$172.4 million as at December 31, 2021, as well as estimated debt prepayment costs of approximately \$6.3 million, being repaid at closing from the sale proceeds. The net book value of the property and equipment and intangible assets related to the retirement living operations is approximately \$222.0 million as at December 31, 2021. The estimated net proceeds to be realized on the sale, net of debt repayments, taxes, certain closing adjustments and transactions costs, is estimated to be approximately \$115.0 million. The implied realized capitalization rate on the stabilized net operating income ("NOI") for the transaction is approximately 6.0%. The Company intends to re-present the retirement living segment as available for sale and include the results of the retirement living segment as discontinued operations commencing in Q1 2022.

The sale repositions Extendicare to focus on growth in our LTC and home health care segments where we will leverage our deep expertise and scale to drive improved performance and high-quality care for seniors across Canada. The services we provide to other senior living operators through Extendicare Assist and SGP will continue to be a prominent part of our growth strategy. Proceeds from the sale will provide the flexibility to allocate capital strategically, including priority investments in our people, technology and our LTC redevelopment program.

Closing of the Retirement Living Sale is anticipated in the second quarter of 2022, subject to customary closing conditions, including receipt of regulatory approvals from the Ontario Retirement Homes Regulatory Authority and the SHA and pursuant to the Competition Act (Canada), and is not conditional on financing or due diligence.

## **SIGNIFICANT DEVELOPMENTS**

### **COVID-19 Omicron Variant Driving Significant Resurgence in Transmission; Prevention Measures Remain Critical Focus**

Since December 2021, the rate of new COVID-19 infections in Canada has increased exponentially across the country, driven by the Omicron variant. The new variant is highly transmissible but causes severe illness less frequently than previous strains of the virus. Vaccines continue to be the most effective preventive measure, particularly against hospitalization and severe illness.

The rapid spread of new infections and outbreaks has had a significant impact on our LTC homes and retirement communities since December 2021, with the number positive cases among our residents and staff peaking in late January 2022 with more than 45 of our homes experiencing outbreaks during this wave of the pandemic. As of February 23, 2022, 17 of our 69 LTC homes and retirement communities were recovering from outbreaks.

The focus on vaccination of our residents, including our booster programs, has dramatically reduced the incidents of serious illness and hospitalization of our residents despite more widespread levels of infections across our LTC homes and retirement communities than experienced during the previous waves of the pandemic. While Omicron has generally resulted in more mild illness, it can pose a more serious risk to the most vulnerable members of our community, particularly among LTC residents. This reinforces the need for continued vigilance and focus on our key prevention and control measures to minimize the spread of the virus.

While we continue to evolve our response to incorporate the latest public health guidance, vaccinations remain a top priority, along with the use of testing, active screening and use of appropriate PPE as the situation warrants. Emergency measures enacted by Canada's federal and provincial governments to combat COVID-19 continue to support our collective response, as does the ongoing funding assistance received through various provincial governments.

#### **VACCINES CONTINUE TO BE THE MOST EFFECTIVE PROTECTION MEASURE**

Vaccines have proven to be the most effective measure to prevent serious illness and hospitalization from COVID-19. As of February 23, 2022, approximately 90% of our LTC and retirement residents have received three doses of vaccine and many have received a fourth dose.

In October 2021, we implemented a mandatory vaccination policy within our LTC homes and retirement communities that required all of our LTC and retirement staff (including all new hires) to demonstrate they are vaccinated or they were placed on an unpaid leave of absence. This policy has been an important measure towards enhancing the safety of our residents, staff and caregivers, and was implemented with minimal disruption to our LTC and retirement operations. Approximately 99% of our LTC and retirement staff complied with the policy and many have received a third dose.

Subsequent to year end, we extended our mandatory vaccination policy to our home health care team. Staff are required to have two doses of vaccine by March 14, 2022, with their first dose no later than January 31. As of February 23, 2022, approximately 98% of our home health care staff have received two doses.

#### **OMICRON CONTINUES TO IMPACT STAFFING LEVELS; TRAINING PROGRAMS CONTINUE TO BE CRITICAL TO SUPPORT OUR CARE TEAMS**

The higher rate of infection driven by the highly transmissible Omicron variant has had a significant impact on our staffing levels across our operating segments since mid-December 2021. At the peak of the wave, the number of staff off sick or isolating due to exposure to the virus was more than twice what was experienced in earlier waves of the pandemic. More than 2,000 staff in our LTC homes and retirement communities and more than 1,500 staff in our home health care operations have tested positive since the beginning of December, which continues to create challenges in our operations and puts pressure on staffing levels. Thankfully the vast majority of our staff who have tested positive have experienced only mild symptoms. Fortunately, changes to public health guidelines for mandatory isolation allowed staff to return to work faster than in previous waves. Omicron-driven absenteeism and high PPE use resulted in added costs for our LTC homes and retirement communities. The prevalence of Omicron also had a significant impact on our home health care operations as a result of the large number of caregivers off sick or isolating due to exposure to a positive case. This



impacted our ability to respond to the demand for home health care services and our average daily volumes (“ADV”) have declined in January after our 1.8% overall volume growth in Q4 2021 as compared to Q3 2021.

The Omicron wave peaked in mid-January 2022 and rates of new infections in the community have decreased dramatically since then. New cases within our homes and home health care operations have tracked the decline in the community. As we emerge from the latest wave, we are focused on facilitating a safe return to work for all staff and maintaining strict adherence to our infection control and mandatory vaccination policies. Staffing shortages across the health care sector continue to be a challenge, in particular the long-standing shortage of nurses which is further exacerbated by the duration and stress of the ongoing pandemic.

In addition to our traditional recruiting program, we continue to invest in our personal support worker (“PSW”) college partnerships and in-house home support worker (“HSW”) training programs having graduated and hired more than 700 new caregivers in 2021 for our home health care operations. These training programs successfully introduced new staff into our operations and we are targeting adding an additional 600 staff in 2022.

## **COVID-19 Related Expenses and Funding**

We continue to invest the resources required to help protect our residents, clients and staff and are grateful to receive financial support for our LTC operations from provincial governments to offset some of our COVID-19 related expenses.

The resurgence of COVID-19 outbreaks within our LTC homes and retirement communities in December 2021 and continuing into Q1 2022, resulted in increased COVID-19 related expenses. Our aggregate COVID-19 expenses from continuing operations increased by \$0.5 million to \$31.6 million in Q4 2021 as compared to Q3 2021.

The timing of COVID-19 funding announcements and receipt of any reimbursements do not always correlate to the period in which the additional expenses are incurred. As a result, in Q4 2021 and Q3 2021, we recognized funding of \$11.9 million and \$5.1 million, respectively, towards COVID-19 costs incurred in our LTC operations in Q1 2021. Similarly, we recognized \$18.8 million in funding received in Q1 2021 towards COVID-19 costs incurred in our LTC operations in 2020.

As summarized in the table below, during the year ended December 31, 2021, we incurred an estimated \$108.0 million of pandemic-related operating expenses, another \$46.9 million associated with government funded temporary pandemic pay programs and \$2.9 million in COVID-19 related administrative costs. These costs were partially offset by funding of \$154.2 million from various provincial governments year to date, resulting in reductions in our consolidated NOI<sup>(1)</sup> and Adjusted EBITDA<sup>(1)</sup> of approximately \$0.7 million and \$3.6 million, respectively. Excluding the impact of \$18.8 million in funding received in Q1 related to costs incurred in 2020, we incurred unfunded COVID costs of \$19.5 million and \$22.4 million, impacting consolidated NOI and Adjusted EBITDA, respectively, for the year ended December 31, 2021. Additionally, our discontinued operations were impacted by an estimated \$4.7 million of unfunded COVID-19 costs for the year ended December 31, 2021.

Since the beginning of the pandemic in Q1 2020, we have incurred estimated cumulative pandemic-related operating expenses of \$175.4 million, another \$90.8 million associated with government funded temporary pandemic pay programs and \$6.4 million in COVID-19 related administrative costs., These costs were partially offset by funding of \$149.5 million from various provincial governments year to date, resulting in cumulative reductions in our consolidated NOI and Adjusted EBITDA of approximately \$25.9 million and \$32.3 million, respectively. In addition, our discontinued operations realized an estimated \$6.1 million of cumulative unfunded COVID-19 costs.

In August 2021, the Ontario Ministry of Long-Term Care (“MLTC”) announced additional COVID-19 prevention and containment funding of \$290.0 million for July 1, 2021 through to March 31, 2022. On February 4, 2022, the MLTC announced an additional \$328.7 million, of which \$277.0 million represents additional prevention and containment funding for the year ended March 31, 2022. Our costs may exceed the funding allocated by the MLTC for that period. With the recent resurgence of COVID-19 cases and outbreaks in our LTC homes, our costs have increased after trending downward through Q2 and Q3 2021. We expect ongoing volatility in our operating and financial results until the effects of COVID-19 are behind us. While we believe the financial impacts of COVID-19 will largely subside as we emerge from the pandemic, there is no guarantee as to how soon that may be or that another pandemic, epidemic or outbreak will not have a material adverse effect on the business, results of operations and financial condition of the Company.

The following table provides a summary of the estimated revenue recognized and the operating and administrative costs incurred related to COVID-19 on a quarterly and year-to-date basis for 2021 and 2020. The temporary pandemic pay premiums funded by the Ontario and Alberta governments are recorded in operating expenses and the related offsetting funding for these programs is recognized as revenue.

<b>Estimated COVID-19 Revenue, Operating Expenses and Administrative Costs</b>										
	<b>2021</b>					<b>2020</b>				
<i>(millions of dollars)</i>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Year</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Year</b>
<b>Revenue</b>										
Long-term care <sup>(i)</sup>	27.4	23.3	24.7	45.8	121.2	24.1	20.4	17.6	0.4	62.5
Retirement living	—	—	—	—	—	—	—	—	—	—
Home health care	8.7	7.7	7.8	8.8	33.0	6.4	7.6	9.6	—	23.6
<b>Revenue impact</b>	<b>36.1</b>	<b>31.0</b>	<b>32.5</b>	<b>54.6</b>	<b>154.2</b>	<b>30.5</b>	<b>28.0</b>	<b>27.2</b>	<b>0.4</b>	<b>86.1</b>
<b>Operating Expenses</b>										
Long-term care	21.3	21.9	30.1	44.9	118.2	31.9	27.1	25.6	0.7	85.3
Retirement living	0.4	0.2	0.2	0.1	0.9	0.1	0.5	0.5	—	1.1
Home health care	9.8	8.2	8.8	9.0	35.8	7.2	7.7	10.0	—	24.9
<b>Operating expenses impact</b>	<b>31.5</b>	<b>30.3</b>	<b>39.1</b>	<b>54.0</b>	<b>154.9</b>	<b>39.2</b>	<b>35.3</b>	<b>36.1</b>	<b>0.7</b>	<b>111.3</b>
<b>NOI</b>										
Long-term care	6.1	1.4	(5.4)	0.9	3.0	(7.8)	(6.7)	(8.0)	(0.3)	(22.8)
Retirement living	(0.4)	(0.2)	(0.2)	(0.1)	(0.9)	(0.1)	(0.5)	(0.5)	—	(1.1)
Home health care	(1.1)	(0.5)	(1.0)	(0.2)	(2.8)	(0.8)	(0.1)	(0.4)	—	(1.3)
<b>NOI impact</b>	<b>4.6</b>	<b>0.7</b>	<b>(6.6)</b>	<b>0.6</b>	<b>(0.7)</b>	<b>(8.7)</b>	<b>(7.3)</b>	<b>(8.9)</b>	<b>(0.3)</b>	<b>(25.2)</b>
Administrative costs	0.1	0.8	1.1	0.9	2.9	0.7	1.6	1.2	—	3.5
<b>Adjusted EBITDA impact</b>	<b>4.5</b>	<b>(0.1)</b>	<b>(7.7)</b>	<b>(0.3)</b>	<b>(3.6)</b>	<b>(9.4)</b>	<b>(8.9)</b>	<b>(10.1)</b>	<b>(0.3)</b>	<b>(28.7)</b>
<b>Discontinued operations impact</b>	<b>(0.3)</b>	<b>(0.6)</b>	<b>(1.8)</b>	<b>(2.0)</b>	<b>(4.7)</b>	<b>(0.9)</b>	<b>0.1</b>	<b>(0.6)</b>	<b>—</b>	<b>(1.4)</b>
<b>Total impact</b>	<b>4.2</b>	<b>(0.7)</b>	<b>(9.5)</b>	<b>(2.3)</b>	<b>(8.3)</b>	<b>(10.3)</b>	<b>(8.8)</b>	<b>(10.7)</b>	<b>(0.3)</b>	<b>(30.1)</b>

(i) Q1 2021 includes funding of \$18.8 million (\$18.2 million for Ontario) towards costs incurred in 2020; Q3 2021 and Q4 2021 include Ontario funding of \$5.1 million and \$11.9 million, respectively, towards costs incurred in Q1 2021.

## LTC and Retirement Occupancy; Ontario LTC Occupancy Protection Ending

As the number of COVID-19 cases and outbreaks in our LTC homes subsided in Q2 and Q3 2021 we experienced an overall increase in our LTC occupancy. The pace of occupancy recovery slowed in Q4 2021 due to the surge of COVID-19 cases, driven by the Omicron variant, in December 2021. Average occupancy in our LTC homes recovered 110 bps to 89.8% in Q4 2021 from 88.7% in Q3 2021, up 230 bps from 87.5% in Q4 2020. We expect that the positive trend in our occupancy levels we have experienced since Q2 2021 will be temporarily impacted in Q1 2022 by the number of COVID-19 outbreaks across our LTC homes, which have impeded our ability to admit new residents.

Despite lower occupancy levels, our revenue base was largely preserved through basic occupancy protection funding from the Government of Ontario, which ended on January 31, 2022. Each of the western provinces where we operate also introduced additional funding to offset the impact of COVID-19, some of which included funding to address occupancy shortfalls. These programs are currently scheduled to expire on March 31, 2022.

On January 27, 2022, the MLTC confirmed that basic occupancy protection in Ontario would expire on January 31, 2022. Beginning February 1, 2022, the former occupancy targets have been reinstated, which require LTC homes in Ontario to maintain average occupancy of 97% to maintain full funding. The 97% requirement will be assessed on the 11-month period from February 1, 2022 to December 31, 2022. The MLTC confirmed that for purposes of the occupancy calculation the third and fourth beds in ward rooms will continue to be excluded from use and will continue to receive full funding until further notice. In addition, the MLTC announced that for purposes of the minimum occupancy tests the interim months of February and March 2022 will be subject to a minimum deemed occupancy level of 90%. As a result, we may experience some reduction in funding for a small number of our Ontario LTC homes that do not achieve the required 97% average occupancy for the balance of 2022.

The average occupancy of our Ontario LTC homes for December 2021, adjusted to exclude the third and fourth beds in ward rooms that have been taken out of service, was 95.8%.

Throughout the pandemic our retirement communities experienced declines in occupancy or slower lease-up as move-ins and tours were impeded by COVID-19 protocols. Notwithstanding these impacts, our stabilized communities have performed well, maintaining average occupancy of 90.7% in 2021, down from an average stabilized occupancy of 90.8% in 2020. The easing of restrictions in the first two months of the quarter allowed average lease-up occupancy to improve by 680 bps to 70.0% in Q4 2021 from Q3 2021.

## **Home Health Care Recovery Continued in Q4 2021; Omicron Impact May Pause Recovery in Q1 2022**

Home health care operations were significantly impacted at the onset of the pandemic, resulting in a significant drop in our ADV in Q2 2020. Since that time, we have experienced steady recovery in our ADV as demand for our home health care services recovered and staff returned to work. ParaMed ADV for Q4 2021 was 25,796, up 1.8% from Q3 2021 and up 7.7% from Q4 2020.

While we anticipate continued growth in ADV as the pandemic recedes, the resurgence of COVID-19 cases in December 2021, driven by the Omicron variant, impacted our workforce capacity leading to a decline in our weekly ADV in January 2022. We continue to focus on building capacity through large scale recruiting efforts, our PSW college partnerships and in-house HSW training programs and by supporting our employees in their return to work. As the recent wave moderates we anticipate our staffing levels and ADV will improve accordingly.

In Q4 2021, we received a rate increase across our districts in Ontario increasing home health care rates for government contracted services by approximately 1.9%, effective April 1, 2021. In addition, Alberta Health Services (“AHS”) increased home health care rates by 1%, effective April 1, 2021. The retroactive component of the rate increases in Ontario and Alberta in Q4 2021 was \$3.5 million. Based on our ADV and mix of home health care services we estimate the annualized impact on revenue from the rate increases to be in the range of \$6.0 to \$7.0 million.

