LEISUREWORLD SENIOR CARE CORPORATION ANNUAL REPORT 2010

ENDURING VALUE.
EMERGING OPPORTUNITIES.

Leisureworld
A WHOLE NEW IMAGE OF AGE

OUR VISION

To be the leader in providing quality care and creating an environment where our clients enjoy life to the fullest.

OUR MISSION

We make a difference…

- By **enriching** the lives of our clients through innovative programs and services.
- By **providing** peace of mind to families as we care for their loved ones with compassion, dignity and respect.
- By **building** an organizational culture of quality, safety and continuous improvement.
- By **fostering** a challenging and rewarding work environment that engages and fosters the growth of our talented employees.
- By **enhancing** and **sharing** our brand as a brand of excellence with our stakeholders and communities.

OUR CORE VALUES

Respect We respect the uniqueness and values of each person and we demonstrate a caring and compassionate approach in all that we do.

Commitment We are committed to delivering quality care and pursuing continuous improvement in all aspects of our operations.

Teamwork We respect and rely on one another to achieve our common goals through collaboration and cooperation with employees and our external partners.

Communication We are dedicated to fostering an environment of open and transparent communication with our employees, residents, families and our external stakeholders.

Learning We fully support and encourage innovation, creativity, personal growth and professional development.

2010 ADJUSTED FUNDS FROM OPERATIONS

(C$ thousands)	2010[1]
Income from Operations	$ 30,594
General and Administrative Expenses	11,471
Net Operating Income (NOI)	42,065
Construction Funding (Interest)	3,624
Interest Expense (Net)	(15,865)
Income Taxes	(1,922)
General and Administrative Expenses	(10,758)
Funds From Operations (FFO)	17,144
HRIS Expense	(72)
Construction Funding (Principal)	4,908
Maintenance Capex	(1,400)
Adjusted Funds From Operations (AFFO)	$ 20,580

[1] 2010 reflects the results of Leisureworld Senior Care LP pre-Initial Public Offering for the period from January 1, 2010 to March 22, 2010 combined with the results of Leisureworld Senior Care Corporation for the post-Initial Public Offering period of March 23, 2010 to December 31, 2010.

Table of Contents

1 Message from the Chairman • 2 Message from the Chief Executive Officer • 4 Stability • 6 Opportunity • 9 Management's Discussion and Analysis • 38 Management's Responsibility for Financial Reporting • 39 Independent Auditor's Report • 40 Consolidated Financial Statements • 44 Notes to the Consolidated Financial Statements • 60 Corporate Directory • IBC Shareholder Information

MESSAGE FROM THE CHAIRMAN

DINO CHIESA

Dear Shareholders:

On behalf of the Board of Directors, I am pleased to present the 2010 Annual Report for Leisureworld Senior Care Corporation, our first as a public company. The Initial Public Offering (IPO) of shares successfully completed March 23, 2010 marked an important milestone in the Company's development. We expect Leisureworld to deliver attractive returns to shareholders while generating consistent long-term growth.

The success of the IPO, despite the uncertainty surrounding global markets, was a vote of confidence in Leisureworld's business and vision for growth. Leisureworld's experienced management and staff and the quality of our homes and operations deliver a base of stable cash flow and provide a strong foundation for business expansion. To guide the Company through its transition to publicly traded status and beyond, we recruited a seasoned Board of Directors with demonstrated expertise in senior care and finance.

The Board operates both formally, through Board and committee meetings, and informally, through regular contact amongst directors and senior executives. There is a schedule of matters that are specifically referred to the Board for its decision, including approval of interim and annual results, setting and monitoring strategy and examining acquisition possibilities. The Board is supplied with information, in a timely manner, in a form and quality appropriate to enable it to discharge its duties.

As Leisureworld begins its public company presence, I want to assure you that the Board is fully committed to establishing and maintaining the highest standards of corporate governance, including frequent, transparent communications. However, good corporate governance depends on more than just good structures: it also requires Directors with the experience, skill, time and independence to assess the information provided and to assess its usefulness. The members of Leisureworld's Board more than meet this standard and bring to the Company a significant wealth of experience in senior care and finance. Accordingly, shareholders can have confidence in both the financial statements presented in this report and in the direction of the business.

In closing, I would like to recognize my fellow directors for their support and counsel as Leisureworld transitioned from private to public company. This includes our independent directors, Janet Graham, John McLaughlin, and Jack MacDonald as well as our management director, David Cutler. With their guidance, Leisureworld has had an excellent start as a public company and I look forward to continuing to work with this team to help the Company continue to achieve its objectives.

DINO CHIESA, Chairman of the Board

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

DAVID CUTLER

On behalf of the more than 5,000 employees of Leisureworld Senior Care Corporation, I join our Chairman in welcoming you to read our first Annual Report. The theme of this report is Enduring Value, Emerging Opportunities, reflecting our view that Leisureworld shareholders can expect to benefit from both the established value of our long-term care ("LTC") business as well as the growth potential from related seniors living businesses. Later in this report, we will expand on this theme in sections titled Stability (page 4) and Opportunity (page 6).

IPO HIGHLIGHTS SUCCESSFUL 2010

The year, 2010 was one of excitement, progress and growth. The highlight was the successful completion of our IPO in March 2010, following which our common shares began trading on the Toronto Stock Exchange under the symbol LW.

We accomplished this milestone while maintaining our focus on the fundamentals of the long-term care business, providing the highest standard of care while continuously improving internal processes. At the same time, we implemented an exciting plan for growth. As we head into 2011, one of our goals is to elevate our market presence in long-term care and related businesses.

Leisureworld generated very solid results in our first year as a public Company, with financial and operating performance in line with management's expectations, including Adjusted Funds from Operations of $0.82 per share from the IPO.

SUCCESS IN THE LONG-TERM-CARE INDUSTRY

Leisureworld is positioned in an industry with extremely positive fundamentals. As an integral part of community infrastructure, senior care is an essential part of the Canadian landscape. Many aspects such as an aging population, increased life expectancies and increased wealth among seniors all indicate that demand for the assistance that many Canadian seniors require is drastically increasing. The current waiting list in Ontario is long and constantly increasing.

Leisureworld LTC business is built on a strong business model, one that not only supports our stable dividend to shareholders, but enables us to continue our growth as an organization. Our success is built on reliable and growing government funding, high occupancy rates – 98.5% in 2010 – and disciplined control of expenses. This formula supports consistent cash flow generation while providing a solid foundation from which to enter associated businesses.

A key factor contributing to success in the industry is the ability to manage risk through comprehensive residential safety initiatives. At Leisureworld, we had a successful year in 2010, improving workplace safety through family education and balancing residents' quality of life with safety measures. A significant milestone for us in 2010 was a 73% reduction in the use of restraints. This is a remarkable achievement and we are well on our way to our ultimate goal of eliminating restraints altogether.

We were successful in achieving an improved and more consistent level of performance across the organization, including the enhancement of our technological capabilities. Specifically, we made significant investment into our HR and payroll service model, implementing specific functions that effectively transform our internal systems from a manual and paper-heavy process to a more automated, online system.

Building our long-term-care business is only one element of our broader growth strategy. We're aiming not only to be a leading LTC provider, we intend to position ourselves as leaders in the entire spectrum of the seniors care industry, to be among the most respected, reliable and comprehensive service providers in the country.

We also implemented new technologies that enhance resident-focused care. The Resident Assessment Instrument Minimum Data Set, or RAI-MDS, is an assessment tool that provides us with a more holistic view of the resident by integrating a variety of quality indicators. Investments in new technologies such as these are just a few examples of steps to improve our quality of care, which serves to enhance the stability of our business.

GROWING OUR LONG-TERM CARE BUSINESS

We are continually canvassing the market for growth opportunities in our core long-term-care business. The senior care industry remains highly fragmented and, as a large and respected operator, we are constantly evaluating acquisition opportunities to increase our footprint and leverage our scale to integrate more properties. In June we announced an agreement to acquire licenses for 88 long-term care beds in Ontario from Christie Gardens Apartments and Care Inc.

We also spent significant time this year focused on strategies for capital renewal. It is through these initiatives that we are able to expand our capacity while also ensuring that residents in the older homes are able to enjoy the same standards of physical care and comfort as the residents in the newer homes. We expect to be active in capital renewal in 2012 and beyond.

BUILDING A MORE COMPREHENSIVE BUSINESS

We're aiming not only to be a leading LTC provider, we intend to position ourselves as leaders in the entire spectrum of the seniors care industry, to be among the most respected, reliable and comprehensive service providers in the country.

Leisureworld is Ontario's third largest long-term care provider, with an independent living home, a retirement home and a home health care business. Our objective, building on this insight, is to expand our presence in these businesses by acquiring and operating assets across the continuum of service and care.

As we begin 2011, industry fundamentals remain strong and we have a quality portfolio with scale. Our management team is very excited about the prospects for this Company. We're putting together the right people, the right assets, the right strategy, and the right culture to be a leader in the industry. And we're focused on the ultimate goal of delivering superior value to shareholders.

ACKNOWLEDGEMENTS

I'd like to take this opportunity to thank our Board of Directors for their invaluable guidance and oversight during this transformational year. I also salute our employee team who continued to produce excellent results despite the distractions associated with the IPO process. And finally, I express my thanks to you, our shareholders, for your support. I look forward to greeting many of you at our first Annual Meeting of Shareholders on April 20, 2011.

DAVID CUTLER, Chief Executive Officer

Stability

“The stability of our operations supports our commitment to quality of care and quality of life for our residents. Our business model is focused on sustaining high occupancy rates and effectively managing operating expenses. The success of this approach supports consistent returns, which provides a steady stream of shareholder dividends.”

DAVID CUTLER, PRESIDENT & CHIEF EXECUTIVE OFFICER, LEISUREWORLD SENIOR CARE CORPORATION

As Ontario’s third largest LTC provider, Leisureworld is a leading owner-operator with a portfolio of 26 quality homes. The Company is focused on providing superior care, the continuous maintenance and upgrade of properties, maximizing occupancy and maintaining disciplined control of costs. The Company’s 2010 results represented the stability of Leisureworld’s long-term care business and its ability to generate consistent, stable returns.

Leisureworld’s ability to maintain steady returns and generate reliable cash flow is largely attributable to government funding and occupancy, key drivers of its business. Approximately 70% of revenues generated by LTC homes are funded through a well-defined funding model as well as co-payments from residents for both basic and preferred accommodation. The Company also receives capital cost funding of $10.35 per bed, per day for new homes.

In addition, an LTC home that meets or exceeds 97% average annual occupancy receives funding based on 100% occupancy. While government funding provides cash flow stability, Leisureworld’s demonstrated ability to maintain high occupancy serves to enhance cash flow, providing support for its dividend. Since the IPO, AFFO results were directly in line with management’s expectations at $0.82 per share, resulting in a payout ratio of 80%. This strong performance can be expected to continue.

Governments are searching for the best solution to caring for seniors. The LTC industry has proven that it is best able to provide high quality care at affordable price levels. The current waiting list in Ontario is approximately 24,000 beds and demographics indicate that demand will only increase. However, the supply side of the industry is notably limited as strict government regulations create significant barriers to entry. This demand-supply imbalance contributes to highly positive industry fundamentals in the medium to long term.

The stability of Leisureworld’s business is enriched by its unwavering commitment to quality of care. Through a number of initiatives such as clinical and technological innovation, as well as active stakeholder engagement, the Company is continuously enhancing its strong and stable platform.

3RD

LARGEST LONG-TERM CARE PROVIDER IN ONTARIO

70%

FUNDED BY GOVERNMENTS

26

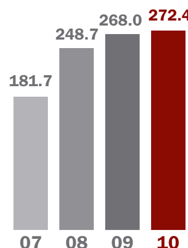
LONG-TERM CARE HOMES; **94%** OF REVENUE

Historical Performance Chart

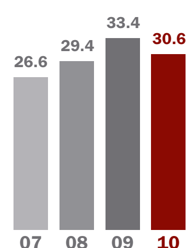
Leisureworld’s LTC business is built on solid fundamentals, including government funding that generates stable cash flow. This supports a strong, predictable dividend and provides an excellent platform on which to build a broader service offering.

HISTORICAL FINANCIAL PERFORMANCE
(C$ millions)

Revenue



Income from Operations



Opportunity

> **"Leisureworld's core business offers a strong platform for growth, and our commitment is to identify opportunities to expand our presence in this broad range of seniors' services, including retirement homes and home health care."**

PAUL RUSHFORTH, CHIEF OPERATING OFFICER, LEISUREWORLD SENIOR CARE CORPORATION

The demographics that drive growth in the LTC business also provide for a broader range of opportunities for established industry participants like Leisureworld.

While Leisureworld's primary focus is the LTC market, there are many opportunities in other areas within seniors services, including independent living, retirement homes, assisted living centres and home health care. Putting the opportunity in perspective, the Company estimates that in 2010, LTC represented only about 44% of the total seniors living market in Ontario. There are opportunities to increase less-regulated revenues by acquiring and operating more assets across the broader continuum of care.

Leisureworld already has representation in these businesses. In addition to 26 LTC homes, the Company owns a retirement home and an independent living home in Ontario. Leisureworld also owns ancillary businesses that provide dietary, social work, and other regulated professional health services. Our home health care business provides professional nursing and personal support services.

Not only are these businesses profitable in their own right, they are also complementary to the LTC business, presenting the opportunities for significant cross-selling and purchasing synergies. Management is constantly looking for growth opportunities across the spectrum of the seniors living industry, in Ontario and other targeted Canadian markets. As the Company expands its presence in these businesses, the LTC business will also benefit.

While this expanded market clearly represents an exciting opportunity, Leisureworld will also benefit from opportunities in LTC. First, the Province of Ontario has announced a capital renewal program for the refurbishment of approximately 35,000 Class B and C properties. Leisureworld owns 2,054 beds that are eligible for the program. Although funding for capital renewal has been deferred this year, it is expected to begin in 2012. Second, Leisureworld has significant opportunities for acquisitions in the fragmented LTC industry. With the regulatory burden becoming more onerous for smaller industry participants, larger companies with scale are positioned for continued growth.

SENIORS LIVING

EXPANDING OUR EXISTING PORTFOLIO OF ONE RETIREMENT HOME AND ONE INDEPENDENT LIVING HOME

PREFERRED HEALTH CARE

SIGNIFICANT OPPORTUNITY TO EXPAND THE COMPANY'S EXISTING PREFERRED HEALTH CARE SERVICES (PHCS), INCLUDING HOME HEALTH CARE AND PERSONAL SUPPORT SERVICES

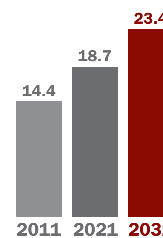
ACQUISITION

OPPORTUNITIES FOR LTC EXPANSION IN ONTARIO AND IN OTHER TARGET REGIONS ACROSS CANADA

Growing Seniors Living Market

By 2031, nearly one in four Canadians will be aged 65 and over, supporting strong demand across the continuum of care, from home health care to independent and assisted living to long-term care.

% OF CANADIAN POPULATION 65 YEARS AND OVER



Source: Statistics Canada.

Our people, Our community.

Respect Commitment Teamwork Communication Learning

The year 2010 was an exciting year of achievement for Leisureworld's employees, residents and surrounding communities. The Company recognizes the importance of its employees and serving the communities where we live and work. As a result, Leisureworld continues to deepen its engagement with stakeholders through active programs and partnerships.

The Company is very proud of our dedicated team and the long-term commitment of our employees. Over 550 employees were recognized for their long-standing employment with Leisureworld in increments from forty to five years of service, with two employees honoured for forty years of service, profound evidence of our employees' passion and devotion.

Leisureworld's efforts to contribute positively to healthy, sustainable communities through integrated and focused community involvement programs are evident in programs such as the Company's second annual Art of Living Event and other important fundraising campaigns. In 2010, Leisureworld was successful in raising approximately $16,000 for the Alzheimer Society and $5,000 for Haitian earthquake relief.

Management is extremely proud of all employees who, throughout the year, exhibited leadership, enthusiasm and dedication. The Award of Excellence honours were presented this year to Leisureworld and Preferred Health Care Services employees who demonstrated leadership in their field and typified the Company's core values of Respect, Commitment, Teamwork, Communication and Learning. Throughout the year, many staff also took steps to deepen their community involvement, donating their time, talent and generosity to causes that are important to them.

The 2010 Award of Excellence recipients, front from left to right: Violet Cadougan for the *Teamwork* award, and Susan Bock for the *Learning* award, Lora Palmer for the *Commitment* award, June Brodie for the *Respect* award and Shirley Fleetham for the *Communication* award. Back from left to right: David Cutler, CEO, Paul Rushforth, COO and Josephine DesLauriers, VP, Human Resources.

Leisureworld Caregiving Centre Elmira received the inaugural Quality Guild Award for making great strides in enhancing quality in their Home.

Leisureworld's Art of Living Event, proves that life doesn't stop when one enters long-term care. More than 25 residents from Leisureworld Homes across Ontario were a part of the second annual Art of Living Event, featuring works of art created by residents, ranging from sketches and paintings to sculptures and poetry.

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Quarter and Period Ended December 31, 2010

This report for Leisureworld Senior Care Corporation ("Leisureworld" or the "Company") summarizes the financial results for the quarter and period ended December 31, 2010. This discussion and analysis of Leisureworld's consolidated operating results, cash flow and financial position for the quarter and period ended December 31, 2010 should be read in conjunction with the audited consolidated financial statements and related notes contained in this financial report. Additional information relating to the Company is available on SEDAR at www.sedar.com. The information contained in this report reflects all material events up to February 24, 2011, the date on which this report was approved by the Board of Directors of Leisureworld.

