CHARTWELL
RETIREMENT RESIDENCES

Audited Consolidated Financial Statements
(In Canadian dollars)

Years ended December 31, 2021 and 2020

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Chartwell Retirement Residences,

Opinion

We have audited the consolidated financial statements of Chartwell Retirement Residences (the "Entity"), which comprise:

- the consolidated balance sheets as at December 31, 2021 and December 31, 2020
- the consolidated statements of net income and comprehensive income for the years then ended
- the consolidated statements of unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

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

Basis for Opinion

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

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

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

Key Audit Matters

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

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

Evaluation of certain risks and conditions associated with the COVID-19 pandemic

Description of the matter

We draw attention to Notes 1 and 2(d) of the financial statements. Uncertainties in assessing future liquidity requirements have increased as a result of COVID-19. Since the onset of the pandemic, the level of demand for the Entity's services in its private pay retirement residences has been lower. In addition, the Entity has experienced a material increase in direct operating expenses, most significantly in respect of labour costs due to government directives and restrictions and outbreak activity. Any future negative impact to the Entity's business, results of operations, liquidity and financial condition will depend on the scope, severity and duration of the pandemic which currently cannot be reliably estimated.

The Entity believes that it has sufficient available liquidity to meet its minimum obligations as they come due and to comply with financial covenants in the Entity's credit facilities, as amended, for a period of at least 12 months from December 31, 2021. The Entity has assessed that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern. In making this significant judgment, the Entity has prepared income and cash flow forecasts. The most significant assumptions in the preparation of such forecasts are occupancy levels and the continued availability of financing.

Why the matter is a key audit matter

We identified the evaluation of certain risks and conditions associated with the COVID-19 pandemic as a key audit matter. This evaluation required significant auditor judgment in assessing the Entity's income and cash flow forecasts due to the degree of uncertainty in the most significant assumptions resulting from the impact of COVID-19.

How the matter was addressed in the audit

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

We evaluated the forecasted occupancy levels by comparing them to historical results. We took into account changes in conditions and events, or lack thereof, affecting the Entity to the adjustments or lack of adjustments made by the Entity in arriving at the assumption.

We evaluated the continued availability of financing by:

- considering the ratio of forecasted mortgage financing to forecasted fair value of the underlying properties for a selection of mortgages based on our understanding of the underlying properties and the industry and
- analyzing the Entity's forecasted compliance with significant financial covenants contained in loan agreements using information contained in income and cash flow forecasts and the terms of the loan agreements.

We assessed the sensitivity of possible changes to the forecasted occupancy levels and continued availability of financing on the income and cash flow forecasts.

We evaluated the impact of changes in the forecasted occupancy levels and continued availability of financing on management's conclusion that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

We also assessed the disclosures related to the Entity's significant judgment about whether there are material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Assessment of the recoverable amount of cash generating units

Description of the matter

We draw attention to Notes 2(d), 3(e), and 5 of the financial statements. The property, plant, and equipment (PP&E) carrying amount is $3,156,031 thousand. Impairment provisions totaling $850 thousand were recorded. The carrying amounts of the Entity's PP&E are assessed at each reporting date to determine if any events have occurred that would indicate the PP&E may be impaired. If any such indication exists, the asset's recoverable amount is estimated, and an impairment loss is recognized immediately in profit or loss for the amount by which the asset's carrying amount exceed its recoverable amount. The recoverable amount is determined for the cash generating unit ("CGU") to which the PPE belongs. The recoverable amount of a CGU is the higher of (a) fair value less costs of disposal and (b) value in use.

The assessment of asset impairment requires significant assumptions, which include:

- the rental rates and occupancy rates used to estimate future stabilized cash flows and
- discount rates, capitalization rates and terminal capitalization rates applied to those cash flows.

Why the matter is a key audit matter

We identified the assessment of the recoverable amount of CGUs as a key audit matter. This matter represented an area of significant risk of material misstatement given the significant effect minor changes to significant assumptions had on the determination of the recoverable amount of a CGU. In addition, significant auditor judgment and specialized skills and knowledge were required in applying, and evaluating the results of, our audit procedures.

How the matter was addressed in the audit

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

- For a selection of CGUs, we assessed the Entity's ability to accurately forecast by comparing the rental rates and occupancy rates used to estimate future stabilized cash flows of the prior year to actual results.
- For a selection of CGUs, we evaluated the Entity's rental rates and occupancy rates used to estimate future stabilized cash flows by comparing to actual historical rates. We took into account the changes in conditions and events affecting the CGUs to assess the adjustments, or lack of adjustments, made by the Entity in arriving at the rental rates and occupancy rates used to estimate future stabilized cash flows.
- For a selection of CGUs, we involved valuations professionals with specialized skills and knowledge who assisted in evaluating the discount rates, capitalization rates and terminal capitalization rates. These rates were compared to published reports of real estate industry commentators taking into consideration the features of the specific CGU.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2021 Annual Report."

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

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

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

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2021 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Thomas Rothfischer.

Toronto, Canada
February 24, 2022

CHARTWELL RETIREMENT RESIDENCES

Consolidated Balance Sheets
(In thousands of Canadian dollars)

As at December 31,	Note	2021	2020
Assets			
Current assets:			
Cash and cash equivalents		$ 95,486	$ 70,157
Trade and other receivables	9	18,668	29,898
Capital funding receivable	7	6,746	6,636
Other assets	10	25,964	20,713
Total current assets		146,864	127,404
Non-current assets:			
Other assets	10	2,731	2,206
Loans receivable	11	8,009	11,978
Capital funding receivable	7	22,161	28,906
Investment in joint ventures	12	8,954	17,097
Intangible assets	6	72,503	78,938
Property, plant, and equipment (“PP&E”)	5	3,156,031	3,222,779
Total non-current assets		3,270,389	3,361,904
Total assets		$ 3,417,253	$ 3,489,308
Liabilities and Unitholders' Equity			
Current liabilities:			
Lease obligations	8	$ 975	$ 1,073
Accounts payable and other liabilities	17	194,886	182,098
Distributions payable		11,965	11,085
Mortgages payable	13	301,594	198,731
Total current liabilities		509,420	392,987
Non-current liabilities:			
Lease obligations	8	11,585	11,639
Other liabilities	17	1,765	6,426
Mortgages payable	13	1,559,606	1,683,504
Term loans	15	124,709	274,265
Senior unsecured debentures	16	349,067	348,681
Class B Units of Chartwell Master Care LP ("Class B Units")	19	18,089	17,125
Deferred tax liabilities	29	16,901	20,704
Total non-current liabilities		2,081,722	2,362,344
Total liabilities		2,591,142	2,755,331
Unitholders' equity	20	826,111	733,977
Total liabilities and unitholders' equity		$ 3,417,253	$ 3,489,308

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

“Ann Davis” Trustee “Huw Thomas” Trustee

CHARTWELL RETIREMENT RESIDENCES

Consolidated Statements of Net Income and Comprehensive Income
(In thousands of Canadian dollars)

Years ended December 31,	Note	2021	2020
Revenue:			
Resident		$ 855,227	$ 873,966
Management and other fees		11,022	9,640
Lease revenue from joint ventures	12(b)	37,358	41,109
Interest income		2,862	3,872
	24	906,469	928,587
Income (expenses):			
Direct property operating	9, 32	(629,715)	(622,499)
Depreciation of PP&E	5	(160,382)	(174,091)
Amortization of intangible assets	6	(7,709)	(5,590)
Share of net loss from joint ventures	12(b)	(8,376)	(3,816)
General, administrative and trust	9, 32	(44,364)	(43,895)
Other income	26	43,353	21,640
Finance costs	27	(89,455)	(93,150)
Change in fair values of financial instruments and foreign exchange gains	28	1,295	3,828
		(895,353)	(917,573)
Income before income taxes		11,116	11,014
Deferred income tax benefit (expense)	29	(984)	3,865
Net income and comprehensive income[1]		$ 10,132	$ 14,879

[1]Referred to as "Net income" throughout the consolidated financial statements

See accompanying notes to consolidated financial statements.

CHARTWELL RETIREMENT RESIDENCES

Consolidated Statements of Unitholders' Equity
(In thousands of Canadian dollars, except per unit amounts)

2021	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2020	$ 2,327,965	$ 20,311	$ (13,816)	$ (106,961)	$ (1,500,058)	$ 6,536	$ 733,977
Net income	–	–	–	10,132	–	–	10,132
Distributions to unitholders	–	–	–	–	(136,227)	–	(136,227)
Issuance of Trust Units pursuant to public offering (note 20)	197,220	–	–	–	–	–	197,220
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	19,430	–	–	–	–	–	19,430
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	836	1,281	(1,433)	–	–	(41)	643
Interest on EUPP receivable	–	–	(184)	–	–	–	(184)
Distributions applied against EUPP receivable	–	–	1,120	–	–	–	1,120
Unitholders' equity, December 31, 2021	$ 2,545,451	$ 21,592	$ (14,313)	$ (96,829)	$ (1,636,285)	$ 6,495	$ 826,111

Distributions were declared and paid at $0.051 per unit per month for the months of January 2021 to December 2021. In the first two months of 2022, distributions were declared at $0.051 per unit per month.

See accompanying notes to consolidated financial statements.

CHARTWELL RETIREMENT RESIDENCES

Consolidated Statements of Unitholders' Equity (continued)
(In thousands of Canadian dollars, except per unit amounts)

2020	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2019	$ 2,316,036	$ 17,924	$ (12,251)	$ (121,840)	$ (1,368,799)	$ 6,497	$ 837,567
Net income	–	–	–	14,879	–	–	14,879
Distributions to unitholders	–	–	–	–	(131,259)	–	(131,259)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	8,518	–	–	–	–	–	8,518
Trust units issued on exchange of Deferred Trust Units ("DTUs")	2,317	–	–	–	–	–	2,317
Trust Units issued on exchange of Class B Units	553	–	–	–	–	–	553
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	541	2,387	(2,411)	–	–	39	556
Interest on EUPP receivable	–	–	(184)	–	–	–	(184)
Distributions applied against EUPP receivable	–	–	1,030	–	–	–	1,030
Unitholders' equity, December 31, 2020	$ 2,327,965	$ 20,311	$ (13,816)	$ (106,961)	$ (1,500,058)	$ 6,536	$ 733,977

Distributions were declared and paid at $0.050 per unit per month for the months of January 2020 and February 2020 and $0.051 per unit per month for the months of March 2020 to December 2020.

See accompanying notes to consolidated financial statements.

CHARTWELL RETIREMENT RESIDENCES

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

Years ended December 31,	Note	2021	2020
Cash provided by (used in):			
Operating activities:			
Net income		$ 10,132	$ 14,879
Items not affecting cash:			
Depreciation and amortization	5, 6	168,091	179,681
Finance costs	27	89,455	93,150
Other (income) expense	26	(43,353)	(21,640)
Interest income	24	(2,862)	(3,872)
Change in fair values of financial instruments and foreign exchange (gains) losses	28	(1,295)	(3,828)
Deferred income tax (benefit) expense	29	984	(3,865)
Share of net loss from joint ventures	12(b)	8,376	3,816
Other		682	515
Change in trade and other receivables		11,742	(8,204)
Change in other assets		(5,272)	1,546
Change in accounts payable and other liabilities		5,097	22,840
		241,777	275,018
Interest income and other income received		2,896	3,770
Interest paid		(88,350)	(94,166)
		156,323	184,622
Financing activities:			
Proceeds from public offering	20	192,433	-
Proceeds from mortgage financing	18	138,808	176,609
Mortgage repayments	5,18	(67,198)	(193,605)
Scheduled mortgage principal repayments	18	(84,017)	(77,768)
Term loan (repayments) proceeds	15, 18	(150,000)	150,000
Additions to finance costs	18	(8,434)	(7,751)
Distributions paid		(116,099)	(122,646)
		(94,507)	(75,161)
Investing activities:			
Acquisition of assets, net of cash acquired	4	(7,462)	(21,623)
Additions to PP&E and intangible assets		(115,344)	(132,392)
Proceeds from disposal of PP&E	5	79,917	86,739
Change in capital funding receivable	7	6,635	6,672
Contributions to joint ventures	12(b)	(3,652)	(5,425)
Distributions received from joint ventures	12(b)	3,419	3,835
		(36,487)	(62,194)
Increase in cash and cash equivalents		25,329	47,267
Cash and cash equivalents, beginning of year		70,157	22,890
Cash and cash equivalents, end of year		$ 95,486	$ 70,157

See accompanying notes to consolidated financial statements.

1. Organization and nature of operations:

Chartwell Retirement Residences ("Chartwell") is an unincorporated open-ended real estate trust governed by the laws of the Province of Ontario and created as of July 7, 2003 and subsisting under the Declaration of Trust. Chartwell's head office is located at 7070 Derrycrest Drive, Mississauga, ON L5W 0G5. Chartwell's main business is ownership, operations and management of retirement residences and long-term care homes in Canada.

Chartwell owns 100% of the outstanding Trust Units of CSH Trust, an unincorporated, open-ended trust established under the laws of the Province of Ontario, which in turn owns 52% of the outstanding Class A Units of Chartwell Master Care LP ("Master LP"), a limited partnership created under the laws of the Province of Manitoba. Class B Units of Master LP are held by non-controlling investors and are exchangeable into units of Chartwell. Chartwell also has direct ownership of 48% of Class A Units of Master LP.

The assets of Chartwell are held by the wholly owned Master LP, which carries out the business of Chartwell. Its activities are financed through equity contributed by Chartwell, CSH Trust, Class B unitholders and debt, including mortgages.

Chartwell's Declaration of Trust provides that distributions will be within the discretion of the Board of Trustees.

COVID-19 business impacts and related risks:

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Since the onset of the pandemic, the spread of COVID-19 has negatively affected Chartwell's business and it is expected to continue to do so for the duration of the pandemic.

Chartwell's revenue and operating results depend significantly on the occupancy levels at Chartwell's retirement residences and long-term care homes. Numerous restrictions and directives have been implemented by governments and health authorities affecting many aspects of our operations during the pandemic.

1. Organization and nature of operations (continued):

These pandemic restrictions and directives have resulted in decreased occupancy levels due to reduced move-in activity in both our retirement residences and long-term care homes. The COVID-19 pandemic, and the corresponding impact of the restrictions and directives noted, is likely to continue for some time in 2022 and potentially longer. This may continue to cause decreases in occupancy levels due to ongoing government directives, that vary across jurisdictions, and that can require restrictions on internal gatherings and dining services, new resident isolations, restrictions on tours and visitor access. Further, government directives related to the general operation of society and the economy overall may also affect future occupancy levels.

