CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Six Months Ended June 30, 2016

Dated: August 11, 2016

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Extendicare Inc.

Interim Condensed Consolidated Statements of Financial Position

(unaudited)

(in thousands of Canadian dollars)	*notes*	**June 30, 2016**	December 31, 2015
Assets			
Current assets			
Cash and short-term investments		**38,608**	103,622
Restricted cash		**4,532**	2,509
Accounts receivable		**45,004**	52,678
Income taxes recoverable		**2,043**	77
Assets held for sale	*5*	**12,482**	-
Other assets	*7*	**37,288**	52,485
Total current assets		**139,957**	211,371
Non-current assets			
Property and equipment	*6*	**453,023**	426,191
Goodwill and other intangible assets		**93,610**	96,354
Other assets	*7*	**243,883**	283,044
Deferred tax assets		**13,982**	9,987
Total non-current assets		**804,498**	815,576
Total Assets	*21*	**944,455**	1,026,947
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**128,009**	139,807
Income taxes payable		**5,476**	11,679
Long-term debt	*9*	**46,657**	25,395
Liabilities held for sale	*5*	**1,082**	-
Provisions	*8*	**32,680**	41,139
Total current liabilities		**213,904**	218,020
Non-current liabilities			
Long-term debt	*9*	**399,855**	428,679
Provisions	*8*	**117,606**	146,975
Other long-term liabilities	*10*	**36,461**	47,983
Deferred tax liabilities		**15,874**	13,161
Total non-current liabilities		**569,796**	636,798
Total liabilities	*21*	**783,700**	854,818
Share capital	*12*	**486,936**	483,385
Equity portion of convertible debentures		**5,573**	5,573
Contributed surplus		**396**	-
Accumulated deficit		**(334,721)**	(315,051)
Accumulated other comprehensive income (loss)		**2,571**	(1,778)
Shareholders' Equity		**160,755**	172,129
Total Liabilities and Equity		**944,455**	1,026,947

See accompanying notes to unaudited condensed consolidated financial statements.

Commitments and contingencies (note 18).

Subsequent events (note 9 and 22).

Extendicare Inc.
Interim Condensed Consolidated Statements of Earnings (Loss)
(unaudited)

(in thousands of Canadian dollars except for per share amounts)	*notes*	**Three months ended June 30** **2016**	2015	**Six months ended June 30** **2016**	2015
CONTINUING OPERATIONS					
Revenue					
Long-term care		**149,960**	146,808	**298,720**	290,287
Retirement living		**3,687**	-	**7,038**	-
Home health care		**101,951**	83,117	**199,567**	128,744
Management, consulting and other		**5,827**	4,433	**10,483**	8,102
Total revenue	*21*	**261,425**	234,358	**515,808**	427,133
Operating expenses		**226,678**	203,219	**454,466**	372,629
Administrative costs		**6,458**	7,247	**14,865**	14,117
Lease costs		**1,642**	1,508	**3,313**	2,646
Total expenses	*13*	**234,778**	211,974	**472,644**	389,392
Earnings before depreciation, amortization, and other expense		**26,647**	22,384	**43,164**	37,741
Depreciation and amortization		**7,753**	5,830	**14,900**	10,730
Other expense	*14*	**205**	1,590	**2,341**	2,489
Earnings before net finance costs and income taxes		**18,689**	14,964	**25,923**	24,522
Interest expense		**6,306**	9,035	**13,266**	16,390
Accretion of decommissioning provisions		**87**	87	**174**	174
Other accretion		**529**	517	**1,079**	1,034
Loss on foreign exchange and financial instruments	*15*	**801**	-	**4,756**	-
Interest revenue		**(2,631)**	(737)	**(5,393)**	(1,585)
Net finance costs		**5,092**	8,902	**13,882**	16,013
Earnings before income taxes		**13,597**	6,062	**12,041**	8,509
Income tax expense (recovery)					
Current		**3,560**	2,645	**5,722**	5,800
Deferred		**342**	(561)	**(1,893)**	(2,526)
Total income tax expense		**3,902**	2,084	**3,829**	3,274
Earnings from continuing operations		**9,695**	3,978	**8,212**	5,235
DISCONTINUED OPERATIONS					
Earnings (loss) from discontinued operations, net of income taxes	*17*	**(4,947)**	(5,496)	**(6,712)**	2
Net earnings (loss)		**4,748**	(1,518)	**1,500**	5,237
Basic and Diluted Earnings (Loss) per Share					
Earnings from continuing operations	*16*	**0.11**	0.05	**0.09**	0.06
Net earnings (loss)	*16*	**0.06**	(0.02)	**0.02**	0.06

See accompanying notes to unaudited condensed consolidated financial statements.

Extendicare Inc.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

	Three months ended June 30		Six months ended June 30	
(in thousands of Canadian dollars)	**2016**	2015	**2016**	2015
Net earnings (loss)	**4,748**	(1,518)	**1,500**	5,237
Other comprehensive income (loss), net of income taxes				
Items that will not be reclassified to profit or loss:				
Defined benefit plan actuarial gains (losses), net of tax expense of $602 and $42, respectively, for 2016 and 2015	**35**	1,938	**1,670**	118
Total items that will not be reclassified to profit or loss	**35**	1,938	**1,670**	118
Items that are or may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale securities, net of tax of nil for 2016 and 2015	**2,560**	(833)	**5,470**	268
Reclassification of realized gains on available-for-sale securities to earnings, net of tax of nil for 2016 and 2015	**(903)**	-	**(907)**	-
Net change in foreign currency translation adjustment	**(188)**	(2,482)	**(1,884)**	11,418
Total items that are or may be reclassified subsequently to profit or loss	**1,469**	(3,315)	**2,679**	11,686
Other comprehensive income (loss), net of tax	**1,504**	(1,377)	**4,349**	11,804
Total comprehensive income (loss)	**6,252**	(2,895)	**5,849**	17,041

See accompanying notes to unaudited condensed consolidated financial statements.

Extendicare Inc.
Interim Condensed Consolidated Statements of Changes in Equity
(unaudited)

(in thousands of Canadian dollars)	Six months ended June 30			
	2016		2015	
	Number of Shares	***Amount***	*Number of Shares*	*Amount*
Share capital				
Balance at January 1	***87,953,291***	**483,385**	*88,195,076*	482,950
DRIP	***413,999***	**3,551**	*467,016*	3,217
Purchase of shares for cancellation	-	**-**	*(1,046,889)*	(5,735)
Balance at end of period	***88,367,290***	**486,936**	*87,615,203*	480,432
Equity portion of convertible debentures				
Balance at January 1		**5,573**		5,573
Balance at end of period		**5,573**		5,573
Contributed surplus				
Balance at January 1		**-**		48
Purchase of shares for cancellation in excess of book value		**-**		(48)
Share-based compensation		**396**		-
Balance at end of period		**396**		-
Accumulated deficit				
Balance at January 1		**(315,051)**		(503,143)
Net earnings (loss)		**1,500**		5,237
Dividends declared		**(21,166)**		(21,056)
Purchase of shares for cancellation in excess of book value		**-**		(1,733)
Other		**(4)**		-
Balance at end of period		**(334,721)**		(520,695)
Accumulated other comprehensive income				
Other comprehensive income:				
Foreign currency translation differences for foreign operations				
Balance at January 1		**6,738**		14,813
Change in the period		**(1,884)**		11,418
Balance at end of period		**4,854**		26,231
Net change in fair value of available-for-sale financial assets, net of tax				
Balance at January 1		**3,349**		7,001
Unrealized change in the period		**5,470**		268
Net change reclassified to profit or loss		**(907)**		-
Balance at end of period		**7,912**		7,269
Defined benefit plan actuarial losses, net of tax				
Balance at January 1		**(11,865)**		(9,746)
Change in the period		**1,670**		118
Balance at end of period		**(10,195)**		(9,628)
Accumulated other comprehensive income		**2,571**		23,872
Shareholders' equity (deficiency)		**160,755**		(10,818)

See accompanying notes to unaudited condensed consolidated financial statements.

Extendicare Inc.
Interim Condensed Consolidated Statements of Cash Flows
(unaudited)