The discussion and analysis of the operating results for the quarter compare the audited consolidated operations of Leisureworld for the period to the results of Leisureworld Senior Care LP ("LSCLP"), the acquired business, for the same period of the prior year. The year to date comparison includes the combined results of LSCLP up to March 23, 2010, the date of acquisition and the Company's results from March 23, 2010, compared to the full year results of LSCLP for the prior year. All financial information has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts have been expressed in thousands of Canadian dollars, unless otherwise noted.

FORWARD-LOOKING STATEMENTS

Certain statements in the following discussion and analysis may constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors, which may cause the actual results to be materially different from any future results expressed or implied by such forward-looking statements. When used in the following discussion and analysis, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this discussion and analysis. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved.

The forward-looking statements contained in this discussion and analysis are based on information currently available and what management currently believes are reasonable assumptions, however, neither Leisureworld nor management can ensure actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this discussion and analysis, and Leisureworld and management assume no obligation to update or revise them to reflect new events or circumstances. Leisureworld and management caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made.

INTRODUCTION

Leisureworld was incorporated under the laws of the Province of Ontario on February 10, 2010 and was continued under the laws of the Province of British Columbia on March 18, 2010. The Company closed its Initial Public Offering ("IPO") on March 23, 2010 and acquired, indirectly, all of the outstanding limited partnership interest in LSCLP and common shares of Leisureworld Senior Care GP Inc., the general partner of LSCLP.

CORPORATE OVERVIEW

Leisureworld and its predecessors have been operating since 1971. Leisureworld is the third largest licensed long-term care ("LTC") provider in the Province of Ontario and the largest participant in the Canadian seniors housing sector that has focused almost exclusively on Ontario LTC. Leisureworld owns and operates 26 LTC homes (representing an aggregate of 4,314 beds), all of which are located in the Province of Ontario. Leisureworld also owns and operates one retirement home ("RH") (representing 29 beds) and one independent living ("IL") home (representing 53 apartments) in the Province of Ontario. Ancillary businesses of the Company include: Preferred Health Care Services ("PHCS"), an accredited provider of professional nursing and personal support services for both community based home healthcare and LTC homes; Ontario Long Term Care ("OLTC"), a provider of purchasing services, as well as dietary, social work, and other regulated health professional services to Leisureworld homes; and Tealwood Developments ("Tealwood"), a provider of laundry services to the Leisureworld homes.

The objectives of Leisureworld are to: (i) provide shareholders with stable monthly dividends derived from revenues generated from income-producing LTC homes, seniors housing investments and community based services; (ii) enhance the long-term value of the Company's assets and maximize share value; and (iii) expand the asset base of the Company through accretive acquisitions and construction of new LTC homes and other healthcare related business opportunities.

INDUSTRY OVERVIEW

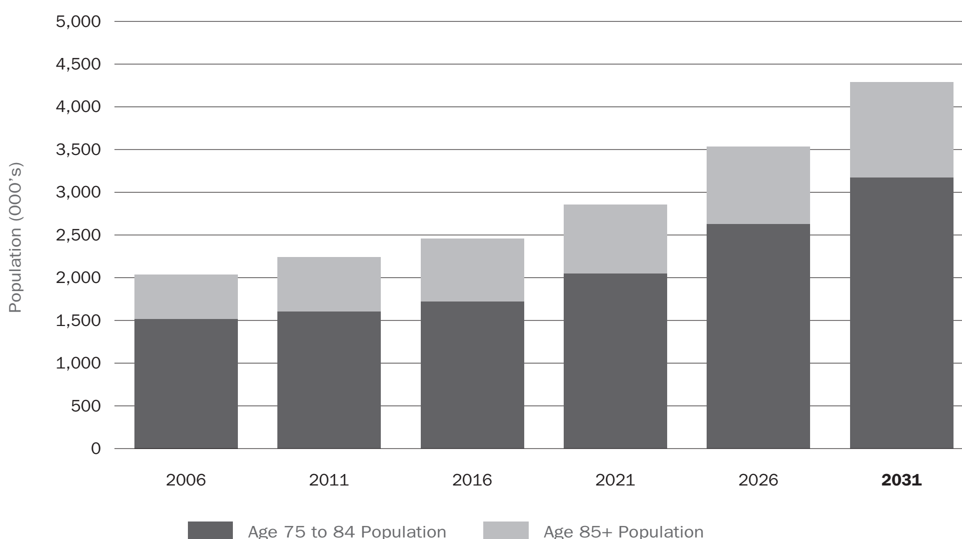
LTC homes are designed to accommodate seniors who require 24-hour per day care and suffer from cognitive or physical impairment. LTC homes offer higher levels of personal care and support than those typically offered by independent living facilities or retirement homes. All Ontario LTC homes must be licensed by the Ministry of Health and Long-Term Care ("MOHLTC"), are eligible for occupancy based government funding and are subject to government regulation and care standards. Residents of LTC homes are directly charged only for accommodation costs and, in the event these amounts are unaffordable for the residents, government subsidies are available to reduce the basic accommodation charge. Residents of LTC homes can pay a higher accommodation rate for private and semi-private accommodation ("preferred occupancy"). Retirement homes accommodate seniors who require minimal to moderate assistance with activities of daily living whereas independent living facilities accommodate seniors who require minimal or no assistance with daily living. Retirement homes in Ontario are now regulated but generally are not subsidized by the government. The "Retirement Homes Act, 2010" received Royal Assent on June 8, 2010. This legislation will provide consumer protection and does not provide funding for the provision of care and services in these facilities. There will be a delayed implementation of certain sections of the Act, including licensing provisions. Residents are generally responsible for the entire cost of accommodation and care. Management is currently reviewing the impact of the new legislation.

Demand and supply

The demand for seniors housing and programs continues to grow in the Province of Ontario. Management believes favourable demographics, increasing life expectancy, increasing seniors' affluence and changing family dynamics have and will continue to have a positive impact on demand for housing in LTC homes in the Province of Ontario.

- Favourable demographics: The primary demographic group living in LTC homes are Canadians who are greater than 75 years of age. According to Statistics Canada, the 75-plus and 85-plus age cohorts in Canada are anticipated to be among the fastest growing age cohorts over the next 20 years, with the 85-plus age cohort expected to increase approximately 23% between 2006 and 2011. The same cohorts are expected to more than double in population by 2031.

ESTIMATED POPULATION IN CANADA'S 75 TO 84 AND 85+ AGE COHORTS



Source: Statistics Canada estimates, as at June 26, 2008.

- Increasing life expectancy: Primarily as a result of advances in healthcare, Canada's population is aging. The average life expectancy for Canadians increased to 80.4 years in 2005 from 77.8 years in 1991, according to Statistics Canada. Additionally, the population of the Province of Ontario has one of the highest life expectancies in the developed world. The segment of the population aged 65 years and older is expected to more than double in size by 2031, further exacerbating problems with respect to the availability of LTC accommodation.

- Increasing seniors' affluence: Increases in net worth (largely as a result of the many seniors who now own their homes debt-free), combined with increased household incomes, allow seniors to afford a much higher quality housing product with greater amenities than at any time in the past. Seniors housing is now more upscale and residential, compared to the institutional feel that previously characterized such facilities. Instead of having to settle for multi-bed ward rooms, seniors can now choose to live in private or semi-private accommodation that more resembles hotel-style living than nursing homes of a previous generation. This arrangement also affords greater dignity and privacy to the senior receiving care and services.
- Changing family dynamics: With more and more families having both spouses working full-time outside of the home and changes in lifestyle reducing the ability of adult children to care for their aging parents, seniors housing facilities are an attractive option. There is also an increasing demand for home healthcare services as wait-lists for medical services and emergency room waits increase the demand for LTC services.
- Demand for cost effective alternatives: Rising healthcare costs have resulted in a reduction in the length of hospital stays and enhanced home healthcare services and, in turn, are a predominant factor in growing wait-list numbers. This has resulted in LTC homes increasingly being filled by residents with higher care requirements, leading to higher occupancy levels in LTC homes.
- Recession stability: The LTC industry has historically been largely insulated from economic cycles. This can be attributed to several factors: (i) seniors are generally retired and receiving stable, fixed and predictable income from private and public pensions, RRSPs and other fixed income investment securities; (ii) demand for LTC housing is not usually discretionary but driven by need, which does not fluctuate during economic cycles; (iii) stability of tenure, as seniors, once having moved into a facility, are reluctant or unable to move to alternative accommodation; (iv) the continual increase in the demand for seniors accommodation with skilled nursing due to the demographics of the aging population; and (v) a high level of government funding and subsidization of fees.

INDUSTRY CHARACTERISTICS

LTC homes are social infrastructure assets as they provide essential health services. This sector can be distinguished from other sectors of the seniors housing industry based on a number of factors, including the following:

- Provision of an essential service: The Ontario LTC sector provides an essential service to Ontario communities. LTC licensed homes generally provide 24-hour nursing support, daily assistance with personal care and supervision throughout the day to individuals who may otherwise require hospital care.
- Significant barriers to entry: Barriers to entry are both regulatory and operational. The LTC sector in the Province of Ontario is regulated by MOHLTC, which requires that, in order to operate as an LTC home and to receive government funding, a home must be licensed or receive a letter of approval to operate from MOHLTC. In considering whether it is in the public interest to grant a licence to operate an LTC home, MOHLTC takes into account certain prescribed factors, including licensed bed capacity in the area, health facilities in the area other than LTC homes providing nursing care, the number of applicants for nursing care and available funds. In addition, LTC homes in the Province of Ontario must be built to specified design criteria and funding is tied to the level of delivery of mandated care services. These regulations create significant barriers to entry in the LTC sector and restrict the supply of beds. Currently, there is an almost universal restriction on the issuance of new licences in the Province of Ontario due to funding implications. There are also restrictions on the transfer or reissuance of licences whereby new industry entrants are heavily scrutinized and, conversely, experienced LTC operators with a sophisticated understanding of the regulatory landscape, such as Leisureworld, often gain an advantage as preferred purchasers whose wait time for approvals may be shortened. In addition to the regulatory barriers to entry, the successful operation of an LTC home demands a broad range of expertise, which creates additional barriers to entry. The operational skills required include management of healthcare operations, maintenance, marketing, community relationships, labour relations, government relations and financing. Larger operators may be better able to address these required skills through dedicated head office staff responsible for specific functions, the cost of which may be allocated across multiple homes.

- **Sustainable competitive advantage:** LTC homes have a sustainable competitive advantage over other sectors in the Ontario seniors housing industry due to affordability for seniors and as a cost-effective alternative to Complex Continuing Care ("CCC") hospital beds for eligible patients.
- **Stability of revenues:** LTC homes tend to enjoy predictable revenue for the following reasons: (i) a significant portion of revenues generated by LTC homes are received from MOHLTC funding; (ii) LTC homes are characterized by consistently high occupancy levels; (iii) there is a stable trend in escalation of payments; and (iv) revenue from preferred accommodation is available.

LTC FUNDING MODEL

Ontario LTC homes are funded through a well-defined funding model. Licensed operators of Ontario LTC homes are entitled to operating subsidies (subject to annual reconciliation), as well as various capital renewal program payments. Provincial support for the Ontario LTC sector has been demonstrated by increased funding commitments to the sector. Operational funding of LTC homes in the Province of Ontario is currently paid monthly and is divided into three "envelopes." Total operational funding received by operators includes a provincial government component and a direct charge to residents in respect of accommodation services. Each envelope is structured as a fixed amount per resident per day, or "rate." If an LTC home's average annual occupancy level meets or exceeds 97%, it is MOHLTC's policy to provide funding based on 100% occupancy. The three envelopes include Nursing and Personal Care ("NPC"), Programs and Support Services ("PSS") and accommodation, which includes raw food.

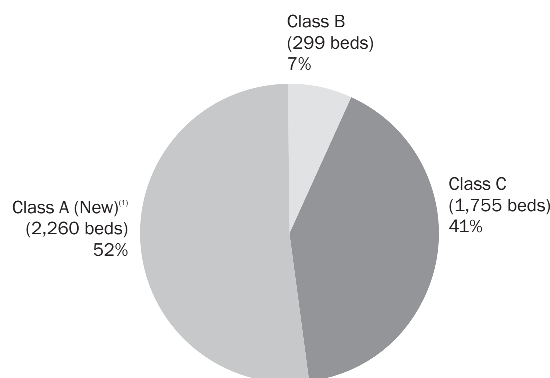
MOHLTC categorizes and provides structural compliance and capital funding for homes according to four bed classes: Class A, which includes New, Class B, Class C and Class D. Capital funding is available to operators of LTC homes through Structural Compliance Premiums, Capital Cost Funding for New beds, Capital Cost Funding for Class B and C beds, Accreditation and several other revenue sources.

BUSINESS OVERVIEW

LTC homes

Leisureworld's portfolio is comprised largely of New homes within the Class A category, which represent approximately 52% of Leisureworld's beds. Class B and C homes represent 7% and 41% of the portfolio, respectively. In addition, Leisureworld is well positioned to capitalize on the Capital Renewal Initiatives, which will provide funding to upgrade Class B and C homes.

SUMMARY OF LTC BEDS BY CLASS

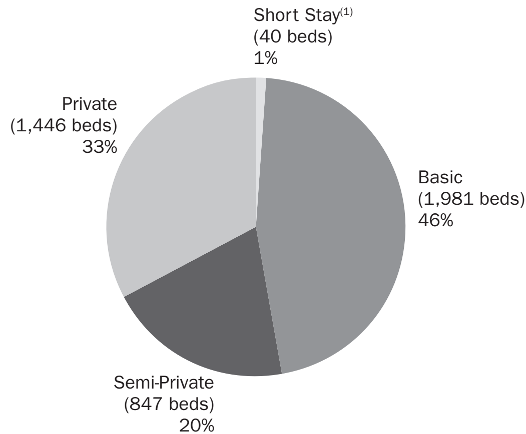


Note:

(1) All of Leisureworld's Class A homes are designated New, meeting or exceeding MOHLTC's most recent (1998) design standards and qualifying for additional capital funding of $10.35 per day, per bed.

A significant proportion of Leisureworld's LTC beds are designated as preferred accommodation with approximately 53% of beds designated as private or semi-private accommodation. Approximately 4% of the revenues and 25% of the Net Operating Income ("NOI") from Leisureworld's LTC operations are generated from charging residents the regulated premium of $18.00 and $8.00 per day per bed for private and semi-private accommodation, respectively.

SUMMARY OF LTC BEDS BY ACCOMMODATION TYPE



Note:

[1] Short stay and convalescent care beds are reserved for people requiring stays in an LTC home of less than 30 and 90 days, respectively. Short stay beds are designed to provide home caregivers with relief from their caregiving duties on a periodic basis. Convalescent care beds are typically used to provide resident support following a hospital stay. Short stay beds are funded at 100% occupancy regardless of actual occupancy and convalescent care beds are funded at 100% occupancy, provided average annual occupancy meets or exceeds 80%. In addition, convalescent care beds earn additional funding as a result of the higher level of care required.

Retirement and independent living homes

Leisureworld owns and operates one RH consisting of 29 beds that adjoins the Muskoka LTC home, and one IL home comprising 53 apartments that is attached to the Scarborough LTC home. These two homes have maintained a combined average of occupancy above 90% and are integral to seniors services provided within their local communities. The Muskoka RH will have to comply with the requirements of the Retirement Homes Act, which received Royal Assent on June 8, 2010.

Preferred Health Care Services

PHCS offers homecare, education and training, and relief staffing services. These services either complement or support the core nursing home operations of Leisureworld. PHCS effectively broadens Leisureworld's presence across the continuum of care. PHCS has been providing professional nursing and personal support services in the community and LTC homes since 1987. Employees of PHCS include registered nurses, registered practical nurses, foot care nurses, companions and personal support workers who work on a permanent full-time, part-time or elect-to-work basis. Elect-to-work employees are not guaranteed any minimum amount of work. Employees are non-unionized and salaries are dictated by the market.

Ontario Long Term Care and Tealwood

OLTC acts as a central purchasing agent for all of the Leisureworld homes. OLTC negotiates purchasing agreements with third party providers on behalf of Leisureworld's LTC homes. It is also the employer of specialized personnel, which include registered dieticians, social workers and other professional consultants.

Tealwood is a subsidiary company of Leisureworld, which provides laundry services for certain Leisureworld homes.

KEY PERFORMANCE DRIVERS

There are a number of factors that drive the performance of Leisureworld:

Government funding ensures stability of cash flow

Ontario's LTC sector is regulated by MOHLTC according to a defined funding model. This model contributes to the stability of Leisureworld's cash flow. Operational funding, paid monthly, is divided into three envelopes: NPC; PSS; and accommodation. Approximately 70% of revenue from Leisureworld's LTC homes is received from MOHLTC. Over the past ten years, government funding of Leisureworld's LTC homes has increased in excess of the consumer price index. Leisureworld also receives capital cost funding of up to $10.35 per bed, per day from MOHLTC for Class A homes, as well as payments from residents for both basic and preferred accommodation. Leisureworld also receives structural compliance premiums from MOHLTC, of $2.50 and $1.00, on a per resident per day basis, for Class B and C homes, respectively. Additionally, MOHLTC provides funding to LTC homes that have been accredited by Accreditation Canada and reimburses up to 85% of property and capital tax costs.

In 2007, MOHLTC committed to a capital renewal program that will provide additional funding to operators to upgrade the province's 35,000 Class B and C homes to Class A standards, thereby improving the overall quality and comfort of accommodation available to residents. In April 2009, MOHLTC published an updated design manual and policy for funding construction costs for the redevelopment of Class B and C LTC homes. The funding for these redevelopment projects will be in the form of a 25-year commitment from MOHLTC, to pay a specific amount per bed, per day, which depends on the actual construction cost and also the building's compliance with Leadership in Energy and Environmental Design ("LEED") design standards. Redevelopment of Leisureworld's Class C homes is expected to occur under this program in the years ahead.