The COVID-19 pandemic and associated restrictions and directives have caused, and may continue to cause, a material increase in direct operating expenses due to the provision of enhanced care and protection to our residents and staff; increased utilization of sick leave benefits for employees that are required to self-isolate and/or become ill; increased overtime costs to ensure enhanced staff levels and replacement and augmentation of both regular staff complement and additional staffing with agency staffing at a higher cost where necessary; increased personal protective equipment costs; enhanced disinfection and cleaning; and extended dining services to facilitate physical distancing and/or isolation.

The COVID-19 pandemic may cause an increase in general, administrative and trust expenses and property development costs related to the implementation and administration of extensive and complicated government directives and the operation of essential services during these abnormal circumstances.

In addition, management and residence staff are singularly focused on resident and employee safety which is of paramount importance and the pursuit of other business concerns has generally been deferred.

Although various government funding programs have been introduced and/or implemented and Chartwell has had, and may continue to have, access to the programs there is no certainty as to the extent to which these programs may mitigate the negative effects of declines in occupancy and increases in operating expenses of Chartwell.

1. Organization and nature of operations (continued):

Financing arrangements:

As a result of the risks and conditions associated with the COVID-19 pandemic, and as described below, Chartwell has amended certain terms of various financing arrangements after having conducted an assessment of its liquidity. These changes include a reduction in the minimum debt service covenants and the exclusion of COVID expenses and related reimbursements incurred during the first six months of 2022 from the determination of this covenant. Chartwell believes that it has sufficient available liquidity to meet its minimum obligations as they come due and to comply with financial covenants in its credit facilities, as amended, for a period of at least 12 months from December 31, 2021. Further, Chartwell has assessed that there are no material uncertainties related to events or conditions that may cast significant doubt upon Chartwell's ability to continue as a going concern. In making this significant judgment, Chartwell has prepared income and cash flow forecasts with the most significant assumptions in the preparation of such forecasts being occupancy levels and continued availability of financing.

Liquidity risk is the risk that an entity is unable to fund its assets or meet its obligations as they come due (note 2(d) and note 22(b)(ii)). Uncertainties in assessing future liquidity requirements have increased as a result of COVID-19. Since the onset of the pandemic, the level of demand for Chartwell's services in its private pay retirement residences has been lower. In addition, Chartwell has experienced a material increase in direct operating expenses, most significantly in respect of labour costs due to government directives and restrictions and outbreak activity. Any future negative impact to Chartwell's business, results of operations, liquidity and financial condition will depend on the scope, severity and duration of the pandemic which currently cannot be reliably estimated.

The majority of Chartwell's financing arrangements require compliance with a number of financial covenants including minimum debt service covenants and limiting distributions should the distributions exceed certain thresholds. As a result of the uncertainties described above, Chartwell has proactively obtained amendments to its financing arrangements, including an amendment to reduce the minimum debt service covenants in respect of these financing arrangements up to and including periods ending December 31, 2023 as disclosed in note 13.

1. Organization and nature of operations (continued):

The available borrowing capacity of the secured and unsecured credit facilities, as disclosed in note 14, may be reduced due to the impact of the pandemic on Chartwell. The available capacity under the secured and unsecured credit facilities are determined in accordance with terms in the credit agreements which consider the lending value of collateral properties which are impacted by the operating income of such properties as well as the value of unencumbered property assets.

If necessary, Chartwell will take the following additional mitigating actions to enhance liquidity, reduce costs, and optimize cash flow:

- accessing additional financing in respect of unencumbered assets and construction projects,
- subject to market conditions, disposing of certain non-core assets,
- seeking to raise funds through new senior unsecured debentures or equity financing,
- reducing marketing and other expenses, and
- reducing distributions.

Litigation:

As a result of the COVID-19 pandemic, there is an increased risk of litigation which, even if not meritorious, and even if covered by Chartwell's insurance, could result in increased costs to Chartwell to defend. In 2020 Chartwell was named in three separate proposed class actions related to the pandemic which as of February 24, 2022, have been consolidated into one proceeding (the “Consolidated Claim”) seeking an order to be certified as a class action. Chartwell’s insurers are handling the defense of the Consolidated Claim.

See commitments and contingencies (note 30) for additional details.

Financial:

The COVID-19 pandemic has impacted both the global and Canadian economy overall and credit markets were and may continue to be negatively affected. This, in combination with both reduced revenues and increased operating costs, may make it more difficult to access the credit markets or, if able to do so, it may be at a higher cost or less advantageous terms than previously, potentially impacting, among other things, re-financing of outstanding debt when due and development plans and timelines.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

On February 24, 2022, the Board of Trustees authorized the consolidated financial statements for issue.

(b) Functional currency:

These consolidated financial statements are presented in Canadian dollars, Chartwell's functional currency.

(c) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, except for the following items:

(i) financial instruments classified as fair value through profit or loss ("FVTPL") are measured at fair value (note 3(h)); and

(ii) liabilities for cash-settled, unit-based payment arrangements are measured at fair value.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue, and expenses during the year. Actual results may differ from those estimates.

2. Basis of preparation (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a significant adjustment within the future financial year are included in the following notes:

(i) notes 3(a)(iii) and 4 - The estimate of the fair value of assets and liabilities acquired in property acquisition

(ii) notes 3(e) and 5 - Impairment of property, plant, and equipment and

(iii) note 3(e) and 6 - Impairment of indefinite life intangible assets.

The following are the significant judgments that have been made in applying Chartwell's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

(i) note 1 - Assessing whether events or conditions represent the existence of material uncertainties that may cast significant doubt about Chartwell's ability to continue as a going concern including the estimation of future cash flows

(ii) note 3(a) - Determining whether an acquisition is a business combination or asset acquisition

(iii) note 3(c) - Componentization of property, plant, and equipment

(iv) note 3(d)(i) - Intangible assets - licenses: assessment of indefinite useful life

(v) note 3(l)(ii) - Assessing the probability of a significant reversal in the amount of cumulative revenue recognized as variable consideration and

(vi) note 30(f) - Assessing the probability of settling an obligation based on the occurrence or non-occurrence of a future event.

3. Significant accounting policies:

(a) Basis of consolidation:

(i) Transactions eliminated on consolidation:

The consolidated financial statements include the accounts of Chartwell and its subsidiaries, as well as the proportionate share of the accounts of its joint operations. All intercompany transactions have been eliminated on consolidation.

(ii) Joint arrangements:

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

These consolidated financial statements include Chartwell's proportionate share of each of the assets, liabilities, revenue, and expenses of joint operations on a line-by-line basis. Joint ventures are included in Chartwell's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the net assets. Chartwell's share of joint venture net income is included in profit or loss.

(iii) Business combinations:

The cost of a business combination is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. Chartwell recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination.

3. Significant accounting policies (continued):

Subsequent changes in the fair value of contingent consideration arrangements are recognized in profit or loss. The excess of the purchase price over the fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition goodwill is recorded as an asset. When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values. Chartwell also uses the optional fair value concentration test when determining whether a transaction is to be accounted for as an asset acquisition or a business combination.

Transaction costs, other than those associated with the acquisitions accounted for as an acquisition of a group of assets and liabilities and the issue of debt or equity securities incurred in connection with the acquisition are expensed as incurred.

For business combinations, measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period", which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date. Subsequent changes in fair value of contingent consideration classified as assets or liabilities that do not qualify as measurement period adjustments are recognized as a gain or loss in profit or loss.

If a business combination is achieved in stages, any previously held non-controlling equity interest in the acquiree is remeasured to FVTPL when control is acquired.

(b) Foreign currency:

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the respective functional currencies at the exchange rate at the reporting dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Property, plant, and equipment:

Chartwell considers its properties to be owner-occupied properties under International Accounting Standard ("IAS") 16, Property, Plant and Equipment.

3. Significant accounting policies (continued):

PP&E includes land, buildings, furniture, fixtures, and equipment, which are measured at cost less accumulated depreciation and accumulated impairment losses.

Properties under development and land held for development are carried at cost and are not subject to depreciation. Cost includes initial acquisition costs, other direct costs, realty taxes and interest during the development period. The development period ends when the asset is available for use and construction is complete. Upon completion, properties under development are transferred to the appropriate asset class.

Significant parts of the buildings are accounted for as separate components of the property, based on management's judgment of what components constitute a significant cost in relation to the total cost of an asset and whether these components have similar or dissimilar patterns of consumption and useful lives for purposes of calculating depreciation and amortization. Additions to PP&E that do not have a cost that is significant in relation to the total cost of the addition may also be recognized as a separate component. The cost of replacing a component of a building is recognized in the carrying amount of the building if it is probable that the future economic benefits embodied within the component will flow to Chartwell, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of ongoing repairs and maintenance of the properties are recognized in profit or loss as incurred.

Depreciation is recorded in profit or loss on a straight-line basis over the estimated useful lives of the assets. The following are the estimated maximum useful lives of existing PP&E:

Components:	
Building - Structure	40 years
Building - Mechanical, electrical and elevators	30 years
Building - Roof, windows, and doors	20 years
Building - Interior upgrades	3 years
Building - Resident contracts and above- and below-market leases	3 years
Furniture, fixtures, and equipment	5 years

Estimated useful lives were determined based on current facts and past experience and take into consideration the anticipated physical life of the asset and current and forecasted demand. The rates and methods used are reviewed annually at year end to ensure they continue to be appropriate and are also reviewed in conjunction with impairment testing.

3. Significant accounting policies (continued):

Gains/losses on disposition of PP&E are recognized in profit or loss in accordance with the requirements for determining when a performance obligation is satisfied under IFRS 15, Revenue from Contracts with Customers ("IFRS 15").

Upon allocation of a purchase price of an asset acquisition or a business combination, Chartwell determines the value associated with in-place resident contracts, which represents the avoided cost of originating the acquired resident contracts plus the value of the avoided loss of net resident revenue over the estimated lease-up period of the property. Resident contracts are amortized over the expected term of the resident occupancy and are recorded as a component of buildings.

(d) Intangible assets:

Intangible assets, which include licenses, goodwill arising on business combinations and other intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, except in the case of goodwill and intangible assets with an indefinite life, which are measured at cost less accumulated impairment losses and are not amortized.

(i) Licenses:

Licenses for the operation of long-term care homes are considered to have indefinite lives. Given the current demographic of the Canadian markets, as well as the expectation that the demand for licensed beds will increase beyond its current supply, management has determined that the licenses have an indefinite life.

(ii) Software:

Software costs, which include internally developed and externally purchased software licenses, are amortized over one to ten years on a straight-line basis.

(iii) Goodwill:

Goodwill represents the excess amount of consideration given over the fair value of the underlying net assets acquired in a business combination and is measured at cost less any accumulated impairment losses. An impairment loss, once recorded, cannot be reversed in subsequent years.

3. Significant accounting policies (continued):

(e) Impairment of non-financial assets:

The carrying amount of Chartwell's PP&E is assessed at each reporting date to determine if any events have occurred that would indicate the PP&E may be impaired. If any such indication exists, the asset's recoverable amount is estimated, and an impairment loss is recognized immediately in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined for the cash generating unit ("CGU") to which the PPE belongs. The recoverable amount of a CGU is the higher of (a) fair value less costs of disposal, and (b) value in use.

The assessment of asset impairment requires management to make significant assumptions about the selection of discount rates, capitalization rates and terminal capitalization rates used to determine the fair value of a CGU. Significant assumptions are also required to estimate future stabilized cash flows, which include assumptions about rental rates and occupancy rates. Such assumptions can be significantly impacted by current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. Management also applies adjustments to reflect the expectations of market participants. Estimates and assumptions used in the determination of the recoverable amounts were based upon information that was known at the time, along with the future outlook.

Intangible assets that have indefinite useful lives are tested for impairment annually, or more frequently, if events or circumstances indicate that the assets might be impaired.

Goodwill is tested for impairment at least annually or whenever indicators of impairment of the CGU to which the goodwill relates have occurred.

Intangible assets with finite useful lives are tested for impairment if events or changes in circumstances, assessed at each reporting date, indicate the carrying amount may not be recoverable.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed (except for goodwill) if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. Significant accounting policies (continued):

(f) Government grants and government assistance:

(i) Capital funding receivable:

Grants received from the Government of Ontario for the construction costs of long-term care homes are initially recorded at fair value as capital funding receivable, with an offset to the cost of the related PP&E. These grants are received over time and the accretion of the receivables is recognized in profit or loss as interest income over the life of the grant.

(ii) Government income grants:

Chartwell recognizes government income grants that become receivable as compensation for expenses incurred in profit or loss on a systematic basis in the periods in which the expenses are recognized. The grants are recorded as a reduction of the related expense.

(g) Assets held for sale:

Assets, or disposal groups comprising assets and liabilities, are categorized as held-for-sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to dispose of the assets of the disposal group; the asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. Immediately before classification as held-for-sale, the assets, or components of the disposal group are remeasured in accordance with Chartwell's accounting policies and are subsequently measured at the lower of their carrying amount and fair value less costs of disposal. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognized as other income (expense) in profit or loss. Gains are not recognized in excess of any cumulative impairment loss until the completion of sale.

3. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are generally measured at fair value on initial recognition. The classification and measurement of financial assets consists of the following categories: (i) measured at amortized cost, (ii) FVTPL, and (iii) fair value through other comprehensive income ("FVTOCI").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets classified at amortized cost are measured using the effective interest method. Financial assets classified as FVTPL are measured at fair value with gains and losses recognized in change in fair values of financial instruments and foreign exchange gains (losses) in profit or loss. Financial assets classified as FVTOCI are measured at fair value with gains or losses recognized through other comprehensive income, except for gains and losses pertaining to impairment or foreign exchange recognized in profit or loss.

The classification and measurement of financial liabilities consists of the following categories: (i) measured at amortized cost and (ii) FVTPL. Financial liabilities classified at amortized cost are measured using the effective interest method. Financial liabilities classified as FVTPL are measured at fair value with changes in fair value attributable to changes in the credit risk of the liability presented in other comprehensive income, and the remaining amount of change in fair value presented in profit or loss.

3. Significant accounting policies (continued):

Chartwell has made the following classifications for its financial instruments:

Account	Measurement
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Restricted cash	Amortized cost
Income guarantee receivable	FVTPL
Loans receivable	FVTPL
Marketable securities	FVTPL
Accounts payable and other liabilities	Amortized cost
Distributions payable	Amortized cost
Mortgages payable	Amortized cost
Credit facilities	Amortized cost
Term loans	Amortized cost
Senior unsecured debentures	Amortized cost
Derivative Instruments	FVTPL
Class B Units	FVTPL

Chartwell derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Chartwell derecognizes a financial liability when, and only when, Chartwell's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized through profit or loss.

Chartwell determines expected credit losses ("ECL") on trade and other receivables, and loans receivable using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL. Impairment losses are recorded in profit or loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include, discounts or premiums relating to assumed debt, fees and commissions paid to agents, brokers, advisers, lenders and insurers, transfer taxes and duties.

3. Significant accounting policies (continued):

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability, or (where appropriate) a shorter period, to the gross carrying amount of the financial asset or to the amortized cost of the financial liability.