(in thousands of Canadian dollars)	Three months ended June 30 **2016**	2015	Six months ended June 30 **2016**	2015
Operating Activities				
Net earnings (loss)	**4,748**	(1,518)	**1,500**	5,237
Adjustments for:				
Depreciation and amortization	**8,018**	6,730	**16,090**	12,600
Expense for U.S. self-insured liabilities	**-**	25,649	**-**	34,495
Share-based compensation	**396**	-	**396**	-
Deferred taxes	**374**	(10,166)	**(2,276)**	(8,736)
Current taxes	**11,778**	7,888	**13,940**	10,077
Net finance costs	**4,293**	19,012	**9,135**	36,225
Other expense (income)	**(3,987)**	11,760	**(595)**	13,601
Loss on foreign exchange and financial instruments	**801**	(104)	**4,756**	535
Other	**-**	(14)	**-**	(14)
	26,421	59,237	**42,946**	104,020
Net change in operating assets and liabilities				
Accounts receivable	**(2,123)**	(10,769)	**(975)**	19,336
Other assets	**7,997**	3,166	**9,779**	(5,153)
Accounts payable and accrued liabilities	**(7,070)**	9,491	**(24,400)**	(4,692)
	25,225	61,125	**27,350**	113,511
Payments for U.S. self-insured liabilities	**(13,128)**	(12,855)	**(19,549)**	(21,705)
Interest paid	**(4,240)**	(13,834)	**(13,043)**	(31,880)
Interest received	**2,631**	773	**5,394**	1,694
Income taxes paid	**(2,648)**	(8,263)	**(13,223)**	(13,603)
Net cash from operating activities	**7,840**	26,946	**(13,071)**	48,017
Investing Activities				
Purchase of property, equipment and other intangible assets	**(9,647)**	(8,455)	**(12,155)**	(11,889)
Acquisitions *(note 4)*	**-**	(83,638)	**(40,500)**	(83,638)
Tax payments related to sale of U.S. operations	**(5,637)**	-	**(8,887)**	-
Net proceeds from dispositions	**-**	27,777	**-**	33,145
Decrease in investments held for self-insured liabilities	**13,026**	(15,657)	**19,396**	(12,453)
Decrease (increase) in other assets *(note 6)*	**1,013**	1,401	**14,233**	(599)
Net cash from investing activities	**(1,245)**	(78,572)	**(27,913)**	(75,434)
Financing Activities				
Issue of long-term debt, excluding line of credit	**2,254**	163,341	**2,254**	163,341
Repayment of long-term debt, excluding line of credit	**(5,217)**	(24,475)	**(10,487)**	(33,777)
Decrease (increase) in restricted cash	**1,613**	(3,127)	**2,477**	(3,946)
Purchase of securities for cancellation	**-**	(512)	**-**	(7,512)
Dividends paid	**(8,808)**	(8,886)	**(17,599)**	(17,862)
Financing costs	**(465)**	(2,326)	**(465)**	(2,947)
Net cash from financing activities	**(10,623)**	124,015	**(23,820)**	97,297
Increase (decrease) in cash and short-term investments	**(4,028)**	72,389	**(64,804)**	69,880
Cash and short-term investments at beginning of period	**42,526**	102,035	**103,622**	98,799
Foreign exchange gain (loss) on cash held in foreign currency	**110**	(1,212)	**(210)**	4,533
Cash and short-term investments at end of period	**38,608**	173,212	**38,608**	173,212
Less: cash of discontinued operations	**-**	(30,003)	**-**	(30,003)
Cash and short-term investments at end of period, continuing operations	**38,608**	143,209	**38,608**	143,209

See accompanying notes to unaudited condensed consolidated financial statements.

Notes to Unaudited Interim Condensed Consolidated Financial Statements
SIX MONTHS ENDED JUNE 30, 2016 AND 2015

Notes to Unaudited Interim Condensed Consolidated Financial Statements

SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Tabular amounts in thousands of Canadian dollars, unless otherwise noted)

1. GENERAL INFORMATION AND NATURE OF THE BUSINESS

Extendicare Inc. ("Extendicare" or the "Company") is a Canadian public company whose common shares (the "Common Shares") trade on the Toronto Stock Exchange (TSX) under the symbol "EXE". Extendicare and its predecessors have been operating since 1968, providing care and services to seniors in North America. The Company completed the sale of substantially all of its U.S. business, the operations of which were conducted through its wholly owned subsidiary, Extendicare Health Services, Inc. (EHSI), effective July 1, 2015, (the "U.S. Sale Transaction") (*note 17*). This transaction was part of the Company's strategic objective to be a leading provider of care and services for seniors focused solely in Canada. In addition, the Company completed the acquisition of a Canadian home health business on April 30, 2015, and six retirement communities since October 2015 (*note 4*).

In the 2016 second quarter, the board of directors of Extendicare (the "Board") concluded that the Company should dispose of its non-strategic wholly owned U.S. information technology hosting and professional services business, Virtual Care Provider, Inc. (VCPI), which had been retained following the 2015 U.S. Sale Transaction. As a result, the Company has classified VCPI's assets and liabilities as held for sale as at June 30, 2016, and has committed to a plan to dispose of VCPI within the next twelve months (see *notes 5 and 17*).

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

References to "Extendicare", the "Company", "we", "us" and "our" or similar terms refer to Extendicare Inc., either alone, or together with its subsidiaries. The registered office of Extendicare is located at 3000 Steeles Avenue East, Markham, Ontario, Canada, L3R 9W2.

2. BASIS OF PREPARATION

a) Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board (IASB), and were approved by the board of directors of Extendicare Inc. (the "Board") on August 11, 2016.

These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with Extendicare Inc.'s 2015 annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). These interim condensed consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2015.

b) Basis of Measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for financial assets and liabilities classified or designated at fair value through profit or loss or designated as available for sale that have been measured at fair value.

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

c) Use of Estimates and Judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the 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.

The more subjective of such estimates are:

- valuation of purchase price components for acquisitions (*note 4*);
- valuation of deferred consideration (*notes 7 and 19(b)*);
- determination of the recoverable amount of cash generating units (CGUs) subject to an impairment test (*note 17*);
- valuation of indemnification provisions (*notes 8 and 17*);
- valuation of self-insured liabilities (*note 8 and 17*);
- valuation of financial assets and liabilities (*note 19(b)*);
- valuation of share-based compensation (*note 11*); and
- accounting for tax uncertainties and the tax rates used for valuation of deferred taxes.

In addition, the assessment of contingencies (*note 18*) is subject to judgements.

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. FUTURE CHANGES IN ACCOUNTING POLICIES

The following new standards, amendments to standards and interpretations are effective for future annual periods, and have not been applied in preparing the financial results for the period ended June 30, 2016.

Leases

On January 16, 2016, the International Accounting Standards Board (IASB) published IFRS 16 "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has also been applied. The Company is currently assessing the potential impact of this standard on its consolidated financial statements.

Financial Instruments

On July 24, 2014, IFRS 9 "Financial Instruments" was issued (IFRS 9 (2014)), which addresses the classification, measurement and recognition of financial assets and financial liabilities.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgement to assess the effectiveness of a hedging relationship. The standard will be effective for annual periods beginning on or after January 1, 2018, and will be applied retrospectively with some exemptions. Early adoption is permitted, and restatement of prior periods is not required. The Company is currently assessing the potential impact of this standard on its consolidated financial statements.

Revenue Recognition

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers". The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the potential impact of the new standard on its consolidated financial statements.

4. ACQUISITIONS

During the 2015 fourth quarter and 2016 first quarter, the Company completed acquisitions of six retirement communities, all of which are accounted for as business combinations. These six retirement communities contributed revenue of $3.7 million, and nominal net operating income for the three months ended June 30, 2016, and revenue and net operating income of $7.0 million, and $0.4 million, respectively, for the six months ended June 30, 2016. For the period of ownership ending December 31, 2015, the acquired retirement communities contributed combined revenue of $1.2 million and net operating income of $0.3 million.

2016 Acquisition of Retirement Communities

WEST PARK CROSSING AND YORKTON CROSSING RETIREMENT COMMUNITIES

During the 2016 first quarter, the Company completed the acquisition of two retirement communities, which were accounted for as business combinations. There is no financial information for the period prior to the acquisitions in order to report the pro forma results from January 1, 2016, as these are newly built communities.

The preliminary purchase price allocation for the acquisition outlined below is based on management's estimate of fair values. The actual amount allocated to the identifiable net assets could vary as the purchase equation is finalized.

West Park Crossing Retirement Community (West Park) and Yorkton Crossing Retirement Community (Yorkton) were acquired on February 22, 2016, for an aggregate purchase price of $40.5 million, inclusive of income support. The properties, located in Moose Jaw and Yorkton, Saskatchewan, respectively, are newly built 79-suite communities offering independent, enhanced and memory care services. The vendor has provided Extendicare with income support over 27 months of up to $2.25 million on each community, for an aggregate of up to $4.5 million in income support. This amount was held back from the $40.5 million purchase price on closing, and is being released to Extendicare during the lease-up period based on an agreed-upon formula. The net amount of $36.0 million has been allocated to property and equipment.

2015 Acquisition of Retirement Communities

During the 2015 fourth quarter, the Company completed the acquisition of four retirement communities, which were all accounted for as business combinations. The Company does not have the financial information for the period prior to the acquisitions in order to report the pro forma results from January 1, 2015.

The final purchase price allocation for each acquisition outlined below is based on management's estimate of fair values.

Date of acquisition in 2015	October 1	December 1	December 1	December 1	Total
Location	Empire Crossing Ontario	Harvest Ontario	Stonebridge Crossing Saskatchewan	Riverbend Crossing Saskatchewan	
(in millions of Canadian dollars)	(64 suites)	(100 suites)	(116 suites)	(68 suites)	(348 suites)
Net assets acquired:					
Property and equipment	18.9	27.4	34.3	16.0	96.6
Trade payables and accrued liabilities	(0.1)	–	(0.1)	(0.1)	(0.3)
Total net assets acquired	$ 18.8	$ 27.4	$ 34.2	$ 15.9	$ 96.3
Consideration:					
Consideration	20.2	28.4	34.3	16.0	98.9
Income support	(1.3)	(1.0)	–	–	(2.3)
Working capital adjustment	(0.1)	–	(0.1)	(0.1)	(0.3)
Cash paid	$ 18.8	$ 27.4	$ 34.2	$ 15.9	$ 96.3

EMPIRE CROSSING RETIREMENT COMMUNITY

On October 1, 2015, the Company acquired Empire Crossing Retirement Community (Empire Crossing) for $20.2 million in cash, including $1.3 million of income support. Empire Crossing, located in Port Hope, Ontario, is a newly built 64-suite independent/enhanced living community that opened in May 2015. The vendor has provided Extendicare with income support of up to $1.3 million over 24 months, which has been held back from the $20.2 million purchase price, and is being released to Extendicare during the lease-up period based on an agreed upon formula.