NOI margins in our home health care operations, adjusting for the net cost impacts of COVID-19 and the retroactive rate increase recorded in Q4 2021, were 8.8%, as compared to 9.7% in Q3 2021. The decrease in NOI margins was largely due to an additional statutory holiday in Q4 2021 as compared to Q3 2021, and increased staff costs associated with the holiday period and the initial impacts of the COVID-19 resurgence in December 2021. NOI margins for the year ended December 31, 2021, adjusted for COVID and CEWS impacts were 9.3% as compared to 4.8% in the prior year (further adjusted for one-time charges in Q4 2020) reflecting the volume recovery and rate increases in 2021 and the improvements in back-office efficiency.

## **Continued Commitment to Long-term Care Redevelopment**

During Q4 2021, we commenced construction on our third LTC redevelopment project, a new 256-bed LTC home in the Ottawa area in Stittsville, Ontario that will replace a nearby 240-bed Class C home. In connection with this new project the Company entered into a \$47.5 million fixed-price construction agreement. Construction is targeted to be completed in Q1 2024.

Together with our Sudbury and Kingston projects, the three homes under construction will replace a total of 624 Class C LTC beds with 704 new beds requiring a net investment of \$178.9 million. The homes are being constructed exclusively with private and semi-private rooms, the latter of which accommodate two residents in separate bedrooms with a shared bathroom. For more information refer to the discussion under “Key Performance Indicators – LTC Projects Under Construction”.

During 2020, the 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 was funded in March 2021 with \$2.68 billion to support the construction of 30,000 new and upgraded LTC beds over ten years. On October 21, 2021, the MLTC announced a new call for applications in support of this ongoing initiative, and on November 4, 2021, the Ontario government announced in its Fall Economic Update an additional \$3.7 billion in funding starting in 2024-25, bringing the total commitment to 30,000 net new LTC beds and approximately 28,000 upgrades to existing beds to modern design standards by 2028. The commitment of the Ontario government to address the aging infrastructure within long-term care is an important step to improving the quality of care for our LTC residents and has been advocated for by the industry for more than a decade.

We continue to advance our redevelopment strategy to replace our older Class C LTC beds in Ontario. With the proposals submitted pursuant to the October 2021 new call for applications by the Government of Ontario, we have a total of 21 redevelopment projects proposed or underway to build more than 4,600 new LTC beds, which would replace all of our 3,285 existing Class C beds. As of February 23, 2022, 10 of the projects, including the three already under construction, have been awarded new beds or replacement beds totalling 1,952, three of which were awarded in February 2022. We are actively engaged with our industry partners and the government to identify enhancements to the New Funding Program to

make projects in all markets economically feasible. We continue to work through the MLTC and municipal approval processes and are targeting to begin construction on six more projects before the end of 2023.

## Improvements in Direct Care Hours in Ontario LTC

On October 6, 2021, the Government of Ontario provided details of its staffing plan to increase the level of direct care for LTC residents. The government announced a \$4.9 billion in new operating funding over the next four years to support hiring more LTC staff, in line with the goal of providing residents up to four hours of care per day by 2024-25 (the “LTC Staffing Plan”). This is a significant step by the government to improve the care provided to residents. The multiyear commitment and visibility provided to the sector with this new LTC Staffing Plan will enable the requisite planning to achieve this increased level of care. The funding increases will be phased in over four years, with an initial move to three hours of care effective November 1, 2021, and subsequent increases in the hours of care and related funding on April 1 of each year through to April 1, 2024. Based on the incremental funding per LTC bed per month included in the announcement, effective November 1, 2021, the Company estimates that this will provide incremental revenue in 2022 of approximately \$40.0 to \$45.0 million in nursing and program flow-through funding, where any amounts not spent on resident care must be returned to the government.

## Regulatory Developments

### GOVERNMENT OF ONTARIO INITIATIVES

In October 2021, the Government of Ontario announced a number of important initiatives related to LTC. Those initiatives include:

- An investment of \$20 million to hire 193 new inspections staff as part of a new proactive inspection program (see below regarding Bill 37), effectively doubling the current number of LTC inspectors.
- Extension of the temporary wage enhancement for PSWs and direct support workers, reflecting a further investment of \$373 million focused on helping to attract and retain employees working in key roles at LTC facilities, retirement homes, public hospitals, social services and home and community health care.
- An investment of up to \$100 million for grants aimed at attracting more people to work as nurses and PSWs in the LTC sector.
- The *Fixing Long-Term Care Act, 2021* (formerly Bill 37), received Royal Assent on December 9, 2021, but is not yet in force pending proclamation and enactment of supporting regulations. Once enacted, the Act will replace the current *Long-Term Care Homes Act, 2007*. The Act emphasizes improving staffing and care; protecting residents through better accountability, enforcement and transparency; and building modern, safe comfortable homes for seniors. Among other things, the Act includes a target to increase average hours of direct care per resident per day to four hours by March 31, 2025 (with a phased-in approach prior to that date, starting with three hours by March 31, 2022), double fines as a financial deterrent for non-compliance and allows the Minister to make a policy that could be used in lieu of individual licensing determinations, thus streamlining the approval process. Proposed amendments to the *Retirement Homes Act, 2010*, similarly include increased transparency and enhanced resident protection.

The Company welcomes these critical investments and initiatives by the Government of Ontario. Although the Company is continuing to review the new legislation to assess the potential impact it may have on its operations, the Company looks forward to continuing to work in partnership with the government on these and other important initiatives.

### DEVELOPMENTS RELATING TO PAY EQUITY

In 1995, certain participating LTC homes and unions agreed on a framework for a new pay equity plan. Under this plan, the parties agreed that once wage adjustments were implemented, pay equity would be achieved in all participating LTC homes. The pay equity adjustments were funded by the Government of Ontario, and by 2005, pay equity was achieved in participating LTC homes.

In 2010, the Ontario Nurses Association (“ONA”) and Service Employees International Union Healthcare (“SEIU”) launched a challenge against the participating LTC homes and the Government of Ontario with the Pay Equity Tribunal, arguing that new pay equity adjustments were required in order to maintain pay equity with municipal LTC homes where PSWs and other direct care workers in other industries are included in determining pay equity. The Tribunal found in favour of the Government of Ontario, effectively confirming that these homes ought to use only internal comparisons to determine ongoing pay equity standards. In 2019, ONA and SEIU challenged the Tribunal’s decision and the presiding court found in favour of the unions and referred the matter back to the Tribunal. Most recently, following appeals of that decision, in

October 2021, the Supreme Court of Canada dismissed the request of the Government of Ontario and applicable LTC homes to further appeal the matter.

The Company is working with the ONA, SEIU, other LTC providers and the Government of Ontario to resolve this issue through a framework pursuant to which pay equity can be assessed on grounds appropriate for non-municipal LTC homes (see “Other Contractual Obligations and Contingencies – Legal Proceedings and Regulatory Actions”).

## Transitioning Saskatchewan LTC to the SHA

On October 14, 2021, the SHA and the Company announced that they have agreed to work collaboratively to transition the delivery of long-term care services operated at the Company’s five LTC homes located in Saskatchewan (the “Saskatchewan LTC Homes”) to the SHA. The SHA and the Company have agreed to continue in a co-management arrangement in respect of the Saskatchewan LTC Homes as details are finalized for the permanent transfer of operational responsibilities and, potentially, the assets to the SHA. Consideration for the assets would be anticipated to include fair market value for the assets less funding received in respect of those assets. The Company is working collaboratively with the SHA to undertake the transition while remaining focused on the needs of residents, families and staff. The agreement follows the issuance of a report by the Saskatchewan Ombudsman regarding the COVID-19 outbreak at the Extencicare Parkside LTC home in Regina and a review by the SHA for the Ministry of Health regarding the Company’s compliance with the Ombudsman’s recommendations and the care requirements stipulated under the *Program Guidelines for Special Care Homes*. The SHA has stated that their decision to assume responsibility of the Company’s Saskatchewan operations is a result of a number of complex factors, including lessons learned during the pandemic and increasing and more complex demand for LTC services in the future.

The Saskatchewan LTC Home Transition is anticipated to be completed in 2022 and is not anticipated to have a material adverse effect on the business, results of operations and financial condition of the Company. For the year ended December 31, 2021, the Saskatchewan LTC Homes had an impact on AFFO<sup>(1)</sup> of negative \$1.4 million (2020 – \$0.4 million). The Company classified its Saskatchewan LTC Homes as discontinued in Q4 2021 and re-presented its comparative consolidated financial statements, including the comparative financial information presented in this MD&A. For additional details refer to discussions under “Discontinued Operations” and *Note 18* of the audited consolidated financial statements for the year ended December 31, 2021.

## BUSINESS OVERVIEW

As at December 31, 2021, the Company owned and operated 58 LTC homes and 11 retirement communities, through its Extencicare and Esprit Lifestyle Communities divisions, respectively, and provided contract services to 50 LTC homes and retirement communities for third parties through Extencicare Assist. In total, Extencicare operated or provided contract services to a network of 119 LTC homes and retirement communities across four provinces in Canada, with capacity for 15,451 residents. The majority of these homes are in Ontario and Alberta, which accounted for approximately 76% and 11% of residents served, respectively. This overview includes the Saskatchewan LTC Homes that have been classified as discontinued operations, refer to “Significant Developments – Transitioning Saskatchewan LTC to the SHA”.

In addition to providing group purchasing services to the Company’s own operations, SGP supports third-party clients representing approximately 93,200 senior residents across Canada, as at December 31, 2021.

The Company’s home health care operations, ParaMed, delivered approximately 9.2 million hours of home health care services for the trailing twelve months ended December 31, 2021. The majority of ParaMed’s volumes are generated in Ontario and Alberta, representing 94% and 4%, respectively.

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 Extencicare Assist are reported under the “other operations” segment, as the revenue from those operations is earned on a fee-for-service basis.

The following table summarizes the contribution of the business segments to the Company’s consolidated revenue and NOI from continuing operations for the year ended December 31, 2021 and 2020. 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 Developments – COVID-19 Related Expenses and Funding”, “Key Performance Indicators – Home Health Care – ParaMed Canada Emergency Wage Subsidy” and “2021 Financial Review” for additional details to understand the impacts on the business segments.

Operating Segments as % of	Year ended December 31			
	2021		2020	
	Revenue	NOI	Revenue	NOI
Long-term care	59.9 %	46.0 %	59.9 %	28.0 %
Retirement living	4.1 %	9.1 %	4.3 %	7.6 %
Home health care	33.7 %	33.9 %	33.4 %	55.2 %
Other	2.3 %	11.0 %	2.4 %	9.2 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

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 LTC 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 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 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 premiums that vary according to the structural classification of the LTC home.

The following summarizes the government funding rate changes announced for LTC during 2020 and 2021 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 Developments – COVID-19 Related Expenses and Funding").

### Ontario LTC Funding Changes

As discussed under "Significant Developments – Improvements in Direct Care Hours in Ontario LTC", on November 1, 2021, the Ontario government implemented the first phase of its LTC Staffing Plan to increase the level of direct care for LTC residents over four years. Based on the incremental funding per LTC bed per month included in the announcement, the Company estimates that this will provide incremental revenue in 2022 of approximately \$40.0 to \$45.0 million through the nursing and program flow-through envelopes, where any funding not spent on resident care is returned to the government.

In September 2021, the MLTC implemented a global inflationary funding increase across the accommodation and flow-through envelopes of 1.5% for Ontario LTC providers, retroactive to April 1, 2021. 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 2020, the MLTC implemented a similar 1.5% global inflationary funding increase effective April 1, 2020, representing incremental revenue for the Company of approximately \$5.1 million, of which approximately \$1.6 million was non flow-through. 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. However, to provide relief to families experiencing challenges due to COVID-19, this increase to residents has been deferred until October 1, 2022, and LTC providers are instead being 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 \$8.68 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 October 2021, AHS announced adjustments to the portion of government funding for providers of LTC and designated supportive living homes retroactive to April 1, 2021, which are estimated to represent additional annual revenue for the Company of approximately \$0.1 million (2020 – effective April 1, \$0.3 million).

In March 2021, AHS announced a 0.6% annual inflationary increase for the portion of the accommodation rates paid directly by residents of LTC and designated supportive living homes to providers effective July 1, 2021, representing additional annual revenue for the Company of approximately \$0.2 million (2020 – 2.5% effective October 1, \$0.7 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 (339 suites) are located in Saskatchewan and seven communities (711 suites) are located in Ontario. As announced on February 3, 2022, the Company has entered into an agreement to sell its 11 retirement communities (refer to “Subsequent Event – Sale of Retirement Living Portfolio”).

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 99% 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 Extencare Assist and SGP divisions.

### **CONTRACT SERVICES AND CONSULTING**

Through its Extencare Assist division, the Company provides a wide range of contract services and consulting to third parties. Extencare 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. Extencare 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, Extencare Assist provides consulting services to third parties for the development and redevelopment of LTC homes. Extencare Assist’s contract services portfolio consisted of 50 LTC homes and retirement communities with capacity for 6,263 residents as at December 31, 2021.

### **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, 2021, SGP provided services to third parties representing approximately 93,200 senior residents across Canada.

## 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; and

“**Lease-up**” is any LTC home or retirement community not classified as stabilized.

### Long-term Care

The following table provides the average occupancy levels of the LTC operations, excluding the Saskatchewan LTC Homes that have been classified as held for sale, for the past eight quarters.

Long-term Care Homes	2021					2020				
	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1	Year
<b>Average Occupancy (%)</b>										
Total LTC	89.8 %	88.7 %	85.7 %	83.4 %	86.9 %	87.5 %	89.8 %	93.3 %	97.0 %	91.9 %
Change over prior year period (bps)	230	(110)	(760)	(1,360)	(500)	(1,030)	(830)	(430)	—	(570)
Sequential quarterly change (bps)	110	300	230	(410)		(230)	(350)	(370)	(80)	
Ontario LTC										
Total ON LTC	87.8 %	86.6 %	82.8 %	80.3 %	84.4 %	85.3 %	87.9 %	92.9 %	97.6 %	90.9 %
Preferred Accommodation <sup>(i)</sup>										
"New" homes – private	87.9 %	85.6 %	83.6 %	82.6 %	84.9 %	88.4 %	88.0 %	91.7 %	95.4 %	90.8 %
"C" homes – private	83.9 %	79.9 %	81.0 %	76.6 %	80.3 %	80.7 %	86.5 %	89.5 %	92.8 %	87.4 %
"C" homes – semi-private	54.1 %	51.3 %	49.3 %	50.0 %	51.2 %	54.6 %	58.6 %	63.5 %	66.3 %	60.7 %

(i) 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 of the Company’s LTC homes was 89.8% in Q4 2021, up 230 bps from Q4 2020 and 110 bps from Q3 2021. The Company’s LTC occupancy levels have been negatively impacted by COVID-19 since March 2020. In the last half of 2021, average occupancy levels improved following the success of the vaccination program and easing of restrictions during that period. However, a combination of seasonal factors and the resurgence of COVID-19 related outbreaks due to the Omicron variant in December 2021 slowed the pace of occupancy recovery in Q4 2021.

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, which is not unusual during the winter months, full funding is preserved in Ontario, otherwise referred to as occupancy protection funding. Prior to the onset of COVID-19 in 2020, the Company’s Ontario LTC homes generally averaged above the 97% occupancy threshold, with all but one having done so in 2019. In response to financial pressures caused by the impacts of COVID-19 on occupancy levels, the Government of Ontario provided basic occupancy protection funding for all LTC homes for 2020 and through to the end of January 2022, including for third and fourth beds in ward rooms that have been taken out of service. The average occupancy of our Ontario LTC homes for December 2021, adjusted to exclude the ward-style beds not in use, was 95.8%. However, occupancy protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies. The reduction in preferred accommodation premiums for the year ended December 31, 2021, was approximately \$1.1 million



from 2020 levels (for the year ended December 31, 2020, preferred accommodation premiums were down \$0.7 million from 2019 levels).

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.

