

Condensed Consolidated Interim Financial Statements  
(In Canadian dollars)

# **CHARTWELL RETIREMENT RESIDENCES**

March 31, 2022  
(Unaudited)

# CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Balance Sheets  
(In thousands of Canadian dollars)  
(Unaudited)

	Note	March 31, 2022	December 31, 2021
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 159,957	\$ 95,486
Trade and other receivables	7	19,426	18,668
Capital funding receivable		-	6,746
Assets held for sale	16	200,528	-
Other assets	8	32,723	25,964
Total current assets		412,634	146,864
Non-current assets:			
Other assets	8	4,024	2,731
Loans receivable	9	8,009	8,009
Capital funding receivable		-	22,161
Investment in joint ventures	10	9,040	8,954
Intangible assets	5	30,791	72,503
Property, plant and equipment ("PP&E")	4	3,008,731	3,156,031
Total non-current assets		3,060,595	3,270,389
Total assets		\$ 3,473,229	\$ 3,417,253
<b>Liabilities and Unitholders' Equity</b>			
Current liabilities:			
Lease obligations	6	\$ 778	\$ 975
Accounts payable and other liabilities	15	184,768	194,886
Distributions payable		12,002	11,965
Mortgages payable	11	259,373	301,594
Liabilities related to assets held for sale	16	142,710	-
Total current liabilities		599,631	509,420
Non-current liabilities:			
Lease obligations	6	7,480	11,585
Other liabilities	15	1,769	1,765
Mortgages payable	11	1,431,956	1,559,606
Mortgages payable related to assets held for sale	16	15,273	-
Credit facilities	12	110,602	-
Term loans	13	124,740	124,709
Senior unsecured debentures	14	349,164	349,067
Class B Units of Chartwell Master Care LP ("Class B Units")	17	18,977	18,089
Deferred tax liabilities	25	17,542	16,901
Total non-current liabilities		2,077,503	2,081,722
Total liabilities		2,677,134	2,591,142
Unitholders' equity	18	796,095	826,111
Total liabilities and unitholders' equity		\$ 3,473,229	\$ 3,417,253

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Trustees:

"Ann Davis" \_\_\_\_\_ Trustee      "Huw Thomas" \_\_\_\_\_ Trustee

# CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Net Income (Loss) and Comprehensive Income

(Loss)

(In thousands of Canadian dollars)

(Unaudited)

		Three months ended March 31,	
	Note	2022	2021
Revenue:			
Resident		\$ 157,668	\$ 156,927
Management and other fees		3,114	3,480
Lease revenue from joint ventures	10	8,852	10,359
Interest income		270	579
	21	169,904	171,345
Income (expenses):			
Direct property operating		(113,787)	(101,211)
Depreciation of PP&E	4,16	(36,621)	(37,679)
Amortization of intangible assets	5,16	(744)	(786)
Share of net loss from joint ventures	10	(161)	(2,311)
General, administrative and trust		(13,828)	(12,792)
Other income	22	675	470
Finance costs	23	(19,300)	(20,464)
Change in fair values of financial instruments and foreign exchange gains (losses)	24	2,641	(435)
		(181,125)	(175,208)
Loss before income taxes		(11,221)	(3,863)
Deferred income tax benefit (expense)	25	(641)	1,188
Net loss from continuing operations		\$ (11,862)	\$ (2,675)
Discontinued operations:			
Net income (loss) from discontinued operations	16	8,546	(2,258)
Net loss and comprehensive loss <sup>(1)</sup>		\$ (3,316)	\$ (4,933)

<sup>(1)</sup>Referred to as "Net income" throughout the consolidated financial statements

See accompanying notes to condensed consolidated interim financial statements.