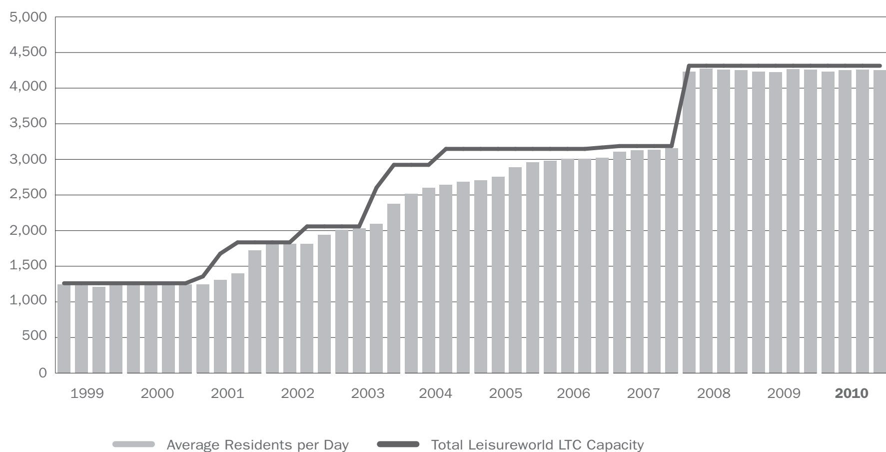
PHCS provides home care services that help individuals remain independent and active in their homes. Funding for such services is provided by Community Care Access Centres ("CCAC"). CCAC were created by MOHLTC partially to administer publicly funded home care in the Province of Ontario. PHCS holds three CCAC contracts.

Occupancy levels enhance cash flow

Occupancy is a key driver of Leisureworld's performance. An LTC home that meets or exceeds 97% annual average occupancy receives funding from MOHLTC based on 100% occupancy. Leisureworld has a strong record of increasing capacity and occupancy. In addition, the supply of LTC beds is controlled and regulated by the government, which ensures barriers to entry. For the quarter and the year ended December 31, 2010, Leisureworld's average occupancy was 98.6% (2009 – 98.8%) and 98.5% (2009 – 98.5%), respectively.

In addition, the demand for LTC homes is dictated by a need for care, driven by demographic trends rather than changes in the economy. According to the Ontario Ministry of Finance, the number of people aged 65 years and older will nearly double to about 3.5 million, or 21.4% of the province's population, in 2031, up from 1.6 million, or 12.9% of the population currently.

OCCUPANCY TRACK RECORD[1]



Note:
[1] Includes only LTC beds.

Optimization of private accommodation mix increases operating profitability

An LTC home that provides basic accommodation for at least 40% of residents may offer the remaining residents private accommodation at a regulated premium. The LTC home operator retains the premiums collected for such accommodation, which typically increases revenue and enhances profitability. The premium for a private room is currently $18 per day. Leisureworld has approximately 33.5% of the beds designated as private accommodation. Private bed average total occupancy for the quarter and year ended December 31, 2010 was 96.7% (2009 – 97.3%) and 97.1% (2009 – 95.9%), respectively.

Disciplined cost management is key to operating profitability

Leisureworld enjoys economies of scale in areas such as hiring, purchasing and administration for its LTC homes. Long-term care operators in Ontario receive funding from the government. Operators must return any funding that is not spent for the NPC, PSS, and raw food envelopes to the government; however, spending in excess of the government funding is paid by the LTC operator. Leisureworld manages costs prudently to ensure it continues to provide quality accommodation and services, while maximizing operating profit.

Ensuring high-quality care and services to all residents

A culture of quality is fostered by a corporate team that measures, monitors and audits Leisureworld's performance in care and in services. Engagement with management and staff at all levels, through discussion and disseminating reports, analysis and recommendations, is an ongoing process. The outcome of these encounters is also connected to establishing best practices, revisions to benchmarks and is used to develop training and educational initiatives.

Providing professional on-site administration of well-operated Leisureworld homes

Each home has its own on-site management team that is supported through regional and corporate staff who have areas of more focused expertise. Management of each Leisureworld home is supported by networking with other homes through internal conferences, home comparative management reports and involvement in project teams.

Ensuring continued maintenance and upgrade of properties

Capital budgets, operational reviews and equipment/building service contracts support planning and monitoring of Leisureworld's physical assets. Leisureworld has established an active, ongoing maintenance approach, which helps ensure appropriate preventative maintenance and that the Leisureworld homes operate efficiently and competitively.

GROWTH STRATEGIES OF LEISUREWORLD SENIOR CARE CORPORATION

Management has identified both internal and external growth opportunities. Organic growth opportunities include project development under the Capital Renewal Initiatives, as well as an increase in the number of home healthcare contracts. External growth strategies include LTC acquisitions, expansion across the continuum of care, and geographic extension.

Organic

Leisureworld anticipates participating in MOHLTC's Capital Renewal Initiatives, under which 12 Class B and Class C homes would be eligible for refurbishment. This strategy includes both the downsizing and retrofitting of certain of its homes as well as new home construction. Ultimately, the program is expected to extend licence terms at newly developed homes and increase preferred bed revenues. In addition, Leisureworld's PHCS business stands to benefit from the stated intention by the Government of Ontario to increase investment in community based services, which includes home healthcare services. As a result of the government initiative, management expects to obtain additional home healthcare contracts, which will ultimately result in PHCS becoming a larger participant in this sector.

External

Management believes a large number of LTC acquisition targets exist as a result of the fragmented nature of the LTC industry. Additionally, Leisureworld intends to target older LTC homes with limited redevelopment opportunities and implement the transportation of licensed capacity from those homes to Leisureworld's existing portfolio. Opportunities also exist for Leisureworld to expand in the RH and IL home segment of senior housing through acquisition and development. Finally, management anticipates opportunities to diversify Leisureworld's portfolio into other regions of Canada through acquisitions.

NON-GAAP PERFORMANCE MEASURES

Funds from operations (“FFO”), adjusted funds from operations (“AFFO”) and net operating income (“NOI”) are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. FFO, AFFO and NOI are supplemental measures of a company’s performance and Leisureworld believes that FFO, AFFO and NOI are relevant measures of its ability to pay dividends on the Company’s common shares. The GAAP measurement most directly comparable to FFO, AFFO and NOI is Net Income. See “Business Performance” for a reconciliation of NOI, FFO and AFFO to Net Income.

“FFO” is defined as net income computed in accordance with GAAP, excluding gains or losses from sale of depreciable real estate and extraordinary items, plus the interest portion of capital subsidy receivables, plus amortization, plus future income taxes. In the opinion of management, the use of FFO, combined with the required primary GAAP presentations, is fundamentally beneficial to the users of the financial information, and improves their understanding of the operating results of Leisureworld. Management generally considers FFO to be a useful measure for reviewing Leisureworld’s operating and financial performance because, by excluding real estate asset amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help users of the financial information compare the operating performance of Leisureworld’s real estate portfolio between financial reporting periods.

“AFFO” is defined as FFO plus the principal portion of capital subsidy receivables, less maintenance capital expenditures (“capex”). Other adjustments may be made to AFFO and determined by the Board at its discretion. Management believes AFFO is useful in the assessment of Leisureworld’s operating performance for valuation purposes, and is also a relevant measure of the ability of Leisureworld to earn cash and pay dividends to shareholders.

“NOI” is defined as operating revenues after direct operating expenses have been deducted, but before deducting net head office expenses, net interest expense, amortization expenses, general and administrative expenses, income taxes, leasehold improvement and leasing costs, and unrecoverable capital costs.

FFO, AFFO and NOI should not be construed as alternatives to net income (loss) or cash flow from operating activities determined in accordance with GAAP as indicators of Leisureworld’s performance. Leisureworld’s method of calculating FFO, AFFO and NOI may differ from other issuers’ methods and accordingly, these measures may not be comparable to measures used by other issuers.

BUSINESS PERFORMANCE

In the quarter ended December 31, 2010, NOI decreased by $1,172 or 9.7% primarily due to a reduction of the sick time allowance of $1,086 during the corresponding quarter of the prior year. In addition, PHCS NOI was $86 lower due to a reduction in personal support contract volumes. FFO at $4,463 decreased by $2,204 or 33.1% due to the reduction in NOI, higher general and administrative expenses of $1,155 and higher income tax expenses, which were partly offset by an increase in interest on construction funding receivable and lower net interest expense. The increase in general and administrative expenses was due to a reduction in the sick time allowance of $751 during the quarter ended December 31, 2009 and an increase in the public company related costs following the IPO in the first quarter of 2010. AFFO for the quarter ended December 31, 2010 was $2,526 or 33.4% lower than the fourth quarter of 2009 due to the reduced FFO and higher maintenance capital expenditures.

For the year ended December 31, 2010, NOI decreased by $470 or 1.1%. Higher costs of $1,086 due to the reduction in the sick time allowance in 2009 and lower NOI at PHCS of $286, due to reductions in relief staffing and personal support contract volumes, were partly offset by additional other accommodation revenues of $579 relating to the $1.55 per diem increase implemented April 1, 2009, and an increase in preferred accommodation revenue of $162. FFO decreased by $2,333 or 12.0% due to higher general and administrative expenses, higher income tax expenses, lower NOI and reduced interest income on the construction funding receivable being partly offset by lower net interest expense. General and administrative expenses increased by $1,662 primarily due to the reduction in sick time allowance in the prior year of $751 and additional public company related expenses following the IPO in the first quarter. AFFO decreased by $3,019 or 12.8% with lower FFO and higher maintenance capital expenditures being partly offset by higher construction funding principal.

Thousands of dollars	**LSCC Quarter Ended Dec. 31, 2010**	LSCLP Quarter Ended Dec. 31, 2009	**LSCC and LSCLP Year Ended Dec. 31, 2010**[1]	LSCLP Year Ended Dec. 31, 2009
Net income (loss)	**(1,314)**	2,823	**(3,786)**	4,093
Recovery of income taxes	**(422)**	—	**(1,450)**	—
Income (loss) before income taxes	**(1,736)**	2,823	**(5,236)**	4,093
Amortization	**6,264**	3,923	**22,228**	15,820
Interest, net	**3,301**	3,525	**13,785**	13,887
Gain on interest rate swap contract	**(79)**	(61)	**(183)**	(361)
Income from operations before the undernoted	**7,750**	10,210	**30,594**	33,439
General and administrative expenses	**3,124**	1,836	**11,471**	9,096
Net Operating Income ("NOI")	**10,874**	12,046	**42,065**	42,535

Notes:

(1) The Year Ended December 31, 2010 presentation is the total of LSCLP results of operations pre-initial public offering for the period from January 1, 2010 to March 22, 2010 added to the results of the Company for the post-initial public offering period of March 23, 2010 to December 31, 2010.

Thousands of dollars, except share and per share data	**LSCC Quarter Ended Dec. 31, 2010**	LSCLP Quarter Ended Dec. 31, 2009	**LSCC and LSCLP Year Ended Dec. 31, 2010**[6]	LSCLP Year Ended Dec. 31, 2009
Net Operating Income ("NOI")	**10,874**	12,046	**42,065**	42,535
Accretion interest on construction funding receivable	**1,017**	971	**3,624**	3,883
Net interest expense[1]	**(3,810)**	(4,514)	**(15,865)**	(17,845)
Income taxes expense[2]	**(627)**	—	**(1,922)**	—
General and administrative expenses[3]	**(2,991)**	(1,836)	**(10,758)**	(9,096)
Funds from Operations ("FFO")	**4,463**	6,667	**17,144**	19,477
HRIS expense	**(48)**	33	**(72)**	104
Construction funding (principal)	**1,116**	1,161	**4,908**	4,647
Maintenance capex[4]	**(502)**	(306)	**(1,400)**	(629)
Adjusted Funds from Operations ("AFFO")	**5,029**	7,555	**20,580**	23,599
Basic and diluted FFO per share	**$ 0.2219**			
Basic and diluted AFFO per share	**$ 0.2501**			
Common shares outstanding[5]	**20,108,649**			

Notes:

(1) Total Net Interest Expense excluding non-cash interest expense on debentures, construction funding interest income, and non-cash interest income on annuity.

(2) LSCLP was not a taxable entity.

(3) General and Administrative Expenses have been decreased by $133, $0, $713, and $0 respectively for stock-based compensation expense related to stock issued to senior management in relation to the IPO, the effect being a reduction in proceeds to the seller.

(4) Maintenance Capex has been decreased by $205, $243, $1,094 and $595, respectively, for capital expenditures related to the implementation of the new Human Resource Information System (HRIS).

(5) Common shares outstanding include all issued shares.

(6) The Year Ended December 31, 2010 presentation is the total of LSCLP results of operations pre-initial public offering for the period from January 1, 2010 to March 22, 2010 added to the results of the Company for the post-initial public offering period of March 23, 2010 to December 31, 2010.

QUARTERLY FINANCIAL INFORMATION

Thousands of dollars, except per share data	**LSCC Quarter Ended Dec. 31 2010**	**LSCC Quarter Ended Sep. 30 2010**	**LSCC Quarter Ended Jun. 30 2010**	**LSCC and LSCLP Quarter Ended Mar. 31[1] 2010**	LSCLP Quarter Ended Dec. 31 2009	LSCLP Quarter Ended Sep. 30 2009	LSCLP Quarter Ended Jun. 30 2009	LSCLP Quarter Ended Mar. 31 2009
Revenue	**71,589**	**68,824**	**66,785**	**65,152**	69,366	68,106	66,179	64,328
Operating expenses	**60,715**	**58,307**	**55,856**	**55,407**	57,320	56,719	55,856	55,549
General and administrative expenses	**3,124**	**2,479**	**2,984**	**2,884**	1,836	2,386	2,367	2,507
Income from operations before undernoted	**7,750**	**8,038**	**7,945**	**6,861**	10,210	9,001	7,956	6,272
Net income (loss)	**(1,314)**	**(1,317)**	**(1,248)**	**93**	2,823	1,605	836	(1,171)
Net income (loss) – per share and diluted per share	**(0.07)**	**(0.07)**	**(0.06)**	**N/A**	N/A	N/A	N/A	N/A
Dividends declared[2]	**4,271**	**4,271**	**4,685**	**N/A**	N/A	N/A	N/A	N/A
Dividends declared – per share and diluted per share	**0.21**	**0.21**	**0.23**	**N/A**	N/A	N/A	N/A	N/A
AFFO	**5,029**	**5,533**	**5,538**	**4,480**	7,555	6,421	5,612	4,011
AFFO – per share and diluted per share	**0.25**	**0.28**	**0.28**	**N/A**	N/A	N/A	N/A	N/A

Notes:

[1] The quarter ended March 31, 2010 presentation is the total of LSCLP results of operations pre-initial public offering for the period from January 1, 2010 to March 22, 2010 combined with the results of the Company for the post-initial public offering period of March 23, 2010 to March 31, 2010.

[2] All dividends paid by the Company, unless otherwise indicated, are designated as eligible dividends for Canadian tax purposes in accordance with subsection 89(14) of the Income Tax Act (Canada) and any applicable corresponding provincial and territorial provisions.

The quarterly results of the Company are subject to various factors including, but not limited to seasonality of utility expenses, timing of government funding rate increases and the timing of revenue recognition to match spending under the flow-through envelopes. Year-over-year comparisons are more appropriate than comparing sequential quarters due to the above factors.

In the quarter ended September 30, 2009, revenue included $1,178 for the additional $1.55 per diem in other accommodation funding which was introduced in that quarter retroactive to April 1, 2009.

In the quarter ended December 31, 2009, management reduced its estimate of sick time allowance by $1,837 and following the IPO in the quarter ended March 31, 2010, the Company's general and administrative expenses increased.

A discussion of the quarter and the year ended December 31, 2010 results compared to the same periods in the prior year is provided under the section "Selected Consolidated Financial and Operating Information". For a complete discussion and analysis of the first, second and third quarter periods indicated above, refer to the Company's interim Management's Discussion and Analysis issued in 2010.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

Thousands of dollars, unless otherwise noted	**LSCC Quarter Ended Dec. 31, 2010**	LSCLP Quarter Ended Dec. 31, 2009	**LSCC and LSCLP Year Ended Dec. 31, 2010**[1]	LSCLP Year Ended Dec. 31, 2009
Revenue	**71,589**	69,366	**272,350**	267,979
Expenses				
Operating expenses	**60,715**	57,320	**230,285**	225,444
General and administrative expenses	**3,124**	1,836	**11,471**	9,096
	63,839	59,156	**241,756**	234,540
Income from operations before the undernoted	**7,750**	10,210	**30,594**	33,439
Other expenses				
Amortization	**6,264**	3,923	**22,228**	15,820
Interest, net	**3,301**	3,525	**13,785**	13,887
Gain on interest rate swap contract	**(79)**	(61)	**(183)**	(361)
Total other expenses	**9,486**	7,387	**35,830**	29,346
Income (loss) before income taxes	**(1,736)**	2,823	**(5,236)**	4,093
Provision for (recovery of) income taxes				
Current	**627**	—	**1,922**	—
Future	**(1,049)**	—	**(3,372)**	—
	(422)	—	**(1,450)**	—
Net income (loss)	**(1,314)**	2,823	**(3,786)**	4,093
Total assets	**582,722**	527,796	**582,722**	527,796
Long-term debt	**298,496**	368,091	**298,496**	368,091
Average occupancy	**98.6%**	98.8%	**98.5%**	98.5%
Average private occupancy	**96.7%**	97.3%	**97.1%**	95.9%

Notes:

[1] The Year Ended December 31, 2010 presentation is the total of LSCLP results of operations pre-initial public offering for the period from January 1, 2010 to March 22, 2010 combined with the results of the Company for the post-initial public offering period of March 23, 2010 to December 31, 2010.