HARVEST RETIREMENT COMMUNITY

On December 1, 2015, the Company acquired Harvest Retirement Community (Harvest) for $28.4 million. Harvest, located in Tillsonburg, Ontario, is a 64-suite independent/enhanced living community that opened in December 2011, and a newly constructed addition for a further 36 suites completed in December 2015. The vendor has provided Extendicare with income support over 24 months of up to $1.0 million. This amount was held back from the $28.4 million purchase price on closing, and is being released to Extendicare during the lease-up period on an agreed upon formula.

STONEBRIDGE CROSSING RETIREMENT COMMUNITY AND RIVERBEND CROSSING MEMORY CARE COMMUNITY

On December 1, 2015, the Company acquired two retirement communities in Saskatchewan for an aggregate purchase price of $50.3 million. Stonebridge Crossing, located in Saskatoon, is a newly built 116-suite independent/enhanced living community that opened in December 2012. Riverbend Crossing, located in Regina, is a newly built 68-suite senior care facility specializing in memory care that opened in August 2013.

Home Health Acquisition

On April 30, 2015, the Company completed the acquisition of a Canadian home health business (the "Home Health Acquisition"), pursuant to the terms of an acquisition agreement dated January 14, 2015, as amended, for $84.3 million in cash, which included an adjustment for working capital and settlement of amounts held in escrow.

The Home Health Acquisition was financed with a bridge loan of $80 million (the "Bridge Loan") and cash on hand. The Bridge Loan was repaid in full on July 2, 2015, from a portion of the proceeds from the U.S. Sale Transaction (*note 17*), and bore interest at an average interest rate of 5.93% per annum. Financing fees incurred of $1.4 million were recorded as part of the carrying value of the Bridge Loan and amortized using the effective interest method during the 2015 second quarter.

The final purchase price allocation outlined below is based on management's best estimate of fair values.

(in millions of Canadian dollars)	
Net assets acquired:	
Receivables	$ 14.2
Prepaids and other current assets	0.2
Property and equipment	2.7
Intangible assets	42.8
Trade payables and accrued liabilities	(13.2)
Deferred tax liability	(2.7)
Total identifiable net assets acquired	44.0
Goodwill	40.3
Total net assets acquired	$ 84.3
Consideration:	
Cash paid	$ 4.3
Bridge Loan	80.0
Total purchase price (including working capital adjustment)	$ 84.3

The fair value estimate of $2.7 million allocated to property and equipment, primarily consisted of furniture and equipment, leasehold improvements and computer hardware was estimated based on the carrying value approximating the fair value as at the acquisition date based on the nature and the age of these assets.

The fair value estimate of $42.8 million allocated to identifiable intangible assets acquired, primarily consisted of customer relationships, a non-competition agreement and computer software. The Company has estimated the fair value of customer relationships and the non-competition agreement based upon expected discounted cash flows generated from those assets; the estimated useful lives for these assets are 15 years and 5 years, respectively.

The remaining value inherent in this acquisition is recorded as goodwill and comes from the expanded platform, being a national provider of home health care services, future growth opportunities of both government and private-pay businesses, and access to further opportunities in additional provinces.

With respect to the remaining assets acquired and liabilities assumed, the Company has assessed their carrying value to approximate their fair value, based on the nature of those assets and liabilities.

The Company does not have the financial information for the period prior to the acquisition in order to report the pro forma results from January 1, 2015. For the three months ended June 30, 2016, the Home Health Acquisition contributed revenue of $50.5 million, net operating income of $5.1 million and additional lease costs of $0.5 million. For the six months ended June 30, 2016, the Home Health Acquisition contributed revenue of $98.6 million, net operating income of $8.5 million and additional lease costs of $1.0 million. For the eight months of ownership ending December 31, 2015, the Home Health Acquisition contributed revenue of $131.6 million, net operating income of $13.2 million, and lease costs of $1.4 million.

5. DISPOSAL GROUP HELD FOR SALE

The assets and liabilities of VCPI's operations classified as held for sale as at June 30, 2016, are as follows (*see notes 1 and 17*).

Assets of Disposal Group Held for Sale

	June 30, 2016	December 31, 2015
Accounts receivable	**7,025**	-
Other current assets	**1,483**	-
Property and equipment	**3,974**	-
Total assets held for sale	**12,482**	**-**

Liabilities of Disposal Group Held for Sale

	June 30, 2016	December 31, 2015
Accounts payable and accrued liabilities	**1,082**	-
Total liabilities held for sale	**1,082**	-

6. PROPERTY AND EQUIPMENT

	June 30, 2016	December 31, 2015
Land and land improvements	**47,120**	45,345
Buildings	**507,508**	478,238
Furniture and equipment	**66,237**	82,699
Leasehold improvements	**2,363**	2,186
Construction in progress	**23,353**	15,906
	646,581	624,374
less: accumulated depreciation	**(193,558)**	(198,183)
	453,023	426,191

During the first six months of 2016, the Company capitalized $0.5 million of borrowing costs related to development projects under construction at an average capitalization rate of 6.0%.

7. OTHER ASSETS

	June 30, 2016	December 31, 2015
Investments held for self-insured liabilities: available-for-sale securities, at fair value	**150,577**	176,770
Notes, mortgages and amounts receivable	**86,231**	100,393
Deferred consideration	**36,613**	38,990
Funds held in escrow	**7,750**	19,376
	281,171	335,529
less: current portion	**37,288**	52,485
	243,883	283,044

Investments Held for Self-insured Liabilities

Extendicare holds investments within the Captive for self-insured liabilities that are subject to insurance regulatory requirements *(note 8)*.

The investment portfolio comprises U.S. dollar-denominated cash and money market funds of $113.0 million (December 31, 2015 – $131.7 million), and investment-grade corporate and government securities of $37.6 million (December 31, 2015 – $45.1 million). Certain of these investments in the amount of $80.6 million (US$62.4 million) (December 31, 2015 – $86.4 million or US$62.4 million), have been pledged as collateral for letters of credit issued by the banker of the Captive in favour of ceding companies. As at June 30, 2016, all investments were categorized as available for sale.

Notes, Mortgages and Amounts Receivable

Notes, mortgages and amounts receivable were primarily related to discounted amounts receivable due from government agencies, which represents the Ontario construction funding subsidy for newly constructed nursing centres, totalling $65.8 million (December 31, 2015 - $72.4 million) of which $4.8 million (December 31, 2015 – $6.2 million) is current. In 2013, the Company participated in phase one of the Ontario Ministry of Health and Long-Term Care (MOHLTC) redevelopment program and redeveloped two of its class "C" centres that qualified for a construction funding subsidy of $14.30 per bed per day over 25 years. In the 2015 third quarter, the MOHLTC confirmed that these two long-term care centres would be eligible to retroactively receive an additional $3.35 per bed per day of construction funding subsidy and, the Company recorded the present value of this anticipated additional funding in the amount of $9.8 million. In the 2016 first quarter, the related MOHLTC agreements were finalized and funding of the additional subsidy commenced. Based on the finalized agreements, the number of redeveloped beds deemed eligible to receive the additional funding changed, resulting in a reassessment of the estimate of the additional funding to $6.4 million. The construction funding subsidies have been discounted at rates ranging from 3.27% to 6.5%, with the values being recorded as a reduction in the cost of the property and equipment related to the centres. The accretion of the note receivable is recognized in interest revenue as part of net finance costs.

Also included in notes, mortgages and amounts receivable is a $6.7 million receivable as at June 30, 2016 (December 31, 2015 – $12.0 million), resulting from the U.S. Sale Transaction (*note 17*), which is reflected in other assets.

Deferred Consideration

As part of the proceeds from the U.S. Sale Transaction, the Company receives an ongoing cash stream for a period of 15 years relating to certain U.S. skilled nursing centres that were leased prior to the closing. The present value ascribed to these proceeds is reflected as deferred consideration, and it is recorded at amortized cost, accreted using the effective interest method. At June 30, 2016, the balance was $36.6 million (US$28.3 million) with $5.0 million (US$3.8 million) reflected as current in other assets. The foreign exchange impact on this asset is recognized in net earnings (*note 15*).

Funds Held in Escrow

As part of the U.S. Sale Transaction, the Company assumed an obligation of EHSI in connection with the leased centres (*note 17*). As at June 30, 2016, funds held in escrow totalling $7.8 million (US$6.0 million) (December 31, 2015 – $19.4 million or US$14.0 million) secure the remaining obligations of $9.0 million (US$7.0 million) (December 31, 2015 – $20.8 million or US$15.0 million) assumed on disposition of the U.S. operations (*note 10*). During the 2016 first quarter, US$8.0 million was released from escrow to settle the matching liability.

8. PROVISIONS

	June 30, 2016	December 31, 2015
Accrual for self-insured liabilities	**116,140**	148,429
Indemnification provisions	**26,165**	31,879
Decommissioning provisions	**7,981**	7,806
Total provisions	**150,286**	188,114
Less: current portion	**32,680**	41,139
	117,606	146,975

Accrued for Self-Insured Liabilities

As a result of the U.S. Sale Transaction, the expense for self-insured liabilities is reflected in discontinued operations; however, the obligation to settle any claims incurred prior to the closing of the U.S. Sale Transaction, including claims incurred but yet to be reported, remains with Extendicare within the Captive. Consequently, neither the accrual for self-insured liabilities nor the investments held for self-insured liabilities (*note 7*) was classified as net assets of discontinued operations sold.