Derivative instruments:

Chartwell enters into interest rate swap arrangements (“swaps”) from time to time in order to reduce the impact of fluctuating interest rates on long-term debt. These swap agreements require periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These swap arrangements are not designated as hedging instruments under IFRS.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheets when Chartwell has a legal right to offset the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Trust Units:

Trust Units are redeemable at the holder's option and therefore are considered to be a puttable instrument in accordance with IAS 32, Financial Instruments: Presentation ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain exemption conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. The Trust Units meet the exemption conditions of IAS 32 and are presented as equity.

However, as a result of the redemption feature of the Trust Units, they meet the definition of a financial liability under IAS 32 and may not be considered as equity for the purposes of calculating net income on a per unit basis in accordance with IAS 33, Earnings Per Share. Chartwell has therefore elected to not report an earnings per unit calculation, permitted under IFRS.

3. Significant accounting policies (continued):

Class B Units:

The Class B Units of the Partnership are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Trust Units and are exchangeable at the holder's option into Trust Units. One Special Trust Voting Unit in Chartwell is issued to the holder of Class B Units for each Class B Unit held. However, the limited IAS 32 exception for presentation as equity does not extend to the Class B Units. As a result, the Class B Units have been classified as financial liabilities and are measured at FVTPL. The fair value of the Class B Units is measured every period by reference to the traded value of the Trust Units, with changes in measurement recorded in profit or loss. Distributions on the Class B LP Units are recorded as a finance cost in profit or loss in the period in which they become payable.

(i) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by Chartwell.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

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

3. Significant accounting policies (continued):

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable and

- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(j) Employee benefits:

(i) Short-term benefits:

Short-term employee benefit obligations, including vacation and bonus payments, are measured on an undiscounted basis, and are expensed as the related service is provided. Liabilities are recognized for the amounts expected to be paid within 12 months as Chartwell has an obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Short-term employee benefits are recorded in accounts payable and other liabilities.

(ii) Employee health benefits:

Chartwell self-insures the cost of certain employee health plans. These plans are administered by an independent third party. Accruals for self-insured liabilities include estimates of costs of both reported claims and claims incurred but not reported and are based on estimates of loss based on assumptions made by management, including consideration of projections provided by the independent third-party administrator of the plan.

3. Significant accounting policies (continued):

(iii) Unit-based payment plans:

Chartwell maintains an EUPP, DTU Plan, and Restricted Trust Unit Plans ("RTU") for its employees, directors, and Trustees. The EUPP and DTU Plan require settlement in Trust Units. The RTU Plans are settled in cash and are accounted for as cash-settled awards, as Chartwell's Trust Units are puttable. The fair value of the amount payable is recognized as general, administrative and trust expenses in profit and loss, with a corresponding increase in liabilities, over the relevant service periods. The liability is remeasured at each reporting date and at the settlement date. Any changes in the fair value of the liability for the DTU and EUPP plans are recognized in change in fair values of financial instruments and foreign exchange gains (losses) in profit or loss. The changes in the fair value of the liability for the RTU Plans are recognized in general, administrative and trust expenses.

(k) Income taxes:

Income tax expense (recovery) comprises current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in unitholders' equity or in net income.

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

Chartwell is a mutual fund trust and a specified investment flow-through trust ("SIFT") pursuant to the Income Tax Act (Canada). Under the SIFT rules, certain distributions from a SIFT are not deductible in computing taxable income, and the SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general income tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital are not subject to the SIFT tax.

3. Significant accounting policies (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

Judgment is required to assess the interpretation of tax legislation when recognizing and measuring current and deferred tax assets and liabilities. The impact of different interpretations and applications could potentially be material. Chartwell recognizes a tax benefit from an uncertain tax position when it is probable that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Management's estimate of future taxable profits and the recognition of deferred tax assets are reviewed at each reporting date and deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant accounting policies (continued):

(l) Revenue recognition:

Chartwell derives most of its revenue from rental income and care services provided to residents as well as management services to owners of retirement residences and long-term care homes.

(i) Retirement residences resident revenue:

Chartwell charges for (a) the rental of retirement accommodation and (b) care services provided to residents of retirement residences. Base rent amounts are allocated to lease components based on relative stand-alone selling prices. The stand-alone selling prices of the rental component is determined using an adjusted market assessment approach and the stand-alone selling price of the care services components are determined using both an adjusted market assessment approach and an expected cost plus a margin approach.

(a) Rental revenue:

Revenue from rental components is recognized on a straight-line basis over the lease term. Revenue recognition commences when a resident has the right to use the retirement residence and revenue is recognized pursuant to the terms of the lease agreement. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are deferred and recorded as contract liabilities.

In certain jurisdictions, residents of retirement residences are eligible for government subsidies and the rates of these subsidies are regulated. In some jurisdictions, rent control regulations affect the rates that can be charged for rental accommodation.

(b) Services revenue:

Revenue related to the care service components of Chartwell's leases is accounted for in accordance with IFRS 15. These services consist primarily of the provision of meals, nursing services, housekeeping and laundry services, programs, amenities and the recovery of utilities and property maintenance costs and are recognized over time, typically on a monthly basis, which is when the services are provided. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are recorded as contract liabilities.

3. Significant accounting policies (continued):

(ii) Long-term care homes resident revenue:

Revenue in respect of services provided to residents of long-term care homes is accounted for in accordance with IFRS 15. These services consist primarily of the provision of meals, nursing services, housekeeping and laundry services, programs, amenities and the recovery of utilities and property maintenance costs.

In Canada, the provinces or regional health authorities regulate the amounts charged to residents of long-term care homes, a substantial portion of which are funded by provincial or regional programs. Such revenue is recognized over time, typically on a monthly basis, which is when the services are provided to residents. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are recorded as contract liabilities.

In certain cases, Chartwell is only entitled to funding when it has achieved predetermined occupancy levels and has met additional criteria, which may include achieving certain levels of expenditures or levels of labour hours. Revenue in respect of such variable consideration is recognized based on management's best estimate of the most likely amount to which Chartwell will ultimately be entitled.

Various levels of government provide Chartwell with funding of eligible costs in respect of specific program activities. In 2020 and 2021, exceptional funding was provided by various government authorities for COVID-19 costs. In cases where there is variability in the amount of funding for which Chartwell may ultimately qualify, revenue is recognized based on management's best estimate of the most likely amount to which Chartwell will ultimately be entitled.

Estimated amounts of variable consideration are only included in revenue to the extent that Chartwell assess that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

3. Significant accounting policies (continued):

(iii) Fee revenue:

Chartwell provides property and development management services for both third party and jointly owned operating entities. Property management services revenue relates to providing certain operations management and asset management services. Fees related to these services are variable in nature and are not estimated, but rather are allocated to the distinct service periods to which they specifically relate and are recognized when services are performed. Payments are due at the beginning of each month.

(iv) Lease revenue from joint ventures:

Chartwell earns revenue under lease arrangements with operating entities which are jointly owned with Welltower Inc. ("Welltower"). The leases are accounted for as operating leases and lease revenue is recognized over the term of the underlying leases on a straight-line basis. Payments are due at the beginning of each month.

(m) Leases:

At inception of a contract, Chartwell assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Chartwell uses the definition of a lease in IFRS 16.

(i) As a lessee:

At commencement or on modification of a contract that contains a lease component, Chartwell allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, Chartwell has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Chartwell recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

3. Significant accounting policies (continued):

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term and is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Chartwell's incremental borrowing rate. Generally, Chartwell uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized costs using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Chartwell's estimate of the amount expected to be payable under a residual value guarantee, if Chartwell changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

Chartwell presents the right-of-use assets in PP&E and lease liabilities are recorded separately on the consolidated balance sheets as "lease obligations".

(ii) Short-term leases and leases of low-value assets:

Chartwell has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including information technology equipment. Chartwell recognizes the lease payments associated with these leases as an expense on a straight-line basis of the lease term.

(iii) As a lessor:

At inception or on modification of a contract that contains a lease component, Chartwell allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

3. Significant accounting policies (continued):

Chartwell has determined that when it acts as a lessor, its leases do not transfer substantially all of the risks and rewards incidental to ownership of the underlying assets and as a result they are classified as operating leases.

If an arrangement contains lease and non-lease components, Chartwell applies IFRS 15 to allocate the consideration in the contract.

Chartwell recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of resident revenue.

(n) IFRS amendments adopted in 2021.

In August 2020, the IASB issued Interest Rate Benchmark Reform ("IBOR") Reform and the Effects on Financial Reporting – Phase II (amendments to IFRS 9 – Financial Instruments, IFRS 7 – Financial Instruments: Disclosures, IAS 39 – Financial Instruments: Recognition and Measurement, IFRS 4 – Insurance Contracts and IFRS 16 – Leases ("IFRS 16")). The objective of the second phase of the IASB's project was to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of the IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate. The amendments affect the basis for determining the contractual cash flows as a result of benchmark interest rate reform, hedge accounting and disclosures.

The amendments were adopted by Chartwell when they became effective on January 1, 2021. The adoption of this standard did not have a material impact on Chartwell's consolidated financial statements.

(o) IFRS standards and amendments issued but not yet effective:

(i) Amendments to IAS 1, Presentation of financial statements ("IAS 1"):

On January 23, 2020, the IASB issued amendments to IAS 1 to clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

3. Significant accounting policies (continued):

Chartwell intends to adopt the amendments in its consolidated financial statements when the standard becomes effective, on January 1, 2023. Chartwell is assessing the potential impact of the amendments, however, does not expect them to have a material impact on its consolidated financial statements.

(ii) Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors ("IAS 8") regarding the definition of Accounting Estimates

On February 12, 2021, the IASB issued amendments to IAS 8 to assist entities to distinguish between accounting policies and accounting estimates. The amendments apply to annual periods beginning on or after January 1, 2023. Earlier adoption is permitted.

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Chartwell intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2023, when the amendment becomes effective. Chartwell is assessing the potential impact of the amendments, however, does not expect them to have a material impact on its consolidated financial statements.

(iii) Amendments to IAS 1, Disclosure Initiative

On February 12, 2021, the IASB issued *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)*. The amendments help entities provide useful accounting policy disclosures. The key amendments include requiring entities to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Chartwell intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2023, when the amendment becomes effective. Chartwell is assessing the potential impact of the amendments, however, does not expect them to have a material impact on its consolidated financial statements.

4. Acquisitions:

(a) Acquisitions during the year ended December 31, 2021:

On April 14, 2021, Chartwell along with its partner, Welltower Inc. (‘Welltower”) each purchased a 42.5% interest in Chartwell Le Teasdale II residence pour retraites (“Chartwell Le Teasdale II”), a 221 suite Retirement Residence located in Terrebonne, Quebec, from Batimo Inc. (‘Batimo”), with Batimo retaining the 15% ownership. Simultaneously, Chartwell sold half of its interest (42.5%) in Chartwell Le Teasdale I residence pour retraites (“Chartwell Le Teasdale I) to Welltower to align the ownership structures across the entire complex for a contractual sales price of $30,694 with Welltower assuming $23,364 of the existing mortgage (note 5).

Chartwell directly holds its 42.5% interest in the real estate, related mortgage and operations of the facility which is accounted for as a joint operation (proportionately consolidated) (note 12).

The purchase price for Chartwell’s 42.5% interest in Chartwell Le Teasdale II was $30,294 before transaction costs and working capital adjustments and was settled through the assumption of 42.5% of related construction financing of $18,668, settlement of an outstanding mezzanine loan of $3,969 with the balance, net of working capital adjustments paid in cash. Chartwell applied the optional concentration test in accordance with IFRS 3 and accounted for the acquisition as an asset acquisition. Acquisition related costs of $295 have been capitalized to the building in the consolidated balance sheet.

(In thousands of Canadian dollars, except per unit amounts)

4. Acquisitions (continued):

The following table summarizes the allocation of the purchase price to each major category of assets acquired and liabilities assumed at the date of acquisition for Chartwell Le Teasdale II.

Date of acquisition	April 14, 2021
Segment	Retirement Operations
Location	Province of Quebec
Number of properties (suites)	1 (221 suites)
PP&E	$ 30,589
Working capital adjustments	(195)
Acquired cash	440
Net assets acquired	$ 30,834
Cash consideration	$ 7,902
Discharge of mezzanine loan receivable	3,969
Mortgage assumed	18,668
Acquisition related costs incurred	295
Total consideration	$ 30,834

(b) Acquisitions during the year ended December 31, 2020:

On March 2, 2020, Chartwell purchased a 42.5% interest in Chartwell Le St-Gabriel residence pour retraites ("Chartwell Le St-Gabriel"), a 345 suite Retirement Residence located in Longueuil, Quebec. Under the terms of the purchase and sale agreement, Chartwell directly holds its 42.5% interest in the real estate ("Chartwell Le St-Gabriel Landlord") and related mortgage which is accounted for as a joint operation (proportionately consolidated) while its 42.5% interest in the operations ("Chartwell Le St-Gabriel Operator") is held through a separate legal entity which is accounted for as a joint venture (equity accounted).

The purchase price for Chartwell's 42.5% interest in Chartwell Le St-Gabriel Landlord was $36,731, before transaction costs, and was settled through the assumption of a variable mortgage of $23,907, settlement of a $3,569 outstanding mezzanine loan with the balance, net of working capital adjustments, paid in cash. Chartwell applied the optional concentration test in accordance with IFRS 3 and accounted for the acquisition as an asset acquisition. Acquisition related costs of $2,062 have been capitalized to the building in the consolidated balance sheets. Chartwell also contributed $1,500 to Chartwell Le St-Gabriel Operator, which used the contributions from its equity partners to acquire the operations of Chartwell Le St-Gabriel.

(In thousands of Canadian dollars, except per unit amounts)

4. Acquisitions (continued):

On May 1, 2020, Chartwell purchased an 85% interest in Chartwell L'Unique III residence pour retraites ("Chartwell L'Unique III"), a 163 suite Retirement Residence located in Saint-Eustache, Quebec. Under the terms of the purchase and sale agreement, Chartwell directly holds its 85% interest in the real estate, related mortgage, and operations which is accounted for as a joint operation (proportionately consolidated).

The purchase price for Chartwell's 85% interest in Chartwell L'Unique III was $32,566, before transaction costs, and was settled through the assumption of a variable rate mortgage of $16,925, the settlement of a $3,184 outstanding mezzanine loan with the balance, net of working capital adjustments, paid in cash. Chartwell applied the optional concentration test in accordance with IFRS 3 and accounted for the acquisition as an asset acquisition. Acquisition related costs of $1,042 have been capitalized to the building in the consolidated balance sheets.

The following table summarizes the allocation of the purchase price to each major category of assets acquired and liabilities assumed at the date of acquisition for Chartwell's interest in Le St-Gabriel Landlord and Chartwell L'Unique III, which are classified as joint operations (note 12).