Revenue

For the quarter ended December 31, 2010, Leisureworld generated revenue of $71,589 compared to $69,366 in 2009. The increase of $2,223 or 3.2% was partly due to increases in government funding rates of 2.0% or approximately $1,072. Additional increases in revenue compared to the same quarter last year include $1,378 due to the timing of revenue recognition to match spending under the flow-through envelopes and $354 due to a favourable prior period government funding adjustment. These increases in revenue were partly offset by a reduction in special initiative funding of $286 and PHCS's external revenues of $124 or 4.9% in comparison to the quarter ended December 31, 2009 due to lower personal support contract revenues.

For the year ended December 31, 2010, revenue was $272,350 compared to $267,979, an increase of $4,371 or 1.6%. Government funding rates increased by 2.4%, which provided $5,236 in additional revenues (including the additional $1.55 per diem in other accommodation funding received in the first quarter of 2010 of $579). Preferred accommodation revenues increased by $163 driven by private occupancy increasing to 97.1% (2009 – 95.9%). These increases were partly offset by a $208 reduction in special initiative funding and $62 due to a decrease in favourable prior period government funding adjustments compared to the prior year. PHCS's external revenue at $9,314 was $511 or 5.2% lower than the prior year due to lower personal support contract revenues.

Operating expenses

Operating expenses for the quarter ended December 31, 2010 were $60,715, which was $3,395 or 5.9% higher than the quarter ended December 31, 2009. The increase was primarily attributable to increases in government funding and the timing of expenses funded by the flow-through envelopes, which led to associated increases in staff and operating costs of $1,824. As well, expenses for the quarter increased by $1,086 due to a reduction in management's estimate of sick time allowance during the corresponding quarter in the prior year. Additional increases in operating expenses include property maintenance expenses of $199, laundry expenses of $177 and dietary service costs of $135. The increases in operating expenses included the impact of HST, which became effective on July 1, 2010. These increases were partly offset by PHCS's expenses decreasing by $12, primarily due to a reduction in personal support contract revenues.

For the year ended December 31, 2010, operating expenses of $230,285 represented an increase of $4,841 or 2.1% from the prior year. The increase was partly attributable to increases in expenses funded by the flow-through envelopes of $2,536, resulting from the increase in government funding rates and the timing of expenses. In addition, expenses increased due to a reduction in management's estimate of sick time allowance of $1,086 in 2009. Property maintenance expenses increased by $876, dietary service costs by $508, laundry service costs by $281, and property administration costs by $331. These increases included the impact of the introduction of HST on July 1, 2010. Partly offsetting these increases were reduced PHCS expenses of $822 mainly due to reduced staffing costs following a reduction in relief staffing services and personal support contract revenues.

General and administrative expenses

General and administrative expenses for the quarter ended December 31, 2010 were $3,124, which was an increase of $1,288 from the quarter ended December 31, 2009. The increase was primarily attributable to a reduction of $751 in management's estimate of sick time allowance during the same period in the prior year. In addition, there was an increase in expenses following the IPO, including public company expenses of $298, stock-based employee compensation of $134 and business development and consulting costs of $89.

For the year ended December 31, 2010, general and administrative expenses increased by $2,375, or 26.1%, to $11,471 from $9,096. The increase was primarily due to an increase in expenses following the IPO including stock-based employee compensation of $714 and public company related expenses of $670. In addition, wages and benefits increased by $925, mainly due to a reduction in management's estimate of sick time allowance of $751 in the prior year.

Amortization

For the quarter ended December 31, 2010, amortization increased by $2,341, or 59.7% to $6,264. The increase was primarily attributable to higher amortization of resident relationships of $1,987 and service contracts of $256. The main components of the amortization charge relate to resident relationships, $3,274, property and equipment, $2,704, and PHCS service contracts $256.

For the year ended December 31, 2010, amortization was $22,228, an increase of $6,408 or 40.5% from the prior year. Higher amortization of resident relationships and service contracts represented $5,424 and $795 of the increase, respectively. The main components of the amortization charge relate to property and equipment, $10,754, resident relationships, $10,574, and service contracts $795.

Financial expenses

For the quarter ended December 31, 2010, net interest expense totalled $3,301, which was a $224 or 6.4% reduction from the quarter ended December 31, 2009. The decrease was primarily due to reduced interest expense of $620 associated with the repayment of the Term Loan following the IPO, a reduced net settlement payment of $42 relating to the interest rate swap contract and an increase in interest income on cash balances of $29. These decreases in net interest expense were partly offset by an increase in non-cash interest expense of $399 on the Series A Senior Secured Notes ("2015 Notes") and reduced amortization of $113 on a deferred gain, which was eliminated on the purchase price allocation.

For the year ended December 31, 2010, net interest expense was $13,785, a decrease of $102 or 0.7% from the year ended December 31, 2009. The decrease in net interest expense was primarily due to reduced interest expense of $2,000 associated with the Term Loan following its repayment. This decrease in interest expense was partly offset by the increase in non-cash interest expense of $1,217 related to the 2015 Notes and an additional net settlement payment of $12 relating to an interest rate swap contract that was entered into in the second quarter of 2009. The Company also realized less interest income associated with construction funding of $259 compared to the previous year, lower interest income of $51 related to an annuity that expired in November 2010 and reduced amortization of $350 on the deferred gain.

Income taxes

Current income taxes have been calculated at the combined corporate tax rate of 31% based on taxable income for the period from March 23, 2010 to December 31, 2010. The current income tax provision is $627 for the quarter ended December 31, 2010 and $1,922 for the period from March 23, 2010 to December 31, 2010. Future income tax recoveries of $1,049 and $3,372 for the quarter and period ended December 31, 2010, respectively, relate to the reversal of temporary differences during the period at the effective rate of 31%. LSCLP was not subject to income taxes, and therefore had no income tax expense for the comparative period.

Net income (loss)

For the quarter ended December 31, 2010, the net loss was $1,314 compared to net income of $2,823 for the comparable quarter in the prior year. The decrease of $4,137 was primarily the result of a decrease in income from operations before the undernoted of $2,460 due to an increase in operating expenses of $3,395 and general and administrative expenses of $1,288, partly offset by an increase in revenue of $2,223. In addition, amortization charges increased by $2,341, partly offset by a net tax recovery of $422 and reduced net interest expense of $224.

For the year ended December 31, 2010, the Company incurred a net loss of $3,786 compared to the prior year's net income of $4,093. The increase in net loss was attributable to higher amortization charges of $6,408, a decrease in income from operations before the undernoted of $2,845 primarily attributable to increased operating expenses of $4,841 and increased general and administrative expenses of $2,375, partly offset by an increase in revenue of $4,371. In addition, there was a reduced gain on the interest rate swap contract of $178. This was partly offset by a net tax recovery of $1,450 for the year ended December 31, 2010 and lower net interest expense of $102.

LIQUIDITY AND CAPITAL RESOURCES

Leisureworld reported a cash balance of $14,618 as at December 31, 2010. The changes in cash for the quarter ended December 31, 2010 and period from March 23, 2010 to December 31, 2010 are as follows:

	Quarter Ended, December 31, 2010	From Incorporation, February 10, 2010, to December 31, 2010
Cash flow from operations before non-cash working capital items	3,445	11,202
Non-cash changes in working capital	(161)	(9,628)
Cash provided by (used in):		
Operating activities	3,284	1,574
Investing activities	1,929	(92,312)
Financing activities	(4,271)	105,356
Increase in cash	942	14,618

Operating activities

For the quarter ended December 31, 2010, cash flow from operations before non-cash changes in working capital totalled $3,445. Non-cash changes in working capital used $161 of operating cash. Accounts payable and accrued liabilities decreased by $497 mainly driven by the semi-annual interest payment on the 2015 Notes, partly offset by increases in trade accounts payable and payroll related accruals. Decreases in accounts receivable and other assets of $765 and prepaid expenses of $360, and an increase in the income tax provision of $627 were largely offset by the decrease in net government funding payable of $1,416 due to an increase in expenses funded by the flow-through envelopes during the quarter. The reduction in accounts receivable and other assets was primarily due to reduced trade receivables resulting from improved collections during the quarter.

For the period March 23, 2010 to December 31, 2010, cash flows from operations before non-cash changes in working capital totalled $11,202. Non-cash changes in working capital utilized $9,628 of operating cash. Accounts payable and accrued liabilities decreased by $5,979 which was primarily due to the payment of IPO fees, semi-annual interest payments on the 2015 Notes, a reduction in payroll related accruals of $765 due to the timing of payroll disbursements and a reduction in accrued liabilities of $628. The net government funding payable decreased by $6,166 which was primarily due to the recognition of nine days of revenue that was deferred at March 23, 2010. These uses of cash were partly offset by a decrease in accounts receivable and other assets of $535 and an increase in income tax payable of $1,922.

Investing activities

For the quarter ended December 31, 2010, capital expenditures totalled $707, principally related to building improvements and Human Resource Information System (“HRIS”) project costs. During the quarter, Leisureworld received $2,133 in construction funding from MOHLTC and $503 in proceeds from a cash annuity.

For the period March 23, 2010 to December 31, 2010, capital expenditures totalled $1,817 principally related to building improvements and HRIS project costs. Cash paid for the acquisition of LSCLP amounted to $97,850 and acquisition related payments were $50. Leisureworld received $6,399 in construction funding from MOHLTC and $1,006 from the cash annuity.

Financing activities

During the quarter ended December 31, 2010, dividend payments were $4,271.

During the period from March 23, 2010 to December 31, 2010, Leisureworld received net proceeds from the IPO of $179,038, repaid the Term Loan of $60,000 and settled a related interest rate swap contract for $1,879. Leisureworld paid dividends of $11,803 during the period.

Capital resources

Leisureworld’s debt as at December 31, 2010 was $298,496. As at December 31, 2010, Leisureworld had a committed, but unutilized, revolving credit facility of $10,000 with a Canadian chartered bank.

Capital commitments

Leisureworld monitors all of its LTC facilities to assess its capital requirements. As part of the monitoring exercise, items are assessed and prioritized based on the urgency and necessity of the expenditure. As at December 31, 2010, total capital commitments outstanding were $822 related to the purchase of software.

On June 22, 2010, the Company announced an agreement to acquire 88 LTC licences from Christie Gardens Apartments and Care Inc., conditional on approval by MOHLTC. These licences are in the Toronto area and will increase the total number of the Company’s LTC beds by approximately 2%. According to the terms of the agreement the licences will be acquired by March 31, 2013 at a cost of $2,200.

Leisureworld expects to meet its operating cash requirements through 2011, including required working capital investments, capital expenditures, and currently scheduled interest payments on debt, from cash on hand, cash flow from operations and its committed borrowing capacity.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

On November 24, 2005, LSCLP issued 4.814% Series A Senior Secured Notes due November 24, 2015 which are collateralized by the assets of LSCLP and its subsidiary partnerships and guaranteed by the subsidiary partnerships.

The 2015 Notes may be redeemed in whole or in part at the option of the Company at any time, upon not less than 30 days' and not more than 60 days' notice to the holders of the 2015 Notes. The redemption price is the greater of: (i) the face amount of the 2015 Notes to be redeemed; and (ii) the price that will provide a yield to the remaining average life of such 2015 Notes equal to the Canada Yield Price plus 0.18%, in each case together with accrued and unpaid interest.

Interest on the 2015 Notes is payable semi-annually in arrears on May 24 and November 24 of each year. Interest expensed on the 2015 Notes in the quarter and year ended December 31, 2010 was $4,269 and $16,577, respectively (2009 – $3,869 and $15,364, respectively), which includes non-cash interest of $507 and $1,658, respectively (2009 – $108 and $441, respectively).

Following the acquisition of LSCLP on March 23, 2010, Leisureworld used proceeds of its IPO to repay a $60,000 Term Loan and settle a related interest rate swap contract for $1,879.

Leisureworld has a revolving credit facility with a Canadian chartered bank, collateralized by the assets of LSCLP and its subsidiary partnerships and guaranteed by the subsidiary partnerships, which it can access for working capital purposes. On October 15, 2010, the Company entered into an amending agreement to extend the maturity of the revolving credit facility to October 14, 2011 and reduce the principal amount from $15,000 to $10,000. The facility bears interest on cash advances at 175 basis points ("bps") per annum over the floating bankers' acceptance ("BA") rate (30, 60, 90 days), at 75bps over prime rate and on letters of credit at 175bps per annum. As at December 31, 2010, the Company had $68 in a letter of credit outstanding. The amount had been issued to a municipality with respect to outstanding obligations of the Company related to the construction of LTC homes.

Leisureworld has a ten-year lease with respect to its corporate office, which expires on December 31, 2015. As well, there are various other equipment leases that expire over the next five years. Payments due for each of the next five years and thereafter, for the leases and the 2015 Notes are as follows:

	Operating Leases	Long-term Debt	Licences Purchase Commitment	Total
2011	522	—	—	522
2012	440	—	—	440
2013	403	—	2,200	2,603
2014	350	—	—	350
2015	348	310,000	—	310,348
Thereafter	—	—	—	—
	2,063	310,000	2,200	314,263

RELATED PARTY TRANSACTIONS

For the quarter ended December 31, 2010 and the period from March 23, 2010 to December 31, 2010, Leisureworld earned revenue from Spencer House Inc., a charitable organization that owns a licence to operate an LTC home in Orillia. A subsidiary of LSCLP has been contracted to manage the operations of Spencer House Inc. Total revenue for the quarter ended December 31, 2010 and period from March 23, 2010 to December 31, 2010 was $459 and $1,410 respectively. Included in accounts receivable was $53 owed by Spencer House Inc. at December 31, 2010. These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the management of the related parties.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Management estimates are used primarily in determining the fair value of assets and liabilities acquired, accrued liabilities, the estimated useful lives of property and equipment and intangible assets and net recoverable amounts for properties, fair value of financial instruments, and the recoverability of goodwill and intangible assets. Management makes significant accounting estimates that could be material to the consolidated financial statements in the application of the following accounting policies:

Fair value measurements

Estimates of fair value are made in the valuation of certain financial instruments and also in determining the fair value of net assets acquired in a business combination.

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data. These techniques include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Revenue recognition

Revenue from the operation of LTC homes and related services are regulated and funded by provincial government authorities. A significant portion of the revenues are funded by the provincial government. Revenue is recognized in the period for which the services and products are rendered.

Construction funding

Government grants funded over extended periods to construct homes are valued at amortized cost and recorded as a long-term receivable, with an offset to the cost of construction, once all conditions of the grant are met. The effective interest method is being used to accrete interest over the terms of the grants.

Intangible assets

Intangible assets include bed licences, resident relationships and computer software that is not integral to property and equipment. Intangible assets with finite useful lives are amortized over their respective estimated useful lives and reviewed for impairment by assessing the recoverability of the carrying values. The resident relationships are being amortized over the average length of stay, which is two years. Licences renew annually and are only revoked in remote circumstances. As such, licences are considered to have indefinite lives and are not amortized, but tested for impairment in the second quarter of each fiscal year or as indicators of impairment arise. Impairment would be recognized when the estimated fair value of the intangible asset is less than its carrying value.

Goodwill

Goodwill represents the cost of acquired net assets in excess of their fair values. A test for impairment, which compares the carrying value with its respective fair value, is completed in the second quarter of each fiscal year or when indications of impairment arise. If an impairment loss is identified, it is recognized as a reduction of the carrying value at that time.

CHANGE IN ACCOUNTING POLICIES

Future accounting policy changes

In 2005, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to be converged with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the use of IFRS will be required by January 1, 2011 with appropriate comparative data from the prior year for all Canadian publicly accountable enterprises. Under IFRS, there are significantly more disclosure requirements, especially for quarterly reporting. Furthermore, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be addressed.

LSCLP commenced its IFRS conversion in 2008 by establishing a formal project governance structure and a detailed conversion plan, which the Company will perpetuate. The governance structure includes a steering committee consisting of senior management, finance, operations, as well as external consultants and a working group. Progress reports are to be provided to senior management and the Board of Directors of the Company on a regular basis.

The Company's conversion plan consists of three phases: diagnostic, design, and implementation. Management completed the diagnostic phase, which involved reviewing the major differences between Canadian GAAP and IFRS relevant to the Company, and identifying accounting policy choices permitted under IFRS and making preliminary implementation decisions. In this phase, the Company also made an initial assessment of the impact of the required changes on the existing accounting systems and internal controls, and the potential magnitude of financial statement adjustments.

The first time adoption of IFRS requires retroactive application to the start of the corresponding reporting period. For most calendar year end companies this will be January 1, 2010. As Leisureworld was incorporated on February 10, 2010 this will be their date of transition. However, at this time the Company had limited transaction and the balance sheet at this time had no significant assets or liabilities. It was not until the acquisition of Leisureworld Senior Care LP that there were any significant transactions or operations. As such there is no impact from the adoption of IFRS 1 to the opening balance sheet.

At this time, the Company has determined the differences with the highest potential impact on the consolidated financial statements include accounting for the purchase of Leisureworld Senior Care LP, property and equipment, impairment of assets, income taxes, provisions and contingencies, disclosure, and accounting systems and internal controls.