# CHARTWELL RETIREMENT RESIDENCES

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

Three months ended March 31, 2022	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, 2021	\$ 2,545,451	\$ 21,592	\$ (14,313)	\$ (96,829)	\$ (1,636,285)	\$ 6,495	\$ 826,111
Net loss	—	—	—	(3,316)	—	—	(3,316)
Distributions to unitholders	—	—	—	—	(35,661)	—	(35,661)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	8,700	—	—	—	—	—	8,700
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	59	(36)	21	—	—	(21)	23
Interest on EUPP receivable	—	—	(44)	—	—	—	(44)
Distributions applied against EUPP receivable	—	—	282	—	—	—	282
Unitholders' equity, March 31, 2022	\$ 2,554,210	\$ 21,556	\$ (14,054)	\$ (100,145)	\$ (1,671,946)	\$ 6,474	\$ 796,095

Distributions were declared and paid at \$0.051 per unit per month for the months of January 2022 to March 2022. In April 2022, distributions were declared at \$0.051 per unit.

See accompanying notes to condensed consolidated interim financial statements.

# CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Unitholders' Equity (continued)

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

(Unaudited)

Three months ended March 31, 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 loss	—	—	—	(4,933)	—	—	(4,933)
Distributions to unitholders	—	—	—	—	(32,984)	—	(32,984)
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	193	1,685	(1,654)	—	—	(92)	132
Interest on EUPP receivable	—	—	(43)	—	—	—	(43)
Distributions applied against EUPP receivable	—	—	265	—	—	—	265
Unitholders' equity, March 31, 2021	\$ 2,328,158	\$ 21,996	\$ (15,248)	\$ (111,894)	\$ (1,533,042)	\$ 6,444	\$ 696,414

Distributions were declared and paid at \$0.051 per unit per month for the months of January 2021 to March 2021. In April 2021, distributions were declared at \$0.051 per unit.

See accompanying notes to condensed consolidated interim financial statements.

# CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

		Three months ended March 31,	
	Note	2022	2021
Cash provided by (used in):			
Operating activities:			
Net loss		\$ (3,316)	\$ (4,933)
Items not affecting cash:			
Depreciation and amortization	4, 5, 16	39,383	41,396
Finance costs	16, 23	21,315	22,659
Other income	16, 22	(174)	(470)
Interest income	16, 21	(595)	(992)
Change in fair values of financial instruments and foreign exchange (gains) losses	24	(2,641)	434
Deferred income tax (benefit) expense	25	641	(1,188)
Share of net loss from joint ventures	10	161	2,311
Other		13	161
Change in trade and other receivables		(505)	(3,330)
Change in other assets		(11,309)	(3,037)
Change in accounts payable and other liabilities		(6,994)	(15,009)
		35,979	38,002
Interest income and other income received		527	889
Interest paid		(17,119)	(18,727)
		19,387	20,164
Financing activities:			
Proceeds from mortgage financing		3,767	64,242
Mortgage repayments		(3,093)	(2,549)
Scheduled mortgage principal repayments		(21,558)	(20,426)
Draws on credit facilities	12	114,000	—
Additions to finance costs		(233)	(3,951)
Distributions paid		(26,968)	(33,019)
		65,915	4,297
Investing activities:			
Additions to PP&E and intangible assets		(22,897)	(20,772)
Proceeds from disposal of PP&E		650	361
Change in capital funding receivable		1,663	1,726
Contributions to joint ventures	10	(247)	—
		(20,831)	(18,685)
Increase in cash and cash equivalents		64,471	5,776
Cash and cash equivalents, beginning of period		95,486	70,157
Cash and cash equivalents, end of period		\$ 159,957	\$ 75,933

See accompanying notes to condensed consolidated interim financial statements.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

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## 1. Organization:

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.

On March 31, 2022, Chartwell entered into a definitive agreement to sell fifteen long-term care homes in Ontario and one retirement residence connected to an adjacent long-term care home, thereby ceasing the operation of its long term care segment (note 16).

### COVID-19 business impacts and related risks:

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Our annual financial statements for the year ended December 31, 2021 include in note 1 a detailed discussion of the effects of the COVID-19 pandemic which has negatively affected our business and is expected to continue to do so for the duration of the pandemic.