Date of acquisition	March 2, 2020	May 1, 2020	Total
Segment	Retirement Operations		
Location	Province of Quebec	Province of Quebec	
Number of properties (suites)	1 (345 suites)	1 (163 suites)	
PP&E	$ 38,726	$ 33,525	$ 72,251
Income guarantee receivable	67	83	150
Working capital adjustments	(4)	(85)	(89)
Acquired cash	–	501	501
Net assets acquired	$ 38,789	$ 34,024	$ 72,813
Cash consideration	$ 9,251	$ 12,873	$ 22,124
Discharge of mezzanine loans receivable	3,569	3,184	6,753
Mortgage assumed	23,907	16,925	40,832
Acquisition related costs incurred	2,062	1,042	3,104
Total consideration	$ 38,789	$ 34,024	$ 72,813

4. Acquisitions (continued):

The following table summarizes the allocation of the purchase price excluding transaction costs to each major category of assets acquired and liabilities assumed at the date of acquisition by Chartwell Le St-Gabriel Operator, which is classified as a joint venture (note 12).

Date of acquisition	March 2, 2020
Furniture, fixtures, and equipment	$ 1,136
Acquired cash	527
Working capital adjustments	(163)
Net assets acquired	$ 1,500
Cash transferred to the seller	$ 1,500
Total consideration	$ 1,500

(In thousands of Canadian dollars, except per unit amounts)

5. Property, plant, and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost						
Balance, December 31, 2019	$ 343,548	$ 3,389,818	$ 158,739	$ 152,617	$ 22,224	$ 4,066,946
Additions	–	48,685	10,244	53,683	–	112,612
Additions through acquisitions (note 4)	3,931	67,669	651	–	–	72,251
Disposals	(5,932)	(59,295)	(3,474)	–	–	(68,701)
Derecognition	–	(61,115)	(7,973)	–	–	(69,088)
Transfers	6,748	96,106	6,264	(109,118)	–	–
Balance, December 31, 2020	348,295	3,481,868	164,451	97,182	22,224	4,114,020
Additions	–	64,207	11,391	46,203	–	121,801
Additions through acquisitions (note 4)	1,174	28,643	772	–	–	30,589
Disposals	(4,870)	(68,163)	(2,860)	–	(900)	(76,793)
Derecognition	–	(61,600)	–	–	–	(61,600)
Transfers	1,498	76,180	1,161	(78,839)	–	–
Balance, December 31, 2021	$ 346,097	$ 3,521,135	$ 174,915	$ 64,546	$ 21,324	$ 4,128,017
Accumulated depreciation and impairment losses						
Balance, December 31, 2019	$ 172	$ 694,363	$ 110,148	$ –	$ 83	$ 804,766
Depreciation of right-of-use assets	172	343	873	–	83	1,471
Depreciation	–	152,486	20,134	–	–	172,620
Disposals	–	(19,159)	(2,569)	–	–	(21,728)
Derecognition	–	(61,115)	(7,973)	–	–	(69,088)
Impairment	–	3,200	–	–	–	3,200
Balance, December 31, 2020	344	770,118	120,613	–	166	891,241
Depreciation of right-of-use assets	172	328	792	–	83	1,375
Depreciation	–	141,473	17,534	–	–	159,007
Disposals	–	(16,569)	(2,318)	–	–	(18,887)
Derecognition	–	(61,600)	–	–	–	(61,600)
Impairment	–	850	–	–	–	850
Balance, December 31, 2021	$ 516	$ 834,600	$ 136,621	$ –	$ 249	$ 971,986
Carrying amounts						
Balance, December 31, 2020	$ 347,951	$ 2,711,750	$ 43,838	$ 97,182	$ 22,058	$ 3,222,779
Balance, December 31, 2021	345,581	2,686,535	38,294	64,546	21,075	3,156,031

(In thousands of Canadian dollars, except per unit amounts)

5. Property, plant, and equipment (continued):

The following table summarizes the right-of-use assets included in PP&E:

Right-of-use assets	Land[(1)]	Buildings	Furniture, fixtures and equipment	Land held for development[(1)]	Total
Balance, December 31, 2019	7,668	6,472	1,416	2,367	17,923
Additions	–	–	1,016	–	1,016
Depreciation	(172)	(343)	(873)	(83)	(1,471)
Balance, December 31, 2020	7,496	6,129	1,559	2,284	17,468
Additions	–	–	754	–	754
Depreciation	(172)	(328)	(792)	(83)	(1,375)
Disposals	–	(139)	–	–	(139)
Balance, December 31, 2021	$ 7,324	$ 5,662	$ 1,521	$ 2,201	$ 16,708

(1) Relates to land leases

Please refer to note 4 for acquisitions during the year ended December 31, 2021.

Dispositions during the year ended December 31, 2021:

On April 14, 2021, Chartwell completed the sale of half of its 85% interest (42.5%) of Chartwell Le Teasdale I located in Quebec to Welltower for an aggregate selling price of $30,694 with Welltower assuming $23,364 of the existing mortgage (note 12 and 18).

On December 1, 2021, Chartwell completed the sale of four retirement residences located in Ontario for an aggregate selling price of $71,500 and discharged related mortgages of $14,132.

Please refer to note 4 for acquisitions during the year ended December 31, 2020.

Dispositions during the year ended December 31, 2020:

On April 1, 2020, Chartwell completed the sale of four long-term care homes in Ontario for an aggregate sale price of $13,593. Chartwell has retained the obligation to remediate the lands at one of these long-term care homes.

On April 8, 2020, Chartwell completed the sale of a retirement residence located in Quebec for an aggregate selling price of $6,700 and discharged related mortgage of $6,214.

On November 2, 2020, Chartwell completed the sale of three retirement residences located in Alberta for an aggregate selling price of $30,750 and discharged related mortgages of $5,215.

5. Property, plant, and equipment (continued):

On November 30, 2020, Chartwell completed the sale of three retirement residences located in Ontario an aggregate sale price of $33,800 and discharged related mortgages of $12,917.

Other PP&E information:

During the year ended December 31, 2021, one property and an addition to one property were transferred from properties under development to other components of PP&E upon becoming available for use (2020 – one property addition and Chartwell's corporate office).

During the year ended December 31, 2021, Chartwell capitalized $3,468 (2020 - $3,469) of borrowing costs related to development projects under construction at an average interest rate of 3.42% (2020 - 3.61%).

Since January 1, 2010, $268,346 of fully amortized resident contracts has been removed from the cost and accumulated depreciation of PP&E in respect of residences which were held by Chartwell as at December 31, 2021 (2020 - $250,750 in respect of residences which were held by Chartwell as at December 31, 2020).

Chartwell completes regular assessments of PP&E to determine if any events have occurred that would indicate possible impairment of PP&E. An impairment provision totalling $850 was recorded on one property in Quebec during the year ended December 31, 2021 (2020 - $3,200 on five properties in Ontario) (note 26).

Chartwell continues to review significant assumptions which may impact the valuation of its properties in light of the COVID-19 pandemic. It is not possible to forecast with certainty the duration of the economic impact of COVID-19 and other consequential changes it may have on Chartwell's business and operations, both in the short term and in the long term. Certain aspects of Chartwell's business and operations that have been and could potentially be impacted include resident revenue, occupancy, turnover, future demand, direct operating expenses and market rents, which all ultimately impact the underlying valuation of property, plant, and equipment.

(In thousands of Canadian dollars, except per unit amounts)

6. Intangible assets:

	Goodwill	Licenses	Software[1]	Total
Cost				
Balance, December 31, 2019	$ 9,233	$ 41,344	$ 37,553	$ 88,130
Additions	–	–	10,190	10,190
Disposals	–	–	(924)	(924)
Balance, December 31, 2020	9,233	41,344	46,819	97,396
Additions	–	–	1,809	1,809
Disposals	–	–	(746)	(746)
Derecognition	–	–	(3,581)	(3,581)
Balance, December 31, 2021	$ 9,233	$ 41,344	$ 44,301	$ 94,878
Accumulated amortization and impairment losses				
Balance, December 31, 2019	$ –	$ –	$ 13,027	$ 13,027
Disposals	–	–	(159)	(159)
Amortization	–	–	5,590	5,590
Balance, December 31, 2020	–	–	18,458	18,458
Disposals	–	–	(211)	(211)
Derecognition	–	–	(3,581)	(3,581)
Amortization	–	–	7,709	7,709
Balance, December 31, 2021	$ –	$ –	$ 22,375	$ 22,375
Carrying amounts				
Balance, December 31, 2020	$ 9,233	$ 41,344	$ 28,361	$ 78,938
Balance, December 31, 2021	9,233	41,344	21,926	72,503

[1] The 2021 balance includes $290 (2020 - $3,844) in software under development.

(In thousands of Canadian dollars, except per unit amounts)

6. Intangible assets (continued):

Chartwell completed its annual impairment assessment of the carrying value of licenses and goodwill which are classified as intangible assets with indefinite useful lives. The impairment assessment on the carrying value of licenses was completed in November and for goodwill was completed in December for the years ended December 31, 2021 and 2020. These intangible assets do not generate cash inflows that are largely independent of those of other assets and Chartwell completed the assessment of the recoverable amount of these intangible assets by comparing the fair value less costs of disposal of the related CGUs containing these intangible assets determined using the direct capitalization method, to their carrying values. The direct capitalization method divides the estimated stabilized net operating income by an appropriate market capitalization rate. The key assumptions used in the impairment assessment include capitalization rates ranging from 7% - 12% for licenses and 6.00% - 6.25% for goodwill. The capitalization rates used were derived from a combination of third-party information and the observation of industry trends. Chartwell determined that the fair value less costs of disposal exceeded the carrying value of the CGUs for the years ended December 31, 2021 and 2020.

7. Capital funding receivable:

The following table summarizes the capital funding receivable activity:

	2021	2020
Opening Balance	$ 35,542	$ 42,214
Capital funding applied to receivable	(6,635)	(6,672)
Closing Balance	$ 28,907	$ 35,542
Current	$ 6,746	$ 6,636
Non-current	22,161	28,906
	$ 28,907	$ 35,542

(In thousands of Canadian dollars, except per unit amounts)

7. Capital funding receivable (continued):

The capital funding receivable of $28,907 (2020 - $35,542) represents the present value of the funding receivable from the Government of Ontario in respect of 15 long-term care homes. The weighted average remaining term of this funding is approximately 4.6 years. The discount rate used on the receivables above is based on applicable Ontario Government Bond Rates. The receipt of funding for the remaining terms of the agreements is subject to the condition that the homes continue to operate as long-term care homes for the remaining period. During 2021, capital funding receipts amounted to $8,118 (2020 - $8,578) of which $1,483 (2020 - $1,906) was recorded as interest income and $6,635 (2020 - $6,672) as a reduction of capital funding receivable.

8. Leases:

As at December 31, 2021, Chartwell has right-of-use assets in respect of land, office space and equipment leases totalling $16,708 (2020 - $17,468) with remaining lease terms ranging from 2 to 57 years (note 5). Lease obligations related to these right-of-use assets totalled $12,560 (2020 - $12,712), of which $975 (2020 - $1,073) was classified current and $11,585 (2020 - $11,639) classified non-current as at December 31, 2021. Chartwell generally does not include purchase, extension or termination options in its leases, other than extension options for land leases that support properties with lengthy useful lives.

The following table details the contractual undiscounted cash flow on the lease payments for the right-of-use assets:

Less than one year	$ 1,325
One to five years	3,666
More than five years	21,180
Total[1]	$ 26,171

[1] Includes three land leases with cumulative required undiscounted cash payments of $23,815 which mature between 2044 and 2079.

(In thousands of Canadian dollars, except per unit amounts)

9. Trade and other receivables:

	2021	2020
Residents	$ 1,415	$ 805
Related party	2,803	1,293
Insurance recoverables	932	2,093
Government grants receivable	1,823	10,580
Other	11,695	15,127
	$ 18,668	$ 29,898

Resident receivables balance at December 31, 2021 is net of an allowance for expected credit losses of $1,762 (December 31, 2020 - $1,632).

Related party receivables are management fees and other receivables outstanding from joint ventures and properties managed by Chartwell.

Chartwell's direct operating expenses have been reduced by government grants for eligible expenditures of $21,724 for the year ended December 31, 2021 (December 31, 2020 - $13,956) and general, administrative and trust expenses have been reduced by government grants for eligible expenditures of $1,468 for the year ended December 31, 2021 (December 31, 2020 - $1,030).

10. Other assets:

	2021	2020
Prepaid expenses and deposits	$ 15,760	$ 10,992
Restricted cash	860	1,504
Income guarantees	-	3,198
Inventory	1,239	1,263
Related party lease receivable	3,301	-
Other	7,535	5,962
	$ 28,695	$ 22,919
Current	$ 25,964	$ 20,713
Non-current	2,731	2,206
	$ 28,695	$ 22,919

Income guarantees were provided by vendors upon acquisition of certain properties. Income guarantees are considered Level 3 in the fair value hierarchy. Fair value is determined by discounting the applicable expected future income from these properties. For the year ended December 31, 2021, $3,438 (2020 - $5,325) of income guarantees were collected.

(In thousands of Canadian dollars, except per unit amounts)

11. Loans receivable:

	2021	2020
Loans receivable – non-current	$ 8,009	$ 11,978
	$ 8,009	$ 11,978

Loans are due from Batimo, mature between 2023 and 2024, bear interest at a rate of 10%, and are secured by first and second charges on Batimo's interests in certain operating and development seniors' housing projects and vacant land, as well as by Batimo's corporate guarantee and contain certain cross-collateralization and cross-default provisions.

Loan receivables are measured at FVTPL and are considered Level 3 in the fair value hierarchy.

A loan of $3,969 was settled upon the acquisition of Chartwell Le Teasdale II on April 14, 2021. Loans of $3,569 and $3,184 were settled upon the acquisitions of Chartwell Le St-Gabriel Landlord on March 2, 2020 and Chartwell L'Unique III on May 1, 2020 respectively (note 4).