Accounting for the purchase of Leisureworld Senior Care LP: Both IFRS and current Canadian GAAP require the acquisition method of accounting for all business combinations, however significant differences exist between the two frameworks in other areas. The most significant differences are that under IFRS, transaction costs are expensed immediately whereas under Canadian GAAP such amounts are included in the cost of the asset. Management is finalizing the quantification of differences in respect of business acquisition of Leisureworld Senior Care LP and anticipate that the most significant difference will be the expensing of transaction costs which were previously capitalized in the business combination.

Property and equipment: Management anticipates that, due to the individual componentization of property and equipment and the application of applicable amortization rates to such components over their estimated useful lives, there will be a difference in the amortization recorded under IFRS. At this time the amount of any such adjustment has not been finalized.

Impairment of assets: IFRS and existing Canadian GAAP utilize different approaches to testing for the impairment in assets. Existing Canadian GAAP utilizes a two-step approach whereas IFRS adopts a one-step approach. In addition there are differences between the levels at which impairment will be tested. This will require the Company to re-perform impairment analysis in 2010 under the new IFRS standards. While this analysis is currently underway and not finalized, the Company does not anticipate any significant impairments to be recorded at this time, due to the proximity to the date of acquisition of the underlying business of Leisureworld.

Income taxes: An exposure draft related to income taxes was recently released and a new standard was anticipated prior to IFRS conversion in January 1, 2011. However, the scope of the draft has been reduced and it is highly unlikely that a new standard will be issued prior to the IFRS conversion implementation date. As a result, the Company has not finalized analysing the impact of income taxes.

Provisions and contingencies: The Company's current accounting policy under Canadian GAAP is to recognize a provision when it is "likely" that a future event will confirm that a liability has been incurred. The term "likely" in this content is a higher recognition threshold than "more likely than not" which is the threshold at which a liability would be recognized under IFRS. At this time the Company does not anticipate any significant impact as a result of this change in accounting policy.

Disclosure: IFRS will result in more extensive disclosure in the Company's consolidated financial statements. The Company is in the process of compiling the information necessary to meet these disclosure requirements.

Accounting systems and internal controls: The impact on existing accounting systems and internal controls is expected to be minimal.

During the third quarter, the Company completed the selection of IFRS policies and has developed draft IFRS financial note disclosures. The Company will commence and complete the conversion of the 2010 consolidated financial statements and prepare the reconciliations to GAAP during the first quarter of 2011.

The Company will continue to review all proposed and continuing projects of the International Accounting Standards Board ("IASB") to determine their impact on the Company and will continue to invest in training and resources throughout the transition period to facilitate a timely and meaningful conversion.

CAPITAL DISCLOSURE

The Company defines its capital as its long-term debt, shareholders' equity and cash and cash equivalents.

The Company's objectives when managing capital are to: (i) maintain a capital structure that provides financing options to the Company when a financing or a refinancing need arises to ensure access to capital on commercially reasonable terms without exceeding its debt capacity; (ii) maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments and dividend payments; and (iii) deploy capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue additional shares, issue additional debt, issue debt to replace existing debt with similar or different characteristics, and adjust the amount of dividends paid to the Company's shareholders. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Company's needs and market and economic conditions at the time of the transaction.

The Board of Directors reviews the level of monthly dividends paid on a quarterly basis. The long-term debt is collateralized by the assets of LSCLP and the subsidiary partnerships and guaranteed by the subsidiary partnerships. Under the Master Trust Indenture, LSCLP is subject to certain financial and non-financial covenants including a debt service coverage ratio defined as income from operations and construction funding ("EBITDA") to debt service. The Company is in compliance with all financial covenants on its borrowings. However, there can be no assurance that future covenant requirements will be met. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt can be affected.

There were no changes in the Company's approach to capital management during the period.

FINANCIAL INSTRUMENTS

Financial instruments consist of cash and cash equivalents, accounts receivable, construction funding receivable, annuity, accounts payable and accrued liabilities, long-term debt, government funding receivable/payable, and a swap contract.

Cash and cash equivalents

Cash includes deposits held with Canadian chartered banks. Cash equivalents are short-term investments with an initial maturity of less than three months. Cash and cash equivalents are classified as held-for-trading. The carrying value of cash and cash equivalents approximates fair value as it is immediately available-for-use.

Accounts receivable and other assets

Accounts receivable and other assets are classified as loans and receivables. Accounts receivable and other assets are initially recorded at fair value and subsequently recognized at amortized cost. The carrying value of accounts receivable, after consideration of impairment for doubtful accounts, approximates their fair value due to the short-term maturity of these instruments.

Construction funding receivable

The construction funding receivable is classified as loans and receivables. The construction funding receivable is initially recorded at fair value and subsequently measured at amortized cost using the effective interest method. The fair value will differ from the carrying value due to changes in interest rates.

Annuity

The annuity is classified as loans and receivables. The annuity is initially recorded at fair value and subsequently measured at amortized cost using the effective interest method. The fair value will differ from the carrying value due to changes in interest rates.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are classified as other liabilities. The carrying value of accounts payable and accrued liabilities is initially recorded at fair value and subsequently measured at amortized cost, which approximates fair value due to the short-term maturity of the instruments.

Long-term debt

The Company's long-term debt is recorded at amortized cost using the effective interest method and is classified as other liabilities. The fair value of the Company's long-term debt is subject to changes in interest rates and the Company's credit rating.

Government funding receivable/payable

The government funding balances are classified as either other liabilities or loans and receivables and are measured at amortized cost. The carrying value of the government funding approximates its fair value due to the short-term maturity of the instrument for the current portion. The difference between the carrying value and the fair value of the long-term portion is insignificant. The difference between the amounts approved and those received from MOHLTC are recorded as government funding payable or receivable in the consolidated balance sheet.

Interest rate swap contract

The Company has an interest rate swap contract that does not qualify for hedge accounting. The changes in fair value are recorded through the consolidated statement of operations.

Fair value of financial instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. When independent prices are not available, fair values are determined using valuation techniques that refer to observable market data. These techniques include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants. Fair values of long-term debt and construction funding receivable are calculated by discounted cash flow analysis based on current market rates for loans and investments with similar terms, conditions and maturities.

Nature and extent of risks arising from financial instruments

The following discussion is limited to the nature and extent of risks arising from financial instruments, as defined under The Canadian Institute of Chartered Accountants Handbook Section 3862. The Company's normal operating, investing and financing activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk. Leisureworld is not exposed to foreign currency risk as all operations are in Canada and all purchases are contracted in Canadian dollars. The Company does not have significant exposure to price risk as most of its revenues are regulated by MOHLTC. The Company's overall risk management process is designed to identify, manage and mitigate business risk, which includes financial risk.

Interest rate risk

Interest rate risk arises as the fair value of future cash flows from a financial instrument fluctuates because of changes in market interest rates. Leisureworld is exposed to interest rate risk arising from fluctuations in interest rates in connection with its interest rate swap contract. This interest rate swap contract was purchased as part of the LSCLP acquisition and related to a hedge on anticipated borrowings for a transaction that did not occur. Interest rates, maturities and security affecting the interest and credit risk of Leisureworld's financial assets and liabilities have been disclosed in Notes 8 and 9 in the consolidated financial statements.

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, accounts receivable and other assets, construction funding receivable, government funding receivable and interest rate swap contract. The Company is exposed to credit risk from its residents and customers. However, the Company has a significant number of residents and customers, which minimizes concentration of credit risk. The credit risk related to amounts owed by the residents is further mitigated by the Company's ability to recover 50% of LTC amounts written off from MOHLTC. A provision for management's estimate of uncollectible accounts receivable is established when there is objective evidence the Company will not be able to collect all amounts due. The Company assesses collectability of specific accounts receivable and also assesses the requirement for a provision based on historical experience. When a receivable is uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statement of operations.

The Company is exposed to credit risk through the amounts receivable from MOHLTC. The Company has assessed the credit risk associated with the amounts owed by MOHLTC as low as they are receivable from the Ontario government. The counterparty to the Company's interest rate swap contract, cash and cash equivalents is a major financial institution that has been accorded investment grade ratings by a primary rating agency, therefore management has assessed the credit risks associated with these items as low.

Liquidity risk

Liquidity risk is the risk the Company may encounter difficulties in meeting obligations associated with financial liabilities and commitments. The Company has a credit agreement in place related to the long-term debt. This credit agreement contains a number of standard financial and other covenants. A failure by the Company to comply with the obligations in this credit agreement could result in a default, which, if not rectified or waived, could permit acceleration of the relevant indebtedness.

There can be no assurance the Company could:

- generate sufficient cash flow from operations to pay outstanding indebtedness, or to fund any other liquidity needs; or
- refinance this credit agreement or obtain additional financing on commercially reasonable terms, if at all.

The Company's credit facility is, and future borrowings may be, at variable rates of interest, which exposes the Company to the risk of increased interest rates.

The Company maintains a capital structure, which helps to manage the risk of default under these credit agreements.

Transaction costs

Transaction costs are incremental costs directly related to the acquisition of a financial asset or the issuance of a financial liability or equity. The Company incurs transaction costs primarily through the issuance of debt or shares, and classifies these costs with the related debt, or as a reduction of the value of the proceeds received for the share issuance. The costs associated with the issuance of debt are amortized into interest expense using the effective interest method over the life of the related debt instrument.

RISKS AND UNCERTAINTIES

Risks relating to the business

LTC home ownership and operation By investing indirectly in the Leisureworld business, investors may be exposed to the general business risks inherent in the seniors housing industry. These risks include fluctuations in levels of occupancy and the inability to achieve accommodation funding or residency fees (including anticipated increases in such fees). The inability to achieve such funding or fees could occur as a result of, among other factors, regulations controlling LTC funding; regulations controlling rents for RH and IL homes; possible future changes in labour relations; increases in labour costs, other personnel costs, and other operating costs; competition from or oversupply of other similar properties; changes in conditions of the Leisureworld LTC homes or general economic conditions; and the imposition of increased or new taxes. These risks also include the effects of health-related risks and disease outbreaks. As such, there is no assurance future occupancy rates at the Leisureworld LTC homes will be consistent with historical occupancy rates achieved and this could have an adverse impact on the business, operating results, and financial condition of LSCLP, which could adversely affect the Company's results and the Company's ability to pay dividends on the common shares.

The provincial regulation of LTC homes includes control of fees The provincial regulation of LTC homes includes the control of LTC fees. MOHLTC funds care and support programs provided in LTC homes and subsidizes accommodation costs for qualifying residents. As a result of increasing healthcare costs, the risk exists that funding agencies may in the future reduce the level of or eliminate such fees, payments or subsidies. The Ontario government proposed a public sector wage freeze in its 2010 budget and has since indicated that it will not fund pay increases granted by a provincial arbitrator. There can be no assurance that the current level of such fees, payments and subsidies will be continued or that such fees, payments and subsidies will increase commensurate with expenses. A reduction of these fees, payments or subsidies could have an impact on the business, operating results or financial condition of Leisureworld, which could adversely affect the Company's results and ability to pay dividends to shareholders, and could result in an increase to the AFFO pay-out ratio if the same level of dividends is maintained.

In the Province of Ontario, all LTC homes are funded and must be licensed Although historically, as a matter of practice, Ontario LTC licences have been automatically renewed annually, they do not represent any guarantee of continued operation beyond the one-year licence term. Ontario's Long-Term Care Homes Act, 2007 ("LTCHA"), was proclaimed into law and became effective July 1, 2010. The LTCHA contains a new licence term regime for all LTC homes which will result in licence terms for the Leisureworld homes ranging from 15 years for Class B and C homes to a minimum of 20 years for Class A homes. Under the LTCHA, ultimate control of LTC licences in Ontario remains with MOHLTC including approval of new licences, and transfer or revocation of existing licences. With an existing wait-list of 24,000 in Ontario and the demand for LTC beds projected to increase, management is of the view that licences will continue to be renewed and have indefinite lives. A failure of Leisureworld's LTC licences to be renewed or conditional renewal could have an impact on the Leisureworld business.

The LTCHA also contains a number of other potentially problematic provisions including proscriptions on the terms of external management agreements, onerous reporting requirements and restrictions relating to a broad range of non-arms' length transactions, circumscription on lenders' rights on enforcement and more stringent controls on LTC purchase and sale transactions.

The introduction of local health integration networks ("LHINs") is also expected to generate changes in the administration of LTC homes. As LHINs are to be the primary body setting local performance goals, it is possible the current system of standards described herein could be significantly changed in the near future. Further, it is possible the interpretation of standards for LTC homes could differ between LHINs.

It is unclear what impact the LTCHA or the implementation of LHINs will have on Leisureworld and the LTC industry as a whole.

The Sharkey Report issued by MOHLTC in June 2008 contains recommendations with respect to minimum staffing at LTC homes. Although there has been no recent activity in response to the report, it is possible the Government of Ontario will implement minimum staffing requirements in the future, which would be expected to be funded.

All LTC homes are subject to surveys and inspections by government authorities to ensure compliance with applicable laws and to investigate complaints, including resident injury or death. It is not unusual for the stringent MOHLTC inspection procedures to identify deficiencies in operations across LTC homes in Ontario. Every effort is made by the Company to correct legitimate problem areas that have been identified; however, certain Leisureworld homes have had to file plans of correction and ensure sustained compliance with such plans. It is possible the Company may not be able to remedy deficiencies or address complaints within the time frames allowed or in a manner satisfactory to MOHLTC, which could lead to MOHLTC requiring periods of enhanced monitoring and imposing sanctions (such as limiting admissions at the applicable LTC home), which, in turn, could have an impact on the Leisureworld business.

Home healthcare risks The government's Bill 139 proposes, among other things, to remove the elect-to-work exemptions to severance, and notice of termination. As it is currently drafted, Bill 139 does not appear to apply to elect-to-work employees of agencies, such as PHCS, providing services pursuant to contracts with the CCACs. However, management understands the government intends to revoke this exemption in 2012. Owing to the level and extent of criticism and concern, Bill 139 was referred to a standing committee. Additionally, as described under "Ontario Home Healthcare and Regulation and Funding," the Caplan Report recommended a number of changes to the Ontario home healthcare system. It is difficult to predict what further recommendations may be implemented under the Caplan Report or to determine the impact of changes to elect-to-work employee regulation. While these issues pose no significant immediate concern to Leisureworld, they may impact Leisureworld's plans to expand its home healthcare business.

Acquisitions The success of senior housing and care business acquisition activities of Leisureworld will be determined by numerous factors, including the ability of the Company to identify suitable acquisition targets, competition for acquisition opportunities, purchase price, ability to obtain adequate financing on reasonable terms, financial performance of the businesses after acquisition, and the ability of the Company to effectively integrate and operate the acquired businesses. Acquired businesses may not meet financial or operational expectations due to unexpected costs associated with the acquisition, as well as the general investment risks inherent in any real estate investment or business acquisition. Moreover, new acquisitions may require significant management attention or capital expenditures that would otherwise be allocated to existing businesses. Any failure by the Company to identify suitable candidates for acquisition or operate the acquired businesses effectively may have an adverse effect on the business, results of operations or financial condition of the Company.

Capital intensive industry The ability of Leisureworld to maintain and enhance its LTC homes in a suitable condition to meet regulatory standards, operate efficiently and remain competitive in its markets will require the Company to commit a substantial portion of cash to physical centres and equipment. Certain competitors of the Company may operate homes that are not as old as those owned by the Company, or that may appear more modern, and therefore, may be attractive to potential patients and residents. Significant future capital requirements could have a material adverse effect on the business, operating results or financial condition of the Company, which could adversely affect the Company's results and ability to pay dividends to its shareholders.

The Company's ability to obtain additional financing may be limited, which could delay or prevent the completion of one or more of its strategies The Company expects its working capital needs and capital expenditure needs to increase in the future as it continues to expand and enhance its LTC facilities and as it continues to implement other strategies. The Company's ability to raise additional capital will depend on the financial success of its current business and the successful implementation of its key strategic initiatives, financial, economic and market conditions and other factors, some of which are beyond its control. No assurance can be given that it will be successful in raising the required capital at reasonable cost and at the required times, or at all. Further equity financings may have a further dilutive effect on shareholders. If Leisureworld requires additional debt financing, the lenders may require it to agree on restrictive covenants that could limit its flexibility in conducting future business activities, and the debt service payments may be a significant drain on free capital allocated for research and other activities. If the Company is unsuccessful in raising additional capital, it may not be able to continue its business operations and advance its growth initiatives, which could adversely impact the Company's results and the ability to pay dividends to its shareholders. However, management does not anticipate requiring additional capital in the short term or generally requiring the same level of capital funds as other seniors housing operators as many of its development projects are currently funded, or expected to be funded, to a large extent by MOHLTC under the Capital Renewal Initiatives.

Redevelopment of Class B and C homes The Company intends to redevelop, over the next five to fifteen years, all of its Class B and Class C homes pursuant to MOHLTC Capital Renewal Initiatives. The redevelopment plans include significant capital outlays which are expected to be funded with a combination of cash on hand, working capital lines, construction facilities and conventional and/or CMHC insured financing. To the extent such redevelopment plans are not implemented or proceed on significantly different timing or terms, including with respect to the levels of expected MOHLTC funding, there could be an adverse effect on the Company's results and ability to pay dividends to its shareholders.

Real property ownership All real property investments are subject to a degree of risk. They are affected by various factors, including changes in general economic conditions (such as the availability of long-term mortgage funds) 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, including increasing property taxes. In addition, fluctuations in interest rates could have a material adverse effect on the business, operating results or financial condition of Leisureworld.

Rising healthcare and electricity costs Healthcare costs have been rising and are expected to continue to rise at a rate higher than that anticipated for consumer goods and services as a whole. The business, operating results or financial condition of the Company could be adversely affected if it is unable to implement annual private-pay increases due to market conditions or if funding rates from MOHLTC are not appropriately adjusted to cover increases in labour and other costs.