### LTC Projects Under Construction

The following table summarizes the LTC projects that are under construction:

LTC Project	# of Beds	Construction Commenced	Expected Opening	Estimated Adjusted Development Costs <sup>(1)</sup> (\$ millions)	Adjusted Development Costs <sup>(1)</sup>		Annual CFS (\$ millions)	Estimated Stabilized NOI <sup>(1)</sup> (\$ millions)	Expected NOI Yield <sup>(1)</sup>
					Incurring as at December 31, 2021 (\$ millions)	Incurred as at December 31, 2021 (\$ millions)			
Sudbury	256	Q4-20	Q2-23	64.3	21.0	21.0	1.9	3.1	7.7 %
Kingston	192	Q2-21	Q1-23	45.4	11.4	11.4	1.4	2.3	8.1 %
Stittsville	256	Q4-21	Q1-24	69.2	12.1	12.1	2.2	3.0	7.6 %
<b>704</b>				<b>178.9</b>	<b>44.5</b>	<b>44.5</b>	<b>5.5</b>	<b>8.4</b>	<b>7.8 %</b>

### Retirement Living

The following table summarizes the composition of the Company's 11 retirement communities in operation as at December 31, 2021. During Q4 2021, The Barrievue achieved stabilized occupancy despite the challenges of the pandemic following its opening in October 2019. Two communities remain in lease-up, Bolton Mills, which opened at the beginning of 2019, and West Park Crossing. As discussed under "Subsequent Event – Sale of Retirement Living Portfolio", subsequent to December 31, 2021, the Company entered into an agreement to sell its 11 retirement communities.

Retirement Communities	Location	Total	Stabilized	Lease-up
The Barrievue	Barrie, ON	124	124	
Cedar Crossing	Simcoe, ON	69	69	
Douglas Crossing	Uxbridge, ON	148	148	
Empire Crossing	Port Hope, ON	63	63	
Harvest Crossing	Tillsonburg, ON	100	100	
Lynde Creek Manor	Whitby, ON	93	93	
Riverbend Crossing	Regina, SK	67	67	
Stonebridge Crossing	Saskatoon, SK	116	116	
Yorkton Crossing	Yorkton, SK	79	79	
West Park Crossing	Moose Jaw, SK	79		79
Bolton Mills	Bolton, ON	112		112
<b>Total suites</b>		<b>1,050</b>	<b>859</b>	<b>191</b>
<b>Total communities</b>		<b>11</b>	<b>9</b>	<b>2</b>

## AS AT OCCUPANCY

The following table provides the period end occupancy of the retirement communities in total and for each of the stabilized and lease-up groupings for the past eight quarters based on the classifications as at December 31, 2021.

Sequential occupancy declines in stabilized retirement communities are generally to be expected during the winter months. However, occupancy levels have been negatively impacted by COVID-19, resulting in periods of restricted move-ins and in-person tours by prospective residents since March 2020. As a result, stabilized occupancy of 91.6% as at December 31, 2021, was up 130 bps from December 31, 2020. However, due to the resumption of in-person tours and the relaxation of certain move-in conditions in the latter half of 2021, stabilized occupancy improved 20 bps from September 30, 2021, as did occupancy in our lease-up communities, which was 74.9% as at December 31, 2021, up 1,630 bps from December 31, 2020 and up 680 bps from September 30, 2021. Overall, total occupancy was 88.6% as at December 31, 2021, up 400 bps from December 31, 2020, and a 150 bps improvement from September 30, 2021.

Retirement Communities As at Occupancy (%)	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total communities	88.6 %	87.1 %	84.6 %	84.6 %	84.6 %	85.6 %	84.1 %	86.0 %
Change over prior year period (bps)	400	150	50	(140)	(100)	(100)	30	510
Sequential quarterly change (bps)	150	250	—	—	(100)	150	(190)	40
Stabilized communities	91.6 %	91.4 %	89.9 %	90.5 %	90.3 %	92.2 %	90.2 %	91.6 %
Change over prior year period (bps)	130	(80)	(30)	(110)	(80)	(190)	(230)	60
Sequential quarterly change (bps)	20	150	(60)	20	(190)	200	(140)	50
Lease-up communities	74.9 %	68.1 %	60.7 %	58.1 %	58.6 %	56.0 %	56.5 %	60.7 %

## AVERAGE OCCUPANCY

The following table provides the average occupancy of the retirement communities in total and for each of the stabilized and lease-up groupings for the past eight quarters based on the classifications as at December 31, 2021. Average stabilized occupancy grew 110 bps to 91.8% from 90.7% in Q3 2021. The same factors discussed above under “As at Occupancy” contributed to the variances in average occupancy.

Retirement Communities Average Occupancy (%)	2021					2020				
	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1	Year
Total communities	87.8 %	85.7 %	84.4 %	84.1 %	85.5 %	84.6 %	84.4 %	84.4 %	85.7 %	84.8 %
Change over prior year period (bps)	320	130	—	(160)	70	290	(110)	240	640	270
Sequential quarterly change (bps)	210	130	30	(50)		20	—	(130)	400	
Stabilized communities	91.8 %	90.7 %	90.1 %	90.1 %	90.7 %	90.6 %	90.8 %	90.4 %	91.2 %	90.8 %
Change over prior year period (bps)	120	(10)	(30)	(110)	(10)	340	(320)	(100)	50	20
Sequential quarterly change (bps)	110	60	—	(50)		(20)	40	(80)	400	
Lease-up communities	70.0 %	63.2 %	58.7 %	57.0 %	62.3 %	57.6 %	55.6 %	57.4 %	60.7 %	57.8 %

## Home Health Care

### AVERAGE DAILY VOLUME

The table set out below provides the service volumes and ADV of the home health care operations for the past eight quarters.

The peak impact of COVID-19 on ParaMed’s ADV occurred in April 2020, and since that time, we have seen a steady recovery in our ADV levels despite the impacts of various periods of COVID-19 lockdown measures, traditionally slower summer months, seasonal softness in December and the ongoing impacts to our workforce capacity. Our ADV levels recovered to reach pre-pandemic levels during Q2 2021 and have remained at those levels through the balance of the year, with ADV at 25,796, up 1.8% from Q3 2021 and 7.7% higher than Q4 2020. Referral activity continues to be above pre-COVID-19 levels, but ongoing workforce capacity constraints, further impacted by the resurgence of COVID-19 cases due to the Omicron variant in December 2021, are resulting in lower referral acceptance levels and a continued drag on the pace of growth in our home health care volumes (refer to the discussion under “Significant Developments – Home Health Care Recovery Continued in Q4 2021; Omicron Impact May Pause Recovery in Q1 2022”).

Home Health Care Service Volumes	2021					2020 <sup>(i)</sup>				
	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1	Year
Hours of service (000's)	2,373.2	2,331.7	2,299.0	2,191.7	9,195.7	2,202.7	2,093.2	1,854.6	2,246.1	8,396.6
ADV	25,796	25,345	25,264	24,352	25,194	23,943	22,752	20,380	24,682	22,942
Change over prior year period	7.7 %	11.4 %	24.0 %	(1.3)%	9.8 %	(5.4)%	(9.9)%	(20.7)%	(3.1)%	(9.8)%
Sequential quarterly change	1.8 %	0.3 %	3.7 %	1.7 %		5.2 %	11.6 %	(17.4)%	(2.5)%	

(i) Excludes 73.4 thousand hours of service in Q1 2020 related to British Columbia (B.C.) contracts that expired in January 2020.

## 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. Throughout the pandemic we have focused on maintaining and increasing 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 (refer to “Significant Developments – Home Health Care Recovery Continued in Q4 2021; Omicron Impact May Pause Recovery in Q1 2022”).

As a result of the revenue declines experienced by ParaMed, the Company’s home health care subsidiary, ParaMed applied for and received CEWS funding. For the year ended December 31, 2021, ParaMed recognized \$17.4 million in CEWS (\$9.7 million in Q1 2021 and \$7.7 million in Q2 2021). During 2020, ParaMed recognized \$91.2 million in CEWS. 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’s NOI.

## Other Operations

The following table provides information in respect of the third-party clients receiving services from Extencicare Assist and SGP at the end of each period for the past eight quarters. At December 31, 2021, Extencicare Assist was providing contract services to third-parties representing 50 LTC homes and retirement communities with capacity for 6,263 senior residents. The reduction in Extencicare Assist’s contracted services portfolio reflects changes resulting from homes that were either closed or sold. SGP continues to grow its market share, increasing its third-party residents served by 18.1% at December 31, 2021, over December 31, 2020, and by 5.4% from Q3 2021.

Other Operations	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Extencicare Assist Contract Services</b>								
Homes at period end	50	51	51	51	52	53	53	53
Resident capacity	6,263	6,359	6,359	6,359	6,379	6,543	6,543	6,601
Change over prior year period	(1.8)%	(2.8)%	(2.8)%	(3.7)%	(3.4)%	(0.9)%	(0.9)%	(0.9)%
Sequential quarterly change	(1.5)%	— %	— %	(0.3)%	(2.5)%	— %	(0.9)%	— %
<b>SGP Clients</b>								
Third-party senior residents	93,208	88,431	83,511	81,110	78,937	79,372	75,165	72,886
Change over prior year period	18.1 %	11.4 %	11.1 %	11.3 %	21.9 %	23.5 %	28.1 %	27.8 %
Sequential quarterly change	5.4 %	5.9 %	3.0 %	2.8 %	(0.5)%	5.6 %	3.1 %	12.5 %

## SELECT ANNUAL INFORMATION

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

<i>(thousands of dollars unless otherwise noted)</i>	<b>2021</b>	<b>2020<sup>(2)</sup></b>	<b>2019<sup>(2)</sup></b>
<b>Financial Results</b>			
Revenue	<b>1,216,758</b>	1,103,544	1,080,956
Adjusted EBITDA <sup>(1)</sup>	<b>93,915</b>	132,072	90,110
Earnings from continuing operations	<b>9,012</b>	42,450	13,930
per basic and diluted share (\$)	<b>0.10</b>	0.47	0.16
Earnings from discontinued operations	<b>2,492</b>	11,739	14,700
Net earnings	<b>11,504</b>	54,189	28,630
per basic and diluted share (\$)	<b>0.13</b>	0.60	0.32
AFFO <sup>(1)</sup>	<b>53,721</b>	79,167	52,600
per basic share (\$)	<b>0.60</b>	0.88	0.59
per diluted share (\$)	<b>0.58</b>	0.83	0.57
Cash dividends declared	<b>42,994</b>	42,963	42,672
per share (\$)	<b>0.480</b>	0.480	0.480
<b>Financial Position (at year end)</b>			
Total assets	<b>900,323</b>	963,127	888,800
Total non-current liabilities	<b>516,488</b>	555,418	497,515
Long-term debt	<b>463,274</b>	493,207	422,535
Long-term debt, including current portion	<b>536,851</b>	564,597	556,306

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

The financial results for 2020 reflect an improvement in earnings from continuing operations of \$28.5 million in comparison to 2019, largely driven by the impact of \$91.2 million (\$67.0 million, net of tax) in CEWS received by the home health care segment, partially offset by estimated unfunded COVID-19 costs (\$21.1 million, net of tax), higher administrative costs, increased other expense due to impairment charges related to certain Saskatchewan retirement communities, and a decline in NOI of the home health care and LTC operations, excluding the impact of unfunded COVID-19 costs and CEWS. The home health care operations were negatively impacted by lower volumes and increased operating costs, while the LTC operations were negatively impacted by increased costs of resident care in excess of funding and lower preferred accommodation revenue.

**Financial Position** – Total assets increased at the end of 2020 from 2019, largely due to an increase in cash and cash equivalents of \$85.5 million generated from earnings and a favourable net change in working capital between periods that included an increase in accounts payable and accrued liabilities primarily due to deferred funding related to COVID-19, timing of income tax payments and payroll cycles. The increase in non-current liabilities at the end of 2020 from 2019 reflected an increase in long-term debt, partially offset by the wind down of the former Captive and indemnification provisions of the former U.S. operations. Long-term debt, including the current portion, increased by \$8.3 million at the end of 2020 as compared to 2019, and included the issuance of debt of \$58.1 million, including the refinancing of a \$25.8 million retirement community construction loan, draws on construction loans of \$4.3 million, and an increase in lease liabilities, partially offset by scheduled debt repayments of \$55.4 million.

A comparison between the 2021 and 2020 financial results and financial position of the Company is provided in the discussion under the headings “2021 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.

<i>(thousands of dollars unless otherwise noted)</i>	2021 <sup>(2)</sup>				2020 <sup>(2)</sup>			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	319,372	296,357	293,994	307,035	292,278	283,211	269,128	258,927
Net operating income <sup>(1)</sup>	41,969	32,011	32,600	39,766	55,764	75,564	20,175	29,528
<i>NOI margin<sup>(1)</sup></i>	13.1%	10.8%	11.1%	13.0%	19.1%	26.7%	7.5%	11.4%
Adjusted EBITDA <sup>(1)</sup>	27,733	19,791	19,166	27,225	41,006	63,382	8,408	19,276
<i>Adjusted EBITDA margin<sup>(1)</sup></i>	8.7%	6.7%	6.5%	8.9%	14.0%	22.4%	3.1%	7.4%
Earnings (loss) from continuing operations	(4,068)	2,873	2,107	8,100	15,721	34,499	(8,551)	781
per basic share (\$)	(0.05)	0.03	0.02	0.09	0.17	0.38	(0.10)	0.01
per diluted share (\$)	(0.05)	0.03	0.02	0.09	0.17	0.36	(0.10)	0.01
Earnings (loss) from discontinued operations	246	3,170	(1,147)	223	1,755	(33)	4,892	5,125
Net earnings (loss)	(3,822)	6,043	960	8,323	17,476	34,466	(3,659)	5,906
per basic share (\$)	(0.04)	0.07	0.01	0.09	0.19	0.38	(0.04)	0.07
per diluted share (\$)	(0.04)	0.07	0.01	0.09	0.19	0.36	(0.02)	0.07
AFFO <sup>(1)</sup>	16,530	9,573	8,073	19,545	21,804	42,787	2,946	11,630
per basic share (\$)	0.18	0.11	0.09	0.22	0.24	0.48	0.03	0.13
per diluted share (\$)	0.17	0.11	0.09	0.21	0.23	0.44	0.03	0.13
Maintenance capex	5,472	3,833	3,746	1,033	7,573	2,381	2,157	1,755
Cash dividends declared	10,746	10,752	10,744	10,752	10,743	10,746	10,743	10,731
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	90,040	90,009	89,980	89,929	89,898	89,864	89,826	89,644
Diluted	100,953	100,786	100,615	100,520	100,362	100,223	100,177	100,023

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 2021 and 2020, COVID-19 has impacted the Company's quarterly results from continuing operations (refer to "Significant Developments – COVID-19 Related Expenses and Funding" and "Key Performance Indicators – Home Health Care – 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 1<sup>st</sup> and increases in preferred accommodation premiums effective July 1<sup>st</sup>, and Alberta long-term care providers generally receive annual inflationary rate increases and acuity-based funding adjustments on April 1<sup>st</sup> and accommodation funding increases effective July 1<sup>st</sup>;
- 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".

## Reconciliations of Adjusted EBITDA and Net Operating Income

The following table provides a reconciliation of “earnings (loss) from continuing operations before income taxes” to Adjusted EBITDA and “net operating income”, which excludes discontinued operations. Refer to the discussion under “Non-GAAP Measures”.

(thousands of dollars)	2021 <sup>(2)</sup>					2020 <sup>(2)</sup>				
	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1	Year
<b>Earnings (loss) from continuing operations before income taxes</b>	<b>(2,994)</b>	<b>4,281</b>	<b>3,302</b>	<b>11,448</b>	<b>16,037</b>	21,890	47,260	(11,447)	982	58,685
<b>Add (Deduct):</b>										
Depreciation and amortization	9,541	9,524	9,124	9,688	37,877	9,714	9,201	9,508	9,662	38,085
Net finance costs	6,217	5,986	6,740	6,089	25,032	6,916	6,921	7,567	8,632	30,036
Other expense	14,969	—	—	—	14,969	2,486	—	2,780	—	5,266
<b>Adjusted EBITDA</b>	<b>27,733</b>	<b>19,791</b>	<b>19,166</b>	<b>27,225</b>	<b>93,915</b>	41,006	63,382	8,408	19,276	132,072
Administrative costs	14,236	12,220	13,434	12,541	52,431	14,758	12,182	11,767	10,252	48,959
<b>Net operating income</b>	<b>41,969</b>	<b>32,011</b>	<b>32,600</b>	<b>39,766</b>	<b>146,346</b>	55,764	75,564	20,175	29,528	181,031

## STATEMENT OF EARNINGS

The following provides the consolidated statement of earnings for the periods ended December 31, 2021 and 2020.