12. Joint arrangements:

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The following are Chartwell's joint arrangements as at December 31, 2021:

Joint arrangements	Number of properties	Chartwell ownership	Joint arrangement type	Consolidation method
Chartwell-Welltower Landlord (1)	37	50%	Joint operation	Proportionate
Chartwell-Welltower Operator (1)	37	50%	Joint venture (2)	Equity
Chartwell Le St-Gabriel Landlord (1)	1	42.5%	Joint operation	Proportionate
Chartwell Le St-Gabriel Operator (1)	1	42.5%	Joint venture (2)	Equity
Chartwell Le Teasdale I	1	42.5%	Joint operation	Proportionate
Chartwell Le Teasdale II	1	42.5%	Joint operation	Proportionate
Batimo	3	85%	Joint operation	Proportionate
Chartwell Oakville Retirement Residence	1	50%	Joint venture (2)	Equity
Chartwell Constantia Retirement Residence	1	50%	Joint venture (2)	Equity
Chartwell Riverside Retirement Residence	1	50%	Joint operation	Proportionate
Chartwell Churchill House Retirement Residence	1	50%	Joint operation	Proportionate
The Sumach by Chartwell	1	45%	Joint operation	Proportionate
Kingsbridge Retirement Community	1	60%	Joint venture (2)	Equity
Pickering Project (3)	1	90%	Joint operation	Proportionate

(1) Chartwell directly holds its interest in real estate while its interest in operations is held through separate legal entities.
(2) These joint arrangements have been structured through separate legal vehicles.
(3) Includes one property under development

(In thousands of Canadian dollars, except per unit amounts)

12. Joint arrangements (continued):

Chartwell has entered into joint arrangements in respect of certain of its seniors housing operations, as detailed in the table above. These joint arrangements are consistent with Chartwell's strategy by allowing a presence in markets or properties Chartwell otherwise would not have had access to. There are risks which arise from the joint arrangements, including: the willingness of the other partners to contribute or withdraw funds; a change in creditworthiness of the partner; the risk that the other partners may exercise buy-sell, put or other sale or purchase rights which could obligate Chartwell to sell its interest or buy the other partners' interest at a price which may not be favourable to Chartwell or at a time which may not be advantageous to Chartwell, the effect of which could be materially adverse to Chartwell's financial position or resources.

(a) At December 31, 2021, Chartwell has an interest in a number of joint operations, which have been accounted for under the proportionate consolidation method. The following is the summarized financial information in respect of the interests in these joint operations, which is included line by line in the consolidated financial statements at Chartwell's share:

	2021	2020
Current assets	$ 34,585	$ 30,248
Non-current assets	547,297	548,636
Total assets	$ 581,882	$ 578,884
Current liabilities	$ 80,093	$ 74,760
Non-current liabilities	372,728	349,433
Total liabilities	$ 452,821	$ 424,193
Total revenue	$ 60,283	$ 65,364
Total expenses	$ (52,747)	$ (53,195)

(In thousands of Canadian dollars, except per unit amounts)

12. Joint arrangements (continued):

(b) The following tables summarize the information about Chartwell's investment in joint ventures, which have been accounted for under the equity method, excluding lease assets and related lease obligations.

	2021	2020
Contributions to joint ventures	$ 3,652	$ 5,425
Distributions received from joint ventures	3,419	3,835

	2021	2020
Cash and cash equivalents	$ 5,123	$ 6,540
Trade and other receivables	13,619	15,679
Other assets	3,057	1,894
Current assets	21,799	24,113
PP&E and intangible assets	56,278	57,680
Total assets	$ 78,077	$ 81,793
Accounts payable and other liabilities	$ 16,772	$ 11,772
Mortgages payable - current	219	41,969
Current liabilities	16,991	53,741
Mortgages payable - non-current	52,132	10,955
Total liabilities	$ 69,123	$ 64,696
Net investment in joint ventures	$ 8,954	$ 17,097

	2021	2020
Revenue	$ 110,139	$ 116,457
Direct property operating expense	(75,337)	(72,697)
Lease expense	(37,358)	(41,109)
Finance cost	(1,884)	(1,906)
Depreciation of PP&E	(4,630)	(4,285)
Change in fair value of financial instruments and foreign exchange losses	642	(276)
Other Income	52	–
Chartwell's share of net loss from joint ventures	$ (8,376)	$ (3,816)

12. Joint arrangements (continued):

Related party transactions occur between Chartwell and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Except as disclosed elsewhere in these consolidated financial statements, the related party balances are included in accounts payable and receivable, and in management fee revenue, as applicable. As of December 31, 2021, $1,972 (2020 - $985) of Chartwell's accounts receivable and $12,369 (2020 - $12,950) of Chartwell's accounts payable relate to its investment in joint ventures. For the year ended December 31, 2021, $7,453 (2020 - $5,703) of Chartwell's management fees were related to its investment in joint ventures.

Chartwell and Welltower (referred to as the "landlords") each owns a 50% direct beneficial interest in the real estate assets and are obligated for the related mortgages for a portfolio of 37 properties. Chartwell and Welltower each own a 42.5% beneficial interest and Batimo owns 15% beneficial interest in the real estate and are each obligated for the related mortgages for Chartwell Le St-Gabriel Landlord. Chartwell's interests in these properties are accounted for as joint operations under IFRS 11, Joint Arrangements ("IFRS 11"). Chartwell's interest in the operations of these properties is held through separate legal entities (collectively referred to as "Chartwell-Welltower Operator"), which under IFRS 11 are accounted for as joint ventures using the equity method.

Chartwell-Welltower Operator and Chartwell Le St-Gabriel Operator have leased the real estate from Chartwell-Welltower Landlord and Chartwell Le St-Gabriel Landlord, respectively. The terms of these leases are for three-year periods, with automatic renewals as long as the joint arrangement between Chartwell and Welltower is still in effect. As a result, Chartwell's share of the landlords' lease receipts, $37,358 for the year ended December 31, 2021 (2020 - $41,109), is reported as lease revenue and is included in lease revenue from joint ventures. The lease expenses for Chartwell-Welltower Operator and Chartwell Le St-Gabriel Operator are included in the share of net income from joint ventures.

In addition, Chartwell and Welltower each own a 42.5% interest in Chartwell Le Teasdale I and Chartwell Le Teasdale II and a 45% interest each in The Sumach by Chartwell. Chartwell directly holds its interest in the real estate and related mortgage, and operations for these residences which are accounted for as joint operations (proportionately consolidated).

(In thousands of Canadian dollars, except per unit amounts)

13. Mortgages payable:

	2021	2020
Mortgage principal balance	$ 1,904,057	$ 1,921,157
Mark-to-market adjustments on assumed mortgages	5,412	7,176
Financing costs[1]	(48,269)	(46,098)
	$ 1,861,200	$ 1,882,235
Current	$ 301,594	$ 198,731
Non-current	1,559,606	1,683,504
	$ 1,861,200	$ 1,882,235

[1] Includes financing costs with respect to the credit facilities of $3,321 as at December 31, 2021 (December 31, 2020 - $3,527).

Mortgages payable are secured by first and second charges on specific properties and are measured at amortized cost. For more information about Chartwell's exposure to interest rates and liquidity risks, see note 22.

The mortgages payable as at December 31, 2021 are as follows:

	Regular principal payments	Principal due on maturity	Total debt
2022	$ 82,335	$ 223,293	$ 305,628
2023	78,118	88,463	166,581
2024	67,391	223,012	290,403
2025	59,929	76,300	136,229
2026	57,595	81,835	139,430
2027	54,077	57,525	111,602
2028	50,711	186,547	237,258
2029	41,181	90,310	131,491
2030	34,501	70,145	104,646
2031	25,733	104,078	129,811
2032	20,419	14,894	35,313
2033	13,618	35,365	48,983
2034	10,157	1,621	11,778
2035	9,755	–	9,755
Thereafter	19,888	25,261	45,149
	$ 625,408	$ 1,278,649	$ 1,904,057

(In thousands of Canadian dollars, except per unit amounts)

13. Mortgages payable (continued):

	2021	2020
Mortgages at fixed rates:		
Mortgages (principal)	$1,856,024	$1,862,261
Interest rates	1.31% to 7.85%	1.31% to 7.85%
Weighted average interest rate	3.30%	3.46%
Mortgages at variable rates:		
Mortgages (principal)	$48,033	$58,896
Interest rates	Bankers acceptance Plus 0.975% to the higher of Prime plus 0.55% or 3.25%	Bankers acceptance plus 0.975% to Bankers acceptance plus 1.55%
Weighted average interest rate	2.13%	1.83%
Blended weighted average rate	3.27%	3.41%

Included in mortgages at fixed rates above, are mortgages totaling $84,527 (2020 - $53,767) with interest rates fixed through interest rate swaps with an equivalent notional value, maturing between 2024 and 2026. The swaps are measured at fair value and are recorded either in trade and other receivables (note 10) or accounts payable and other liabilities (note 17) at the end of the reporting period. The swaps are considered Level 2 in the fair value hierarchy.

Under the terms of the mortgages payable, Chartwell is required to meet certain financial covenants. These covenants among others include debt service coverage ratios. Chartwell was in compliance with these financials covenants as at December 31, 2021.

During the year, the debt service coverage ratio covenants in respect of certain mortgages were amended to be reduced from 1.4x to 1.2x, removed or modified for the periods ranging from the twelve months ended December 31, 2021 to the earlier of December 31, 2023 and the maturity date of the respective credit agreement.

On December 5, 2015, Chartwell entered into a large borrower agreement (“LBA”) with CMHC. The LBA provides among other things, the cross-collateralization of mortgage loans for Chartwell’s largest CMHC insured lenders and contains certain financial and operating covenants. Chartwell was in compliance with these covenants as at December 31, 2021.

During the year ended December 31, 2021, Chartwell also entered into an amending agreement in respect of its Large Borrower Agreement with CMHC temporarily reducing the debt service

(In thousands of Canadian dollars, except per unit amounts)

13. Mortgages payable (continued):

coverage ratio requirements from 1.37x to 1.2x for the periods ending at the earlier of December 31, 2023, and the maturity date of the applicable credit agreement.

Subsequent to year end, Chartwell entered into amending agreements to exclude unfunded incremental direct operating expenses and net reimbursement of expenses (if any) directly related to the COVID-19 pandemic for the period January 1, 2022 through June 30, 2022, for the purpose of the calculation of the debt service coverage and Adjusted Funds From Operations ("AFFO") ratios in the large borrower agreement and other mortgage agreements for the periods ending at the earlier of December 31, 2023 and the maturity date of the applicable credit agreement.

14. Credit facilities:

The following tables summarize certain details of Chartwell's credit facilities as at December 31, 2021 and December 31, 2020:

December 31, 2021:

	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for letters of credit	Available to be drawn	Maturity date
Secured credit facility	$ 300,000	$ 249,915	$ –	$ (6,466)	$ 243,449	May 29, 2024
Unsecured credit facility	100,000	100,000	–	–	100,000	May 29, 2024
Total	$ 400,000	$ 349,915	$ –	$ (6,466)	$ 343,449	

December 31, 2020:

	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for letters of credit	Available to be drawn	Maturity date
Secured credit facility	$ 300,000	$ 298,988	$ –	$ (9,635)	$ 289,353	May 29, 2024
Unsecured credit facility	100,000	100,000	–	–	100,000	May 29, 2024
Total	$ 400,000	$ 398,988	$ –	$ (9,635)	$ 389,353	

14. Credit facilities (continued):

Available capacity is determined based on a formula that considers the lending value of the properties included in the secured asset pool. The factors impacting the lending value formula include property valuations, the mortgageability amount determined on the basis of net operating income (as defined in the credit agreement) for the previous four quarters, and the secured collateral.

Available capacity is determined by a minimum ratio of the unencumbered property asset value to unsecured indebtedness (as defined in the credit agreement) of 1.3:1. The value is based on third party appraisals that are dated no longer than two years from the applicable determination date.

The amounts outstanding on the secured credit facility bear interest at the bank's prime rate plus 1.15% or banker's acceptance rate plus 2.15% based on Chartwell's current credit rating. The secured credit facility is secured by second-ranked charges on specific properties. The amounts outstanding on the unsecured credit facility bear interest at the bank's prime rate plus 1.20% or banker's acceptance rate plus 2.20% based on Chartwell's current credit rating.

The secured and unsecured credit facilities are subject to various financial covenants including among others, debt service coverage ratio, secured indebtedness percentage ratio, minimum equity requirements and limitations on entering certain investments and on the amount of cash distributions that can be paid to unitholders. In addition, the unsecured credit facility is subject to the minimum unencumbered asset ratio covenant. Chartwell was in compliance with these financial covenants as at December 31, 2021.

During the year, the debt service coverage ratio covenants of the secured and unsecured credit facilities were amended to be reduced from 1.4x to 1.2x until the period ending December 31, 2023. Subsequent to year end, Chartwell also entered into amending agreements to exclude unfunded incremental direct operating expenses and net reimbursement of expenses (if any) directly related to the COVID-19 pandemic for the period January 1, 2022, through June 30, 2022, for the purpose of the calculation of the debt service coverage and Adjusted Funds From Operations (“AFFO”) payout ratios for the period ending December 31, 2023.

(In thousands of Canadian dollars, except per unit amounts)

15. Term loans:

The following tables detail the outstanding principal amounts and the carrying value of Chartwell's secured and unsecured term loans at December 31, 2021 and at December 31, 2020:

December 31, 2021:

	Outstanding principal	Financing costs, net	Carrying value	Maturity date
Unsecured term loan	$ 125,000	$ (291)	$ 124,709	May 31, 2024
Total	$ 125,000	$ (291)	$ 124,709	

December 31, 2020:

	Outstanding principal	Financing costs, net	Carrying value	Maturity date
Unsecured term loan	$ 125,000	$ (263)	$ 124,737	May 31, 2024
Unsecured term loan	100,000	(215)	99,785	Nov 12, 2022
Secured term loan	50,000	(257)	49,743	Nov 12, 2022
Total	$ 275,000	$ (735)	$ 274,265	

The variable interest rate on the outstanding unsecured term loan as at December 31, 2021 is fixed at an interest rate of 2.25% through an interest rate swap.

The interest rate swaps on the term loan are measured at fair value and are recorded either in assets (note 10) or accounts payable and other liabilities (note 17) at the end of the reporting period. The interest rate swaps are considered Level 2 in the fair value hierarchy.

Based on the term loan agreements, Chartwell is required to meet certain financial covenants. These covenants among others include debt service coverage ratio, secured indebtedness percentage ratio, minimum equity requirements, minimum unencumbered asset ratio, limitations on entering certain investments and on the amount of cash distributions that can be paid to unitholders. Chartwell was in compliance with these financials covenants as at December 31, 2021.

During the year ended December 31, 2021, the debt service coverage ratio covenants of the term loan was amended to be reduced from 1.4x to 1.2x for the periods ending at the earlier of December 31, 2023, and the maturity date. Furthermore, subsequent to year end, Chartwell

(In thousands of Canadian dollars, except per unit amounts)

15. Term loans (continued):

entered into an amending agreement to exclude unfunded incremental direct operating expenses and net reimbursement of expenses (if any) directly related to the COVID-19 pandemic for the period January 1, 2022 through June 30, 2022, for the purpose of the calculation of the debt service coverage ratio and Adjusted Funds From Operations ("AFFO") payout ratios for the period ending December 31, 2023.