Electricity costs have been rising at rates in excess of inflation throughout Ontario and are expected to further increase. If these cost increases continue and are not offset by funding increases or increases in preferred accommodation rates there could be a negative impact on the cash flow of the Company.

Reconciliations of MOHLTC funding will result in current year adjustments made in respect of prior years Reconciliations of MOHLTC funding versus actual expenses are performed annually, based on previous calendar years. From time to time, the reconciliations will result in current year adjustments made in respect of prior years. These “prior period adjustments” can have either a favourable or unfavourable impact on NOI generally related to differences identified in the reconciliation attributable to occupancy days, special circumstances and differences between projected and actual property tax.

MOHLTC is transitioning its approach to funding the NPC envelope MOHLTC is changing the classifications used in calculating funding for the NPC envelope. Similar to the old system, the new methodology uses resident clinical and functional information for calculating a care resource allocation. However, there are a number of differences between the elements and relative weight factors and these differences may produce different outcomes. In addition, new technical knowledge and proficiency in applying the methodology will be required. In this learning phase, it is not clear what impact the new methodology and its application will have on the calculation of funding outcomes. Although no significant overall changes are anticipated, Leisureworld has taken a conservative approach in budgeting for the transition and assumed up to a 3% reduction in NPC envelope funding. Leisureworld has taken measures (such as increasing its capacity to work with the new methodology) to recapture funding reductions.

There can be no assurance the Company will continue to generate sufficient cash flow from operations A portion of the Company’s cash flow is devoted to servicing its debt and there can be no assurance LSCLP will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on the 2015 Notes or drawings under its revolving credit facility. If the Company were unable to meet such interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. If this were to occur, it could have an impact upon the business, operating results or financial condition of Leisureworld, which could adversely affect the Company’s results and the Company’s ability to pay dividends on its common shares.

All of the employees working at the Leisureworld homes are unionized, with the exception of management and third party providers with OLTC and employees of PHCS Employees working at the Leisureworld homes are unionized with approximately 80% of employees represented by union locals of either the Service Employees International Union, the Ontario Nurses Association, the Christian Labour Association of Canada, the Canadian Union of Public Employees or the Canadian Auto Workers. While the Company has traditionally maintained positive labour relations, there can be no assurance the Leisureworld homes will not at any time, whether in connection with a renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees, which could have a material adverse effect on the Company’s operating results and financial condition. However, all LTC homes in the Province of Ontario are governed by the Hospital Labour Disputes Arbitration Act (Ontario), which prohibits strikes and lockouts in the seniors housing industry. Therefore, collective bargaining disputes are more likely to be resolved through compulsory third party arbitration.

The Leisureworld business is labour intensive The Leisureworld business is labour intensive, with labour-related costs comprising a substantial portion of the Company's direct operating expenses. The Leisureworld business competes with other healthcare providers with respect to attracting and retaining qualified personnel. The LTC industry is currently facing a shortage of qualified personnel, such as nurses, pharmacists, certified nurse's assistants, nurse's aides, therapists, and other important providers of healthcare services. The shortage of qualified personnel and general inflationary pressures may require the Company to enhance its pay and benefits package to compete effectively for such personnel, the costs of which are included in the annual operating budget for each home. The Company may not be able to offset such added costs by increasing the rates charged to patients and residents. An increase in these 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. No assurance can be given that labour costs will not increase, or that if they do increase, that they will be matched by corresponding increases in revenue. Wage increases in excess of increases that can be obtained from increases in rental or cost reimbursement could have an impact upon the business, operating results, and financial condition of the Company, which could adversely affect the Company's results and the Company's ability to pay dividends on its common shares.

The Company is heavily dependent on certain of its key executives and other personnel The Company's success depends heavily on its ability to attract, retain and motivate key employees, including senior management. If the Company loses the services of any of its key executives and cannot replace them in a timely manner, its business and prospects may be adversely affected. Since the Company is managed by a small group of executive officers, the loss of the technical knowledge, management expertise and knowledge of operations of one or more members of the Company's executive management team could result in a diversion of management resources, as the remaining members of management would need to cover the duties of any executive officer who leaves the Company and would need to spend time usually reserved for managing the business to search for, hire and train new members of management. The loss of some or all of the Company's executives could negatively affect the Company's ability to develop and pursue its business strategy which could adversely affect the Company's business and financial results. The Company does not currently carry any "key man" life insurance on its executives.

International Financial Reporting Standards Canada's AcSB recently confirmed its strategic plan that will result in Canadian GAAP, as used by publicly accountable enterprises, being fully converged with IFRS as issued by the IASB over a transitional period to be completed by 2011. Leisureworld will be required to report using the converged standards effective for interim and annual consolidated financial statements relating to fiscal years beginning no later than on or after January 1, 2011. GAAP will be fully converged with IFRS through a combination of two methods: first, as current joint convergence projects of the United States' Financial Accounting Standards Board and the IASB are agreed upon, they will be adopted by Canada's AcSB and may be introduced in Canada before the publicly accountable enterprises' transition date to IFRS; and second, standards not subject to a joint convergence project will be exposed in an omnibus manner for introduction at the time of the publicly accountable enterprises' transition date to IFRS. The IASB currently has projects underway that are expected to result in new pronouncements that continue to evolve. Implementing IFRS will have an impact on accounting, financial reporting and supporting information technology systems and processes. It may also have an impact on taxes, contractual commitments involving GAAP based clauses (including debt covenants), employee compensation plans and performance metrics. Leisureworld's implementation plan will include measures to provide extensive training to key finance personnel and to form functional implementation teams that will be responsible for effecting required changes to business and accounting processes and systems. Changing from current GAAP to IFRS may materially affect Leisureworld's reported financial position, AFFO and other financial measures.

Any significant damage to administrative or Leisureworld properties, as a result of fire or other calamities, could have a material adverse effect Leisureworld's ability to grow its business is heavily dependent on efficient, proper and uninterrupted operations at its Leisureworld homes. Power failures or disruptions, the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment and the destruction of buildings, equipment and other facilities due to natural disasters such as hurricanes, fire or earthquakes would severely affect its ability to continue operations. While it does maintain certain insurance policies covering losses due to fire, lightning and explosions, there can be no assurance its coverage would be adequate to compensate Leisureworld for the actual cost of replacing such buildings, equipment and infrastructure nor can there be any assurance that such events would not have a material adverse effect on its business, financial condition, results of operations or prospects.

Liability and insurance The businesses, which are carried on, directly or indirectly, by Leisureworld, entail an inherent risk of liability, including with respect to injury to or death of its residents. Management expects that from time to time Leisureworld may be subject to such lawsuits as a result of the nature of its businesses. Leisureworld 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 businesses, historical experience and industry standards. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms.

A successful claim against Leisureworld not covered by, or in excess of, Leisureworld's insurance could have a material adverse effect on Leisureworld's businesses, operating results and financial condition. Claims against Leisureworld, regardless of their merit or eventual outcome, also may have a material adverse effect on its ability to attract residents or expand its businesses (particularly where such claims receive negative media exposure), and will require management to devote time to matters unrelated to the operation of the business.

Competition Numerous other seniors housing facilities compete with Leisureworld in seeking residents. While the existence of competing owners and competition for Leisureworld residents could have an adverse effect on the Company's ability to find residents for its seniors housing facilities and on the rents charged, and could adversely affect the Company's revenues and its ability to meet its debt obligations, any impact from competition is expected by management to be mitigated by the growing wait list numbers for LTC and the barriers to entry into the LTC industry.

Geographic concentration All of the business and operations of Leisureworld are conducted in Ontario. The fair value of the Leisureworld assets and the income generated therefrom could be negatively affected by changes in local and regional economic conditions. However, management believes the LTC sector in Ontario is currently a desirable market in which to operate, particularly when contrasted to comparable US markets in terms of general economic conditions and government funding rates for skilled nursing.

Changes in the Company's credit ratings may affect the market price of the common shares The credit ratings assigned to the 2015 Notes are an assessment of the Company's ability to pay its obligations. Consequently, real or anticipated changes in the Company's credit ratings will generally affect the fair value of the common shares.

Risks relating to a public company and common shares

Volatile market price for common shares The market price for common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in estimates of future results of operations by Leisureworld or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- addition or departure of the Company's executive officers and other key personnel;
- release or other transfer restrictions on outstanding common shares;
- sales or perceived sales of additional common shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the common shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the common shares by those institutions, which could adversely affect the trading price of the common shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations and the trading price of the common shares may be adversely affected.

The Company is a holding company The Company is a holding company and a substantial portion of its assets are the capital stock of its subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company.

Dividend policy The Board established a dividend policy pursuant to completion of the Offering, to initially authorize the declaration and payment of an annual dividend of $0.85 per common share, to be paid to holders of common shares on a monthly basis. Any determination to pay cash dividends will be at the discretion of the Board after taking into account such factors as the Company's financial condition, results of operations, current and anticipated cash needs, regulatory capital requirements, the requirements of any future financing agreements and other factors that the Board may deem relevant, with a view to paying dividends whenever operational circumstances permit.

The Company needs to comply with financial reporting and other requirements as a public company As a result of the IPO, the Company is subject to reporting and other obligations under applicable Canadian securities laws and Toronto Stock Exchange rules, including NI 52-109. These reporting and other obligations place significant demands on the Company's management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause the Company to fail to meet its reporting obligations or result in material misstatements in its consolidated financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed, which could also cause investors to lose confidence in the Company's reported financial information, which could result in a lower trading price of its common shares.

Management does not expect that Company's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Future sales of common shares by directors and executive officers Subject to compliance with applicable securities laws, officers and directors and their affiliates may sell some or all of their common shares in the future. No prediction can be made as to the effect, if any, such future sales of common shares will have on the market price of the common shares prevailing from time to time. However, the future sale of a substantial number of common shares by the Company's officers and directors and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the common shares.

Directors and officers may have conflicts of interest Certain of the directors and officers of the Company also serve as directors and/or officers of other companies and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company are being made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.

Dilution and future sales of common shares may occur The Company's articles permit the issuance of an unlimited number of common shares and an unlimited number of preferred shares, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine the price and the terms of issue of further issuances of common shares and preferred shares.

DISCLOSURE CONTROLS AND PROCEDURES

Management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures for the period ended December 31, 2010. Based on the evaluation, the CEO and CFO have concluded the Company's disclosure controls and procedures were effective as at December 31, 2010 to meet the requirements of public annual filings.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and CFO evaluated the design and operating effectiveness of the Company's internal controls over financial reporting for the period ended December 31, 2010. Based on this evaluation, the CEO and CFO concluded that the Company's internal controls over financial reporting were effective as at December 31, 2010. There have been no changes in the Company's internal controls over financial reporting during the period ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

During 2011, Leisureworld's key focus will continue to be enhancing the quality of care and accommodation for residents. Leisureworld expects to benefit from excellent industry fundamentals and maintain full occupancy which serves as a reliable platform for shareholder dividends and disciplined long-term growth. Leisureworld expects to pay a monthly dividend of $0.85 per common share in 2011.

Leisureworld is well positioned to capitalize on acquisition opportunities across the entire spectrum of senior care and to execute its strategy to deliver high quality care and accommodation to seniors.

The consolidated financial statements are the responsibility of the management of Leisureworld Senior Care Corporation (the "Company"), and have been approved by the Board of Directors of the Company. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include amounts that are based on estimates and judgments. Financial information contained elsewhere in this Report is consistent with the consolidated financial statements.

The Company maintains a system of internal controls that are designed to provide reasonable assurance that the financial records are reliable and accurate and form a proper basis for the preparation of the financial statements.

The external auditors, PricewaterhouseCoopers LLP, have audited the consolidated financial statements in accordance with Canadian GAAP. The following report of PricewaterhouseCoopers LLP outlines the scope of their examination and their opinion on the consolidated financial statements.

David Cutler
Chief Executive Officer

Martin Liddell
Chief Financial Officer

Markham, Canada
February 24, 2011

To the Shareholders of Leisureworld Senior Care Corporation

We have audited the accompanying consolidated financial statements of Leisureworld Senior Care Corporation and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of operations and comprehensive loss, deficit and cash flows for the period then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Leisureworld Senior Care Corporation and its subsidiaries as at December 31, 2010 and the results of their operations and their cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
February 24, 2011
Toronto, Ontario

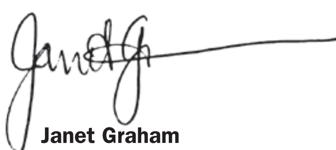
Consolidated Balance Sheet

Thousands of dollars

	December 31, 2010
Assets	
Current assets	
Cash and cash equivalents	14,618
Accounts receivable and other assets (Note 17)	3,687
Prepaid expenses and deposits	1,034
Government funding receivable	2,345
Construction funding receivable (Note 14)	5,406
Future income taxes (Note 10)	550
	27,640
Government funding receivable	455
Construction funding receivable (Note 14)	75,169
Property and equipment (Note 6)	292,193
Intangible assets (Note 7)	96,309
Goodwill (Note 5)	90,956
Total assets	582,722
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	32,967
Government funding payable	3,389
Income taxes payable	1,922
	38,278
Long-term debt (Note 8)	298,496
Future income taxes (Note 10)	71,560
Government funding payable	3,022
Interest rate swap contract	208
Total liabilities	411,564
Shareholders' equity	
Share capital (Note 11)	188,517
Deficit	(17,359)
Total shareholders' equity	171,158
Total liabilities and shareholders' equity	582,722

Commitments and contingencies (Notes 13, 20)
See accompanying notes.

Approved by the Board of Directors of Leisureworld Senior Care Corporation.



Dino Chiesa
Chairman and Director

Janet Graham
Director

Consolidated Statement of Deficit

Thousands of dollars

	From Incorporation, February 10, 2010, to December 31, 2010
Deficit, beginning of period	—
Net loss	(4,132)
Dividends	(13,227)
Deficit, end of period	(17,359)

See accompanying notes.

Consolidated Statement of Operations and Comprehensive Loss

Thousands of dollars, except share and per share data

	From Incorporation, February 10, 2010, to December 31, 2010
Revenue (Notes 17, 18)	213,608
Expenses	
Operating	180,165
General and administrative (Note 12)	9,173
	189,338
Income from operations before the undernoted	24,270
Other expenses	
Amortization of property and equipment	8,391
Amortization of intangible assets	11,029
Interest expense, net (Note 8)	10,630
Gain on interest rate swap contract	(198)
Total other expenses	29,852
Loss before income taxes	(5,582)
Provision for (recovery of) income taxes	
Current (Note 10)	1,922
Future (Note 10)	(3,372)
	(1,450)
Net loss and comprehensive loss	(4,132)
Basic and diluted loss per share	(0.24)
Weighted average number of common shares outstanding	17,394,149

See accompanying notes.

Consolidated Statement of Cash Flows

Thousands of dollars

	From Incorporation, February 10, 2010, to December 31, 2010
Operating activities	
Net loss	(4,132)
Add (deduct) items not affecting cash	
Amortization of property and equipment	8,391
Amortization of intangible assets	11,029
Future income taxes	(3,372)
Stock-based compensation	714
Gain on interest rate swap contract	(198)
Non-cash interest on long-term debt	1,559
Non-cash interest on annuity	(4)
Non-cash interest on construction funding receivable	(2,785)
	11,202
Non-cash changes in working capital	
Accounts receivable and other assets	535
Prepaid expenses	61
Income taxes payable	1,922
Accounts payable and accrued liabilities	(5,980)
Government funding, net	(6,166)
Cash provided by operating activities	1,574
Investing activities	
Purchase of property and equipment	(945)
Purchase of intangible assets	(872)
Amounts received from construction funding	6,399
Proceeds from annuity	1,006
Acquisition of Leisureworld Senior Care LP, net of cash acquired (Note 5)	(97,850)
Acquisition related payments	(50)
Cash used in investing activities	(92,312)
Financing activities	
Repayment of long-term debt	(60,000)
Repayment of interest rate swap contract	(1,879)
Dividends paid	(11,803)
Net proceeds from issuance of common shares	179,038
Cash provided by financing activities	105,356
Increase in cash and cash equivalents during the period	14,618
Cash and cash equivalents, beginning of period	—
Cash and cash equivalents, end of period	14,618
Cash	10,587
Cash equivalents	4,031
Cash and cash equivalents	14,618
Supplemental information	
Interest paid, net	15,165

See accompanying notes.

1. ORGANIZATION

Leisureworld Senior Care Corporation ("Leisureworld" or the "Company") was incorporated under the laws of the Province of Ontario on February 10, 2010 and was continued under the laws of the Province of British Columbia on March 18, 2010. The Company closed its Initial Public Offering ("IPO") on March 23, 2010 and acquired, indirectly, all of the outstanding limited partnership interests in Leisureworld Senior Care LP ("LSCLP") and common shares of Leisureworld Senior Care GP Inc., the general partner of LSCLP.

Leisureworld and its predecessors have been operating since 1972. Leisureworld is the third largest licensed Long-Term Care ("LTC") provider in the Province of Ontario and the largest participant in the Canadian seniors housing sector that has focused almost exclusively on Ontario LTC. Leisureworld owns and operates 26 LTC homes (representing an aggregate of 4,314 beds), all of which are located in the Province of Ontario. Leisureworld also owns and operates one Retirement Home ("RH") (representing 29 beds) and one Independent Living ("IL") home (representing 53 apartments) in the Province of Ontario. Ancillary businesses of the Company include Preferred Health Care Services ("PHCS"), an accredited provider of professional nursing and personal support services for both community based home healthcare and LTC homes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated. The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the consolidated balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management estimates are used primarily in determining the fair value of assets and liabilities acquired, accrued liabilities, the estimated useful lives of property and equipment and intangible assets and net recoverable amounts for properties, and the recoverability of goodwill and intangible assets.