Within the U.S. long-term care industry, operators including the Company are subject to lawsuits alleging negligence, malpractice, or other related claims. The Company maintains liability insurance policies through third-party insurers as well as retaining a portion of the risk within the Captive at a level that the Company believes to be adequate based upon the nature and risks of its business, historical experience and industry standards, along with the type of insurance coverage commercially available in the marketplace.

The accrual for self-insured liabilities is based on management's best estimate of the ultimate cost to resolve general and professional liability claims, including both known claims and claims that have been incurred but not yet reported by the end of the reporting period. Actual results can differ materially from the estimates made due to a number of factors including the assumptions used by management and other market forces.

As at June 30, 2016, the accrual for self-insured general and professional liabilities was $116.1 million (US$89.9 million) compared to $148.4 million (US$107.2 million) at the beginning of the year. The decline of US$17.3 million represented claim payments of $19.5 million (US$14.7 million) and a release of reserves of $4.0 million (US$3.1 million) reflected in discontinued operations (*note 17*), offset by accretion of $0.7 million (US$0.5 million) (June 2015 – $0.7 million or US$0.5 million).

In connection with these provisions, Extendicare holds investments within its Bermuda-based captive insurance company for self-insured liabilities that are subject to insurance regulatory requirements (*note 7*).

Indemnification Provisions

As a result of the U.S. Sale Transaction (*note 17*), the Company has agreed to indemnify certain obligations of the U.S. operations related to tax and other items. The estimates of these items are assessed every period and any required revisions are reflected as part of other expense in discontinued operations. The settlement, net of an increase in estimate, of these items, during the 2016 first six months resulted in obligations totalling $26.2 million (US$20.3 million) as at June 30, 2016 (December 31, 2015 – $31.9 million (US$23.0 million)). Actual results can differ materially from the estimates made due to a number of factors including the assumptions used by management and other market forces.

Decommissioning Provisions

The decommissioning provisions relate to possible asbestos remediation of Extendicare's pre-1980 constructed centres. This represents management's best estimate and actual amounts may differ.

9. LONG-TERM DEBT

	Interest rate	Year of Maturity	**June 30, 2016**	December 31, 2015
Canadian Operations				
Convertible unsecured subordinated debentures	6.0%	2019	**123,499**	123,085
CMHC mortgages	2.22% - 7.7%	2016 - 2037	**144,751**	151,191
Non-CMHC mortgages	4.14% - 5.637%	2020 - 2038	**90,583**	91,668
Construction loans	BA + 2.5%	on demand	**2,254**	-
Finance lease obligations	6.41% - 7.19%	2026 - 2028	**92,586**	95,433
			453,673	461,377
Financing costs			**(7,301)**	(7,571)
			446,372	453,806
U.S. Operations				
Finance lease obligations	6.5% - 10.25%	2016 - 2018	**140**	268
Total debt, net of financing costs			**446,512**	454,074
Less: current portion			**46,657**	25,395
Long-term debt, net of financing costs			**399,855**	428,679

A summary of significant changes in the long-term debt of continuing operations since December 31, 2015, is provided below.

CONSTRUCTION LOANS

In May 2016, construction financing was secured on the first two of the development projects, Simcoe (70 suites) and Bolton (124 suites), for up to $9.9 million and $20.8 million, respectively. As at June 30, 2016, $2.3 million has been drawn on the Simcoe construction loan. These two financings are cross-collateralized and provide for additional letter of credit facilities of $500,000 and $750,000, respectively, at a rate of 2.5% if utilized. Loan payments are interest-only based on a floating rate of 30-day banker's acceptance (BA) plus 2.5%, with no standby fee. The construction loan for the Simcoe project is a demand facility that matures at the earlier of 42 months from closing or 24 months from the issuance of an occupancy permit and as a result, has been reflected as current.. The construction loan for the Bolton project is a demand facility that matures at the earlier of 54 months from closing or 36 months from the issuance of the occupancy permit. Permanent financing for each of the communities will be sought upon maturity of the construction financing. Additional construction financing was secured subsequent to June 30, 2016 (*note 22*).

CREDIT FACILITY

Extendicare has a demand credit facility with the Royal Bank of Canada (the "RBC Credit Facility") that is secured by 13 class "C" nursing centres in Ontario and is guaranteed by certain Canadian subsidiaries of Extendicare. As at June 30, 2016, the amount of the RBC Credit Facility was $46.8 million, of which up to $42.8 million would be available for operating purposes, and the full $46.8 million would be available for letters of credit. Subsequent to June 30, 2016, the amount was increased by $0.5 million to $47.3 million, and the full RBC Credit Facility is available for operating purposes including letters of credit.

As at June 30, 2016, Extendicare had letters of credit totalling approximately $41.9 million issued under the RBC Credit Facility, of which $40.4 million secure our defined benefit pension plan obligations and the balance was in connection with the recently acquired centres and those under development. The letter of credit to secure the pension plan obligations renews annually based on an actuarial valuation, and decreased in May 2016 to $40.4 million. The RBC Credit Facility has no financial covenants, but does contain normal and customary terms including annual re-appraisals of the centres that could limit the maximum amount available. The unutilized portion of the credit facility was $4.9 million as at June 30, 2016.

DEFERRED FINANCING COSTS

Below is a summary of the financing costs:

	June 30, 2016	December 31, 2015
Canadian Operations		
Convertible unsecured subordinated debentures	**2,575**	2,969
CMHC mortgages	**3,120**	3,388
Non-CMHC mortgages	**845**	893
Retirement communities	**465**	-
Finance lease obligations	**296**	321
Total financing costs	**7,301**	7,571
Less: current portion	**1,646**	1,469
	5,655	6,102

Deferred financing costs are deducted against long-term debt and are amortized using the effective interest rate method over the term of the debt. Deferred financing costs included as part of long-term debt amounted to $7.3 million as at June 30, 2016 (December 31, 2015 – $7.6 million). The decrease of $0.3 million in 2016 related to the amortization of finance costs, offset in part by incremental costs of $0.4 million related to securing the financing of the newly acquired retirement communities (*note 22*).

10. OTHER LONG-TERM LIABILITIES

	June 30, 2016	December 31, 2015
Accrued pension plan obligation	**35,727**	38,577
Obligations assumed on disposition of U.S. operations	**-**	8,304
Share appreciation rights *(note 11)*	**314**	682
Other	**420**	420
	36,461	47,983

Obligations Assumed on Disposition of U.S. Operations

On closing of the U.S. Sale Transaction, the Company assumed an obligation, of which US$8.0 million was paid during the 2016 first quarter; the remaining balance of $9.0 million (US$7.0 million) as at June 30, 2016, will be paid over the next year and is reflected as part of current accrued liabilities (December 31, 2015 – $20.8 million (US$15.0 million) with US$9.0 million recorded as current). To secure this obligation, amounts totalling $7.8 million (US$6.0 million) have been placed in escrow (*note 7*).

11. SHARE-BASED COMPENSATION

The Company's share-based compensation expense, which includes share appreciation rights (SARs), deferred share units (DSUs) and performance share units (PSUs), for the three months ended June 30, 2016, was a recovery of $0.1 million (2015 – expense of $0.4 million) and for the six months ended June 30, 2016, was an expense of $0.3 million (2015 – expense of $0.2 million). The share-based compensation expense is reflected as part of administrative costs.

The carrying amount of the Company's share-based compensation arrangements, consisting of SARs, DSUs and PSUs, are recorded in the consolidated statements of financial position as follows:

	June 30, 2016	December 31, 2015
Accounts payable and accrued liabilities - SARs	**855**	550
Other long-term liabilities - SARs	**314**	682
Contributed surplus - DSUs	**279**	-
Contributed surplus - PSUs	**117**	-

The following are details related to the share-based compensation plans of the Company.

Cash-settled Share Appreciation Rights Plan

Prior to the implementation of a new long-term incentive plan in 2016 (*below*), SARs were granted at the discretion of the Board to directors and eligible employees of Extendicare. As of January 1, 2016, no further awards will be granted under the SARs plan, and those awards that are granted and outstanding will continue to vest pursuant to the SARs plan. SARs issued by the Company are accounted for as cash-settled awards.

The vesting price represents the price at which the respective SARs were granted, and equates to the minimum Common Share price at which they can be vested. As at June 30, 2016, 774,111 SARs were outstanding (December 31, 2015 – 774,111), with an average remaining contractual life of 1.2 years (December 31, 2015 – 1.6 years). During 2015, at the discretion of the Board and under the terms of the SARs, the vesting of 420,000 rights was accelerated in connection with the U.S. Sale Transaction.

A summary of the SARs that have been granted to date by the Board to senior management and the directors as at June 30, 2016, is as follows:

	Six months ended June 30, 2016		Twelve months ended December 31, 2015	
	Share Appreciation Rights	**Weighted Average Vesting Price**	Share Appreciation Rights	Weighted Average Vesting Price
Outstanding, beginning of period	**774,111**	**$ 6.93**	1,312,555	$ 7.18
Granted	-	-	396,000	7.17
Vested	-	-	(439,444)	8.11
Vested, U.S. Sale Transaction	-	-	(420,000)	6.71
Forfeited	-	-	(75,000)	6.90
Outstanding, end of period	**774,111**	**$ 6.93**	774,111	$ 6.93

Equity-settled Long-term Incentive Plan

Effective April 7, 2016, the Board approved the implementation of a new long-term incentive plan the (LTIP) to provide for a new share-based component of executive and director compensation, which was approved by the shareholders in May 2016. Under the plan, the Board has the discretion to settle the PSU and DSU awards in cash, market-purchased Common Shares or, Common Shares issued from treasury. It is the Board’s intent to settle the PSU and DSU awards in Common Shares issued from treasury. As a result, the PSU and DSU awards are accounted for as equity-settled awards. 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.