On November 12, 2020, Chartwell entered into two agreements with a financial institution for a $100,000 unsecured term loan and a $50,000 secured term loan. The variable rates on the loans were fixed at an interest rate of 2.608% through interest rate swaps. These term loans were repaid on September 13, 2021

16. Senior unsecured debentures:

The following tables detail the outstanding principal amounts and the carrying value of Chartwell's senior unsecured debentures at December 31, 2021 and at December 31, 2020:

December 31, 2021:

December 31, 2021	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date [1]	Due date
3.786% Series A	June 9, 2017	$ 200,000	$ (466)	$ 199,534	October 11, 2023	December 11, 2023
4.211% Series B	April 27, 2018	150,000	(467)	149,533	February 25, 2025	April 28, 2025
Total		$ 350,000	$ (933)	$ 349,067		

December 31, 2020:

	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date [1]	Due date
3.786% Series A	June 9, 2017	$ 200,000	$ (708)	$ 199,292	October 11, 2023	December 11, 2023
4.211% Series B	April 27, 2018	150,000	(611)	149,389	February 25, 2025	April 28, 2025
Total		$ 350,000	$ (1,319)	$ 348,681		

[1] The debentures are redeemable at the option of Chartwell, at any time, subject to a yield maintenance payment if such redemption is prior to the redemption date.

Under the terms of the debentures, Chartwell is required to meet certain financial covenants. These covenants include required interest coverage ratio, indebtedness percentage ratio and unencumbered asset ratio. Chartwell was in compliance with these financials covenants as at December 31, 2021.

(In thousands of Canadian dollars, except per unit amounts)

17. Accounts payable and other liabilities:

	Note	December 30, 2021	December 31, 2020
Accounts payable and accrued liabilities		$ 163,379	$ 156,304
Resident deposits		3,664	3,296
Deferred revenue		640	979
Deferred Trust Units ("DTU")	(a)	12,939	10,941
Restricted Trust Units ("RTU")	(b)	3,914	2,627
EUPP option component	(c)	9,915	7,919
Interest rate swaps		2,200	6,458
		$ 196,651	$ 188,524
Current		$ 194,886	$ 182,098
Non-current [1]		1,765	6,426
		$ 196,651	$ 188,524

[1] Relates to the non-current portion of the interest rate swap.

(a) DTU Plan:

Chartwell provides a DTU Plan for its non-management directors. The plan entitles directors, at their option, to receive all, or any portion of their directors' fees in the form of DTUs. The number awarded is based on the fair market value of Chartwell Trust Units, as defined in the plan, on the award date.

The DTUs earn additional DTUs related to distributions that would otherwise have been paid if Trust Units, as opposed to DTUs, had been issued on the date of the grant. The number of DTUs issued in regard to distributions is based on the fair market value of Trust Units, as defined in the plan, on the date distributions are paid. DTUs cannot be distributed to the directors until after they retire from the Board of Trustees.

Effective January 1, 2020, the matching program was eliminated. Prior to the amendment, the directors could elect to receive all, 75%, 50% or 25% of their directors' fees in the form of DTU; and Chartwell matched, on a one-on-one basis, the number of Trust Units elected to be received by directors.

(In thousands of Canadian dollars, except per unit amounts)

17. Accounts payable and other liabilities (continued):

As described in note 3(j)(iii), the value of issued units is recorded as a liability on the consolidated balance sheets. DTU values are initially calculated based on the grant date fair value. Fair value is determined using the market prices for listed Trust Units since there is a one-for-one conversion feature. The liability is remeasured to fair value at each reporting date until the liability is settled and is considered Level 2 in the fair value hierarchy. The liability is released after settlement upon retirement of the director. The market price of Trust Units as at December 31, 2021 was $11.82 (2020 - $11.19).

The following table summarizes the DTU activity:

	Units outstanding	Amount
Balance, December 31, 2019	1,081,867	$ 15,038
Units granted	70,185	682
Change in fair value and distributions	63,769	(2,462)
Units exchanged for Trust Units	(238,079)	(2,317)
Balance, December 31, 2020	977,742	10,941
Units granted	65,143	796
Change in fair value and distributions	51,794	1,202
Balance, December 31, 2021	1,094,679	$ 12,939

The non-cash compensation expense attributable to DTUs granted of $796 for the year ended December 31, 2021 (2020 - $682) is included in general, administrative and trust expenses and change in fair values of financial instruments and foreign exchange gains (losses).

17. Accounts payable and other liabilities (continued):

(b) RTU Plan:

Under the terms of the RTU Plan, qualified employees are granted notional Trust Units on an annual basis which will vest three years after the date of any grant and will be paid out in cash ("RTU payout"). The notional Trust Units earn additional notional Trust Units related to distributions that would otherwise have been paid if Trust Units had been issued on the date of the grant. The number of notional Trust Units issued in regard to distributions is based on the fair market value of Trust Units, as defined in the plan, on the date distributions are paid. The value of outstanding RTUs is recognized as compensation expense over the vesting period, with the corresponding amount recorded as a liability on the consolidated balance sheets. The liability is remeasured to fair value at each reporting date until the liability is settled. The amount of RTU payout to certain participants is also dependent on the extent to which Chartwell has achieved certain targets over a three-year period subject to certain conditions and is also subject to the discretion of the Board of Trustees. The RTU plan is considered Level 2 in the fair value hierarchy.

During the year ended December 31, 2021, 355,856 notional Trust Units were granted (2020 - 274,490), 32,632 notional Trust units were cancelled (2020 - 20,615), 39,415 notional Trust units were issued in regard to distributions (2020 - 37,603), and 294,999 notional Trust units vested and were paid out (2020 - 295,324). At December 31, 2021, 718,444 notional Trust Units remained outstanding (2020 - 650,804).

The compensation expense attributable to the RTU Plan of $2,957 for the year ended December 31, 2021 (2020 - $2,994) is included in direct property operating and general, administrative and trust expenses.

(c) EUPP option component:

The description of the EUPP is included in note 20(b). The fair value of the EUPP option component is recognized as an expense with a corresponding increase in liability over the employee service period. The liability is remeasured at each reporting date and at settlement date and is considered a Level 3 in the fair value hierarchy. Upon initial recognition the expense is recognized in general, administrative and trust expenses and subsequent changes in fair values are recognized in change in fair values of financial instruments and foreign exchange gains (losses).

(In thousands of Canadian dollars, except per unit amounts)

17. Accounts payable and other liabilities (continued):

The fair value of the EUPP option component is measured using the Monte Carlo simulation method. The following table summarizes the assumptions used to determine the fair value of the EUPP option component:

	December 31, 2021	December 31, 2020
Expected volatility	24.81% - 29.81%	24.15% - 29.15%
Risk-free rate	1.75% - 2.03%	0.73% - 1.40%
Distribution yield	5.52% - 6.81%	6.13% - 8.45%

(In thousands of Canadian dollars, except per unit amounts)

18. Reconciliation of changes in liabilities arising from financing activities:

	Mortgages payable	Term loans	Senior unsecured debentures	Total
Balance, December 31, 2019	$ 1,940,678	$ 124,697	$ 348,294	$ 2,413,669
Proceeds from financing	176,609	150,000	–	326,609
Repayments	(193,605)	–	–	(193,605)
Scheduled principal payments	(77,768)	–	–	(77,768)
Financing costs paid[1]	(7,201)	(550)	–	(7,751)
Assumed on acquisition	40,832	–	–	40,832
Amortization of financing costs and mark to market adjustments on assumed mortgages[1]	2,173	118	387	2,678
Other	517	–	–	517
Balance, December 31, 2020	1,882,235	274,265	348,681	2,505,181
Proceeds from financing	138,808	–	–	138,808
Repayments	(67,198)	(150,000)	–	(217,198)
Mortgages assumed by purchaser on dispositions (note 5)	(23,364)	–	–	(23,364)
Scheduled principal payments	(84,017)	–	–	(84,017)
Financing costs paid[1]	(8,074)	(360)	–	(8,434)
Assumed on acquisition (note 4)	18,668	–	–	18,668
Amortization of financing costs and mark to market adjustments on assumed mortgages[1]	3,521	804	386	4,711
Other	621	–	–	621
Balance, December 31, 2021	$ 1,861,200	$ 124,709	$ 349,067	$ 2,334,976

[1] Mortgages payable include credit facilities related costs of $1,519 (2020 - $1,053) in relation to financing costs paid and $1,200 (2020 - $777) in relation to amortization of financing costs.

(In thousands of Canadian dollars, except per unit amounts)

19. Class B Units:

Class B Units are exchangeable, at the option of the holder, into Trust Units. Such exchangeable instruments are presented as a liability and are measured at fair value. Fair value is determined by using market prices for listed Trust Units since there is a one-for-one exchange feature for each Class B Unit into a Trust Unit. Class B Units are considered Level 2 in the fair value hierarchy. The market price of Trust Units at December 31, 2021 was $11.82 per unit (2020 - $11.19 per unit). At December 31, 2021, 1,530,360 Class B units were outstanding (2020 - 1,530,360).

Holders of the Class B Units are entitled to receive distributions equal to those provided to holders of Trust Units. These distributions are included in finance costs in profit or loss.

	Units outstanding	Amount
Balance, December 31, 2019	1,597,860	$ 22,210
Exchange of Class B Units into Trust Units	(67,500)	(553)
Change in fair value	–	(4,532)
Balance, December 31, 2020	1,530,360	17,125
Change in fair value	–	964
Balance, December 31, 2021	1,530,360	$ 18,089

20. Unitholders' equity and EUPP:

(a) Trust Units:

Chartwell is authorized to issue an unlimited number of Trust Units.

Trust Units are redeemable at any time, in whole or in part, on demand by holders. Upon receipt of a redemption notice by Chartwell, all rights to and under Trust Units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per Trust Unit equal to the lesser of:

(i) 90% of the "market price" of the units on the principal market on which the units are quoted for trading during the 10-trading-day period ending immediately prior to the date on which the units were surrendered for redemption; and

(ii) 100% of the "closing market price" on the principal market on which the units are listed for trading on the redemption date.

The aggregate redemption price payable by Chartwell in respect of any Trust Units surrendered for redemption during any calendar month shall not exceed $50 unless waived at the discretion of Trustees and satisfied by way of cash payment in Canadian dollars within 30 days after the end of the calendar month in which the units were tendered for redemption. To the extent the redemption price payable in respect of Trust Units surrendered for redemption exceeds $50 in any given month, such excess may be satisfied by way of a distribution in species of assets held by Chartwell.

(In thousands of Canadian dollars, except per unit amounts)

20. Unitholders' equity and EUPP (continued):

The following Trust Units are issued and outstanding:

	Number of Trust Units	Amount
Balance, December 31, 2019	213,055,028	$ 2,316,036
Trust Units issued under DRIP	684,812	8,518
Trust units issued in exchange of DTUs	238,079	2,317
Trust Units issued in exchange of Class B Units	67,500	553
Trust Units released on settlement of EUPP receivable	33,302	541
Balance, December 31, 2020	214,078,721	2,327,965
Trust Units issued pursuant to public offering	15,490,500	197,220
Trust Units issued under DRIP	1,610,154	19,430
Trust Units released on settlement of EUPP receivable	47,172	836
Balance, December 31, 2021	231,226,547	$ 2,545,451

On August 25, 2021, Chartwell completed a public offering of 15,490,500 Trust Units at $13.00 per Trust Unit for gross proceeds of $201,377. Underwriting commission and other offering related costs amounted to $8,944, offset by a deferred tax asset of $4,787.

(b) Trust Units issued under EUPP:

Chartwell has established an EUPP, under which the eligible participants may purchase Trust Units for a purchase price equal to the weighted average trading price of the units for 20 trading days preceding the date of issuance. Participants are required to pay interest on the unpaid balance of the purchase price at a rate not less than the rate prescribed under the Income Tax Act (Canada) at the time Trust Units under the EUPP are issued. All distributions on Trust Units under the EUPP are applied as payments, first of interest and then toward reduction of the principal of the EUPP receivable. Trust Units issued under the EUPP are held as security for the outstanding EUPP receivable. Participants may prepay the principal at their discretion and receive the Trust Units. If a participant elects to withdraw from the plan without paying the balance of the EUPP receivable in full, Chartwell may elect to sell Trust Units issued under the EUPP in satisfaction of the outstanding EUPP receivable. Chartwell's recourse is limited to Trust Units it holds as security. On May 15, 2014, the EUPP was amended, such that the period for payment for the exercise of terms of the EUPP awards was extended from 10 to 20 years, for EUPP awards issued before April 1, 2014. Subsequent EUPP awards are limited to senior executives, continue to have 10-year terms and vest immediately.

(In thousands of Canadian dollars, except per unit amounts)

20. Unitholders' equity and EUPP (continued):

An aggregate of 5,900,890 Trust Units are reserved for issuance pursuant to the EUPP, of which 2,148,137 were available to be issued at December 31, 2021 (2020 - 2,306,391).

The following table summarizes Trust Units issued under the EUPP:

	Number of Trust Units issued under EUPP	Amount
Balance, December 31, 2019	1,500,945	$ 17,924
Trust Units issued under EUPP	266,685	2,769
Trust Units surrendered for cancellation under EUPP	(126)	–
Trust Units released on settlement of EUPP receivable	(33,302)	(382)
Balance, December 31, 2020	1,734,202	20,311
Trust Units issued under EUPP	158,254	1,828
Trust Units surrendered for cancellation under EUPP	–	–
Trust Units released on settlement of EUPP receivable	(47,172)	(547)
Balance, December 31, 2021	1,845,284	$ 21,592

The non-cash compensation expense attributable to the EUPP of $473 for the year ended December 31, 2021 (2020 - $562) is included in general, administrative and trust expenses with a corresponding amount included in accounts payable and other liabilities (note 17). Trust Units issued under EUPP and EUPP receivable are recorded in unitholders' equity.

(c) DRIP:

Chartwell has established a DRIP for its unitholders, which allows participants to reinvest their monthly cash distributions in additional Trust Units at an effective discount of 3%. On March 16, 2020, Chartwell announced the temporary suspension of its DRIP program commencing after the distribution payable to unit holders of record at March 31, 2020, with unitholders enrolled in the DRIP program to receive distribution payments in cash. Effective with distribution payable, June 15, 2021 to unitholders of record as at May 31, 2021, the DRIP was reinstated.

21. Segmented information:

Chartwell monitors and operates its retirement residences and long-term care homes separately. The Retirement Operations segment includes an interest in 159 retirement residences (2020 - 160) that Chartwell owns and operates in Canada. The retirement residences provide services to residents at rates set by Chartwell based on the services provided and market conditions. The Long-Term Care Operations segment represents the 19 long-term care homes (2020 - 19) and one retirement residence connected to a long-term care home in Ontario. Admission and funding for the long-term care homes is overseen by local government agencies in each province. Where a retirement residence or long-term home provides more than one level of care, it has been designated to a segment according to the predominant level of care, type of licensing and funding and internal management responsibility.