Revenue recognition

Consolidated revenues include revenues generated from the operation of LTC homes, retirement homes and independent living facilities, PHCS and management fees associated with the operation of Spencer House Inc. A significant portion of the revenues are funded by the Ministry of Health and Long-Term Care ("MOHLTC"). Revenue is recognized in the period for which the services and products are rendered.

Long-term care revenue Revenue for accommodation fees is recognized based on the number of resident days in the period multiplied by the per diem amounts legislated by MOHLTC. Revenue for each LTC facility is recognized based on full occupancy, unless there is an indication the annualized occupancy rate will fall below the 97% level. If occupancy is below 97%, then revenue is recognized based on actual occupancy data. Revenue from ancillary services is recognized when the services are rendered. Other LTC revenues paid by the residents relating to accommodation fees and ancillary services are recognized in the period in which the services were rendered. The Company also receives government funding for various other operational items, including funding for property and capital taxes, which is recognized when such costs are incurred.

Retirement home and independent living revenue Residents pay accommodation rates on a monthly basis and revenue is recorded when the service is rendered.

PHCS revenue Revenue associated with PHCS is recognized when the nursing services are rendered. Revenue generated from providing services to other operating segments of the Company is eliminated on consolidation.

Spencer House Inc. revenue Spencer House Inc. is a charitable organization that owns a licence to operate an LTC home in Orillia, Ontario. The Company owns the property where the home is operated and a subsidiary of the Company has been contracted to manage the operations of Spencer House Inc. The Company earns rental income from leasing the property to Spencer House Inc. as well as a management fee based on a percentage of gross revenues of the operation for managing the facility. Revenue is recognized when the services are rendered.

Construction funding

MOHLTC provides funding to new homes constructed after April 1, 1998. Under the development agreements, these new homes receive a 20-year commitment from MOHLTC to provide per diem funding of up to $10.35 per bed, depending on actual construction costs. The construction funding receivable is measured at amortized cost using the effective interest method. The fair value will differ from the carrying value due to changes in interest rates.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of operations during the period in which they are incurred.

The Company provides for amortization at rates designed to amortize the cost of the property and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Land	Not amortized
Buildings	4–40 years straight-line
Furniture and fixtures	10 years straight-line
Computer hardware	5 years straight-line
Circulating equipment	Not amortized

Circulating equipment is comprised of china, linen, glassware and silverware in circulation, which is valued at cost. The cost of acquiring a basic inventory of these items is capitalized and any replacements incurred thereafter are expensed.

Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statement of operations.

Intangible assets

Intangible assets include bed licences, PHCS service contracts, resident relationships and computer software that is not integral to property and equipment. Intangible assets with finite useful lives are amortized over their respective estimated useful lives and reviewed for impairment at each consolidated balance sheet date. The useful lives are as follows:

Licences	Not amortized
Service contracts	3 years straight-line
Resident relationships	2 years straight-line
Computer software	5 years straight-line

Ontario's Long-Term Care Homes Act, 2007 ("LTCHA"), was proclaimed into law and became effective July 1, 2010. The LTCHA contains a new licence term regime which will result in licence terms for the Leisureworld homes ranging from 15 years for Class B and C homes to a minimum of 20 years for Class A homes. Previously, Ontario LTC licences were renewed annually by MOHLTC. Under the LTCHA, ultimate control of LTC licences in Ontario remains with MOHLTC including approval of new licences, and transfer or revocation of existing licences. With an existing wait-list of 24,000 in Ontario and the demand for LTC beds projected to increase, management is of the view that licences will continue to have indefinite lives and will not be amortized.

The Company incurs costs associated with the design of a new Human Resource Information System ("HRIS"), such costs are classified as computer software. Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized if certain criteria, including technical feasibility and intent and ability to develop and use the technology, are met; otherwise they are expensed as incurred. HRIS will be amortized over its useful life of five years once put into service.

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on the acquisition of subsidiaries, which is the excess of the purchase consideration and associated costs over the fair values attributable to the net identifiable assets acquired.

Impairment of long-lived assets

The Company evaluates its property and equipment and definite life intangible assets for potential impairment whenever events or changes in circumstances indicate the net carrying amount of an asset may not be recoverable. An impairment would be recognized when the net carrying amount of an asset exceeds the sum of the undiscounted cash flows arising from its use and expected disposition. Any impairment would be determined by a comparison of the estimated discounted future operating cash flows to be generated by the asset with its net carrying value.

Impairment of goodwill and indefinite life intangible assets

Goodwill is tested for impairment in the second quarter of each fiscal year or as indicators of impairment arise. The evaluation is based on a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned with the reporting unit's carrying value. The fair values used in this evaluation are estimated based on discounted future cash flow projections for the reporting unit. These cash flow projections are based on a number of estimates and assumptions.

The Company reviews the carrying amounts of its indefinite lived intangible assets annually in the second quarter or more frequently if there is an indication of impairment by comparing the carrying value of such assets to their estimated fair value, determined using discounting techniques. An impairment would be recognized when the carrying value of such assets exceeds their fair value.

Financial instruments

Financial instruments comprise cash and cash equivalents, accounts receivable and other assets, construction funding receivable, government funding receivable/payable, accounts payable and accrued liabilities, long-term debt and interest rate swap contract. Financial instruments are recognized initially at fair value. The Company's interest rate swap contract is measured at fair value through its consolidated statement of operations.

Derivatives

Derivative instruments are used to reduce interest rate risk on the Company's debt. The Company does not enter into derivative instruments for trading or speculative purposes. Derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value. GAAP specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges and cash flow hedges. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item. The change in fair value of an instrument that is determined to be an effective hedge is recognized in other comprehensive income (loss). The ineffective

portion of the change in fair value is recorded in the consolidated statement of operations. The Company has no derivative financial instruments qualifying for hedge accounting at the consolidated balance sheet date.

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for at fair value when their economic characteristics and risks are not closely related to those of the host contract. The Company determined it does not have any outstanding contracts or financial instruments with embedded derivatives that require bifurcation.

Transaction costs

Transaction costs are incremental costs directly related to the acquisition of a financial asset or the issuance of a financial liability or equity. The Company incurs transaction costs primarily through the issuance of debt or shares, and classifies these costs with the related debt, or as a reduction of the value of the proceeds received for the share issuance. The costs associated with the issuance of debt are amortized into interest expense using the effective interest rate method over the life of the related debt instrument. Incremental costs directly attributable to the issuance of shares are recognized as a reduction of common shares.

Dividends

Dividends on common shares are recognized in the consolidated financial statements in the period in which the approved dividends are declared by the Board of Directors of the Company.

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares comprise unvested shares issued to certain senior executives and are currently anti-dilutive.

Stock-based compensation

The Company issued shares to certain senior executives. These shares either vest over three years (33% per year) or are vested immediately upon grant. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over each tranche's vesting period by increasing shareholders' equity based on the number of shares expected to vest.

Pension costs

Payments to defined contribution retirement benefit plans are charged as an expense as incurred.

Income taxes

The Company follows the asset and liability method of tax accounting for future income taxes. Income tax comprises current and future tax. Income tax is recognized in the consolidated statement of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, future income tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Future income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated balance sheet date and are expected to apply when the future income tax asset or liability is settled. Future income tax assets are recognized to the extent that it is probable that the assets can be recovered.

The carrying amount of future income tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Future income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. This applies when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. FINANCIAL INSTRUMENTS

Financial instruments consist of cash and cash equivalents, accounts receivable and other assets, construction funding receivable, government funding receivable, annuity, accounts payable and accrued liabilities, government funding payable, long-term debt, and interest rate swap contract.

Cash and cash equivalents

Cash includes deposits held with Canadian chartered banks. Cash equivalents are short-term investments with an initial maturity of less than three months. Cash and cash equivalents are classified as held-for-trading. The carrying value of cash and cash equivalents approximates fair value as it is immediately available for use.

Accounts receivable and other assets

Accounts receivable and other assets are classified as loans and receivables. Accounts receivable and other assets are initially recorded at fair value and subsequently recognized at amortized cost. The carrying value of accounts receivable, after consideration of the provision for doubtful accounts, approximates their fair value due to the short-term maturity of these instruments.

Construction funding receivable

The construction funding receivable is classified as loans and receivables. The construction funding receivable is initially recorded at fair value and subsequently measured at amortized cost using the effective interest method. The fair value will differ from the carrying value due to changes in interest rates.

Annuity

The annuity is classified as loans and receivables. The annuity is initially recorded at fair value and subsequently measured at amortized cost using the effective interest method. The fair value will differ from the carrying value due to changes in interest rates.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are classified as other liabilities. Accounts payable and accrued liabilities are initially recorded at fair value and subsequently measured at amortized cost, which approximates fair value due to the short-term maturity of the instruments.

Long-term debt

The Company's long-term debt is initially recorded at fair value and subsequently measured at amortized cost using the effective interest method and is classified as other liabilities. The fair value of the Company's long-term debt is subject to changes in interest rates and the Company's credit rating.

Government funding receivable/payable

The government funding balances are classified as either other liabilities or loans and receivables and are measured at amortized cost. Government funding receivable/payable represents the difference between the amounts approved and those received from MOHLTC and is non-interest bearing. The carrying value of the government funding approximates its fair value due to the short-term maturity of the instrument for the current portion. The difference between the carrying value and the fair value of the long-term portion is insignificant.

Interest rate swap contract

The Company has an interest rate swap contract that does not qualify for hedge accounting. The changes in fair value are recorded through the consolidated statement of operations.

Fair value of financial instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. When independent prices are not available, fair values are determined using valuation techniques that refer to observable market data. These techniques include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants. Fair values of long-term debt and construction funding receivable are calculated by discounted cash flow analysis based on current market rates for loans and investments with similar terms, conditions and maturities.

The following table provides a summary of the carrying and fair values for each classification of financial instrument as at December 31, 2010:

	Carrying Value				
	Held-for-Trading	Loans and Receivables	Other Liabilities	Total Carrying Value	Fair Value
Financial assets:					
Cash and cash equivalents	14,618	—	—	14,618	14,618
Accounts receivable and other assets	—	3,687	—	3,687	3,687
Government funding receivable	—	2,800	—	2,800	2,800
Construction funding receivable	—	80,575	—	80,575	82,105
Financial liabilities:					
Accounts payable and accrued liabilities	—	—	32,967	32,967	32,967
Government funding payable	—	—	6,411	6,411	6,411
Long-term debt	—	—	298,496	298,496	320,593
Interest rate swap contract	208	—	—	208	208

Impairment charges on accounts receivable are disclosed below. All interest income and expense from financial instruments has been disclosed in Note 8.

MATURITIES OF FINANCIAL INSTRUMENTS

The Company generally has no financial instruments maturing beyond one year with the exception of its long-term debt as described in Note 8, its interest rate swap contract and the construction funding receivable. For the years ending December 31, 2011 through 2014, and thereafter, Leisureworld has estimated that the following undiscounted cash flows will arise from its interest rate swap contract and construction funding receivable based on valuations at the consolidated balance sheet date.

	2011	2012	2013	2014	2015	Thereafter
Cash inflows	8,696	8,554	8,530	8,530	8,530	59,205
Cash outflows	377	—	—	—	—	—
Net cash inflows	**8,319**	**8,554**	**8,530**	**8,530**	**8,530**	**59,205**

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The following discussion is limited to the nature and extent of risks arising from financial instruments. The Company's normal operating, investing and financing activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk. Leisureworld is not exposed to foreign currency risk as all operations are in Canada and all purchases are contracted in Canadian dollars. The Company does not have significant exposure to price risk as most of its revenues are regulated by MOHLTC. The Company's overall risk management process is designed to identify, manage and mitigate business risk, which includes financial risk.

Interest rate risk

Interest rate risk arises as the fair value of future cash flows from a financial instrument can fluctuate because of changes in market interest rates. Leisureworld is exposed to interest rate risk arising from fluctuations in interest rates in connection with its interest rate swap contract. This interest rate swap contract was purchased as part of the LSCLP acquisition and related to a hedge on anticipated borrowings for a transaction that did not occur. Interest rates, maturities and security affecting the interest and credit risk of Leisureworld's financial assets and liabilities have been disclosed in Notes 8 and 9.

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, accounts receivable and other assets, construction funding receivable, government funding receivable and interest rate swap contract. The Company is exposed to credit risk from its residents and customers. However, the Company has a significant number of residents and customers, which minimizes concentration of credit risk. The credit risk related to amounts owed by the residents is further mitigated by the Company's ability to recover 50% of LTC amounts written off from MOHLTC. A provision for management's estimate of uncollectible accounts receivable is established when there is objective evidence the Company will not be able to collect all amounts due. The Company assesses collectability of specific accounts receivable and also assesses the requirement for a provision based on historical experience. When a receivable is uncollectable, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statement of operations.

The continuity of the allowance for doubtful accounts is as follows:

Balance, acquired on Acquisition (Note 5)	869
Provision for receivables	129
Receivables written off during the period	(234)
Balance, end of period	**764**

The Company is exposed to credit risk through the amounts receivable from MOHLTC. The Company has assessed the credit risk associated with the amounts owed by MOHLTC as low as they are receivable from the Ontario government. Management has assessed the credit risks associated with the interest rate swap and cash and cash equivalent balances as low given the counter party is a major financial institution that has been accorded investment grade ratings by a primary rating agency.

Liquidity risk

Liquidity risk is the risk the Company may encounter due to difficulties in meeting obligations associated with financial liabilities and commitments. The Company has a credit agreement in place related to the long-term debt. This credit agreement contains a number of standard financial and other covenants. A failure by the Company to comply with the obligations in this credit agreement could result in a default, which, if not rectified or waived, could permit acceleration of the relevant indebtedness.

There can be no assurance the Company could:

- generate sufficient cash flow from operations to pay outstanding indebtedness, or to fund any other liquidity needs; or
- refinance this credit agreement or obtain additional financing on commercially reasonable terms, if at all.

The Company's credit facility is, and future borrowings may be, at variable rates of interest, which exposes the Company to the risk of increased interest rates.

The Company maintains a capital structure, including access to a revolving credit facility of $10,000, which helps to manage the risk of default under these credit agreements.

Sensitivity analysis

GAAP requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Company's financial position, performance and fair value of cash flows associated with the Company's financial instruments to changes in market variables (i.e. interest rates). The sensitivity analysis provided discloses the effect on profit or loss at December 31, 2010 assuming that a reasonably possible change in the relevant risk variable has occurred at December 31, 2010 and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities where available or historical data.

The sensitivity analysis has been prepared based on December 31, 2010 balances and on the basis that the balances, the ratio of fixed to floating rates of debt and the derivative at December 31, 2010 are all constant. Excluded from this analysis are all non-financial assets and liabilities that are not classified as financial instruments and financial instruments not carried at fair value in the consolidated financial statements.

The sensitivity analysis provided is hypothetical and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced as the Company's actual exposure to market rates may change. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in the market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

		Interest Rate Risk	
		-1%	+1%
	Carrying Value	Income	Income
Financial assets:			
Cash and cash equivalents	14,618	(39)	82
Financial liabilities:			
Interest rate swap contract	208	(94)	94

Fair value hierarchy

Financial instruments carried at fair value have been categorized under three levels of fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities This level of the hierarchy includes cash and cash equivalents. The fair value of the instrument is quoted prices where the prices represent those at which regularly and recently occurring transactions take place.

Level 2: Inputs that are observable for the assets or liabilities either directly or indirectly This level of the hierarchy includes the interest rate swap contract. This instrument is recorded at fair value on the settlement date. The fair value of the interest rate swap contract is calculated through discounting future expected cash flows using the bankers' acceptance ("BA") based swap curve. Since the BA based swap curve is an observable input, these financial instruments are considered Level 2.

Level 3: Inputs for assets or liabilities that are not based on observable market data The Company does not have any financial instruments in this level.

	Financial Instruments at Fair Value			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	14,618	—	—	14,618
Financial liabilities:				
Interest rate swap contract	—	208	—	208

4. CAPITAL MANAGEMENT

The Company defines its capital as its long-term debt, shareholders' equity and cash and cash equivalents.

The Company's objectives when managing capital are to: (i) maintain a capital structure that provides financing options to the Company when a financing or a refinancing need arises to ensure access to capital, on commercially reasonable terms, without exceeding its debt capacity; (ii) maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments and dividend payments; and (iii) deploy capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue additional shares, issue additional debt, issue debt to replace existing debt with similar or different characteristics, and adjust the amount of dividends paid to the Company's shareholders. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Company's needs and market and economic conditions at the time of the transaction.

The Board of Directors reviews the level of monthly dividends paid on a quarterly basis. The long-term debt is collateralized by all assets of LSCLP and the subsidiary partnerships and guaranteed by the subsidiary partnerships totalling $519,291. Under its Master Trust Indenture, LSCLP is subject to certain financial and non-financial covenants including a debt service coverage ratio defined as income from operations and construction funding ("EBITDA") to debt service. The Company is in compliance with all financial covenants on its borrowings as of December 31, 2010. However, there can be no assurance future covenant requirements will be met. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt can be affected.

There were no changes in the Company's approach to capital management during the period.