The LTIP is designed to encourage a greater alignment of interests between executives and directors and our shareholders, in the form of PSUs for our employees and DSUs for our non-employee directors. PSUs and DSUs granted under the LTIP will not carry any voting rights. In addition, PSU and DSU participants will be credited with dividend equivalents in the form of additional units when dividends are paid on Common Shares in the ordinary course of business.

With respect to DSU awards, beginning in 2016, non-employee directors will receive 50% of their annual Board retainer in the form of DSUs, granted on a quarterly basis. Non-employee directors have the option to receive some or all of their remaining cash retainer and meeting fees in DSUs. The DSUs vest immediately at the time of grant, and will be redeemed by the Company upon the non-employee director retiring or otherwise leaving the Board. During the 2016 second quarter, 31,568 DSU’s were granted at a weighted average fair value $8.82 per DSU at the grant date.

PSU awards granted to eligible employees vest after the end of three years from the date of grant, subject to specified performance criteria to be determined at the time of grant. The number of PSUs to ultimately vest will be determined based on a performance multiplier having a possible range of 0% (i.e. no PSUs vest) to 200% (i.e. twice the number of PSUs that were originally granted).

On April 7, 2016, the Board granted 167,343 PSUs to executives that vest on April 7, 2019. The number of PSUs that vest will depend on two performance metrics over the three-year performance period beginning January 1, 2016, being our AFFO performance relative to our annual AFFO targets, and our total shareholder return (TSR) performance relative to the S&P/TSX Completion Index (the “Index”). The value of each of the AFFO (non-market condition) and the TSR (market condition) components were measured separately on the grant date, as one award with two equal components.

The grant date value of each PSU was $9.81 based on the fair value of each of the AFFO and TSR components. The fair value of the AFFO component was measured using the previous day’s closing trading price of the Common Shares of $9.59, for an AFFO component value of $4.80. The fair value of the TSR component was measured using the Monte Carlo simulation method, for a TSR component value of $5.01. The following assumptions were used in the Monte Carlo simulation model:

Expected volatility of Extendicare’s Common Shares	23.19%
Expected volatility of the Index	12.89%
Risk-free rate	0.52%
Dividend yield	nil

An aggregate of 4,407,892 Common Shares are reserved and available for issuance pursuant to the LTIP.

The DSUs vest immediately upon grant. None of the PSUs have vested as at June 30, 2016. The following is a summary of the Company's DSU and PSU activity:

	Deferred Share Units		Performance Share Units	
	June 30, 2016	December 31, 2015	**June 30, 2016**	December 31, 2015
Units outstanding, beginning of year	**-**	-	**-**	-
Granted	**31,568**	-	**167,343**	-
Reinvested dividend equivalents	**122**	-	**1,569**	-
Units outstanding, end of period	**31,690**	-	**168,912**	-

12. SHARE CAPITAL

Normal Course Issuer Bid

On December 30, 2015, Extendicare received the approval of the TSX to renew its normal course issuer bid (the "Bid") to purchase for cancellation up to 8,610,000 Common Shares (approximately 10% of the public float) through the facilities of the TSX, and on alternative Canadian trading platforms. The Bid commenced on January 5, 2016, and provides Extendicare with flexibility to repurchase Common Shares for cancellation until January 4, 2017, or on such earlier date as the Bid is complete. Subject to the TSX's block purchase exception, on any trading day, purchases under the Bid will not exceed 59,253 Common Shares. The price that Extendicare will pay for any Common Shares purchased under the Bid will be the prevailing market price at the time of purchase and any Common Shares purchased will be cancelled. To date in 2016, the Company has not acquired any Common Shares for cancellation under the Bid.

During 2015, under a similar normal course issuer bid that commenced on December 31, 2014, and expired on December 30, 2015, the Company acquired 1,111,789 Common Shares for cancellation, at an average price of $7.20 per share, for a total cost of $8.0 million.

13. EXPENSES BY NATURE

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Employee wages and benefits	**200,440**	178,810	**402,550**	326,442
Food, drugs, supplies and other variable costs	**11,059**	10,974	**21,553**	21,655
Property based and other costs	**21,637**	20,682	**45,228**	38,649
Total operating expenses and administrative costs	**233,136**	210,466	**469,331**	386,746
Lease costs	**1,642**	1,508	**3,313**	2,646
Total expenses	**234,778**	211,974	**472,644**	389,392

14. OTHER EXPENSE

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Acquisition costs - advisor fees	**152**	882	**286**	1,781
Integration costs - consulting fees	**53**	708	**193**	708
Proxy contest costs	**-**	-	**1,862**	-
Other expense	**205**	1,590	**2,341**	2,489

15. FINANCE COSTS AND FINANCE INCOME

Foreign Exchange on U.S. Sale

In the three and six months ended June 30, 2016, the Company recognized foreign exchange losses of $0.6 million and $2.0 million on net proceeds from the U.S. Sale Transaction that are denominated in U.S. dollar (*note 17*), most of which was unrealized.

Foreign Exchange on Deferred Consideration

As part of the proceeds from the U.S. Sale Transaction, the Company receives an ongoing cash stream, reflected as deferred consideration (*note 7*). The foreign exchange impact on this asset is recognized in net earnings. An unrealized foreign exchange loss of $0.2 million and $2.7 million, respectively, was recorded for the three and six months ended June 30, 2016.

16. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share are calculated using the weighted average number of shares outstanding during the period. The calculation of diluted earnings (loss) per share, using the "if-converted" method and to the extent the conversion is dilutive, assumes all convertible securities have been converted at the beginning of the period, or at the time of issuance, if later, and any charges or returns on the convertible securities, on an after-tax basis, are removed from net earnings. The after-tax interest on convertible debentures have been removed from net earnings and the weighted average number of shares has been increased by the number of shares, which would be issued on conversion of the convertible debentures, pro-rated for the number of days in the period the convertible debentures were outstanding.

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Numerator for Basic and Diluted Earnings (Loss) per Share				
Earnings (loss) from continuing operations				
Net earnings (loss) for basic earnings per share	**4,748**	(1,518)	**1,500**	5,237
Less: earnings (loss) from discontinued operations, net of tax	**(4,947)**	(5,496)	**(6,712)**	2
Earnings from continuing operations for basic earnings per share	**9,695**	3,978	**8,212**	5,235
Add: after-tax interest on convertible debt	**1,618**	1,601	**3,235**	3,198
Earnings from continuing operations for diluted earnings per share	**11,313**	5,579	**11,447**	8,433
Net earnings (loss)				
Net earnings (loss) for basic earnings per share	**4,748**	(1,518)	**1,500**	5,237
Add: after-tax interest on convertible debt	**1,618**	1,601	**3,235**	3,198
Net earnings for diluted earnings per share	**6,366**	83	**4,735**	8,435

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Denominator for Basic and Diluted Earnings per Share				
Weighted average number of shares for basic earnings per share	**88,268,754**	87,557,249	**88,163,077**	87,778,708
Shares issued if all convertible debt was converted	**11,244,444**	11,244,444	**11,244,444**	11,244,444
Total for diluted earnings per share	**99,513,198**	98,801,693	**99,407,521**	99,023,152
Basic and Diluted Earnings (Loss) per Share *(in dollars)*				
Earnings from continuing operations	**0.11**	0.05	**0.09**	0.06
Earnings (loss) from discontinued operations	**(0.05)**	(0.07)	**(0.07)**	-
Net earnings (loss)	**0.06**	(0.02)	**0.02**	0.06

17. DISCONTINUED OPERATIONS

VCPI

In 2016, the Company commenced actively marketing the sale of the operations of VCPI. The Company is committed to a plan to dispose of VCPI within the next twelve months; therefore, VCPI's operations have been reclassified as discontinued operations.

The carrying value of VCPI has been assessed for impairment. For the purpose of assessing the impairment, VCPI is considered a cash generating unit (CGU). The recoverable amount of a CGU is determined to be the greater of fair value less costs to sell and value-in-use calculations. Any impairment loss is allocated first to goodwill and intangible assets, and the remainder to property and equipment.

Fair value represents an estimate of proceeds less cost to sell, and the determination of the value is categorized as a Level 3 in the fair value hierarchy. Since the Company will no longer be operating the VCPI operations after the sale, fair value less cost to sell represents the recoverable amount.

The determination of recoverable amount can be significantly impacted by market conditions. Estimates and assumptions used in the determination of any impairment loss are based upon information that is known at the time, and are subject to change; actual results may differ. Based upon the impairment assessment of VCPI, the Company recognized a pre-tax impairment loss of $7.1 million (US$5.5 million) in the 2016 second quarter.

U.S. Sale Transaction

The Company completed the U.S. Sale Transaction, effective July 1, 2015, by selling the shares of a subsidiary to a group of private investors (the "Purchaser").