(thousands of dollars unless otherwise noted)	Three months ended December 31			Year ended December 31		
	2021	2020 <sup>(2)</sup>	Change	2021	2020 <sup>(2)</sup>	Change
<b>Revenue</b>	<b>319,372</b>	292,278	27,094	<b>1,216,758</b>	1,103,544	113,214
Operating expenses	277,403	236,514	40,889	1,070,412	922,513	147,899
<b>Net operating income<sup>(1)</sup></b>	<b>41,969</b>	55,764	(13,795)	<b>146,346</b>	181,031	(34,685)
Administrative costs	14,236	14,758	(522)	52,431	48,959	3,472
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>27,733</b>	41,006	(13,273)	<b>93,915</b>	132,072	(38,157)
Depreciation and amortization	9,541	9,714	(173)	37,877	38,085	(208)
Other expense	14,969	2,486	12,483	14,969	5,266	9,703
<b>Earnings before net finance costs and income taxes</b>	<b>3,223</b>	28,806	(25,583)	<b>41,069</b>	88,721	(47,652)
Interest expense (net of capitalized interest)	6,870	7,066	(196)	27,198	28,307	(1,109)
Interest revenue	(477)	(597)	120	(1,867)	(2,681)	814
Accretion	327	315	12	1,288	1,237	51
Foreign exchange and fair value adjustments	(503)	132	(635)	(1,587)	3,173	(4,760)
<b>Net finance costs</b>	<b>6,217</b>	6,916	(699)	<b>25,032</b>	30,036	(5,004)
<b>Earnings (loss) from continuing operations before income taxes</b>	<b>(2,994)</b>	21,890	(24,884)	<b>16,037</b>	58,685	(42,648)
<b>Income tax expense (recovery)</b>						
Current	1,930	7,280	(5,350)	8,544	21,623	(13,079)
Deferred	(856)	(1,111)	255	(1,519)	(5,388)	3,869
Total income tax expense	1,074	6,169	(5,095)	7,025	16,235	(9,210)
<b>Earnings (loss) from continuing operations</b>	<b>(4,068)</b>	15,721	(19,789)	<b>9,012</b>	42,450	(33,438)
Earnings from discontinued operations	246	1,755	(1,509)	2,492	11,739	(9,247)
<b>Net earnings (loss)</b>	<b>(3,822)</b>	17,476	(21,298)	<b>11,504</b>	54,189	(42,685)
<b>Earnings (loss) from continuing operations</b>	<b>(4,068)</b>	15,721	(19,789)	<b>9,012</b>	42,450	(33,438)
<b>Add (Deduct)<sup>(i)</sup>:</b>						
Foreign exchange and fair value adjustments	(364)	145	(509)	(1,109)	2,255	(3,364)
Other expense	12,520	2,486	10,034	12,520	4,515	8,005
<b>Earnings from continuing operations before separately reported items, net of taxes<sup>(1)</sup></b>	<b>8,088</b>	18,352	(10,264)	<b>20,423</b>	49,220	(28,797)

(i) The separately reported items being added to or deducted from earnings (loss) from continuing operations are net of income taxes.

## 2021 FOURTH QUARTER FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for Q4 2021, as compared to Q4 2020. 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 \$319.4 million for Q4 2021 increased by \$27.1 million or 9.3% from \$292.3 million in Q4 2020. Improvements in revenue were driven primarily by a 7.7% increase in home health care ADV and billing rate increases, including \$3.5 million retroactive to April 1, 2021, LTC funding enhancements and timing of flow-through funding, an increase in COVID-19 funding (\$5.6 million), and growth in retirement living operations, partially offset by lower contract services revenue in other operations.

### Operating Expenses

Operating expenses of \$277.4 million for Q4 2021 increased by \$40.9 million or 17.3% from Q4 2020. Excluding the year-over-year impact on operating expenses from CEWS (\$40.4 million) received by the home health care segment in Q4 2020, operating expenses increased by \$0.5 million or 0.2% to \$277.4 million in Q4 2021 from \$276.9 million in the same prior year period. The increase in operating expenses was driven by increased costs of resident care in the LTC and retirement living operations, partially offset by lower estimated costs related to COVID-19 and funded pandemic pay programs (\$7.7 million) and the net impact in the home health care operations of one-time costs incurred in Q4 2020 of \$6.1 million, partially offset by growth in ADV.

### Net Operating Income

Net operating income was \$42.0 million for Q4 2021 as compared to \$55.8 million for Q4 2020 and represented 13.1% of revenue as compared to 19.1% for Q4 2020. Excluding the impact of CEWS (\$40.4 million) received by the home health care segment in Q4 2020, NOI increased by \$26.6 million to \$42.0 million in Q4 2021 from \$15.4 million in the same prior year period, representing 13.1% and 5.3% of revenue, respectively. Improvements in NOI were largely driven by the home health care operations, including the impact of a retroactive billing rate increase in Q4 2021 and one-time costs incurred in Q4 2020, a reduction in estimated unfunded COVID-19 costs (\$13.3 million), and revenue growth in the LTC and retirement living operations, partially offset by increased costs of resident care and lower NOI in other operations.

### Administrative Costs

Administrative costs declined by \$0.5 million to \$14.2 million for Q4 2021 and included a reduction in costs related to COVID-19 of \$0.6 million and lower claims reserves, partially offset by increased costs for information technology and higher transaction related professional fees related.

### Adjusted EBITDA

Adjusted EBITDA was \$27.7 million for Q4 2021 as compared to \$41.0 million for Q4 2020 and represented 8.7% of revenue as compared to 14.0%, respectively. Excluding the impact of CEWS (\$40.4 million) received by the home health care segment in Q4 2020, Adjusted EBITDA increased by \$27.1 million to \$27.7 million in Q4 2021 from \$0.6 million in the same prior year period, representing 8.7% and 0.2% of revenue, respectively, reflecting the increase in NOI, partially offset by higher administrative costs.

### Other Expense

Other expense of \$15.0 million recorded in Q4 2021 related to an impairment charge in respect of certain LTC homes in Manitoba and Alberta. Other expense recorded in Q4 2020 related to a \$2.5 million non-cash, non-recurring actuarial adjustment in respect of a legacy post-retirement benefits plan.

### Net Finance Costs

Net finance costs decreased by \$0.7 million for Q4 2021, primarily due to a net favourable change of \$0.6 million in foreign exchange and fair value adjustments related to the Company’s interest rate swaps and lower interest expense, partially offset by lower interest revenue. Interest expense of \$6.9 million declined by \$0.2 million, reflecting lower debt levels.

## Income Taxes

The income tax provision was \$1.1 million for Q4 2021, representing an effective tax rate of (35.9)%, as compared to \$6.2 million and an effective tax rate of 28.2% for Q4 2020, largely due to a decline in taxable income of certain of the legal entities and the impact of the non-deductible portion of the impairment charge. The Q4 2020 income tax provision includes \$10.7 million of current income taxes payable on CEWS (\$40.4 million) received by the home health care segment.

## Earnings (Loss) from Continuing Operations

Earnings (loss) from continuing operations declined by \$19.8 million to a loss of \$4.1 million (\$0.05 loss per basic share) for Q4 2021 from earnings of \$15.7 million (\$0.17 per basic share) for Q4 2020, largely driven by the impact of CEWS (\$40.4 million) received by the home health care segment in Q4 2020 (\$29.7 million net of tax, or \$0.33 per basic share) and the unfavourable after-tax net change in other expense and foreign exchange and fair value adjustments of \$9.5 million. Excluding these items, earnings (loss) from continuing operations improved by \$19.4 million primarily due to the improvement in NOI and the decline in estimated unfunded COVID-19 costs (\$10.2 million net of tax, or \$0.12 per basic share).

## 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 <i>(thousands of dollars unless otherwise noted)</i>	Long-term Care	Retirement Living	Home Health Care	Other Operations	Total
<b>2021</b>					
Revenue	189,474	13,210	109,754	6,934	319,372
Operating expenses	165,954	9,982	98,864	2,603	277,403
Net operating income <sup>(1)</sup>	23,520	3,228	10,890	4,331	41,969
<i>NOI margin<sup>(1)</sup></i>	12.4 %	24.4 %	9.9 %	62.5 %	13.1 %
<b>2020<sup>(2)</sup></b>					
Revenue	176,648	12,047	96,386	7,197	292,278
Operating expenses	167,438	8,725	57,705	2,646	236,514
Net operating income <sup>(1)</sup>	9,210	3,322	38,681	4,551	55,764
<i>NOI margin<sup>(1)</sup></i>	5.2 %	27.6 %	40.1 %	63.2 %	19.1 %
<b>Change</b>					
Revenue	12,826	1,163	13,368	(263)	27,094
Operating expenses	(1,484)	1,257	41,159	(43)	40,889
Net operating income <sup>(1)</sup>	14,310	(94)	(27,791)	(220)	(13,795)

## LONG-TERM CARE OPERATIONS

Revenue from the LTC operations grew by \$12.8 million or 7.3% to \$189.5 million for Q4 2021, largely driven by funding enhancements, including \$8.4 million in Ontario flow-through funding and increased funding of \$3.3 million to support the costs associated with COVID-19 and pandemic pay programs, of which \$11.9 million related to costs incurred in Q1 2021.

Net operating income from the LTC operations was \$23.5 million for Q4 2021 as compared to \$9.2 million for Q4 2020, an improvement of \$14.3 million, with NOI margins of 12.4% and 5.2%, respectively, due in part to a favourable year-over-year reduction in the estimated unfunded COVID-19 costs by \$13.9 million (refer to "Significant Developments – COVID-19 Related Expenses and Funding"). Excluding the net change in unfunded COVID-19 costs, NOI improved by \$0.4 million due to funding enhancements, partially offset by higher costs of labour, utilities and repairs and maintenance.

## RETIREMENT LIVING OPERATIONS

Revenue from the retirement living operations increased by \$1.2 million or 9.7% to \$13.2 million for Q4 2021, primarily attributable to growth in occupancy and care services, and rate increases.

Net operating income from the retirement living operations was \$3.2 million for Q4 2021 as compared to \$3.3 million for Q4 2020, a decline of \$0.1 million or 2.8%, reflecting the improvement in revenue, offset by increased labour and promotional costs, and higher estimated unfunded COVID-19 costs of \$0.3 million.



## HOME HEALTH CARE OPERATIONS

The following discussion of the home health care operations excludes CEWS of \$40.4 million received in Q4 2020 (refer to “Key Performance Indicators – Home Health Care – ParaMed Canada Emergency Wage Subsidy”).

Revenue from the home health care operations increased by \$13.4 million or 13.9% to \$109.8 million for Q4 2021 from \$96.4 million for Q4 2020, reflecting growth in ADV of 7.7%, billing rate increases of \$5.2 million, of which \$3.5 million was retroactive to April 1, 2021, and increased funding of \$2.3 million to support the costs associated with COVID-19 and pandemic pay programs as compared to Q4 2020.

Net operating income from the home health care operations increased by \$12.6 million to \$10.9 million for Q4 2021 from a loss of \$1.7 million for Q4 2020, with NOI margins of 9.9% and (1.8)%, respectively. The improvement in NOI was largely due to growth in ADV of 7.7% and billing rate increases, including \$3.5 million retroactive to April 1, 2021, and the impact of one-time costs incurred in Q4 2020 of \$6.1 million related to implementing a wage harmonization program and investments in technology and training aids to support new training programs, partially offset by an increase in unfunded COVID-19 costs of \$0.3 million (refer to the discussion under “Significant Developments – COVID-19 Related Expenses and Funding”).

## OTHER OPERATIONS

Revenue from other operations declined by \$0.3 million or 3.7% to \$6.9 million in Q4 2021 compared to Q4 2020, largely due to lower contract services revenue.

Net operating income from other operations declined by \$0.2 million or 4.8% to \$4.3 million for Q4 2021 compared to Q4 2020, reflecting the decline in revenue.

## 2021 FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for the year ended December 31, 2021, as compared to the same period in 2020. 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 \$1,216.8 million for the year ended December 31, 2021, increased by \$113.2 million or 10.3% from the year ended December 31, 2020. Improvements in revenue were driven primarily by COVID-19 funding (\$68.1 million), increases in home health care ADV (9.8%) and billing rates, LTC funding enhancements and growth in retirement living and other operations, partially offset by timing of flow-through funding and lower preferred accommodation revenue in the LTC operations.

### Operating Expenses

Operating expenses of \$1,070.4 million for the year ended December 31, 2021, increased by \$147.9 million or 16.0% from the year ended December 31, 2020. Excluding the year-over-year impact on operating expenses from lower CEWS (\$73.8 million) received by the home health care segment, operating expenses increased by \$74.1 million or 7.3% to \$1,087.8 million for the year ended December 31, 2021, from \$1,013.7 million in the same prior year period. The increase in operating expenses was driven by higher costs related to COVID-19 and funded pandemic pay programs (\$43.6 million), increased costs of resident care in the LTC and retirement living operations and costs to support growth initiatives in the other operations segment, and the net impact in the home health care operations of growth in ADV, partially offset by lower workers compensation costs, back-office efficiencies, and the impact of one-time costs incurred in 2020 of \$6.5 million.

### Net Operating Income

Net operating income declined by \$34.7 million to \$146.3 million for the year ended December 31, 2021, and represented 12.0% of revenue as compared to 16.4% for the year ended December 31, 2020. Excluding the year-over-year decline in CEWS (\$73.8 million) received by the home health care segment, NOI increased by \$39.1 million or 173.4% to \$128.9 million for the year ended December 31, 2021, from \$89.8 million in the same prior year period, representing 10.6% and 8.1% of revenue, respectively. Improvements in NOI from the home health care operations and a reduction in estimated unfunded COVID-19 costs (\$24.5 million), were partially offset by increased costs of resident care, lower LTC preferred accommodation revenue, and higher costs in the other operations segment.

## **Administrative Costs**

Administrative costs increased by \$3.5 million or 7.1% to \$52.4 million for the year ended December 31, 2021, primarily due to higher labour costs associated with increased management and support staff, increased costs for information technology and higher transaction related professional fees, partially offset by a reduction in costs related to COVID-19 of \$0.6 million.

## **Adjusted EBITDA**

Adjusted EBITDA declined by \$38.2 million to \$93.9 million for the year ended December 31, 2021, as compared to \$132.1 million for the year ended December 31, 2020, and represented 7.7% of revenue as compared to 12.0%, respectively. Excluding the year-over-year impact of lower CEWS (\$73.8 million) received by the home health care segment, Adjusted EBITDA increased by \$35.6 million to \$76.5 million for the year ended December 31, 2021 from \$40.9 million in the same prior year period, representing 6.3% and 3.7% of revenue, respectively, reflecting the increase in NOI, partially offset by higher administrative costs.

## **Other Expense**

Other expense of \$15.0 million recorded in the year ended December 31, 2021, related to an impairment charge in respect of certain LTC homes in Manitoba and Alberta. Other expense of \$5.3 million recorded in the year ended December 31, 2020, related to an impairment charge of \$2.8 million in respect of certain of the Company's retirement communities in Saskatchewan recorded in Q2 2020, and a \$2.5 million non-cash, non-recurring actuarial adjustment in respect of a legacy post-retirement benefits plan recorded in Q4 2020.

## **Net Finance Costs**

Net finance costs decreased by \$5.0 million for the year ended December 31, 2021, primarily due to a net favourable change of \$4.8 million in foreign exchange and fair value adjustments related to the Company's interest rate swaps and lower interest expense, partially offset by lower interest revenue. Interest expense of \$27.2 million declined by \$1.1 million, reflecting lower debt levels and weighted average interest rate.

## **Income Taxes**

The income tax provision was \$7.0 million for the year ended December 31, 2021, representing an effective tax rate of 43.8%, as compared to \$16.2 million and an effective tax rate of 27.7% for the year ended December 31, 2020, largely due to a decline in taxable income of certain of the legal entities and the impact of the non-deductible portion of the impairment charge. The income tax provision for the year ended December 31, 2021, includes \$4.6 million of current income taxes payable on CEWS (\$17.4 million) received by the home health care segment, as compared to \$24.2 million of current income taxes payable related to CEWS in the same prior year period.

## **Earnings from Continuing Operations**

Earnings from continuing operations declined by \$33.4 million to \$9.0 million (\$0.10 per basic share) for the year ended December 31, 2021, from \$42.5 million (\$0.47 per basic share) for the year ended December 31, 2020, largely driven by the year-over-year impact of lower CEWS (\$73.8 million) received by the home health care segment (\$54.2 million net of tax, or \$0.61 per basic share), and the unfavourable after-tax net change in other expense and foreign exchange and fair value adjustments of \$4.6 million, partially offset by the decline in estimated unfunded COVID-19 costs (\$18.5 million net of tax, or \$0.20 per basic share). The balance of the increase in earnings from continuing operations of \$6.9 million was primarily due to the improvement in NOI driven by the home health care segment and lower net interest expense, partially offset by increased administrative costs.