The accounting policies of each of the segments are the same as those for Chartwell, except these segments include Chartwell's proportionate share of its joint ventures. The "Reconciliation" column shows the adjustments to account for these joint ventures using the equity method, as applied in these consolidated financial statements. Certain general, administrative and trust expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers, or expenses.

The measure of segment net income is adjusted net operating income, which is resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' revenue and direct property operating expenses, respectively.

(In thousands of Canadian dollars, except per unit amounts)

21. Segmented information (continued):

2021	Retirement Operations	Long-Term Care Operations	Segment total	Other[2]	Subtotal	Recon-ciliation	Total
Revenue:							
Resident	$ 705,905	$ 259,255	$ 965,160	$ –	$ 965,160	$ (109,933)	$ 855,227
Management and other fees	–	–	–	11,022	11,022	–	11,022
Lease revenue from joint ventures	–	–	–	–	–	37,358	37,358
Interest income	–	–	–	3,068	3,068	(206)	2,862
	705,905	259,255	965,160	14,090	979,250	(72,781)	906,469
(Expenses) income:							
Direct property operating	(469,226)	(235,826)	(705,052)	–	(705,052)	75,337	(629,715)
Adjusted net operating income[1]	236,679	23,429	260,108				
Depreciation of PP&E							(160,382)
Amortization of intangible assets							(7,709)
Share of net loss from joint ventures							(8,376)
General, administrative and trust							(44,364)
Other income							43,353
Finance costs							(89,455)
Change in fair values of financial instruments and foreign exchange gains							1,295
							(265,638)
Income before income taxes							11,116
Deferred income tax benefit							(984)
Net income							$ 10,132
Expenditures for non-current assets:							
Acquisition of properties	$ 30,589	$ –	$ 30,589	$ –	$ 30,589	$ –	$ 30,589
Capital additions	104,647	19,132	123,779	1,430	125,209	(1,599)	123,610

(1) Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expenses.

(2) Items included under 'other' are not monitored at the segment level.

(In thousands of Canadian dollars, except per unit amounts)

21. Segmented information (continued):

2020	Retirement Operations	Long-Term Care Operations	Segment total	Other[2]	Subtotal	Recon-ciliation	Total
Revenue:							
Resident	$ 738,733	$ 251,390	$ 990,123	$ –	$ 990,123	$ (116,157)	$ 873,966
Management and other fees	–	–	–	9,640	9,640	–	9,640
Lease revenue from joint ventures	–	–	–	–	–	41,109	41,109
Interest income	–	–	–	4,172	4,172	(300)	3,872
	738,733	251,390	990,123	13,812	1,003,935	(75,348)	928,587
(Expenses) income:							
Direct property operating	(470,341)	(224,855)	(695,196)	–	(695,196)	72,697	(622,499)
Adjusted net operating income[1]	268,392	26,535	294,927				
Depreciation of PP&E							(174,091)
Amortization of intangible assets							(5,590)
Share of net loss from joint ventures							(3,816)
General, administrative and trust							(43,895)
Other income (expense)							21,640
Finance costs							(93,150)
Change in fair values of financial instruments and foreign exchange gains							3,828
							(295,074)
Income before income taxes							11,014
Deferred income tax benefit							3,865
Net income							$ 14,879
Expenditures for non-current assets:							
Acquisition of properties	$ 73,387	$ –	$ 73,387	$ –	$ 73,387	$ (1,136)	$ 72,251
Capital additions	102,471	5,414	107,885	16,912	124,797	(1,995)	122,802

(1) Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expenses.

(2) Items included under 'other' are not monitored at the segment level.

(In thousands of Canadian dollars, except per unit amounts)

21. Segmented information (continued):

2021	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 3,048,507	$ 239,404	$ 3,287,911	$ 207,419	$ 3,495,330	$ (78,077)	$ 3,417,253
Total liabilities	$ 1,838,028	$ 217,344	$ 2,055,372	$ 604,893	$ 2,660,265	$ (69,123)	$ 2,591,142

2020	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 3,134,416	$ 242,212	$ 3,376,628	$ 194,473	$ 3,571,101	$ (81,793)	$ 3,489,308
Total liabilities	$ 1,842,087	$ 221,182	$ 2,063,269	$ 756,758	$ 2,820,027	$ (64,696)	$ 2,755,331

The adjusted net operating income of the Retirement Operations is also reviewed by management at the geographic region level:

2021	Ontario	Western Canada	Quebec	Total Retirement Operations
Resident revenue	$ 361,178	$ 187,073	$ 157,654	$ 705,905
Direct property operating expenses	(235,356)	(121,840)	(112,030)	(469,226)
Adjusted net operating income	$ 125,822	$ 65,233	$ 45,624	$ 236,679

2020	Ontario	Western Canada	Quebec	Total Retirement Operations
Resident revenue	$ 379,196	$ 190,469	$ 169,068	$ 738,733
Direct property operating expenses	(236,767)	(125,098)	(108,476)	(470,341)
Adjusted net operating income	$ 142,429	$ 65,371	$ 60,592	$ 268,392

(In thousands of Canadian dollars, except per unit amounts)

22. Financial instruments and financial risk management:

(a) Carrying values and fair values of financial instruments:

The carrying amounts and fair values of financial instruments, excluding loans receivable, marketable securities, interest rate swaps, liabilities related to Class B Units, and income guarantees which are carried at fair value are shown in the table below. The table below excludes cash and cash equivalents, restricted cash, trade and other receivables, accounts payable and other liabilities, distributions payable and credit facilities, as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value.

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	$ 1,861,200	$ 1,950,405	$ 1,882,235	$ 2,033,701
Term loans	124,709	125,504	274,265	280,021
Senior unsecured debentures	349,067	353,049	348,681	362,015

Fair value represents management's estimates of the fair market value at a given point in time, which may not reflect fair value in the future. These calculations are subjective, involve uncertainties and are a matter of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

The fair value of mortgages payable is estimated by discounting the expected future cash outflows using the rates currently prevailing for similar instruments of similar maturities. At December 31, 2021, the mortgages payable were discounted using rates between 1.95% and 4.43% (2020 - 1.20% and 4.21%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of mortgages payable is Level 2 in the fair value hierarchy.

The fair value of the term loan is estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. At December 31, 2021, the term loan was discounted using a weighted average rate of 3.52% (2020 – 2.41%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of term loans is Level 2 in the fair value hierarchy.

22. Financial instruments and financial risk management (continued):

The fair value of senior unsecured debentures are estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. At December 31, 2021, senior unsecured debentures were discounted using a rate of 3.62% (2020 - 2.92%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of senior unsecured debentures is Level 2 in the fair value hierarchy.

(b) Financial risk management objectives and policies:

In the normal course of business, Chartwell is exposed to risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives and unitholder returns. Chartwell is exposed to financial instrument risks that arise from the fluctuation of interest rates, the credit quality of its residents and borrowers pursuant to mezzanine and other loans.

The Board of Trustees has overall responsibility for the establishment and oversight of Chartwell's risk management framework. Management is responsible for developing and monitoring Chartwell's risk management policies and reports regularly to the Board of Trustees on its activities.

Management has updated its risk management policies and strategies for the current risks due to COVID-19 (note 1). These financial instrument risks are managed as follows:

(i) Credit risk:

Chartwell is exposed to credit risk arising from the possibility that parties responsible for payment of fees or the borrowers of mezzanine and other loans may experience financial difficulty and be unable to fulfill their contractual obligations. Exposure to credit risk relates primarily to cash on deposit included in cash and cash equivalents, resident receivables included in trade and other receivables, and loans receivable.

Chartwell regularly monitors the credit risk exposure and takes steps to mitigate the likelihood that these exposures will result in an actual loss.

The credit risk related to cash and cash equivalents is mitigated through entering into transactions with major Canadian financial institutions.

22. Financial instruments and financial risk management (continued):

Chartwell's exposure to credit risk from resident receivables is influenced mainly by the individual characteristics of each resident, the demographics of its resident base and general economic conditions. Due to the nature of Chartwell's business and geographic spread of its resident base, there is no significant concentration of receivables from residents.

In the event that Chartwell's borrowers face financial difficulty and are not able to meet their commitments, Chartwell could suffer a loss of either interest or principal or both on the loans it has advanced, since other lenders will rank ahead of Chartwell in any recovery. To decrease the credit risk exposure, the loans are secured by charges of the borrowers' interests in various real estate projects, and by corporate guarantees.

Generally, the carrying amount on the consolidated balance sheets of Chartwell's financial assets exposed to credit risk, net of applicable loss allowances, represents Chartwell's maximum exposure to credit risk. Chartwell limits its exposure to credit risk related to derivatives by transacting with counterparties that are stable and of high credit quality.

Chartwell adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL. At December 31, 2021, outstanding residents receivables were $1,415 (2020 - $805), net of ECL of $1,762 (2020 - $1,632).

(ii) Liquidity risk:

Chartwell's principal liquidity needs arise from working capital requirements, debt servicing and repayment obligations, planned funding of property improvements, leasing costs, distributions to unitholders, and property development and acquisition funding requirements.

Liquidity risk is the risk that an entity is unable to fund its assets or meet its obligations as they come due

22. Financial instruments and financial risk management (continued):

Liquidity risk is managed through cash flow forecasting. Management monitors forecasts of Chartwell's liquidity requirements to ensure it has sufficient cash to meet operational needs through maintaining sufficient cash and/or availability on the undrawn credit facilities and ensuring that it meets its financial covenants related to debt agreements. Such forecasting involves a significant degree of judgment, takes into consideration current and projected macroeconomic conditions, the COVID-19 pandemic, and associated uncertainties (note 1), Chartwell's cash collection efforts, debt financing plans, and covenant compliance required under the terms of debt agreements. There is a risk that such liquidity forecasts may not be achieved, that covenant requirements of existing loan agreements are not met, and that currently available debt financing may no longer be available to Chartwell at terms and conditions that are favorable to Chartwell, or at all (note 1).

As at December 31, 2021, current liabilities totalled $509,420, exceeding current assets of $146,864, resulting in a working capital deficiency of $362,556. Current liabilities includes an amount of $301,594 of current mortgages payable, comprised of $223,293 related to maturing balances which are expected to be renewed on maturity, $82,335 related to regular principal payments and the balance of unamortized mark-to-market adjustments net of unamortized financing costs. These and other contractual obligations and contingencies, including those related to agreements with Batimo, are disclosed in note 31. Chartwell expects to be able to meet all of its obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from property operations, (ii) property specific mortgages, (iii) term loans and (iv) secured and unsecured credit facilities, under which $343,449 was available and undrawn at December 31, 2021 (note 14). In addition, subject to market conditions, Chartwell may seek to raise funding through new senior unsecured debentures or equity financing. The particular features and quality of the underlying assets and the debt and equity market parameters existing at the time of financing may impact the ability for financing.

There is a risk that lenders will not refinance maturing mortgages payable on terms and conditions acceptable to Chartwell or on any terms at all. Management mitigates this risk by staggering debt maturities and through the use of programs, such as Canadian Mortgage and Housing Corporation's ("CMHC") insured mortgages.

There is also a risk that the credit facilities will not be renewed or that the senior unsecured debentures may not be refinanced on terms and conditions acceptable to Chartwell or on any terms at all.

Chartwell's lending agreements include various cross-default provisions.

(In thousands of Canadian dollars, except per unit amounts)

22. Financial instruments and financial risk management (continued):

Chartwell holds licenses related to each of its long-term care homes and in certain cases, retirement residences. Holders of these licenses receive funding from the relevant provincial government. During the year ended December 31, 2021, Chartwell received $216,678 (2020 - $208,032) in funding in respect of these licenses excluding incremental COVID-19 funding, which has been recorded as resident revenue, interest income, and capital funding receivable, as applicable.

Refer to note 30 for contractual maturities of Chartwell's major financial liabilities.

(iii) Market risk:

Chartwell is exposed to market risk, which is the risk arising from its financial instruments, principally related to interest rates and equity prices.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Chartwell is exposed to interest rate risk on its floating-rate debt on an ongoing basis and its fixed-rate debt upon renewal. To mitigate interest rate risk, Chartwell fixes or otherwise limits the interest rate on its long-term debt to the extent possible on renewal. It may also enter into derivative financial instruments from time to time to mitigate interest rate risk. Generally, Chartwell fixes the term of long-term debt within a range of 5 to 20 years. To limit exposure to the risk of higher interest rates at renewal, Chartwell spreads the maturities of its fixed-rate, long-term debt over time.

At December 31, 2021, Chartwell's interest-bearing financial instruments were as follows:

	Carrying amount 2021	Carrying amount 2020
Fixed-rate financial liabilities	$ 2,331,024	$ 2,487,261
Variable-rate financial liabilities	$ 48,033	$ 58,896

An increase of 100-basis-points in interest rates at December 31, 2021 for the variable-rate financial instruments would decrease income before income taxes for the year by $480 (2020 - $589).

23. Capital structure financial policies:

Chartwell's primary objectives in managing capital are:

(a) to ensure that Chartwell has sufficient capital to execute on its strategic objectives, including targeted investments in maintenance and improvements of its property portfolio, development, and acquisitions activities

(b) to achieve the lowest overall cost of capital consistent with the appropriate mix of capital elements while ensuring that Chartwell complies with financial and non-financial covenants included in debt agreements and

(c) to provide growing distributions to unitholders over the longer term.

In managing its capital structure, Chartwell takes into consideration various factors, including changes in economic conditions, growth of its business and risk characteristics of the underlying assets.

Management defines capital as Chartwell's total unitholders' equity, Class B Units and long-term debt. Chartwell's long-term debt includes mortgages payable, senior unsecured debentures, term loans and borrowings under its credit facilities.

The Board of Trustees is responsible for overseeing Chartwell's capital management and does so through quarterly Trustees' meetings, annual budget reviews and regular reviews of financial information. The Board of Trustees also determines the level of any distributions to unitholders.

Chartwell's Declaration of Trust limits the ratio of indebtedness ("Indebtedness Ratio") that Chartwell can incur to 65% of adjusted gross book value ("GBV").

GBV means, at any time, the consolidated book value of the assets of Chartwell, as shown on Chartwell's most recent consolidated balance sheets (or if approved by a majority of the Independent Directors of Master LP at any time, the appraised value thereof), adjusted for (i) Chartwell's line-by-line share of its joint ventures, (ii) plus the amount of accumulated depreciation and amortization shown thereon or in the notes thereto less the carrying value of any deferred consideration in respect of any property acquired or to be acquired, (iii) plus the difference between the GBV of assets under Canadian generally accepted accounting principles and IFRS at January 1, 2010, Chartwell's effective IFRS transition date, and (iv) plus the related acquisition costs in respect of completed property acquisitions that were expensed in the period incurred.