INDEMNIFICATIONS

The proceeds from the U.S. Sale Transaction included a non-cash amount which represented the net present value ascribed to an ongoing cash stream, relating to certain U.S. skilled nursing centres that were leased prior to the closing (*note 7*), offset in part by obligations assumed that are related to these leases (*note 10*). In addition, the Company agreed to indemnify certain obligations of the U.S. operations related to tax, a corporate integrity agreement, and other items. In connection with these items, as at June 30, 2016, the Company had remaining provisions totalling $26.2 million (US$20.3 million) (*note 8*), and a receivable of $6.7 million (US$5.2 million) (*note 7*). Changes to indemnifications and receivables totalled $7.6 million and $6.4 million for the three and six months ending June 30, 2016, respectively, are reflected as other expense (income) in the results of discontinued operations (below).

In October 2014, EHSI completed and executed a settlement agreement with the U.S. Department of Justice (DOJ), the Office of the Inspector General (OIG) of the U.S. Department of Health and Human Services and multiple states. As is standard practice in settlements of OIG and DOJ investigations, EHSI entered into a corporate integrity agreement (the "CIA"), with the OIG for a five-year period effective October 3, 2014. Under the terms of the U.S. Sale Transaction, Extendicare has agreed to share in the costs incurred in order to implement and comply with the requirements of the CIA. Though the actual costs for the Purchaser to comply with the CIA are difficult to estimate, the Company has included a provision for such costs in its provision for indemnification obligations (*note 8*).

Results of Discontinued Operations

The following is a summary of results of the discontinued operations with prior periods reclassified accordingly.

	Three months ended June 30, 2016			Six months ended June 30, 2016		
	VCPI	**U.S. Sale**	**Total**	**VCPI**	**U.S. Sale**	**Total**
Health technology services revenue	**7,045**	**-**	**7,045**	**15,094**	**-**	**15,094**
Operating expenses	**6,231**	**-**	**6,231**	**12,794**	**-**	**12,794**
Administrative costs	**1,181**	**-**	**1,181**	**2,445**	**-**	**2,445**
Lease costs	**255**	**-**	**255**	**469**	**-**	**469**
Total expenses	**7,667**	**-**	**7,667**	**15,708**	**-**	**15,708**
Loss before depreciation, amortization and other expense (income)	**(622)**	**-**	**(622)**	**(614)**	**-**	**(614)**
Depreciation and amortization	**265**	**-**	**265**	**1,190**	**-**	**1,190**
Impairment	**7,115**	**-**	**7,115**	**7,115**	**-**	**7,115**
Other expense (income)	**140**	**(11,447)**	**(11,307)**	**140**	**(10,191)**	**(10,051)**
Earnings (loss) before net finance costs and income taxes	**(8,142)**	**11,447**	**3,305**	**(9,059)**	**10,191**	**1,132**
Net finance costs	**2**	**-**	**2**	**9**		**9**
Earnings (loss) before income taxes	**(8,144)**	**11,447**	**3,303**	**(9,068)**	**10,191**	**1,123**
Income tax expense	**24**	**8,226**	**8,250**	**13**	**7,822**	**7,835**
Earnings (loss) from discontinued operations	**(8,168)**	**3,221**	**(4,947)**	**(9,081)**	**2,369**	**(6,712)**

	Three months ended June 30, 2015			Six months ended June 30, 2015		
	VCPI	U.S. Sale	Total	VCPI	U.S. Sale	Total
Nursing and assisted living centres revenue	-	304,328	304,328	-	633,133	633,133
Health technology services revenue	8,827	-	8,827	18,271	-	18,271
Outpatient therapy revenue	-	3,155	3,155	-	6,735	6,735
Management, consulting and other	-	7,738	7,738	-	15,775	15,775
Total revenue	8,827	315,221	324,048	18,271	655,643	673,914
Operating expenses	6,579	292,296	298,875	13,573	598,675	612,248
Administrative costs	1,228	10,959	12,187	2,657	23,661	26,318
Lease costs	188	1,582	1,770	379	3,173	3,552
Total expenses	7,995	304,837	312,832	16,609	625,509	642,118
Earnings before depreciation, amortization, and other expense	832	10,384	11,216	1,662	30,134	31,796
Depreciation and amortization	899	-	899	1,869	-	1,869
Other expense	-	10,170	10,170	-	11,112	11,112
Earnings (loss) before net finance costs and income taxes	(67)	214	147	(207)	19,022	18,815
Net finance costs	9	9,994	10,003	24	20,720	20,744
Loss before income taxes	(76)	(9,780)	(9,856)	(231)	(1,698)	(1,929)
Income tax expense (recovery)	40	(4,400)	(4,360)	82	(2,013)	(1,931)
Earnings (loss) from discontinued operations	(116)	(5,380)	(5,496)	(313)	315	2

	Three months ended June 30, 2016			Six months ended June 30, 2016		
	VCPI	**U.S. Sale**	**Total**	**VCPI**	**U.S. Sale**	**Total**
Cash Flows from Discontinued Operations						
Net cash from operating activities	**(1,528)**	**(13,128)**	**(14,656)**	**615**	**(19,549)**	**(18,934)**
Net cash from investing activities	**(928)**	**13,128**	**12,200**	**(1,038)**	**19,549**	**18,511**
Net cash from financing activities	**2,456**	**-**	**2,456**	**423**	**-**	**423**
Effect on cash flows	**-**	**-**	**-**	**-**	**-**	**-**

	Three months ended June 30, 2015			Six months ended June 30, 2015		
	VCPI	U.S. Sale	Total	VCPI	U.S. Sale	Total
Cash Flows from Discontinued Operations						
Net cash from operating activities	756	9,993	10,749	184	26,015	26,199
Net cash from investing activities	(132)	7,245	7,113	(156)	10,207	10,051
Net cash from financing activities	(624)	(47,877)	(48,501)	(28)	(73,958)	(73,986)
Foreign exchange gain on cash	-	(1,231)	(1,231)	-	4,435	4,435
Effect on cash flows	-	(31,870)	(31,870)	-	(33,301)	(33,301)

18. COMMITMENTS AND CONTINGENCIES

Property and Equipment Commitments

Extendicare is developing four private-pay retirement communities in Simcoe, Bolton, Uxbridge and Bradford, all in Ontario, with 424 suites in total. The outstanding construction costs to complete these development projects as at June 30, 2016, are estimated to be $79.3 million which will be substantially financed with external financing.

Legal Proceedings and Regulatory Actions

The provision of health care services is subject to complex government regulations. Extendicare and its consolidated subsidiaries are defendants in various actions and proceedings that are brought against them from time to time in connection with their operations. Extendicare cooperates in responding to any information requests and takes the necessary corrective actions. Every effort is made by the Company to avoid or mitigate deficiencies in the quality of patient care through quality assurance strategies and to remedy any such deficiencies cited by the government inspections within any applicable prescribed time period. Extendicare 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 the associated costs can be made.

19. FINANCIAL RISK MANAGEMENT

(a) Management of Risks

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting its contractual obligations. We manage 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. We ensure that there are sufficient funds for declared and payable distributions and any other future commitments at any point in time. In addition, since there is a risk that 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, we attempt to appropriately structure the timing of contractual long-term debt renewal obligations and exposures (*note 22*).

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 losses as and when payments are made.

As a result of the U.S. Sale Transaction, our exposure to foreign currency risk as at June 30, 2016, has been significantly reduced. The following table outlines the net asset exposure to both the U.S. continuing operations and other items retained from the U.S. Sale Transaction (*note 17*).

(in thousands of US$)	**June 30, 2016**	December 31, 2015
Assets		
Current assets *(include assets held for sale)*	**47,192**	39,534
Investments held for self-insured liabilities	**116,572**	127,724
Property and equipment and other assets	**24,505**	36,887
Liabilities		
Current liabilities *(include liabilities held for sale)*	**34,500**	60,111
Indemnification provisions	**20,255**	23,034
Other long-term liabilities	**65,380**	84,290
Net asset exposure	**68,134**	36,710

Net Earnings Sensitivity Analysis

Prior to the U.S. Sale Transaction, the majority of the Company's operations were conducted in the United States. As at June 30, 2016, U.S. operations accounted for less than 1% of its revenue from continuing operations (2015 – less than 1%).

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

Favourable (unfavourable) impact	**Six months ended June 30, 2016**	Twelve months ended December 31, 2015
Net earnings (loss)	**447**	154
Other comprehensive income (loss)	**234**	(521)

OTHER RISKS

Other aspects of Extendicare's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2015.

(b) Fair values of Financial Instruments

As at June 30, 2016	Loans and Receivables	Available for Sale	Other Financial Liabilities	Total Carrying Amount	Fair Value
Financial assets:					
Cash and short-term investments	**38,608**	**-**	**-**	**38,608**	**38,621**
Restricted cash	**4,532**	**-**	**-**	**4,532**	**4,532**
Invested assets[1]	**442**	**-**	**-**	**442**	**442**
Accounts receivable	**45,004**	**-**	**-**	**45,004**	**45,004**
Notes, mortgages and amounts receivable[2] [3]	**66,452**	**-**	**-**	**66,452**	**71,669**
Deferred consideration	**36,612**	**-**	**-**	**36,612**	**37,473**
Investments held for self-insured liabilities	**-**	**150,577**	**-**	**150,577**	**150,577**
	191,650	**150,577**	**-**	**342,227**	**348,318**
Financial liabilities:					
Accounts payable	**-**	**-**	**4,104**	**4,104**	**4,104**
Long-term debt excluding convertible debentures[3][4]	**-**	**-**	**330,314**	**330,314**	**363,371**
Convertible debentures	**-**	**-**	**123,499**	**123,499**	**133,141**
	-	**-**	**457,917**	**457,917**	**500,616**

As at December 31, 2015	Loans and Receivables	Available for Sale	Other Financial Liabilities	Total Carrying Amount	Fair Value
Financial assets:					
Cash and short-term investments	103,622	-	-	103,622	103,633
Restricted cash	2,509	-	-	2,509	2,509
Invested assets[1]	442	-	-	442	442
Accounts receivable	52,678	-	-	52,678	52,678
Notes, mortgages and amounts receivable[2] [3]	73,027	-	-	73,027	76,496
Deferred consideration	38,990	-	-	38,990	38,979
Investments held for self-insured liabilities	-	176,770	-	176,770	176,770
	271,268	176,770	-	448,038	451,507
Financial liabilities:					
Accounts payable	-	-	11,497	11,497	11,497
Long-term debt excluding convertible debentures[3][4]	-	-	338,560	338,560	374,173
Convertible debentures	-	-	123,085	123,085	131,876
	-	-	473,142	473,142	517,546

[1] Included in other assets.