## 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, 2021 (thousands of dollars unless otherwise noted)	Long-term Care	Retirement Living	Home Health Care	Other Operations	Total
<b>2021</b>					
Revenue	728,655	49,771	410,559	27,773	1,216,758
Operating expenses	661,368	36,395	361,002	11,647	1,070,412
Net operating income <sup>(1)</sup>	67,287	13,376	49,557	16,126	146,346
NOI margin <sup>(1)</sup>	9.2 %	26.9 %	12.1 %	58.1 %	12.0 %
<b>2020<sup>(2)</sup></b>					
Revenue	660,801	47,801	368,189	26,753	1,103,544
Operating expenses	610,107	34,032	268,273	10,101	922,513
Net operating income <sup>(1)</sup>	50,694	13,769	99,916	16,652	181,031
NOI margin <sup>(1)</sup>	7.7 %	28.8 %	27.1 %	62.2 %	16.4 %
<b>Change</b>					
Revenue	67,854	1,970	42,370	1,020	113,214
Operating expenses	51,261	2,363	92,729	1,546	147,899
Net operating income <sup>(1)</sup>	16,593	(393)	(50,359)	(526)	(34,685)

### LONG-TERM CARE OPERATIONS

Revenue from the LTC operations grew by \$67.9 million or 10.3% to \$728.7 million for the year ended December 31, 2021, largely driven by increased funding of \$58.7 million to support the costs associated with COVID-19 and pandemic pay programs and other funding enhancements, including \$8.6 million in Ontario flow-through funding, partially offset by lower preferred accommodation revenue due to the impact of COVID-19.

Net operating income from the LTC operations increased by \$16.6 million to \$67.3 million for the year ended December 31, 2021, from \$50.7 million for the year ended December 31, 2020, with NOI margins of 9.2% and 7.7%, respectively, and included a favourable year-over-year reduction in estimated unfunded COVID-19 costs by \$25.8 million (refer to "Significant Developments – COVID-19 Related Expenses and Funding"). Excluding the net change in unfunded COVID-19 costs, NOI declined by \$9.2 million for the year ended December 31, 2021, as compared to the same prior year period, due to lower preferred accommodation revenue, and higher costs of labour, repairs and maintenance, utilities and insurance.

### RETIREMENT LIVING OPERATIONS

Revenue from the retirement living operations grew by \$2.0 million or 4.1% to \$49.8 million for the year ended December 31, 2021, primarily attributable to increased care services, rates, and average occupancy of the lease-up communities, partially offset by lower average occupancy of the stabilized communities as a result of the impact of COVID-19.

Net operating income from the retirement living operations was \$13.4 million for the year ended December 31, 2021, as compared to \$13.8 million for the year ended December 31, 2020, a decrease of \$0.4 million or 2.9%, reflecting increased costs of labour, business promotion, insurance and utilities, partially offset by growth in revenue and lower estimated net COVID-19 costs of \$0.2 million.

### HOME HEALTH CARE OPERATIONS

The following discussion of the home health care operations excludes \$17.4 million of CEWS received for the year ended December 31, 2021, as compared to \$91.2 million for the same prior year period (refer to "Key Performance Indicators – Home Health Care – ParaMed Canada Emergency Wage Subsidy").

Revenue from the home health care operations increased by \$42.4 million or 11.5% to \$410.6 million for the year ended December 31, 2021, from \$368.2 million in the same prior year period, reflecting growth in ADV of 9.8%, billing rate increases of \$5.2 million and increased funding of \$9.4 million to support the costs associated with COVID-19 and pandemic pay programs, partially offset by \$3.0 million of revenue in Q1 2020 related to the expired B.C. contracts.

Net operating income from the home health care operations increased by \$23.5 million to \$32.2 million for the year ended December 31, 2021, from \$8.7 million for the year ended December 31, 2020, with NOI margins of 7.8% and 2.4%, respectively. The improvement in NOI was largely due to growth in ADV of 9.8%, and billing rate increases, and the impact

of one-time costs incurred in 2020 of \$6.5 million related to implementing a wage harmonization program and investments in technology and training aids to support new training programs, reduced workers compensation costs and lower back-office costs partially offset by an increase in unfunded COVID-19 costs of \$1.5 million (refer to the discussion under “Significant Developments – COVID-19 Related Expenses and Funding”).

## OTHER OPERATIONS

Revenue from other operations increased by \$1.0 million or 3.8% to \$27.8 million for the year ended December 31, 2021, largely due to an increase in group purchasing clients.

Net operating income from other operations declined by \$0.5 million or 3.2% to \$16.1 million for the year ended December 31, 2021, due to revenue growth offset by higher operating expenses due primarily to investments in growth initiatives.

## FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

### Reconciliations of FFO to Net Earnings

The following table provides a reconciliation of “net earnings” to FFO, which the Company believes is the most comparable GAAP measure to FFO. In addition, the table includes a reconciliation from FFO to AFFO as supplemental information, both of which include discontinued operations. Refer to the discussion under “Non-GAAP Measures”.

<i>(thousands of dollars unless otherwise noted)</i>	Three months ended December 31			Year ended December 31		
	2021	2020 <sup>(2)</sup>	Change	2021	2020 <sup>(2)</sup>	Change
<b>Earnings (loss) from continuing operations</b>	<b>(4,068)</b>	15,721	(19,789)	<b>9,012</b>	42,450	(33,438)
<b>Add (Deduct):</b>						
Depreciation and amortization	9,541	9,714	(173)	37,877	38,085	(208)
Depreciation for FFEC (maintenance capex)	(1,984)	(1,795)	(189)	(7,965)	(7,215)	(750)
Depreciation for office leases	(668)	(610)	(58)	(2,741)	(2,489)	(252)
Other expense	14,969	2,486	12,483	14,969	5,266	9,703
Foreign exchange and fair value adjustments	(503)	132	(635)	(1,587)	3,173	(4,760)
Current income tax expense (recovery) on other expense, foreign exchange and fair value adjustments	—	—	—	—	—	—
Deferred income tax expense (recovery)	(856)	(1,111)	255	(1,519)	(5,388)	3,869
FFO from discontinued operations	448	(76)	524	(1,134)	(406)	(728)
<b>FFO</b>	<b>16,879</b>	24,461	(7,582)	<b>46,912</b>	73,476	(26,564)
Amortization of deferred financing costs	501	489	12	2,023	2,010	13
Accretion costs	327	315	12	1,288	1,237	51
Non-cash share-based compensation	1,028	797	231	3,566	2,002	1,564
Principal portion of government capital funding	1,222	1,447	(225)	5,791	5,792	(1)
Amounts offset through investments held for former U.S. self-insured liabilities	—	—	—	—	996	(996)
Additional maintenance capex	(3,427)	(5,705)	2,278	(5,859)	(6,346)	487
<b>AFFO</b>	<b>16,530</b>	21,804	(5,274)	<b>53,721</b>	79,167	(25,446)
<b>Per Basic Share (\$)</b>						
FFO	0.19	0.27	(0.08)	0.52	0.82	(0.30)
AFFO	0.18	0.24	(0.06)	0.60	0.88	(0.28)
<b>Per Diluted Share (\$)</b>						
FFO	0.18	0.26	(0.08)	0.52	0.79	(0.27)
AFFO	0.17	0.23	(0.06)	0.58	0.83	(0.25)
<b>Dividends (\$)</b>						
Declared	10,746	10,743	3	42,994	42,963	31
Declared per share (\$)	0.12	0.12	—	0.48	0.48	—
<b>Weighted Average Number of Shares (thousands)</b>						
Basic	90,040	89,898		89,990	89,808	
Diluted	100,953	100,362		100,903	100,275	
<b>Current income tax expense included in FFO</b>	<b>1,930</b>	7,280	(5,350)	<b>8,544</b>	21,623	(13,079)
<i>FFO effective tax rate</i>	<b>11.4 %</b>	29.8 %		<b>18.2 %</b>	29.4 %	

## Reconciliations of AFFO to Net Cash From Operating Activities

The following table provides a reconciliation of AFFO, which includes discontinued operations, to “net cash from operating activities”, which the Company believes is the most comparable GAAP measure to AFFO. Refer to the discussion under “Non-GAAP Measures”.

<i>(thousands of dollars)</i>	Three months ended December 31			Year ended December 31		
	2021	2020	Change	2021	2020	Change
<b>Net cash from operating activities</b>	<b>18,494</b>	46,387	(27,893)	<b>63,424</b>	121,265	(57,841)
<b>Add (Deduct):</b>						—
Net change in operating assets and liabilities, including interest, taxes and payments for former U.S. self-insured liabilities	<b>2,954</b>	(17,847)	20,801	<b>1,285</b>	(32,562)	33,847
Current income tax on items excluded from AFFO	—	—	—	<b>46</b>	10	36
Depreciation for office leases	<b>(668)</b>	(610)	(58)	<b>(2,741)</b>	(2,489)	(252)
Depreciation for FFEC (maintenance capex) <sup>(i)</sup>	<b>(2,045)</b>	(1,868)	(177)	<b>(8,225)</b>	(7,520)	(705)
Additional maintenance capex <sup>(i)</sup>	<b>(3,427)</b>	(5,705)	2,278	<b>(5,859)</b>	(6,346)	487
Principal portion of government capital funding	<b>1,222</b>	1,447	(225)	<b>5,791</b>	5,792	(1)
Amounts offset through investments held for former U.S. self-insured liabilities	—	—	—	—	1,017	(1,017)
<b>AFFO</b>	<b>16,530</b>	21,804	(5,274)	<b>53,721</b>	79,167	(25,446)
<b>Total maintenance capex<sup>(i)</sup></b>	<b>5,472</b>	7,573	(2,101)	<b>14,084</b>	13,866	218

(i) 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.

## AFFO 2021 Financial Review

For Q4 2021, AFFO declined by \$5.3 million to \$16.5 million (\$0.18 per basic share) from \$21.8 million (\$0.24 per basic share) for Q4 2020, reflecting the decrease in Adjusted EBITDA, partially offset by lower current income taxes and maintenance capex. The year-over-year decline in AFFO included the impact of CEWS received in Q4 2020 by the home health care segment of \$29.7 million net of tax (\$0.33 per basic share), partially offset by a favourable change in estimated unfunded COVID-19 costs from continuing operations of \$10.2 million net of tax (a net recovery of \$3.3 million (\$0.04 per basic share) in Q4 2021 in comparison to unfunded costs of \$6.9 million (\$0.08 loss per basic share) in Q4 2020).

For the year ended December 31, 2021, AFFO declined by \$25.4 million to \$53.7 million (\$0.60 per basic share) from \$79.2 million (\$0.88 per basic share) for year ended December 31, 2020, reflecting the decrease in Adjusted EBITDA, partially offset by lower current income taxes. The year-over-year decline in AFFO included the impact of lower CEWS received by the home health care segment of \$54.2 million net of tax, of which \$12.8 million net of tax (\$0.14 per basic share) was received in the year ended December 31, 2021, as compared to \$67.0 million net of tax (\$0.75 per basic share) received in the same prior year period. In addition, AFFO was impacted by a favourable change in estimated unfunded COVID-19 costs from continuing operations of \$18.5 million net of tax (unfunded costs of \$2.6 million (\$0.03 loss per basic share) for the year ended December 31, 2021, in comparison to \$21.1 million (\$0.23 loss per basic share) in the same prior year period).

Dividends declared as a percentage of AFFO for the year ended December 31, 2021, represented a payout ratio of 80%. In addition to cash on hand of \$104.6 million at December 31, 2021, and ongoing cash generated from operations, the Company has available undrawn credit facilities totalling \$72.8 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 “2021 Fourth Quarter Financial Review”, “2021 Financial Review” and “Discontinued Operations”.

The current income tax expense included in arriving at AFFO was \$8.5 million for the year ended December 31, 2021, and \$21.6 million for the same prior year period, representing an effective tax rate on FFO of 18.2% and 29.4%, respectively. The Company’s current income taxes for both periods have been impacted by the effects of COVID-19 and the impact of CEWS received by the home health care segment. In particular, increased costs as a result of COVID-19 and 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. For 2022, the Company expects the effective tax rate on FFO will be in the range of 17% to 19%. 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.

Including the activity of discontinued operations, maintenance capex was \$5.5 million for Q4 2021 as compared to \$7.6 million for Q4 2020 and to \$3.8 million for Q3 2021, representing 1.6%, 2.5% and 1.2% of revenue, respectively. For the year ended December 31, 2021, maintenance capex was \$14.1 million as compared to \$13.9 million in the same prior year period, representing 1.1% and 1.2% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality.

The following provides a reconciliation of "Adjusted EBITDA" to AFFO, which includes discontinued operations, as supplemental information. Refer to the discussion under "Non-GAAP Measures".

<i>(thousands of dollars unless otherwise noted)</i>	Three months ended December 31			Year ended December 31		
	2021	2020	Change	2021	2020	Change
<b>Adjusted EBITDA</b>	<b>27,733</b>	41,006	(13,273)	<b>93,915</b>	132,072	(38,157)
<b>Add (Deduct):</b>						
Depreciation for FFEC (maintenance capex)	<b>(1,984)</b>	(1,795)	(189)	<b>(7,965)</b>	(7,215)	(750)
Depreciation for office leases	<b>(668)</b>	(610)	(58)	<b>(2,741)</b>	(2,489)	(252)
Accretion costs	<b>(327)</b>	(315)	(12)	<b>(1,288)</b>	(1,237)	(51)
Interest expense	<b>(6,870)</b>	(7,065)	195	<b>(27,198)</b>	(28,307)	1,109
Interest revenue	<b>477</b>	596	(119)	<b>1,867</b>	2,681	(814)
Discontinued operations, pre-tax	<b>448</b>	(76)	524	<b>(1,134)</b>	(406)	(728)
	<b>18,809</b>	31,741	(12,932)	<b>55,456</b>	95,099	(39,643)
Current income tax expense (recovery)	<b>1,930</b>	7,280	(5,350)	<b>8,544</b>	21,623	(13,079)
<b>FFO</b>	<b>16,879</b>	24,461	(7,582)	<b>46,912</b>	73,476	(26,564)
Amortization of deferred financing costs	<b>501</b>	489	12	<b>2,023</b>	2,010	13
Accretion costs	<b>327</b>	315	12	<b>1,288</b>	1,237	51
Non-cash share-based compensation	<b>1,028</b>	797	231	<b>3,566</b>	2,002	1,564
Principal portion of government capital funding	<b>1,222</b>	1,447	(225)	<b>5,791</b>	5,792	(1)
Amounts offset through investments held for former U.S. self-insured liabilities	—	—	—	—	996	(996)
Additional maintenance capex	<b>(3,427)</b>	(5,705)	2,278	<b>(5,859)</b>	(6,346)	487
<b>AFFO</b>	<b>16,530</b>	21,804	(5,274)	<b>53,721</b>	79,167	(25,446)

## LIQUIDITY AND CAPITAL RESOURCES

### Sources and Uses of Cash

The following summarizes the sources and uses of cash between continuing and discontinued operations for 2021 and 2020.

<i>(thousands of dollars unless otherwise noted)</i>	Year ended December 31, 2021			Year ended December 31, 2020		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
<b>Net cash from (used in) operating activities</b>	<b>63,947</b>	<b>(523)</b>	<b>63,424</b>	123,872	(2,607)	121,265
<b>Net cash from (used in) investing activities</b>	<b>(63,097)</b>	<b>(636)</b>	<b>(63,733)</b>	(3,160)	5,161	2,001
<b>Net cash from (used in) financing activities</b>	<b>(72,789)</b>	<b>(2,047)</b>	<b>(74,836)</b>	(36,177)	(1,986)	(38,163)
Foreign exchange gain (loss) on U.S. cash held	<b>(184)</b>	—	<b>(184)</b>	396	—	396
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(72,123)</b>	<b>(3,206)</b>	<b>(75,329)</b>	84,931	568	85,499

As at December 31, 2021, the Company had cash and cash equivalents on hand of \$104.6 million, reflecting a decrease in cash of \$75.3 million from the beginning of the year. Cash flow from operating activities of the continuing operations was

\$63.9 million for the year ended December 31, 2021, and was in excess of dividends paid of \$43.0 million for the same period.

**Net cash from operating activities** of the continuing operations was a source of cash of \$63.9 million for the year ended December 31, 2021, down \$59.9 million as compared to \$123.9 million for the year ended December 31, 2020, reflecting the decline in earnings and use of cash to support the increase in income taxes paid in Q1 2021 resulting from CEWS recognized in 2020 and timing of related payments. Income taxes paid in 2021 of \$22.8 million were \$17.5 million higher than taxes paid in the same prior period. Fluctuations in operating assets and liabilities between periods are primarily attributable to the volatility and timing of cash receipts related to COVID-19, the timing of payroll cycles and the impact on other assets of an increase in PPE inventory in 2020.