5. ACQUISITION

The acquisition of LSCLP on March 23, 2010 has been accounted for using the purchase method. Goodwill in the amount of $90,956 was recognized as the difference between the fair value of assets and liabilities acquired and the consideration paid. The total purchase price of $121,647 was allocated to the assets and liabilities as follows:

Assets	
Cash	14,762
Accounts receivable and other assets	4,222
Prepaid expenses and deposits	1,045
Due from Leisureworld Senior Care Corporation	4,469
Government funding receivable	2,008
Construction funding receivable	84,394
Annuity	1,002
Property and equipment	299,639
Intangible assets – Licences	76,000
Intangible assets – Resident relationships	26,190
Intangible assets – Service contracts	3,080
Intangible assets – Software	1,196
Goodwill	90,956
Total assets	608,963
Liabilities	
Accounts payable and accrued liabilities	37,522
Government funding payable	11,990
Future income tax liabilities, net	78,582
Long-term debt	356,937
Interest rate swap contract	2,285
Total liabilities	487,316
Net assets acquired	121,647

Cash paid for the acquisition totalling $97,850, which was paid during the period ended March 31, 2010, is summarized as follows:

Payment to Macquarie Long Term Care LP	112,517
Payment to trustee	95
Cash assumed	(14,762)
Cash paid for acquisition	97,850

Additional consideration in the amount of $9,035 was also provided by way of a non-interest bearing promissory note to Macquarie Long Term Care LP. As part of the IPO, the underwriters were granted an overallotment option to purchase an additional 958,649 shares of the Company at $10 per share, less the underwriters' fees, within 30 days from the date of the IPO. During the quarter ended June 30, 2010, the promissory note was settled by way of issuance of common shares of the Company as the overallotment option was not exercised within 30 days of the IPO.

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
Land	42,271	—	42,271
Buildings	247,485	6,328	241,157
Furniture and fixtures	9,567	1,979	7,588
Computer hardware	276	84	192
Circulating equipment	985	—	985
	300,584	8,391	292,193

7. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net Book Value
Licences	76,000	—	76,000
Resident relationships	26,190	10,144	16,046
Contracts	3,080	795	2,285
Computer software	2,068	90	1,978
	107,338	11,029	96,309

8. LONG-TERM DEBT

	Interest Rate	Maturity Date	Amount
Series A Senior Secured Notes	4.814%	Nov. 24, 2015	298,496

As at December 31, 2010, the Company has 4.814% Series A Senior Secured Notes (the “2015 Notes”) due November 24, 2015 with a face value of $310,000, collateralized by the assets of LSCLP and its subsidiary partnerships and guaranteed by the subsidiary partnerships.

The 2015 Notes may be redeemed in whole or in part at the option of the Company at any time, upon not less than 30 days’ and not more than 60 days’ notice to the holders of the 2015 Notes. The redemption price is the greater of: (i) the face amount of the 2015 Notes to be redeemed; and (ii) the price that will provide a yield to the remaining average life of such 2015 Notes equal to the Canada Yield Price plus 0.18%, in each case together with accrued and unpaid interest.

Interest on the long-term debt is payable semi-annually in arrears on May 24 and November 24 of each year. Interest expensed on the long-term debt for the period ended December 31, 2010 was $13,169, which includes non-cash interest of $1,559.

The following summarizes the components of interest expense, net, in the consolidated statement of operations:

	From Incorporation, February 10, 2010, to December 31, 2010
Interest expense:	
Long-term debt	**13,169**
Revolving credit facility	**79**
Swap settlement	**229**
	13,477
Interest income:	
Construction funding receivable	**2,785**
Annuity	**4**
Other	**58**
	2,847
Interest expense, net	**10,630**

9. REVOLVING CREDIT FACILITY

As at December 31, 2010, LSCLP has a $10,000 revolving credit facility with a Canadian chartered bank, collateralized by the assets of LSCLP and its subsidiary partnerships and guaranteed by the subsidiary partnerships, which it can access for working capital purposes. The facility bears interest on cash advances at 175 basis points ("bps") per annum over the floating bankers' acceptance ("BA") rate (30, 60 or 90 days), at 75bps per annum over the prime rate and on letters of credit at 175bps per annum. As at December 31, 2010, the Company had $68 in a letter of credit outstanding. The amount had primarily been issued to a municipality with respect to outstanding obligations of the Company related to the construction of LTC homes (Note 13). During the period ended December 31, 2010, charges related to standby fees totalled $73.

10. INCOME TAXES

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes. Significant components of the Company's future income tax assets and liabilities as at December 31, 2010 are:

Future income tax assets	
Cost associated with the Initial Public Offering	3,456
Other items	841
	4,297
Future income tax liabilities	
Intangible assets	(14,592)
Accretion of fair value increment on long-term debt	(3,024)
Property and equipment	(57,691)
Future income tax liability, net	(71,010)
Future income taxes are comprised of:	
Future income tax asset – current	550
Future income tax liability – long-term	(71,560)
Future income tax liability, net	(71,010)

The income tax provision included in the consolidated financial statements differs from amounts that would be obtained by applying the combined Canadian federal and provincial income tax rate to loss before income taxes. The differences are reconciled as follows:

	From Incorporation, February 10, 2010, to December 31, 2010
Loss before income taxes	**(5,582)**
Canadian combined income tax rate	**31.0%**
Income tax recovery	**(1,730)**
Adjustments to income tax provision:	
Non-deductible items	**221**
Other items	**59**
Income tax recovery	**(1,450)**

11. SHARE CAPITAL

Authorized

Unlimited number of common shares without nominal or par value

Issued and outstanding

Common shares

	Shares	Amount
Balance, beginning of period	—	—
Issued common shares	19,020,000	178,768
Issued common shares in exchange for note payable	958,649	9,035
Stock-based compensation (Note 12)	130,000	714
Balance, end of period	20,108,649	188,517

During the period, the Company issued 19,020,000 shares for proceeds of $178,768, net of underwriters' fees of $10,937, other IPO related costs of $4,695 and the related future tax impact of $4,200. The number of shares above includes 100,000 shares that have not fully vested in accordance with the stock-based compensation agreement (Note 12). In addition, 958,649 shares were issued to settle note payable of $9,035.

There are no dilutive instruments outstanding at this time.

12. STOCK-BASED COMPENSATION

Stock-based payments were introduced by the Company in relation to the IPO, at which time 130,000 shares were awarded to certain key executives. The Company does not have a recurring stock-based plan in place.

Of this amount, 30,000 shares were awarded for nominal value and had trading restrictions imposed on them for a period of six months. These shares vested immediately upon issuance. The remaining 100,000 shares vest in three equal instalments on the first, second and third anniversary of the grant date and also have trading restrictions imposed. The fair value of these shares was determined to be approximately $1,147 based on the Black-Scholes option pricing model. Stock-based compensation expense of $714 for the period ended December 31, 2010 was recognized in general and administrative expenses with a corresponding increase in shareholders' equity.

A summary of the movement of the shares granted is as follows:

	Shares Awarded	Weighted Average Exercise Price (dollars)
Balance, beginning of period	—	N/A
Granted	130,000	N/A
Vested	(30,000)	N/A
Unvested, end of period	100,000	N/A

The fair value of the shares granted was calculated using the Black-Scholes option pricing model. The assumptions used in the model were as follows:

Risk free rate	1.42%
Expected volatility	0.00%
Expected life (in years)	0–3
Weighted average fair value of shares granted	$8.82
Expected dividend yield	8.50%

13. COMMITMENTS

As at December 31, 2010, the Company had $68 in a letter of credit outstanding. The amount had primarily been issued to a municipality with respect to outstanding obligations of the Company related to the construction of LTC homes.

The Company has a ten-year lease with respect to its corporate office; the lease expires on December 31, 2015. The Company also has various operating leases for office and other equipment. Lease payments in respect of the remaining years of the leases are as follows:

2011	522
2012	440
2013	403
2014	350
2015	348
Thereafter	—
	2,063

On June 22, 2010, the Company announced an agreement to acquire 88 LTC licences from Christie Gardens Apartments and Care Inc., conditional on approval by MOHLTC. These licences are in the Toronto area and will increase the total number of the Company's LTC beds by approximately 2%. According to the terms of the agreement the licences will be acquired by March 31, 2013 at a cost of $2,200.

14. CONSTRUCTION FUNDING RECEIVABLE

The Company will receive gross funding from the Ontario government of approximately $101,879 related to the construction costs of long-term care homes. The amounts are non-interest bearing and will be received for certain LTC homes for various periods ending over the next 16 years.

Included in net interest expense is interest accretion on the construction funding receivable of $2,785 for the period ended December 31, 2010.

15. EMPLOYEE PENSION PLAN

The Company contributes to certain of its employees' defined contribution pension plans based on 4% of gross wages. The expense associated with these plans for the period ended December 31, 2010 was $3,118.

16. TRUST FUNDS

The Company maintains separate trust accounts on behalf of its nursing home residents, which are not included in these consolidated financial statements. The total balance in the trust bank accounts as at December 31, 2010 was $1,186.

17. RELATED PARTY TRANSACTIONS

During the period ended December 31, 2010, the Company earned revenue from Spencer House Inc., a charitable organization that owns a licence to operate an LTC home in Orillia, Ontario. A subsidiary of the Company has been contracted to manage the operations of Spencer House Inc. Total revenue for the period ended December 31, 2010 was $1,410. Included in accounts receivable is $53 owing from Spencer House Inc. at December 31, 2010. These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the management of the related parties.

18. ECONOMIC DEPENDENCE

The Company holds licences related to each of its long-term care homes and receives funding from MOHLTC related to these licences. Funding is received on the 22nd of each month. During the period ended December 31, 2010, the Company received approximately $141,178 in respect of these licences for operating revenues and other MOHLTC funded initiatives.

19. SEGMENTED INFORMATION

Segmented information is presented in respect of the Company's business segments. The primary format, business segments, is based on the Company's management and internal reporting structure. The Company operates solely within Canada, hence no geographical segment disclosures are presented. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing loans, borrowings and expenses, corporation taxes and corporate assets and expenses.

The Company is comprised of the following main business segments:

- Leisureworld long-term care business – which is the core business of the Company; and
- PHCS – PHCS retains its own management team and compiles its own financial information. PHCS is an accredited provider of professional nursing, personal support and education services for both community based home care and long-term care homes.

The significant accounting policies of the reportable operating segments are the same as those disclosed in Note 2.

	From Incorporation, February 10, 2010, to December 31, 2010		
	PHCS	LTC	Total
Gross revenue	9,003	226,937	235,940
Less: Internal revenue	1,694	20,638	22,332
Net revenue	7,309	206,299	213,608
Income from operations	1,469	22,801	24,270
Amortization			
Property and equipment	7	8,384	8,391
Intangible assets	803	10,226	11,029
Interest expense	—	13,477	13,477
Interest income	—	(2,847)	(2,847)
Gain on interest rate swap contract	—	(198)	(198)
Income (loss) before income taxes	659	(6,241)	(5,582)
Income tax recovery	—	(1,450)	(1,450)
Net income (loss)	659	(4,791)	(4,132)
Total assets	24,013	558,709	582,722
Goodwill	6,521	84,435	90,956
Non-cash interest expense (income)			
Long-term debt	—	1,559	1,559
Construction funding receivable	—	(2,785)	(2,785)
	—	(1,226)	(1,226)
Purchase of property and equipment	—	945	945
Purchase of intangible assets	—	872	872

20. CONTINGENCIES

The former majority owner of Leisureworld is involved in a lawsuit with a former supplier, Corporate Building Services Inc. (the “CBSI Claim”). The CBSI Claim is for $5,860; the outcome cannot be determined at the date of approval of these consolidated financial statements. Markham Suites Hotel Limited (“MSHL”), formerly Leisureworld Inc., whose assets were acquired by LSCLP (October 18, 2005), was added as a defendant during 2006. The Company intends to vigorously defend MSHL’s position in this action, as this potential liability was assumed by the Company as part of the acquisition. In the Company’s opinion, the resolution of this action will not have a material adverse effect on the financial condition of the Company. The defendants will be denying all allegations and asserting the action should be dismissed with costs payable to the defendants.

BOARD OF DIRECTORS

Dino Chiesa – Chairman & Director[1, 2]
Principal, Chiesa Group, commercial property investors
Chair of Board of Directors of Canada Mortgage and Housing Corporation
Trustee and Vice-Chair of Canadian Apartment Properties Real Estate Investment Trust (“CAP REIT”)
Board Member, Kingsway Arms Retirement Residences Inc.

Janet Graham – Director[1, 2, 3]
Managing Director at IQ Alliance Incorporated
Board Member, Toronto Waterfront Revitalization Corporation
Former Trustee of Partners Real Estate Investment Trust (formerly, Charter Real Estate Investment Trust)
Former Trustee IPC US, Real Estate Investment
Former Board Member of Crystal River Capital, Inc.

John McLaughlin – Director[1, 2, 4]
President of Tall Oak Management Inc.
Board Member of Futuremed Healthcare Products Corporation
Chair and Board Member of AIM Health Group
Past Managing Director of Extendicare (UK) Ltd., Past President of Extendicare (Canada) Inc., and Past President of Extendicare Health Services Inc.

Jack MacDonald – Director[1, 2]
Current Chair and former CEO of Compass Group Canada and ESS North America
Past Chair of the Canadian Foundation for Dietetic Research
Past Board Member of the Canadian Physiotherapy Association

David Cutler – Director
President and Chief Executive Officer of Leisureworld Senior Care Corporation
Director of Ontario Long Term Care Association (“OLTCA”)
Board Member of Futuremed Healthcare Products Corporation

[1] Member of Audit Committee
[2] Member of Compensation Committee
[3] Chair of Audit Committee
[4] Chair of Compensation Committee

OFFICERS

Chief Executive Officer
David Cutler

Chief Financial Officer
Martin Liddell

Chief Operating Officer
Paul Rushforth

DESIGN: BRYAN MILLS IRADESSO WWW.BMIR.COM, TORONTO

STOCK LISTING
Toronto Stock Exchange

SHARE SYMBOL
LW

CORPORATE OFFICE
302 Town Center Boulevard
Suite 200
Markham, Ontario L3R 0E8

LOCATIONS

Altamont
92 Island Road
West Hill, Ontario M1C 2P5

Barrie
130 Owen Street
Barrie, Ontario L4M 3H7

Brampton Meadows
215 Sunny Meadow Boulevard
Brampton, Ontario L6R 3B5

Brampton Woods
9257 Goreway Drive
Brampton, Ontario L6P 0N5

Brantford
389 West Street
Brantford, Ontario N3R 3V9

Cheltenham
5935 Bathurst Street
Toronto, Ontario M2R 1Y8

Creedan Valley
143 Mary Street
Creemore, Ontario L0M 1G0

Ellesmere
1000 Ellesmere Road
Scarborough, Ontario M1P 5G2

Elmira
120 Barnswallow Drive
Elmira, Ontario N3B 2Y9

Etobicoke
70 Humberline Drive
Etobicoke, Ontario M9W 7H3

Lawrence
2005 Lawrence Avenue West
Toronto, Ontario M9N 3V4

Mississauga
2250 Hurontario Street
Mississauga, Ontario L5B 1M8

Muskoka and Muskoka Retirement
200 Kelly Drive
Gravenhurst, Ontario P1P 1P3

Norfinch
22 Norfinch Drive
North York, Ontario M3N 1X1

North Bay
401 William Street
North Bay, Ontario P1A 1X5

O'Connor Court
1800 O'Connor Drive
Toronto, Ontario M4A 1W7

O'Connor Gate
1800 O'Connor Drive
Toronto, Ontario M4A 1W7

Oxford
263 Wonham Street South
Ingersoll, Ontario N5C 3P6

Richmond Hill
170 Red Maple Road
Richmond Hill, Ontario L4B 4T8

Rockcliffe
3015 Lawrence Avenue East
Scarborough, Ontario M1P 2V7

Scarborough and Midland Gardens
130 Midland Avenue
Scarborough, Ontario M1N 4B2

Spencer House
835 West Ridge Boulevard
Orillia, Ontario L3V 8B3

St. George
225 St. George Street
Toronto, Ontario M5R 2M2

Streetsville
1742 Bristol Road West
Mississauga, Ontario L5M 1X9

Tullamore
133 Kennedy Road South
Brampton, Ontario L6W 3G3

Vaughan
5400 Steeles Avenue West
Woodbridge, Ontario L4L 9S1

REGISTRAR AND TRANSFER AGENT
Computershare Trust Company of Canada
100 University Avenue
9th Floor, North Tower
Toronto, Ontario, Canada
M5J 2Y1
Phone: 1-800-564-6253
(toll-free in Canada and the U.S.)
or 514-982-7555 (international
direct call)

ANNUAL MEETING
The Annual Meeting for Shareholders
will be held on:
Wednesday, April 20, 2011
Toronto Board of Trade
1 First Canadian Place
3rd Floor
Osgoode/MacDonald Room
Toronto, ON

Time: 10:00 a.m.

Our Caring Philosophy

Leisureworld's Caring Philosophy is a comprehensive commitment to quality of care and quality of life for residents

EMBRACING LIFE STORIES

Leisureworld recognizes the importance of embracing each resident as an individual with individual life stories and needs, and is firmly committed to building on our residents' pasts and experiences

EMPOWERING VOICE AND CHOICE

Leisureworld appreciates the human need for autonomy and is dedicated to encouraging and empowering residents and always advocating on their behalf

ENGAGING BODY, MIND AND SPIRIT

Leisureworld employs a holistic approach to wellness by focusing on recreational, spiritual and physical care, engaging residents' minds, bodies and spirit

LEISUREWORLD SENIOR CARE CORPORATION
302 TOWN CENTRE BLVD., SUITE 200,
MARKHAM, ONTARIO L3R 0E8
T 905.477.4006 **F** 905.415.7623
www.leisureworld.ca