[2] Includes primarily amounts receivable from government.

[3] Includes current portion.

[4] Excludes netting of financing costs.

FAIR VALUE HIERARCHY

We use a fair value hierarchy to categorize the type of valuation techniques from which fair values are derived. Our use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) for the fair values of financial instruments presented above were as follows:

	Level 1	Level 2	Level 3	Total
As at June 30, 2016:				
Investments held for self-insured liabilities	**150,577**	**-**	**-**	**150,577**
Notes, mortgages and amounts receivable	**-**	**71,669**	**-**	**71,669**
Deferred consideration	**-**	**-**	**37,473**	**37,473**
Convertible debentures	**133,141**	**-**	**-**	**133,141**
As at December 31, 2015:				
Investments held for self-insured liabilities	176,770	-	-	176,770
Notes, mortgages and amounts receivable	-	76,496	-	76,496
Deferred consideration	-	-	38,979	38,979
Convertible debentures	131,876	-	-	131,876

20. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Tim Lukenda, Extendicare's President and Chief Executive Officer, and members of his family have a company that owns a long-term care centre and a retirement centre, in which Mr. Lukenda has an approximate 7.1% direct and indirect interest, and with which Extendicare has an ongoing relationship through the provision of management services to the LTC centre in Ontario, Canada. Mr. Lukenda's employment contract provides a mechanism and process that effectively removes him from the decision-making process in situations where a conflict of interest may arise on any matter between the two companies.

21. SEGMENTED INFORMATION

Prior to the announcement of the U.S. Sale Transaction, the Company had two reportable operating segments that consisted of its U.S. operations and its Canadian operations. With the reclassification of the U.S. senior care and related operations, along with VCPI, to discontinued operations, and the recent expansion into the private-pay retirement sector, the Company reports the following segments within its Canadian operations: i) long-term care; ii) retirement living; iii) home health care; iv) management and group purchasing as "other Canadian operations"; and v) the Canadian corporate functions and any intersegment eliminations as "corporate Canada". The continuing U.S. operations now consist of the Captive and the deferred consideration. Comparative statements of earnings (loss) have been restated to reflect these changes.

The long-term care segment represents the 58 long-term care centres that the Company owns and operates in Canada. The retirement living segment includes four retirement communities that were acquired during 2015, and a further two acquired in the 2016 first quarter. The retirement communities provide services to private-pay residents at rates set by Extendicare based on the services provided and market conditions. Through the ParaMed Home Health Care division, our 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 Canadian operations are composed of its management and group purchasing operations. Through our Extendicare Assist division, we provide management and consulting services to third-party owners; and through our Silver Group Purchasing division, we offer cost-effective purchasing contracts to other senior care providers for food, capital equipment, furnishings, cleaning and nursing supplies, and office products.

In the U.S., the Company self-insured certain risks related to general and professional liability of its U.S. operations that were sold on July 1, 2015, through the Captive. With the reclassification of the U.S. senior care business to discontinued operations, the expense for self-insured liabilities incurred by the Captive has also been reclassified to discontinued operations; however, the costs to administer and manage the settlement of the remaining claims are reported as continuing operations.

Intersegment adjustments in the following tables reflect the reversal of intercompany amounts that are eliminated prior to the preparation of the Company's consolidated financial statements.

	Three months ended June 30, 2016							
(in thousands of Canadian dollars)	Long-term Care	Retirement Living	Home Health Care	Other Canadian Operations	Corporate Canada	Total Canada	Total U.S.	Total
CONTINUING OPERATIONS								
Revenue								
Long-term care	149,960	-	-	-	-	149,960	-	149,960
Retirement living	-	3,687	-	-	-	3,687	-	3,687
Home health care	-	-	101,951	-	-	101,951	-	101,951
Management, consulting and other	-	-	-	4,853	4	4,857	970	5,827
Total revenue	149,960	3,687	101,951	4,853	4	260,455	970	261,425
Operating expenses	130,022	3,668	90,811	2,177	-	226,678	-	226,678
Administrative costs	-	-	-	-	5,969	5,969	489	6,458
Lease costs	-	-	1,209	-	433	1,642	-	1,642
Total expenses	130,022	3,668	92,020	2,177	6,402	234,289	489	234,778
Earnings (loss) before depreciation, amortization, and other expense	19,938	19	9,931	2,676	(6,398)	26,166	481	26,647
Depreciation and amortization	-	-	-	-	7,753	7,753	-	7,753
Other expense	-	-	-	-	205	205	-	205
Earnings (loss) before net finance costs and income taxes	19,938	19	9,931	2,676	(14,356)	18,208	481	18,689
Interest expense	-	-	-	-	6,306	6,306	-	6,306
Accretion of decommissioning provisions	-	-	-	-	87	87	-	87
Other accretion	-	-	-	-	207	207	322	529
Loss on foreign exchange and financial instruments	-	-	-	-	586	586	215	801
Interest revenue	-	-	-	-	(785)	(785)	(1,846)	(2,631)
Net finance costs	-	-	-	-	6,401	6,401	(1,309)	5,092
Earnings (loss) before income taxes	19,938	19	9,931	2,676	(20,757)	11,807	1,790	13,597
Income tax expense (recovery)								
Current	-	-	-	-	3,062	3,062	498	3,560
Deferred	-	-	-	-	(24)	(24)	366	342
Total income tax expense (recovery)	-	-	-	-	3,038	3,038	864	3,902
Earnings (loss) from continuing operations	19,938	19	9,931	2,676	(23,795)	8,769	926	9,695
DISCONTINUED OPERATIONS								
Loss from discontinued operations, net of income taxes	-	-	-	-	-	-	(4,947)	(4,947)
Net earnings (loss)	19,938	19	9,931	2,676	(23,795)	8,769	(4,021)	4,748

	Six months ended June 30, 2016							
(in thousands of Canadian dollars)	Long-term Care	Retirement Living	Home Health Care	Other Canadian Operations	Corporate Canada	Total Canada	Total U.S.	Total
CONTINUING OPERATIONS								
Revenue								
Long-term care	298,720	-	-	-	-	298,720	-	298,720
Retirement living	-	7,038	-	-	-	7,038	-	7,038
Home health care	-	-	199,567	-	-	199,567	-	199,567
Management, consulting and other	-	-	-	9,255	8	9,263	1,220	10,483
Total revenue	298,720	7,038	199,567	9,255	8	514,588	1,220	515,808
Operating expenses	262,818	6,630	180,675	4,343	-	454,466	-	454,466
Administrative costs	-	-	-	-	13,500	13,500	1,365	14,865
Lease costs	-	-	2,433	-	880	3,313	-	3,313
Total expenses	262,818	6,630	183,108	4,343	14,380	471,279	1,365	472,644
Earnings (loss) before depreciation, amortization, and other expense	35,902	408	16,459	4,912	(14,372)	43,309	(145)	43,164
Depreciation and amortization	-	-	-	-	14,900	14,900	-	14,900
Other expense	-	-	-	-	2,341	2,341	-	2,341
Earnings (loss) before net finance costs and income taxes	35,902	408	16,459	4,912	(31,613)	26,068	(145)	25,923
Interest expense	-	-	-	-	13,266	13,266	-	13,266
Accretion of decommissioning provisions	-	-	-	-	174	174	-	174
Other accretion	-	-	-	-	414	414	665	1,079
Loss on foreign exchange and financial instruments	-	-	-	-	2,011	2,011	2,745	4,756
Interest revenue	-	-	-	-	(1,596)	(1,596)	(3,797)	(5,393)
Net finance costs	-	-	-	-	14,269	14,269	(387)	13,882
Earnings (loss) before income taxes	35,902	408	16,459	4,912	(45,882)	11,799	242	12,041
Income tax expense (recovery)								
Current	-	-	-	-	4,850	4,850	872	5,722
Deferred	-	-	-	-	(1,972)	(1,972)	79	(1,893)
Total income tax expense (recovery)	-	-	-	-	2,878	2,878	951	3,829
Earnings (loss) from continuing operations	35,902	408	16,459	4,912	(48,760)	8,921	(709)	8,212
DISCONTINUED OPERATIONS								
Loss from discontinued operations, net of income taxes	-	-	-	-	-	-	(6,712)	(6,712)
Net earnings (loss)	35,902	408	16,459	4,912	(48,760)	8,921	(7,421)	1,500