**Net cash from investing activities** of the continuing operations was a use of cash of \$63.1 million for the year ended December 31, 2021 as compared to \$3.2 million for the year ended December 31, 2020. The 2021 activity included purchases of property, equipment and other intangible assets of \$68.9 million, partially offset by the collection of other assets of \$5.8 million. The 2020 activity included purchases of property, equipment and other intangible assets of \$32.2 million, partially offset by the repatriation of cash of \$23.3 million (US\$17.0 million) from the Captive and collection of other assets of \$5.8 million.

The table that follows summarizes the capital expenditures for each of the continuing and discontinued operations. Growth capex relates to the LTC redevelopment projects, 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.

<i>(thousands of dollars)</i>	Year ended December 31, 2021			Year ended December 31, 2020		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
<b>Growth capex</b>	<b>55,315</b>	<b>124</b>	<b>55,439</b>	18,901	333	19,234
<b>Maintenance capex</b>	<b>13,557</b>	<b>527</b>	<b>14,084</b>	13,331	535	13,866
	<b>68,872</b>	<b>651</b>	<b>69,523</b>	32,232	868	33,100

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 2022, the Company expects to spend in the range of \$15.0 million to \$17.0 million in maintenance capex and in the range of \$140.0 million to \$150.0 million in growth capex related primarily to the LTC projects under construction, 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 the level of our growth capex could change (refer to “Key Performance Indicators – LTC Projects Under Construction”).

**Net cash from financing activities** of the continuing operations was a use of cash of \$72.8 million for the year ended December 31, 2021, an increase of \$36.6 million from \$36.2 million for the year ended December 31, 2020. The 2021 activity included debt repayments of \$32.3 million, cash dividends paid of \$43.0 million and financing costs, partially offset by draws on LTC construction financings of \$2.3 million. The 2020 activity included new debt of \$62.4 million, which included the refinancing of a \$25.8 million construction loan, and draws on retirement construction financings of \$4.3 million, offset by debt repayments of \$55.4 million, cash dividends paid of \$43.0 million and financing costs.

**Discontinued operations** reflect the operations of the Saskatchewan LTC Homes and those of the Captive prior to its deregistration in September 2020. Further details are provided under “Discontinued Operations” and in *Note 18* of the audited consolidated financial statements for the year ended December 31, 2021.

With respect to the Saskatchewan LTC Homes, the 2021 activity represented a use of cash in operating activities of \$0.5 million, reflecting operating losses, and a use of cash in investing activities of \$0.6 million for property and equipment purchases. The 2021 use of cash in financing activities of \$2.0 million related to scheduled debt repayments. The 2020 activity of the Saskatchewan LTC Homes represented a source of cash from operating activities of \$3.4 million, reflecting earnings and an increase in accrued liabilities of \$2.3 million, and a use of cash in investing activities of \$0.9 million for property and equipment purchases. The 2020 use of cash in financing activities of \$2.0 million related to scheduled debt repayments.

With respect to the Captive, the 2020 activity represented a use of cash in operating activities of \$6.0 million, related to the management and settlement of claims of the former U.S. self-insured liabilities, the payments for which were funded from investments held by the Captive and reported as a component of cash from investing activities as the investments of the Captive were not included in the Company’s cash and cash equivalents.

## Capital Structure

### SHAREHOLDERS' EQUITY

Total shareholders' equity as at December 31, 2021, was \$101.9 million as compared to \$128.2 million at December 31, 2020, reflecting the contributions from net earnings and comprehensive income offset by dividends declared of \$43.0 million.

As at December 31, 2021, the Company had 89,562,499 Common Shares issued and outstanding (carrying value – \$500.9 million) as compared to 89,539,085 Common Shares (carrying value – \$500.6 million) as at December 31, 2020. The increase in Common Shares was attributable to shares issued under the Company's equity-based compensation plan (23,414 Common Shares).

Share Information (thousands)	February 23, 2022	December 31, 2021	December 31, 2020
Common Shares (TSX symbol: EXE) <sup>(i)</sup>	89,562.5	89,562.5	89,539.1

(i) Closing market value per TSX on February 23, 2022, was \$7.59.

As at February 24, 2022, the Company had an aggregate of 4,240,738 Common Shares reserved and available for issuance pursuant to the Company's long-term incentive plan, of which there were in aggregate 1,684,084 performance share units and deferred share units outstanding as at December 31, 2021 (refer to *Note 11* of the audited consolidated financial statements).

As at February 24, 2022, 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.

### Dividends

The Company declared cash dividends of \$0.48 per share or \$43.0 million in the year ended December 31, 2021, consistent with that declared in the same 2020 period.

### Long-term Debt

Long-term debt totalled \$536.9 million as at December 31, 2021, as compared to \$564.6 million as at December 31, 2020, representing a decrease of \$27.7 million, reflecting debt repayments of \$32.3 million and the reclassification of \$2.6 million as held for sale, partially offset by draws on construction loans of \$2.3 million, new lease liabilities and changes in accretion and deferred financing costs. The current portion of long-term debt as at December 31, 2021, was \$73.6 million and included \$43.1 million drawn on demand construction loans in respect of the retirement communities. 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, 2021. Details of the components, maturities dates, terms and conditions of long-term debt are provided in *Note 9* of the audited consolidated financial statements.

### LTC CONSTRUCTION FINANCING

The Company secured construction facilities in connection with the Sudbury and Kingston LTC projects in May 2021 and in connection with the Stittsville LTC project in December 2021. The financings include \$54.7 million for Sudbury, \$41.1 million for Kingston and \$60.7 million for Stittsville, and mature on the earlier of 42 months from closing or the date of refinancing following completion of construction or lease up of the applicable project. Interest rates are prime plus 1.25% or CDOR plus 2.75% with standby fees of 0.55%. The facilities also provide for an aggregate \$6.0 million in letter of credit facilities. Interest is capitalized during construction and is payable following completion of construction until maturity. As at December 31, 2021, \$2.3 million was drawn on these LTC redevelopment construction facilities.

### OTHER FINANCING ACTIVITY

In December 2021, the Company renewed a CMHC-insured mortgage of \$13.7 million, inclusive of fees, on a LTC home. The renewed mortgage matures in February 2032 and has a fixed rate of 2.65% per annum.

In December 2021, the Company extended a maturing mortgage of \$24.7 million on certain LTC homes. This extended mortgage matures in May 2023 and has a fixed rate of 3.27% per annum.



## 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, 2021, \$33.7 million of the facilities secure the Company's defined benefit pension plan obligations and \$5.8 million was used in connection with obligations relating to LTC homes and retirement communities, leaving \$72.8 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, 2021. The Company had an aggregate of \$43.1 million drawn on construction loans in respect of the retirement communities at the end of 2021, 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 2022 in the following table.

<i>(millions of dollars unless otherwise noted)</i>	2022	2023	2024	2025	2026	After 2026	Total	Fair Value
<b>Convertible Debentures (at face value)</b>								
Fixed rate	—	—	—	126.5	—	—	<b>126.5</b>	125.8
Average interest rate	— %	— %	— %	5.00 %	— %	— %	<b>5.00 %</b>	
<b>Long-term Debt</b>								
Fixed rate (including fixed through swap)	21.1	81.5	9.1	25.7	8.6	140.8	<b>286.8</b>	300.1
Average interest rate	3.70 %	3.80 %	4.00 %	3.90 %	4.00 %	4.10 %	<b>3.79 %</b>	
Variable rate	44.0	0.9	3.3	19.3	—	—	<b>67.5</b>	68.4
Average interest rate	3.81 %	2.54 %	2.54 %	2.54 %	2.54 %	— %	<b>2.48 %</b>	
<b>Lease Liabilities</b>								
Fixed rate	10.9	11.0	11.4	11.9	12.0	12.2	<b>69.4</b>	77.8
Average interest rate	6.46 %	6.53 %	6.53 %	6.49 %	6.27 %	6.31 %	<b>6.53 %</b>	

Management has limited the amount of debt that may be subject to changes in interest rates, with only \$22.0 million of mortgage debt and \$45.5 million of construction loans in connection with the retirement communities and LTC projects at variable rates. The Company's other variable-rate mortgages and term loan aggregating \$85.2 million as at December 31, 2021, have effectively been converted to fixed-rate financings with interest rate swaps over the full term. As at December 31, 2021, the interest rate swaps were valued as a liability of \$0.7 million.

The following summarizes key metrics of consolidated long-term debt as at December 31, 2021, and December 31, 2020.

<i>(thousands of dollars unless otherwise noted)</i>	December 31, 2021	December 31, 2020 <sup>(2)</sup>
Weighted average interest rate of long-term debt outstanding	<b>4.3 %</b>	4.3 %
Weighted average term to maturity of long-term debt outstanding	<b>5.9 yrs</b>	6.4 yrs
Trailing twelve months consolidated net interest coverage ratio <sup>(1)</sup>	<b>3.7 X</b>	5.2 X
Trailing twelve months consolidated interest coverage ratio <sup>(1)</sup>	<b>3.5 X</b>	4.7 X
<b>Debt to Gross Book Value (GBV)</b>		
Total assets (carrying value)	<b>900,323</b>	963,127
Accumulated depreciation on property and equipment	<b>284,428</b>	269,947
Accumulated amortization on other intangible assets	<b>31,852</b>	30,445
GBV	<b>1,216,603</b>	1,263,519
Debt <sup>(i)</sup>	<b>550,212</b>	579,654
<b>Debt to GBV</b>	<b>45.2 %</b>	45.9 %

(i) 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 \$104.6 million as at December 31, 2021, as compared with \$180.0 million as at December 31, 2020, representing a decrease of \$75.3 million. In addition, the Company has access to a further \$72.8 million in undrawn demand credit facilities. Cash and cash equivalents exclude restricted cash of \$3.0 million.

During 2021, the Company secured construction facilities in connection with three LTC projects in the aggregate of \$156.6 million, of which \$2.3 million was drawn as at December 31, 2021. For more information refer to the discussion under "Liquidity and Capital Resources – Long-term Debt – LTC Construction Financing".

In addition to the three LTC projects currently under construction, a further six LTC redevelopment projects are in advanced stages of MLTC and municipal approvals and are targeted to begin construction before the end of 2023. We intend to leverage our strong liquidity as at December 31, 2021 and 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.

The Company estimates the net proceeds to be realized from the Retirement Living Sale to be approximately \$115.0 million, net of debt repayments, taxes, certain closing adjustments and transactions costs.

Management believes that cash from operating activities, future debt financings, and proceeds from the Retirement Living Sale, 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 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, 2021, the Company has outstanding commitments of \$114.3 million in connection with construction contracts for three LTC redevelopment projects, of which \$77.1 million is estimated to be payable in 2022, \$37.1 million in 2023 and the balance in 2024, based on the anticipated construction schedules. The Company also has outstanding commitments of \$14.9 million in connection with a five-year agreement for a finance and human resources cloud-based IT platform as part of its ongoing strategy of transitioning key IT platforms to the cloud to support 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, 2021, was \$33.8 million (2020 – \$37.9 million). The registered defined benefit plan was in an actuarial deficit of \$2.2 million, with plan assets of \$4.6 million and accrued benefit obligations of \$6.8 million as at December 31, 2021 (2020 – an actuarial deficit of \$2.7 million with plan assets of \$4.6 million and accrued benefit obligations of \$7.3 million). The accrued benefit obligations of the supplementary plans were \$33.0 million as at December 31, 2021 (2020 – \$35.9 million). The benefit obligations under the supplementary plans are secured by a \$33.7 million letter of credit as at December 31, 2021 (2020 – \$35.6 million) and plan assets of \$1.4 million (2020 – \$0.7 million). 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 \$1.9 million to \$2.2 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.

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

In January 2022, the case management judge overseeing the Company's COVID-related class action granted a plaintiff's motion to, among other things, consolidate all four active class actions against the Company into one action pursuant to the *Class Proceedings Act* (Ontario). The claim is in respect of all Ontario LTC homes owned, operated, licensed and/or managed by the Company and its affiliates and names as defendants the Company, certain of its affiliates and the owners of any such managed LTC homes. The amended claim alleges negligence, gross negligence, breach of fiduciary duty, breach of contract, unjust enrichment, wrongful death in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons and breach of section 7 of the *Canadian Charter of Rights and Freedoms*. The claim seeks damages in the aggregate of \$110 million.

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

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

In October 2021, the Supreme Court of Canada dismissed an application for leave to appeal by the Attorney General of Ontario which sought to challenge the decision issued by the previous presiding court that ruled in favour of the unions' legal challenge to a 2016 Pay Equity Tribunal decision (see "Significant Developments – Regulatory Developments – Developments Relating to Pay Equity"). Given the uncertainty of the matter and the various stakeholders involved, and as a result the wide range of possible settlement outcomes and related funding changes the Company is unable to determine a reliable estimate of the potential outcome and it could have a materially adverse impact on the Company's business, results of operations and financial condition.

## DISCONTINUED OPERATIONS

### Saskatchewan LTC Home Transition

Extendicare is in the process of transitioning the delivery of long-term care services operated at the Company's Saskatchewan LTC Homes to the SHA. The timing of the transfer of the operations, and potentially the related assets, is anticipated to be completed in 2022. (refer to the discussion under "Significant Developments – Transitioning Saskatchewan LTC to the SHA").

Accordingly, the Company classified its Saskatchewan LTC Homes as discontinued in Q4 2021 and re-presented its comparative consolidated financial statements, including the comparative financial information presented in this MD&A.

### Former U.S. Segment

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 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 and the comparative consolidated statement of earnings, including the comparative financial information presented in this MD&A, have been re-presented.

Effective June 30, 2020, the accrual for the former U.S. 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 the former U.S. self-insured liabilities are presented as discontinued operations.

Following the receipt of approval by the BMA to deregister the Captive, the remaining balance of restricted cash held in investments 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 \$0.2 million for Q4 2021, as compared to \$1.8 million for Q4 2020. The Q4 2021 activity reflected income from the Saskatchewan LTC Homes. The Q4 2020 activity reflected a loss from the Saskatchewan LTC Homes of \$0.1 million, offset by income of \$1.9 million from the former U.S. operations related primarily to the release of indemnification provisions. The improvement in Q4 2021 results of the Saskatchewan LTC Homes from Q4 2020 was primarily due to a reduction in estimated unfunded COVID-19 costs of \$0.6 million.

Earnings from discontinued operations were \$2.5 million for the year ended December 31, 2021, as compared to \$11.7 million for the year ended December 31, 2020. The 2021 activity reflected a loss from the Saskatchewan LTC Homes of \$1.2 million offset by income of \$3.6 million from the former U.S. operations related to the release of indemnification provisions. The 2020 activity reflected income from the Saskatchewan LTC Homes of \$0.1 million and \$11.6 million from the former U.S. operations related primarily to the release of reserves for self-insured liabilities of \$9.5 million and indemnification provisions of \$2.0 million. For the year ended December 31, 2021, the results of the Saskatchewan LTC Homes declined by \$1.3 million from the same prior year period and were impacted by increased estimated unfunded COVID-19 costs, partially offset by retroactive funding received in 2021 related to 2020.

Further details are provided in *Note 18* of the audited consolidated financial statements for the year ended December 31, 2021.

## **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, 2021, 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 59% of the Company's total assets as at December 31, 2021, and goodwill and other intangibles represent approximately 10%. 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 2021, the Company performed an impairment assessment of its operations and recognized a pre-tax impairment charge of property and equipment of \$9.1 million in respect of certain of the Company's LTC homes in Manitoba and Alberta and a pre-tax impairment charge of goodwill in the amount of \$5.8 million, in respect of certain of the Company's LTC homes in Manitoba.

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.

For additional details on impairment refer to *Note 15* of the audited consolidated financial statements for the year ended December 31, 2021.

#### **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, 2021, the Company had recognized deferred tax assets totalling \$14.4 million (2020 – \$15.8 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, 2021, there were capital losses available for Canadian income tax purposes of \$80.0 million (2020 – \$51.3 million) that have not been tax benefited and are available indefinitely to apply against future capital gains.

## Future Changes in Accounting Policies

The following accounting standards, amendments and interpretations will take effect for the Company after December 31, 2021, 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* will not have a material impact on the consolidated financial statements.

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

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

### DISCLOSURE INITIATIVE - ACCOUNTING POLICIES

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

### DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

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

## 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, 2021, 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, 2021.

## 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, 2021.

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

Certain measures used in this MD&A listed below, including any related per share amounts, used by management to measure, compare and explain the operating results and financial performance of the Company, are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These 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. These measures 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. Such measures are presented in this document because management believes that they are a relevant measure of Extencicare's operating performance and ability to pay cash dividends.