(In thousands of Canadian dollars, except per unit amounts)

23. Capital structure financial policies (continued):

Indebtedness includes any obligation for borrowed money, any obligation incurred in connection with the acquisition of property, assets, or business, other than deferred income tax liabilities, any capital lease obligation, and any similar obligations of third parties guaranteed by Chartwell or for which Chartwell is responsible or liable, to the extent included in the consolidated balance sheets, adjusted for Chartwell's line-by-line share of its joint ventures. Indebtedness is determined on a consolidated basis for Chartwell and its consolidated subsidiaries.

The following are the Indebtedness Ratios at December 31, 2021 and 2020:

	2021	2020	Increase (decrease)
Indebtedness Ratio	48.2%	51.8%	(3.6)%

Chartwell's capital management is conducted in accordance with policies stated under the Declaration of Trust and requirements from certain of its lenders. Under the terms of Chartwell's loan agreements with these lenders, Chartwell is required to meet certain financial and non-financial covenants. There have been no changes in Chartwell's capital management strategy during the year.

24. Revenue:

	2021	2020
Lease revenue[1]	$ 324,285	$ 355,003
Services revenue[2]	568,300	560,072
Interest income	2,862	3,872
Management and other fees	11,022	9,640
Total revenue	$ 906,469	$ 928,587

(1) Includes resident lease revenue from retirement residence residents and lease revenue from the joint venture partners.

(2) Includes property services from retirement residences in accordance with IFRS 15 and long-term care services revenue.

(In thousands of Canadian dollars, except per unit amounts)

25. Personnel expenses:

The analysis of employee benefits expense for the years ended December 31, 2021 and 2020, included in profit or loss under direct property operating expenses and general, administrative and trust expenses, is as follows:

	2021	2020
Salaries and wages	$ (499,416)	$ (482,366)
Post-employment benefits (defined contribution plans)	(6,772)	(6,735)
Unit-based compensation	(4,228)	(4,251)
	$ (510,416)	$ (493,352)

26. Other income (expense):

	2021	2020
Transaction costs arising on dispositions	(1,374)	(996)
Impairment of PP&E	(850)	(3,200)
Other expense	(2,224)	(4,196)
Gain on sale of assets	44,840	25,072
Other income	737	764
Other income	45,577	25,836
Other income	$ 43,353	$ 21,640

During 2021, Chartwell recorded an impairment provision of $850 on one of its properties (2020 - $3,200 on five properties); which represented the write down of PP&E. Chartwell has determined that each of its properties are CGUs for purposes of impairment assessments as each property independently generates cash flows. The recoverable amount for each property was recorded on a valuation based on fair value less costs of disposal.

On April 14, 2021, Chartwell completed the sale of half of its 85% interest (42.5%) of Chartwell Le Teasdale I (note 5) and recognized a gain on sale of assets totaling $5,915.

On December 1, 2021, Chartwell completed the sale of four retirement residences located in Ontario (note 5) and recognized a gain on sale of assets totaling $36,667.

(In thousands of Canadian dollars, except per unit amounts)

26. Other income (expense) (continued):

Fair value is measured using either the present value of future cash flows or the direct capitalization method and is categorized within Level 3 of the fair value hierarchy. In calculating fair value, management estimates future stabilized cash flows which include assumptions about rental rates and occupancy rates. Such assumptions can be significantly impacted by current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. Management also applies adjustments to reflect the expectations of market participants. The discount rates, capitalization rates and terminal capitalization rates applied to cash flows to determine the recoverable amount are based on recent transactions of similar assets within the market.

27. Finance costs:

	2021	2020
Contractual interest expense on mortgages	$ (64,388)	$ (70,460)
Interest expense on senior unsecured debentures	(13,888)	(13,888)
Credit facility and other interest expense	(1,636)	(3,628)
Contractual interest expense on term loans	(7,363)	(5,021)
	(87,275)	(92,997)
Interest capitalized to properties under development	3,468	3,469
Amortization of financing costs and mark-to-market adjustments on assumed mortgages and senior unsecured debentures	(4,711)	(2,678)
Distributions on Class B Units recorded as interest expense	(937)	(944)
Total finance costs	$ (89,455)	$ (93,150)

28. Changes in fair values of financial instruments and foreign exchange gains (losses):

	2021	2020
Change in fair value of interest rate swaps	$ 4,755	$ (7,010)
Change in fair value of EUPP option component	(1,812)	2,476
Change in fair value of Class B Units	(964)	4,532
Change in fair value of DTUs	(1,202)	2,462
Change in fair value - other	323	246
Change in fair value of income guarantees	240	1,189
Foreign exchange losses	(45)	(67)
Change in fair values of financial instruments and foreign exchange gains	$ 1,295	$ 3,828

(In thousands of Canadian dollars, except per unit amounts)

29. Income taxes:

For the year ended December 31, 2021, Chartwell recorded a deferred tax expense of $984 (2020 – deferred tax recovery of $3,865). The 2021 deferred tax expense primarily relates to reversal of temporary differences on the accounting and tax basis of PP&E and fair value adjustments. This was offset by the deferred tax benefit as a result of the non-taxable portion of capital gains. The 2020 deferred tax recovery is primarily related to fair value adjustments and non-taxable portion of capital gains relating to the sale of properties.

The income tax benefit (expense) - in the consolidated statements of comprehensive income represents an effective tax rate different than the Canadian tax rate applicable to trusts on undistributed income of 53.53% (2020 - 53.53%). The differences for the years ended December 31 are as follows:

	2021	2020
Income before income taxes	$ 11,116	$ 11,014
Income tax expense at Canadian tax rate	$ (5,950)	$ (5,896)
Non-deductible and non-taxable items	7,369	3,431
Tax benefits recognized	–	1,034
Fair value changes	(1,957)	5,201
Other	(446)	95
Income tax recovery (expense)	$ (984)	$ 3,865

(In thousands of Canadian dollars, except per unit amounts)

29. Income taxes (continued):

Movement in deferred tax balances during the year is as follows:

	Balance, January 1, 2021	Recognized in net income (loss)	Recognized in unitholders' equity	Balance, December 31, 2021
Property, plant and equipment	$ (17,684)	$ 4,956	$ –	$ (12,728)
Intangible assets	(17,021)	(240)	–	(17,261)
Losses available for carryforward	19,365	(3,755)	–	15,610
Other	(5,230)	(1,945)	4,787	(2,388)
Deferred tax asset (liability)	(20,570)	(984)	4,787	(16,767)
Deferred tax assets recognized (not recognized)	(134)	–	–	(134)
Net deferred tax asset (liability)	$ (20,704)	$ (984)	$ 4,787	$ (16,901)

	Balance, January 1, 2020	Recognized in net income (loss)	Recognized in unitholders' equity	Balance, December 31, 2020
Property, plant and equipment	$ (21,103)	$ 3,419	$ –	$ (17,684)
Intangible assets	(13,559)	(3,462)	–	(17,021)
Losses available for carryforward	20,756	(1,391)	–	19,365
Other	(9,495)	4,265	–	(5,230)
Deferred tax asset (liability)	(23,401)	2,831	–	(20,570)
Deferred tax assets recognized (not recognized)	(1,168)	1,034	–	(134)
Net deferred tax asset (liability)	$ (24,569)	$ 3,865	$ –	$ (20,704)

Chartwell also has non-capital losses carried forward of $31,380.

29. Income taxes (continued):

Deferred tax assets have not been recognized for the deductible temporary differences of $217 in 2021 (2020 – $233). The deductible temporary differences do not expire under current legislation. Deferred tax assets have not been recognized in respect of these temporary differences as it is not probable that future taxable income will be available against which these tax benefits will be utilized.

(In thousands of Canadian dollars, except per unit amounts)

30. Commitments and contingencies:

Chartwell's maturities on major financial liabilities as at December 31, 2021, excluding future interest payments, are detailed in the following table:

	Note	Contractual value	2022	2023	2024	2025	2026	Thereafter
Mortgages payable	13	$ 1,904,057	$ 305,439	$ 166,371	$ 290,186	$ 136,008	$ 139,204	$ 866,849
Term loans	15	125,000	–	–	125,000	–	–	–
Senior unsecured debentures	16	350,000	–	200,000	–	150,000	–	–
Accounts payable and accrued liabilities	17	163,379	163,379	–	–	–	–	–
Resident deposits	17	3,664	3,664	–	–	–	–	–
Interest rate swaps	17	2,200	435	1,765	–	–	–	–
Distributions payable		11,965	11,965	–	–	–	–	–
Lease obligations	30(a)	12,560	975	674	488	340	256	9,827
Total maturities		$ 2,572,825	$ 485,857	$ 368,810	$ 415,674	$ 286,348	$ 139,460	$ 876,676

30. Commitments and contingencies (continued):

(a) Lease obligations:

Chartwell has recorded lease obligations with respect to leases of land, office space and equipment (note 8).

(b) Purchase contracts:

Chartwell has entered into various construction contracts related to its development projects. As at December 31, 2021, the remaining commitments under these contracts amounted to approximately $48,036 (2020 - $108,865).

(c) Other:

Under Chartwell's agreements with Batimo Inc. ("Batimo"), upon achievement of certain conditions, Batimo can require Chartwell to acquire an 85% interest in their development properties in which Chartwell participates as the operations manager and, in some cases, as the mezzanine lender, at 99% of Fair Market Value ("FMV"), as defined in the agreements ("Batimo Option"). Batimo's Option is for a two or five-year period, depending on the property, commencing on opening. Upon expiry of the Batimo Option, Chartwell has a two-year option to require Batimo to sell an 85% interest in the property at FMV, as defined in the agreements.

(d) Letters of credit:

As at December 31, 2021, Chartwell was contingently liable for letters of credit in the amount of $6,466 (2020 - $9,635).

(e) Guarantees:

As a result of a purchaser's assumption of the mortgage on a property sold in 2014, Chartwell remains a guarantor of the mortgage. As at December 31, 2021, the outstanding balance on this mortgage was $1,186 (2020 - $1,478 with respect to this mortgage). The purchaser has indemnified Chartwell with respect to this guarantee.

30. Commitments and contingencies (continued):

Chartwell, with its partners, has jointly and severally guaranteed loans on partially owned properties. Chartwell ownership interest in these properties range from 42.5% to 85%, to a maximum amount of $430,067. As at December 31, 2021, outstanding balances on these mortgages totalled $370,612 ($172,067) of which represents the partners' share).

(f) Litigation and claims:

In the ordinary course of business activities, Chartwell may be contingently liable for litigation and claims from, among others, residents, partners, and former employees. Management believes that adequate provisions have been recorded in the accounts, where required. Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes, but cannot provide absolute assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of Chartwell.

In 2020 Chartwell Retirement Residences and/or its subsidiaries were named in three proposed class action lawsuits in Ontario related to the pandemic (the “Claims”). In January 2022, the Court granted an order to consolidate the Claims into one proceeding (the “Consolidated Claim”) seeking to be certified as a class action. The Consolidated Claim alleges, among other things, gross negligence, breach of the Canadian Charter of Rights and Freedoms, breach of the Human Rights Code, breach of contract and breach of fiduciary duty in respect of Chartwell’s response to the pandemic at a number of Chartwell Long Term care residences. The Consolidated Claim has not been certified. Chartwell’s insurer has assigned defense counsel and will be responding to the Consolidated Claim in due course through the appropriate court process.

On November 20, 2020, Bill 218, Supporting Ontario's Recovery and Municipal Elections Act, 2020 (the "Recovery Act") received Royal Assent and came into effect. The Recovery Act provides protections from liability to businesses that make good faith efforts to comply with public health guidelines and laws regarding exposure to COVID-19, provided the business was not grossly negligent. The legislation applies retroactively to March 17, 2020. If the proposed class action is not dismissed in accordance with the Recovery Act, Chartwell intends, through its insurer, to defend itself against the claim. Chartwell did not record a provision with respect this claim as at December 31, 2021.

30. Commitments and contingencies (continued):

In 1995, certain participating Ontario LTC homes and their respective unions agreed to a framework using the proxy method for a new pay equity plan that resulted in pay equity being achieved by 2005 under the Pay Equity Act. The Ontario Government directly funded these pay equity obligations. Litigation commenced in 2010, when two unions asserted that the participating LTC homes were required to make further pay equity adjustments. The Ontario Pay Equity Tribunal (the “Tribunal”) found generally in favour of the participating LTC homes and also confirmed that there is an on-going obligation to maintain pay equity. The appellate courts, on the appeal of the Tribunal decision, found in favour of the unions and referred the matter back to the Tribunal to determine the procedure to be used to provide bargaining unit members access to male comparators in order to maintain pay equity. The Ontario government and the participating LTC homes appealed the appellate court decision.

On October 14, 2021, the application for leave to appeal from the judgment of the Court of Appeal in Attorney General of Ontario et al. v. Ontario Nurses’ Association et al. was dismissed by the Supreme Court of Canada, thus upholding the appellate court decision. Chartwell owns four LTC homes that are respondents to this decision. In addition, Chartwell owns five LTC homes that also used the proxy method to achieve pay equity which could also be affected by this decision. Chartwell will be working with the unions, the other participating LTC homes and the Ontario Government to reach a pay equity maintenance framework appropriate for the sector.

There are a significant number of uncertainties related to how the appellate court decision should be implemented. The discussions between the affected parties regarding the development of an appropriate framework and resolution to this matter have not yet progressed, thereby creating additional uncertainty related to potential outcomes, as well as uncertainty relating to the timing of when more information on the outcomes will be known and when the matter may be settled. As a result of the significant number of judgments that would be required, a reliable estimate of Chartwell’s liability for any pay equity adjustments cannot currently be made. Chartwell expects that any adjustments will be fully funded by the government. No liability for potential pay equity adjustments or expected recovery from the Ontario Government has been recognized in Chartwell’s financial statements. An increase in labour costs as a result of any unfunded adjustments could adversely affect the financial condition of Chartwell.

(In thousands of Canadian dollars, except per unit amounts)

31. Key management personnel compensation:

The remuneration of key management personnel of Chartwell during the years ended December 31, 2021 and 2020 was as follows:

	2021	2020
Officers' and directors' compensation	$ (4,788)	$ (4,323)
Post-employment benefits	(59)	(59)
Other long-term benefits	(1,258)	(1,983)
Unit-based payments	(531)	(768)
	$ (6,636)	$ (7,133)

Chartwell management has a senior executive committee, comprising officers of Chartwell, with the responsibility to provide strategic direction and oversight to Chartwell. The above table includes the total compensation of members of the senior executive committee and directors of Chartwell.

32. Expenses by nature:

	2021	2020
Wages and benefits	$ (510,416)	$ (493,352)
Food and supplies	(63,124)	(68,103)
Realty taxes	(30,355)	(30,989)
Utilities	(29,510)	(29,218)
Other	(40,674)	(44,732)
	$ (674,079)	$ (666,394)
Included in the consolidated statements of net income:		
Direct property operating	$ (629,715)	$ (622,499)
General, administrative and trust	(44,364)	(43,895)
	$ 674,079	$ (666,394)