	Three months ended June 30, 2015						
(in thousands of Canadian dollars)	Long-term Care	Home Health Care	Other Canadian Operations	Corporate Canada	Total Canada	Total U.S.	Total
CONTINUING OPERATIONS							
Revenue							
Long-term care	146,808	-	-	-	146,808	-	146,808
Home health care	-	83,117	-	-	83,117	-	83,117
Management, consulting and other	-	-	4,183	23	4,206	227	4,433
Total revenue	146,808	83,117	4,183	23	234,131	227	234,358
Operating expenses	127,816	73,318	2,085	-	203,219	-	203,219
Administrative costs	-	-	-	5,508	5,508	1,739	7,247
Lease costs	-	1,070	-	438	1,508	-	1,508
Total expenses	127,816	74,388	2,085	5,946	210,235	1,739	211,974
Earnings (loss) before depreciation, amortization, and other expense	18,992	8,729	2,098	(5,923)	23,896	(1,512)	22,384
Depreciation and amortization	-	-	-	5,830	5,830	-	5,830
Other expense	-	-	-	1,590	1,590	-	1,590
Earnings (loss) before net finance costs and income taxes	18,992	8,729	2,098	(13,343)	16,476	(1,512)	14,964
Interest expense	-	-	-	9,035	9,035	-	9,035
Accretion of decommissioning provisions	-	-	-	87	87	-	87
Other accretion	-	-	-	192	192	325	517
Interest revenue	-	-	-	(737)	(737)	-	(737)
Net finance costs	-	-	-	8,577	8,577	325	8,902
Earnings (loss) before income taxes	18,992	8,729	2,098	(21,920)	7,899	(1,837)	6,062
Income tax expense (recovery)							
Current	-	-	-	2,705	2,705	(60)	2,645
Deferred	-	-	-	(561)	(561)	-	(561)
Total income tax expense (recovery)	-	-	-	2,144	2,144	(60)	2,084
Earnings (loss) from continuing operations	18,992	8,729	2,098	(24,064)	5,755	(1,777)	3,978
DISCONTINUED OPERATIONS							
Loss from discontinued operations, net of income taxes	-	-	-	-	-	(5,496)	(5,496)
Net earnings (loss)	18,992	8,729	2,098	(24,064)	5,755	(7,273)	(1,518)

	Six months ended June 30, 2015						
(in thousands of Canadian dollars)	Long-term Care	Home Health Care	Other Canadian Operations	Corporate Canada	Total Canada	Total U.S.	Total
CONTINUING OPERATIONS							
Revenue							
Long-term care	290,287	-	-	-	290,287	-	290,287
Home health care	-	128,744	-	-	128,744	-	128,744
Management, consulting and other	-	-	7,728	30	7,758	344	8,102
Total revenue	290,287	128,744	7,728	30	426,789	344	427,133
Operating expenses	255,350	113,635	3,644	-	372,629	-	372,629
Administrative costs	-	-	-	10,629	10,629	3,488	14,117
Lease costs	-	1,801	-	845	2,646	-	2,646
Total expenses	255,350	115,436	3,644	11,474	385,904	3,488	389,392
Earnings (loss) before depreciation, amortization, and other expense	34,937	13,308	4,084	(11,444)	40,885	(3,144)	37,741
Depreciation and amortization	-	-	-	10,730	10,730	-	10,730
Other expense	-	-	-	2,489	2,489	-	2,489
Earnings (loss) before net finance costs and income taxes	34,937	13,308	4,084	(24,663)	27,666	(3,144)	24,522
Interest expense	-	-	-	16,390	16,390	-	16,390
Accretion of decommissioning provisions	-	-	-	174	174	-	174
Other accretion	-	-	-	380	380	654	1,034
Interest revenue	-	-	-	(1,585)	(1,585)	-	(1,585)
Net finance costs	-	-	-	15,359	15,359	654	16,013
Earnings (loss) before income taxes	34,937	13,308	4,084	(40,022)	12,307	(3,798)	8,509
Income tax expense (recovery)							
Current	-	-	-	5,920	5,920	(120)	5,800
Deferred	-	-	-	(2,526)	(2,526)	-	(2,526)
Total income tax expense (recovery)	-	-	-	3,394	3,394	(120)	3,274
Earnings (loss) from continuing operations	34,937	13,308	4,084	(43,416)	8,913	(3,678)	5,235
DISCONTINUED OPERATIONS							
Earnings from discontinued operations, net of income taxes	-	-	-	-	-	2	2
Net earnings (loss)	34,937	13,308	4,084	(43,416)	8,913	(3,676)	5,237

				June 30, 2016
(in thousands of Canadian dollars)	Total Canada	Total U.S.	Eliminations	Total
Assets				
Current assets				
Cash and short-term investments	35,847	2,761	-	38,608
Restricted cash	4,532	-	-	4,532
Accounts receivable	59,230	3,335	(17,561)	45,004
Income taxes recoverable	941	1,102	-	2,043
Assets held for sale	-	12,482	-	12,482
Other assets	31,932	5,356	-	37,288
Total current assets	132,482	25,036	(17,561)	139,957
Non-current assets				
Property and equipment	453,023	-	-	453,023
Goodwill and other intangible assets	93,610	-	-	93,610
Other assets	61,653	182,230	-	243,883
Deferred tax assets	13,982	-	-	13,982
Total non-current assets	622,268	182,230	-	804,498
Total Assets	754,750	207,266	(17,561)	944,455
Liabilities and Equity				
Current liabilities				
Accounts payable and accrued liabilities	125,697	19,873	(17,561)	128,009
Income taxes payable	5,476	-	-	5,476
Long-term debt	46,588	69	-	46,657
Liabilities held for sale	-	1,082	-	1,082
Provisions	646	32,034	-	32,680
Total current liabilities	178,407	53,058	(17,561)	213,904
Non-current liabilities				
Long-term debt	399,785	70	-	399,855
Provisions	34,849	82,757	-	117,606
Other long-term liabilities	36,461	-	-	36,461
Deferred tax liabilities	13,932	1,942	-	15,874
Total non-current liabilities	485,027	84,769	-	569,796
Total liabilities	663,434	137,827	(17,561)	783,700
Share capital	328,595	158,341	-	486,936
Equity portion of convertible debentures	5,573	-	-	5,573
Contributed surplus	396	-	-	396
Accumulated deficit	(232,818)	(101,903)	-	(334,721)
Accumulated other comprehensive income (loss)	(10,430)	13,001	-	2,571
Shareholders' equity	91,316	69,439	-	160,755
Total Liabilities and Equity	754,750	207,266	(17,561)	944,455
Total Capital Expenditures				
Continuing operations	11,641	-	-	11,641
Discontinued operations	-	1,038	-	1,038
Capital Expenditures	11,641	1,038	-	12,679

(in thousands of Canadian dollars)	Total Canada	Total U.S.	Eliminations	December 31, 2015 Total
Assets				
Current assets				
Cash and short-term investments	94,621	9,001	-	103,622
Restricted cash	2,509	-	-	2,509
Accounts receivable	65,469	12,576	(25,367)	52,678
Income taxes recoverable	-	77	-	77
Other assets	42,492	9,993	-	52,485
Total current assets	205,091	31,647	(25,367)	211,371
Non-current assets				
Property and equipment	414,779	11,412	-	426,191
Goodwill and other intangible assets	95,700	654	-	96,354
Other assets	75,593	207,451	-	283,044
Deferred tax assets	9,987	-	-	9,987
Total non-current assets	596,059	219,517	-	815,576
Total Assets	801,150	251,164	(25,367)	1,026,947
Liabilities and Equity (Deficiency)				
Current liabilities				
Accounts payable and accrued liabilities	134,130	31,044	(25,367)	139,807
Income taxes payable	10,616	1,063	-	11,679
Long-term debt	25,240	155	-	25,395
Provisions	2,664	38,475	-	41,139
Total current liabilities	172,650	70,737	(25,367)	218,020
Non-current liabilities				
Long-term debt	428,566	113	-	428,679
Provisions	39,622	107,353	-	146,975
Other long-term liabilities	47,983	-	-	47,983
Deferred tax liabilities	11,230	1,931	-	13,161
Total non-current liabilities	527,401	109,397	-	636,798
Total liabilities	700,051	180,134	(25,367)	854,818
Share capital	325,045	158,340	-	483,385
Equity portion of convertible debentures	5,573	-	-	5,573
Accumulated deficit	(217,446)	(97,605)	-	(315,051)
Accumulated other comprehensive income (loss)	(12,073)	10,295	-	(1,778)
Shareholders' equity	101,099	71,030	-	172,129
Total Liabilities and Equity	801,150	251,164	(25,367)	1,026,947
Total Capital Expenditures				
Continuing operations	25,454	-	-	25,454
Discontinued operations	-	10,024	-	10,024
Total operations	25,454	10,024	-	35,478

22. SUBSEQUENT EVENTS

RETIREMENT COMMUNITY FINANCINGS

In addition to the construction financing secured in May 2016 for Simcoe and Bolton (*note 9*), construction financing of $20.7 million was secured for the Uxbridge project in July 2016. This financing provides for an additional letter of credit facility of $750,000, at a rate of 2.5% if utilized. Loan payments are interest-only, based on a floating rate of 30-day BA plus 2.5%, with no standby fee. The construction loan for the Uxbridge project is a demand facility that matures at the earlier of 54 months from closing or 36 months from the issuance of the occupancy permit.

In August 2016, the Company secured financing on three of the newly acquired retirement communities, Harvest, Stonebridge Crossing and Riverbend Crossing, representing non-revolving credit facilities aggregating $56.3 million. These financings have seven-year terms, with floating rate of prime plus 0.5% or BA plus 1.9%. The Company intends to enter into interest rate swaps to fix interest rates for a minimum of 50% of each facility within 90 days.