Management uses these measures to exclude the impact of certain items, because it believes doing so provides investors a more effective analysis of underlying operating and financial performance and improves comparability of underlying financial performance between periods. The exclusion of certain items does not imply that they are non-recurring or not useful to investors.

These measures are defined below and reconciliations to the most comparable GAAP measure are referenced, as applicable.

**"Net operating income", or "NOI",** is defined as revenue less operating expenses, and this value represents the underlying performance of the operating business segments.

**"NOI margin"** is defined as NOI as a percentage of revenue.

**"EBITDA"** is defined as earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization.

**"Adjusted EBITDA"** is defined as 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. 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.

**"Adjusted EBITDA Margin"** is defined as Adjusted EBITDA as a percentage of revenue.

Reconciliations of "net operating income" and "Adjusted EBITDA" to "earnings (loss) from continuing operations before income taxes" are provided under "Select Quarterly Financial Information – Reconciliations of Adjusted EBITDA and Net Operating Income".

**"Earnings (loss) from continuing operations before separately reported items, net of tax"** is defined as 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.

Reconciliations of "earnings (loss) from continuing operations before separately reported items" to "earnings (loss) from continuing operations" are provided under "Statement of Earnings".

**"Funds from Operations", or "FFO",** is defined as net earnings before income taxes, depreciation and amortization, foreign exchange and fair value adjustments, and the line item "other expense" (otherwise referred to 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 (excluding current income taxes in respect of "foreign exchange and fair value adjustments" and "other expense" that are not otherwise included in FFO). Depreciation for FFEC is considered representative of the amount of maintenance (non-growth) capital expenditures, or "maintenance capex", to be used in determining FFO, 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.

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

**"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 were funded through investments held for the former 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 considers AFFO a relevant measure of the ability of the Company to earn cash and pay cash dividends to shareholders.

**"Payout ratio"** is defined as the ratio of dividends declared to AFFO. Management considers this a useful metric to evaluate the Company's dividend capacity.

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.

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

**"Interest coverage ratio"** and **"net interest coverage ratio"** are defined as the ratio of Adjusted EBITDA to interest expense with interest capitalized included and financing prepayment costs and the amortization of deferred financing costs excluded, and in the case of 'net interest' with interest revenue included. Management considers these relevant measures as they indicate the Company's ability to meet its interest cost obligations on a trailing twelve-month basis.

**"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 considers this 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.

## RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in securities and activities of the Company, including the ones described below. The Company is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. The Company has operating and risk management strategies and insurance programs to help minimize these operating risks and uncertainties, in addition to entity level controls and governance procedures, including a corporate code of business conduct, whistleblower policies and procedures, and detailed policies and procedures regarding the delegation of authority within the Company.

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 retain or 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, employee costs and pay equity; 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 or 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 "Other Contractual Obligation and Contingencies – Legal Proceedings and Regulatory Actions" and "Significant Developments – COVID-19 Related Expenses and Funding" 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, 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 44% of the Company's owned LTC beds, excluding the Saskatchewan LTC homes being transitioned to SHA, 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. Long-term care 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 21 projects to build more than 4,600 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 Developments – Continued Commitment to 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 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, such as in respect of construction, as well as the general investment risks inherent in any real estate investment and development, 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 83% in 2021, 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, including as a result of the COVID-19 pandemic, and if adopted and implemented, including in respect of Bill 37 (see "Significant Developments – Regulatory Developments – Government of Ontario Initiatives"), 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 99% 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 94% and 4%, respectively, based on volumes delivered in 2021. 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. 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. On April 1, 2021, the health system planning and funding functions from the Local Health Integration Networks ("LHINs") transferred into Ontario Health, and the LHINs began operating under the new business name, Home and Community Care Support Services ("HCCSS"), to reflect a focused service delivery mandate. HCCSS assumed the home health care contracts, including those in respect of ParaMed, from the LHINs without change, but is in the planning stages of determining a restructuring of the home health care contracts to reflect the dissolution of the LHINs. Although the ultimate treatment of these contracts is not yet known, ParaMed may be adversely impacted by such HCCSS restructuring. 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 83% 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**

Approximately 76% of the Company's employees 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 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. Extencare 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, including in respect of CEWS, 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 \$72.8 million was available and unutilized as at December 31, 2021. 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 Extencicare'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, 2021. 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 and it is unable to amend the covenants, obtain waivers or refinance its debt 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.

### **INTEREST RATES**

The Company has limited the amount of debt that may be subject to changes in interest rates, with only \$22.0 million of mortgage debt and \$45.5 million of construction loans at variable rates as at December 31, 2021. 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 \$85.2 million as at December 31, 2021, 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. As at December 31, 2021, 58 of the Company's 69 homes, including the five LTC homes in Saskatchewan, 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 2021, the company incurred \$14.1 million in maintenance capex, and expects to spend in the range of \$15.0 million to \$17.0 million in 2022 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 \$12.2 million undiscounted, or \$11.3 million discounted, as at December 31, 2021, 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 Climate Change**

As the owner of LTC homes and retirement communities, the Company is exposed to climate change risk from natural disasters and severe weather, such as floods, ice storms, windstorms, earthquakes, wildfires or other severe weather that may result in damage or loss to its properties, as well as to those LTC homes and retirement communities to whom it provides contract services. These adverse weather and natural events could cause substantial damage, resulting in increased costs and/or revenue losses. There can be no assurance that damages or losses caused by these adverse weather and natural events will not exceed the Company's insurance coverage. Climate change may also have indirect effects on our business by increasing the cost of, or making unavailable, certain insurance coverage.

Over time, climate change may also affect the Company's operational expenses, including utilities and preventative maintenance expenses, as temperatures fluctuate. In addition, changes in federal, provincial or local legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties and could also require the Company to spend more on its new development properties without a corresponding increase in funding or revenue.

## **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, Extencicare (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.

---

### **Endnotes**

---

- (1) This is a non-GAAP financial measure. Refer to the discussion under “Non-GAAP Measures”.
- (2) Comparative figures have been re-presented to reflect discontinued operations. Refer to the discussion under “Discontinued Operations”.



# **CONSOLIDATED FINANCIAL STATEMENTS AND NOTES**

Year ended December 31, 2021

Extendicare Inc.  
Dated: February 24, 2022



# Extendicare Inc.

## Consolidated Financial Statements

Years ended December 31, 2021 and 2020

Management’s Responsibility for Consolidated Financial Statements .....	1
Independent Auditors’ Report .....	2
Consolidated Financial Statements .....	8
<b>Notes to the Consolidated Financial Statements</b>	
1 General Information and Nature of the Business .....	13
2 Basis of Preparation .....	13
3 Significant Accounting Policies .....	14
4 Accounts Receivable .....	22
5 Property and Equipment .....	22
6 Goodwill and Other Intangible Assets .....	23
7 Other Assets .....	24
8 Provisions .....	25
9 Long-term Debt .....	26
10 Other Long-term Liabilities .....	28
11 Share-based Compensation .....	29
12 Share Capital .....	30
13 Revenue .....	31
14 Expenses by Nature .....	31
15 Other Expense .....	31
16 Net Finance Costs .....	32
17 Earnings per Share .....	33
18 Discontinued Operations .....	33
19 Income Taxes .....	36
20 Commitments and Contingencies .....	37
21 Employee Benefits .....	38
22 Management of Risks and Financial Instruments .....	40
23 Capital Management .....	44
24 Related Party Transactions .....	45
25 Segmented Information .....	45
26 Significant Subsidiaries .....	47
27 Subsequent Event .....	47

## 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 24, 2022



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

(Hereinafter referred to as the “financial statements”).

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

### **Basis for Opinion**

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

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

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

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



### ***Key Audit Matters***

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

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

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

#### ***Description of the matter***

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

Significant assumptions in determining the recoverable amount of CGUs include:

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

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

#### ***Why the matter is a key audit matter***

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





***How the matter was addressed in the audit***

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

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

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

***Evaluation of the goodwill impairment assessment of the home health care CGU***

***Description of the matter***

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

***Why the matter is a key audit matter***

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

***How the matter was addressed in the audit***

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

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



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

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

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

#### ***Other Information***

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

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

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

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

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

We have nothing to report in this regard.

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



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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

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

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

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

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



**Alan D. Torrie**  
Chairman



**Michael Guerriere**  
President and Chief Executive Officer

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

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

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

## Extendicare Inc.

### Consolidated Statements of Comprehensive Income

Years ended December 31

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

*See accompanying notes to consolidated financial statements.*

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

<i>(in thousands of Canadian dollars, except for number of shares)</i>	<i>notes</i>	<i>Number of shares</i>	<i>Share capital</i>	<i>Equity portion of convertible debentures</i>	<i>Contributed surplus</i>	<i>Accumulated deficit</i>	<i>Accumulated other comprehensive loss</i>	<i>Shareholders' equity</i>
Balance at January 1, 2020		89,232,512	498,116	7,085	3,675	(382,189)	(11,273)	115,414
DRIP	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)
<b>Balance at December 31, 2020</b>		<b>89,539,085</b>	<b>500,577</b>	<b>7,085</b>	<b>4,916</b>	<b>(370,963)</b>	<b>(13,427)</b>	<b>128,188</b>
<i>(in thousands of Canadian dollars, except for number of shares)</i>	<i>notes</i>	<i>Number of shares</i>	<i>Share capital</i>	<i>Equity portion of convertible debentures</i>	<i>Contributed surplus</i>	<i>Accumulated deficit</i>	<i>Accumulated other comprehensive loss</i>	<i>Shareholders' equity</i>
<b>Balance at January 1, 2021</b>		<b>89,539,085</b>	<b>500,577</b>	<b>7,085</b>	<b>4,916</b>	<b>(370,963)</b>	<b>(13,427)</b>	<b>128,188</b>
Share-based compensation	11	23,414	300	—	3,266	—	—	3,566
Net earnings		—	—	—	—	11,504	—	11,504
Dividends declared		—	—	—	—	(42,994)	—	(42,994)
Other comprehensive gain		—	—	—	—	—	1,659	1,659
<b>Balance at December 31, 2021</b>		<b>89,562,499</b>	<b>500,877</b>	<b>7,085</b>	<b>8,182</b>	<b>(402,453)</b>	<b>(11,768)</b>	<b>101,923</b>

See accompanying notes to consolidated financial statements.



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

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

See accompanying notes to consolidated financial statements.

## 1. GENERAL INFORMATION AND NATURE OF THE BUSINESS

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

## 2. BASIS OF PREPARATION

### a) Statement of Compliance

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

### b) Basis of Measurement

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

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

### c) Use of Estimates and Judgement

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

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

In March 2020, a global pandemic was declared related to a new strain of coronavirus (“COVID-19”). In response, the federal and provincial governments and public health officials initiated a number of measures to mitigate against the severity and spread of the virus. The federal and provincial governments have announced various programs and financial assistance to address the increased costs and other challenges and management continue to assess the extent to which they may impact our results. As at December 31, 2021, it continues to be the case that any estimate of the length and severity of these impacts is therefore subject to significant uncertainty, and accordingly estimates of the extent to which COVID-19 may materially and adversely affect the Company’s operations, financial results and condition in future periods are also subject to significant uncertainty. The areas of estimation and judgement uncertainty for the Company which may be impacted by the uncertainty of COVID-19 continue to include estimates used to determine the recoverable amounts for long-lived assets and goodwill subject to an impairment test which rely on the outlook for future financial performance of the cash generating unit (“CGU”).

The more subjective estimates are:

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

The assessment of contingencies and provisions are subject to judgement.

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

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **a) Basis of Consolidation**

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

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

#### **b) Foreign Currency**

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

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

#### **c) Cash and Cash Equivalents**

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

#### **d) Property and Equipment**

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

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

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

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

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

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

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

## e) Government Grants

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

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

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

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

## f) Leases

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

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

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

## g) Goodwill and Other Intangible Assets

### GOODWILL

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

### OTHER INTANGIBLE ASSETS

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

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

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

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

Customer relationships <sup>(1)</sup>	15 years
Non-compete agreements	Term of the agreement
Lifetime leases	12 to 13 years
Computer software licences	5 to 7 years
Internal development costs for software	Useful life of software

<sup>(1)</sup> Acquired in connection with the purchase of a Canadian home health care business representing the intangible asset underlying the various contracts in the business.

## h) Impairment

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

### NON-FINANCIAL ASSETS

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

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

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

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

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

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

## **FINANCIAL ASSETS**

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

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

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

### **i) Employee Benefits**

#### **DEFINED BENEFIT PLANS**

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

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

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

#### **DEFINED CONTRIBUTION PLANS**

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

#### **SHORT-TERM EMPLOYEE BENEFITS**

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

### **j) Share-Based Compensation**

#### **EQUITY-SETTLED LONG-TERM INCENTIVE PLANS**

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

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

## **k) Provisions**

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

### **DECOMMISSIONING PROVISIONS**

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

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

## **l) Fair Value Measurement**

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

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

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

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

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

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

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

## **m) Financial Instruments**

### **FINANCIAL ASSETS AND LIABILITIES**

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

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

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

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

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

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

### **DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

## **n) Revenue**

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

### ***i. Long-term Care***

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

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

### ***ii. Home Health Care***

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



**iii. Retirement Living**

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

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

**iv. Other Services**

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

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

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

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

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

**p) Income Taxes**

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

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

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

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

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

**q) Assets and Liabilities Held for Sale and Discontinued Operations**

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

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

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

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

## **r) Segmented Reporting**

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

## **s) New Accounting Policy Adopted**

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

## **t) Future Changes in Accounting Policies**

### **Derecognition of Financial Liabilities**

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

### **Classification of Liabilities as Current or Non-current**

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

### **Disclosure Initiative - Accounting Policies**

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

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

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

**4. ACCOUNTS RECEIVABLE**

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

**5. PROPERTY AND EQUIPMENT**

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

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

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

## 6. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
<b>Cost or Deemed Cost</b>			
<b>January 1, 2020</b>	51,675	62,150	113,825
Additions	—	4,906	4,906
Write-off of fully amortized assets	—	(108)	(108)
<b>December 31, 2020</b>	<b>51,675</b>	<b>66,948</b>	<b>118,623</b>
<b>January 1, 2021</b>	<b>51,675</b>	<b>66,948</b>	<b>118,623</b>
Additions	—	16,365	16,365
Write-off of fully amortized assets	—	(4,827)	(4,827)
Impairment ( <i>Note 15</i> )	(5,825)	—	(5,825)
<b>December 31, 2021</b>	<b>45,850</b>	<b>78,486</b>	<b>124,336</b>

	Goodwill	Other Intangible Assets	Total
<b>Accumulated Amortization</b>			
<b>January 1, 2020</b>	—	23,951	23,951
Additions	—	6,602	6,602
Write-off of fully amortized assets	—	(108)	(108)
<b>December 31, 2020</b>	—	30,445	30,445
<b>January 1, 2021</b>	—	30,445	30,445
Additions	—	6,234	6,234
Write-off of fully amortized assets	—	(4,827)	(4,827)
<b>December 31, 2021</b>	—	31,852	31,852
<b>Carrying amounts</b>			
At December 31, 2020	51,675	36,503	88,178
<b>At December 31, 2021</b>	<b>45,850</b>	<b>46,634</b>	<b>92,484</b>

## 7. OTHER ASSETS

	2021	2020
Construction funding subsidy receivable	36,271	42,061
Supply inventory	11,127	22,012
Prepaid, deposits and other	11,962	13,286
	59,360	77,359
less: current portion	(26,468)	(40,226)
	32,892	37,133

### Construction Funding Subsidy Receivable

Construction funding subsidy receivable represents discounted amounts receivable due from the Government of Ontario with respect to construction funding subsidies for long-term care homes, totalling \$36.3 million (December 31, 2020 – \$42.1 million) of which \$4.1 million (December 31, 2020 – \$5.6 million) is current. These subsidies represent funding for a portion of long-term care home construction costs over a 20-year or 25-year period. The weighted average remaining term of this funding is 15 years.

### Supply Inventory

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

**8. PROVISIONS**

	Accrual for Self-insured	Indemnification Provisions	Decommissioning Provisions	Total
<b>January 1, 2020</b>	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
<b>December 31, 2020</b>	—	5,217	9,717	14,934
Less: current portion	—	(4,367)	—	(4,367)
	—	850	9,717	10,567
<b>January 1, 2021</b>	—	<b>5,217</b>	<b>9,717</b>	<b>14,934</b>
Provisions recorded/(released)	—	<b>(3,688)</b>	<b>1,413</b>	<b>(2,275)</b>
Provisions used	—	<b>(1,510)</b>	<b>(13)</b>	<b>(1,523)</b>
Accretion	—	—	195	195
Effect of movements in exchange rates	—	<b>(19)</b>	—	<b>(19)</b>
<b>December 31, 2021</b>	—	—	<b>11,312</b>	<b>11,312</b>

**Accrual for Self-Insured Liabilities**

The obligation to settle U.S. self-insured general and professional liability claims relating to the period prior to the closing of the sale of the U.S. business in 2015 (the “U.S. Sale Transaction”), including claims incurred but yet to be reported, remained with the Company, and was funded through the Captive.

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

**Indemnification Provisions**

As a result of the U.S. Sale Transaction, the Company agreed to indemnify certain obligations of the U.S. operations related to tax, a corporate integrity agreement, and other items. Any revisions to these estimates are recorded as a part of discontinued operations (*Note 18*). Management reviewed recent activity and assessed the potential for further amounts owing related to the indemnification provisions and determined that the remaining provisions could be released. As at December 31, 2021, there is no provision remaining related to the indemnification (December 31, 2020 – \$5.2 million or US\$4.1 million).

**Decommissioning Provisions**

The decommissioning provisions relate to possible asbestos remediation of the Company’s pre-1980 constructed homes. An estimated undiscounted cash flow amount of approximately \$12.2 million (December 31, 2020 – \$10.2 million) was discounted using a rate of 1.32% (December 31, 2020 – 0.48%) over an estimated time to settle of 5 years.

**9. LONG-TERM DEBT**

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

**Principal Repayments**

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

**Long-term Debt Continuity**

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

**Convertible Unsecured Subordinated Debentures**

In April 2018, the Company issued \$126.5 million aggregate principal amount of 5.00% convertible unsecured subordinated debentures due April 30, 2025 (the "2025 Debentures"), with a conversion price of \$12.25 per Common Share. The initial offering for \$110.0 million of the 2025 Debentures closed on April 17, 2018, and the exercise of the over-allotment option

for \$16.5 million debentures closed on April 25, 2018. The debt and equity components of the 2025 Debentures were bifurcated as the financial instrument is considered a compound instrument with \$119.2 million classified as a liability and the residual \$7.3 million classified as equity attributable to the conversion option. The liability portion of the 2025 Debentures is recorded at amortized cost. The fees and transaction costs allocated to the debt component are amortized over the term of the 2025 Debentures using the effective interest rate method and are recognized as part of net finance costs.

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

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

### **CMHC Mortgages**

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

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

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

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

### **Non-CMHC Mortgages**

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

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

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

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

### **Construction Loans**

Construction loans of \$48.0 million are available for two retirement communities providing for additional letter of credit facilities of \$0.8 million and \$1.0 million, at rates ranging from 2.48% to 2.73% if utilized. Construction loans are interest-only based on 30-day banker’s acceptance (“BA”) plus 2.25% to 2.50%, with no standby fee. These construction loans are payable on demand and, in any event, are to be fully repaid by the earlier of achieving stabilized occupancy as defined by the agreements or March 2024.

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



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

In 2021, the Company secured construction facilities in connection with three LTC redevelopment projects. These facilities total \$156.6 million and each facility matures on the earlier of 42 months from closing or the date that they are refinanced following completion or lease-up. Interest rates are prime plus 1.25% or CDOR plus 2.75% with standby fees of 0.55%. The facilities also provide for an additional \$6.0 million in letter of credit facilities. Interest is capitalized during construction and is payable following completion of construction until maturity.

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

### Lease Liabilities

Lease liabilities as at December 31, 2021 include leases on long-term care homes and head and district offices. The Company operates nine Ontario long-term care homes, which were built between 2001 and 2003, under 25-year lease arrangements. The liabilities associated with the head and district office leases is amortized over the remaining lease terms ranging up to 13 years.

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

### Credit Facilities

The Company has two demand credit facilities totalling \$112.3 million. One is secured by 13 Class C long-term care homes in Ontario and the other is secured by the assets of the home health care business. Neither of these facilities has financial covenants but do contain normal and customary terms. As at December 31, 2021, \$33.7 million of the facilities secure the Company's defined benefit pension plan obligations (December 31, 2020 – \$35.6 million), \$5.8 million was used in connection with obligations relating to long-term care homes and retirement communities (December 31, 2020 – \$5.4 million), leaving \$72.8 million unutilized (December 31, 2020 – \$71.3 million).

### Interest Rates

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

### Financial Covenants

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

## 10. OTHER LONG-TERM LIABILITIES

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

### Interest Rate Swaps

The interest rate swaps include swap contracts relating to mortgages, with notional amounts totalling \$85.2 million (December 31, 2020 – \$88.1 million), to lock in the rates between 3.11% and 5.04% for the full term of the loans being three to ten years.

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

As at December 31, 2021, the interest rate swaps were valued as a liability of \$0.7 million (December 31, 2020 – \$2.6 million).

## 11. SHARE-BASED COMPENSATION

### Equity-settled Long-term Incentive Plan

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

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

During the year-ended December 31, 2021, the Company settled PSUs totalling 40,892, of which 17,478 were settled in cash to cover withholding taxes payable (\$0.1 million) and 23,414 were settled with Common Shares issued from treasury. During the year ended December 31, 2020, the Company settled PSUs and DSUs totalling 104,387, of which 29,627 were settled in cash to cover withholding taxes payable (\$0.2 million) and 74,760 were settled with Common Shares issued from treasury.

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

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

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

As at December 31, 2021, an aggregate of 4,240,738 Common Shares are reserved and available for issuance pursuant to the LTIP.

DSU and PSU activity is as follows:

	Deferred Share Units		Performance Share Units	
	2021	2020	2021	2020
Units outstanding, beginning of period	381,731	337,029	695,087	399,521
Granted	98,204	98,721	471,712	334,214
Reinvested dividend equivalents	27,876	25,136	63,983	48,791
Forfeited	—	—	(13,617)	(62,207)
Settled	—	(79,155)	(40,892)	(25,232)
Units outstanding, end of period	<b>507,811</b>	381,731	<b>1,176,273</b>	695,087
Weighted average fair value of units granted during the period at grant date	<b>\$7.72</b>	\$5.76	<b>\$7.36</b>	\$7.41

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

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

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

## 12. SHARE CAPITAL

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

### Common Shares

Each Common Share is transferable and represents an equal and undivided beneficial interest in the assets of the Company. Each Common Share entitles the holder to one vote at all meetings of shareholders of the Company. Shareholders are entitled to receive dividends from the Company if, as and when declared by the Board. During the year ended December 31, 2021 and 2020, the Company declared cash dividends of \$0.48 per share.

### Dividend Reinvestment Plan

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

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

### Normal Course Issuer Bid ("NCIB")

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

**13. REVENUE**

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

<sup>(i)</sup> Comparative figures have been re-presented to reflect discontinued operations (Notes 3, 18).

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

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

**14. EXPENSES BY NATURE**

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

<sup>(i)</sup> Comparative figures have been re-presented to reflect discontinued operations (Notes 3, 18).

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy ("CEWS") program, which was designed to help Canadian employers that have experienced revenue declines to re-hire workers laid off as a result of COVID-19, help prevent further job losses and better position the employers to resume normal operations after the COVID-19 pandemic. The Company's home health care subsidiary, ParaMed Inc., applied for and received CEWS during the year ended December 31, 2021 in respect of the six claim periods under the CEWS program between December 20, 2020 and June 5, 2021. Payments under the CEWS program are accounted for as government grants under IAS 20 and are recorded on a net basis as a reduction to operating expenses of the home health care segment, thereby impacting the home health care segment net operating income for the year ended December 31, 2021.

**15. OTHER EXPENSE**

	2021	2020
Impairment (Note 5, 6)	14,969	2,780
Other costs (Note 21)	—	2,486
	<b>14,969</b>	<b>5,266</b>

**Impairment**

## a) Goodwill &amp; Indefinite Life Intangibles

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

## b) Property and Equipment

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

During the year ended December 31, 2020, the Company recorded a pre-tax impairment charge of \$2.8 million (\$2.0 million after tax), in respect of certain of its retirement communities in that were acquired in early 2016 and had not performed as expected, primarily due to competitive market conditions, impacting rates, occupancy and labour and benefit costs.

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

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

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

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

**Other Costs**

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

**16. NET FINANCE COSTS**

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

<sup>(i)</sup> Comparative figures have been re-presented to reflect discontinued operations (*Notes 3, 18*).

**Foreign Exchange**

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

**Fair Value Adjustments**

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

## 17. EARNINGS PER SHARE

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

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

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

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

<sup>(i)</sup> Comparative figures have been re-presented to reflect discontinued operations (Notes 3, 18).

## 18. DISCONTINUED OPERATIONS

### Saskatchewan LTC Homes

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

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

### U.S. Sale Transaction

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

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

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

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

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

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

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

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

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

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

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

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

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



## 19. INCOME TAXES

### Effective Tax Rate

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

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

<sup>(i)</sup> Comparative figures have been re-presented to reflect discontinued operations (Notes 3, 18).

### Summary of Operating and Capital Loss Carryforwards

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

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

### Recognized Deferred Tax Assets and Liabilities

Net deferred tax liabilities comprise the following:

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

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

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

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

  

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

<sup>(i)</sup> Comparative figures have been re-presented to reflect discontinued operations (Notes 3, 18).

## 20. COMMITMENTS AND CONTINGENCIES

### Commitments

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

### Legal Proceedings and Regulatory Actions

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

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

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

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

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

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

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

## 21. EMPLOYEE BENEFITS

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

### Defined Benefit Plans

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

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

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

### FUNDING

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

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

**DEFINED BENEFIT OBLIGATIONS**

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

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

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

**EFFECT OF CHANGES TO DEFINED BENEFIT OBLIGATIONS**

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

**PLAN ASSETS**

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

**ACTUARIAL ASSUMPTIONS**

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

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

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

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

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

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

**Defined Contribution Plans**

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

**22. MANAGEMENT OF RISKS AND FINANCIAL INSTRUMENTS****(a) Management of Risks****LIQUIDITY RISK**

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

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

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

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

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

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

#### **CREDIT RISK**

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

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

#### **Cash and Cash Equivalents**

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

#### **Restricted Cash**

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

#### **Accounts Receivable, Net of Allowance**

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

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

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

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

The aging analysis of these trade receivables is as follows:

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

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

#### **Notes and Amounts Receivable**

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

#### **CURRENCY RISK**

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

	2021		2020	
	US\$	C\$	US\$	C\$
Assets				
Current assets	11,759	14,861	13,664	17,387
Liabilities				
Current liabilities	820	1,036	4,142	5,270
Indemnification provisions	—	—	668	850
Non-current liabilities	—	—	551	701
Net asset exposure	10,939	13,825	8,303	10,566

#### **INTEREST RATE RISK**

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

To mitigate interest rate risk, the Company's debt portfolio includes fixed-rate debt and variable-rate debt with interest rate swaps in place. At December 31, 2021, CMHC variable-rate mortgages of \$22.0 million and construction loans of \$45.5 million (December 31, 2020 – \$22.9 million and \$43.1 million respectively) are variable-rate debt, which do not have interest rate swaps in place. The Company's credit facility, and future borrowings, may be at variable rates which would expose the Company to the risk of interest rate volatility (*Note 9*).

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

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

	Carrying Amount	
	2021	2020
Fixed-rate long-term debt <sup>(i)</sup>	478,889	508,801
Variable-rate long-term debt <sup>(i)</sup>	67,467	65,982
<b>Total</b>	<b>546,356</b>	<b>574,783</b>

<sup>(i)</sup> Includes current portion and excludes netting of deferred financing costs.

#### **Fair Value Sensitivity Analysis for Variable-rate Instruments**

All long-term debt with variable rates are classified as other financial liabilities, which are measured at amortized cost using the effective interest method of amortization; therefore, changes in interest rates would not affect OCI or net earnings with respect to variable-rate debt. As at December 31, 2021, long-term debt with variable rates represented 12.3% of total debt (December 31, 2020 – 11.5%). The value of the interest rate swaps is subject to fluctuations in interest rates, changes in fair value of these swaps are recognized in net earnings.

#### **Cash Flow Sensitivity Analysis for Variable-rate Instruments**

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

#### **(b) Fair values of Financial Instruments**

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

<sup>(i)</sup> Includes primarily amounts receivable from government.

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

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



As at December 31, 2020	Amortized Cost	Fair Value through Profit and Loss	Total Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:					
Cash and cash equivalents	179,956	—	179,956	179,956	Level 1
Restricted cash	2,509	—	2,509	2,509	Level 1
Accounts receivable	58,328	—	58,328	58,328	N/A
Amounts receivable and other assets <sup>(i)(ii)</sup>	42,061	—	42,061	43,485	Level 2
	282,854	—	282,854	284,278	
Financial liabilities:					
Accounts payable	16,482	—	16,482	16,482	N/A
Interest rate swaps	—	2,573	2,573	2,573	Level 2
Long-term debt <sup>(ii)(iii)</sup>	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	

<sup>(i)</sup> Includes primarily amounts receivable from government.

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

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

### BASIS FOR DETERMINING FAIR VALUES

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

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

### FAIR VALUE HIERARCHY

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

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

## 23. CAPITAL MANAGEMENT

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

## Capital Structure

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

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

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

## 24. RELATED PARTY TRANSACTIONS

### Compensation of Key Management Personnel

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

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

## 25. SEGMENTED INFORMATION

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

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

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

						<b>2021</b>
<i>(in thousands of Canadian dollars)</i>	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
<b>CONTINUING OPERATIONS</b>						
Revenue	728,655	49,771	410,559	27,773	—	1,216,758
Operating expenses	661,368	36,395	361,002	11,647	—	1,070,412
<b>Net operating income</b>	<b>67,287</b>	<b>13,376</b>	<b>49,557</b>	<b>16,126</b>	<b>—</b>	<b>146,346</b>
Administrative costs					52,431	52,431
<b>Earnings before depreciation, amortization, and other expense</b>						<b>93,915</b>
Depreciation and amortization					37,877	37,877
Other expense					14,969	14,969
<b>Earnings before net finance costs and income taxes</b>						<b>41,069</b>
Net finance costs					25,032	25,032
<b>Earnings before income taxes</b>						<b>16,037</b>
<b>Income tax expense (recovery)</b>						
Current					8,544	8,544
Deferred					(1,519)	(1,519)
Total income tax expense					7,025	7,025
<b>Earnings from continuing operations</b>						<b>9,012</b>
<b>DISCONTINUED OPERATIONS (Note 18)</b>						
Earnings from discontinued operations, net of income taxes						2,492
<b>Net earnings</b>						<b>11,504</b>
						<b>2020<sup>(i)</sup></b>
<i>(in thousands of Canadian dollars)</i>	Long-term Care	Retirement Living	Home Health Care	Other Operations	Corporate	Total
<b>CONTINUING OPERATIONS</b>						
Revenue	660,801	47,801	368,189	26,753	—	1,103,544
Operating expenses	610,107	34,032	268,273	10,101	—	922,513
<b>Net operating income</b>	<b>50,694</b>	<b>13,769</b>	<b>99,916</b>	<b>16,652</b>	<b>—</b>	<b>181,031</b>
Administrative costs					48,959	48,959
<b>Earnings before depreciation, amortization, and other expense</b>						<b>132,072</b>
Depreciation and amortization					38,085	38,085
Other expense					5,266	5,266
<b>Earnings before net finance costs and income taxes</b>						<b>88,721</b>
Net finance costs					30,036	30,036
<b>Earnings before income taxes</b>						<b>58,685</b>
<b>Income tax expense (recovery)</b>						
Current					21,623	21,623
Deferred					(5,388)	(5,388)
Total income tax expense					16,235	16,235
<b>Earnings from continuing operations</b>						<b>42,450</b>
<b>DISCONTINUED OPERATIONS (Note 18)</b>						
Earnings from discontinued operations, net of income taxes						11,739
<b>Net earnings</b>						<b>54,189</b>

<sup>(i)</sup> Comparative figures have been re-presented to reflect discontinued operations (Notes 3, 18).

## 26. SIGNIFICANT SUBSIDIARIES

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

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

## 27. SUBSEQUENT EVENTS

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

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

## **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 | T: 800.564.6253 F: 866.249.7775 | E: [service@computershare.com](mailto:service@computershare.com) | [www.computershare.com](http://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](http://www.extendicare.com)**



**EXTENDICARE**<sup>®</sup>  
... helping people live better

3000 Steeles Avenue East, Suite 400, Markham, Ontario, Canada L3R 4T9  
T 905.470.4000 F 905.470.5588 [www.extendicare.com](http://www.extendicare.com)