## 2. Basis of preparation:

Statement of compliance:

These condensed consolidated interim financial statements for the three months ended March 31, 2022 have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on May 5, 2022.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2021.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

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## **2. Basis of preparation (continued):**

Discontinued Operations:

The results of operations of Chartwell's long term care segment are classified as discontinued operations in these financial statements (note 16). A discontinued operation is a component of Chartwell's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as discontinued operations occurs upon disposal or earlier, if the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of earnings is re-presented as if the operations had been discontinued from the start of the comparative period.

## **3. Acquisitions:**

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 4).

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 10).

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.



# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 3. 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

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 4. Property, plant and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
<b>Cost</b>						
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
Additions	—	14,407	2,241	3,865	—	20,513
Disposals	—	(105)	—	—	—	(105)
Derecognition	—	(18,412)	—	—	—	(18,412)
Reclassification to assets held for sale (note 16)	(30,051)	(141,837)	(23,415)	(382)	(2,743)	(198,428)
Balance, March 31, 2022	\$ 316,046	\$ 3,375,188	\$ 153,741	\$ 68,029	\$ 18,581	\$ 3,931,585
<b>Accumulated depreciation and impairment losses</b>						
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
Depreciation of right-of-use assets	42	75	214	—	22	353
Depreciation	—	33,909	4,175	—	—	38,084
Derecognition	—	(18,412)	—	—	—	(18,412)
Reclassification to assets held for sale (note 16)	(237)	(48,663)	(19,986)	—	(271)	(69,157)
Balance, March 31, 2022	\$ 321	\$ 801,509	\$ 121,024	\$ —	\$ —	\$ 922,854
<b>Carrying amounts</b>						
Balance, December 31, 2021	\$ 345,581	\$ 2,686,535	\$ 38,294	\$ 64,546	\$ 21,075	\$ 3,156,031
Balance, March 31, 2022	315,725	2,573,679	32,717	68,029	18,581	3,008,731

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 4. Property, plant and equipment (continued):

The following table summarizes the balance of Chartwell's right-of-use assets included in the table above as at December 31, 2021 and March 31, 2022:

Right-of-use assets	Land <sup>(1)</sup>	Buildings	Furniture, fixtures and equipment	Land held for development	Total
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
Additions	–	–	212	–	212
Depreciation	(42)	(75)	(214)	(22)	(353)
Reclassification to assets held for sale (note 16)	(1,631)	(1,813)	(202)	(2,179)	(5,825)
Balance, March 31, 2022	\$ 5,651	\$ 3,774	\$ 1,317	\$ –	\$ 10,742

<sup>(1)</sup> Relates to land leases

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

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## 4. Property, plant and equipment (continued):

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 sale price of \$30,694 with Welltower assuming \$23,364 of the existing mortgage (note 10).

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.

Other PP&E information:

On March 31, 2022, Chartwell entered into a definitive agreement to sell fifteen long term care homes in Ontario and one retirement residence connected to an adjacent long term care home, thereby ceasing the operation of its long term care segment (note 16). Concurrently with the sale of the long term care operations, Chartwell entered into an additional purchase and sale agreement to sell one long-term care home currently under redevelopment for a sale price of \$64,500 including estimated capital funding receivable of \$30,900 to be paid upon completion of the development, subject to additional adjustments in accordance with the terms of the purchase and sale agreement. The forward sale contract will close when the redevelopment of the project is complete.

Since January 1, 2010, \$276,058 of fully amortized resident contracts have been removed from the cost and accumulated depreciation of PP&E in respect of residences which were held by Chartwell as at March 31, 2022 (December 31, 2021 - \$268,346 in respect of residences which were held by Chartwell as at December 31, 2021).

During the three months ended March 31, 2022, Chartwell capitalized \$555 (March 31, 2021 – \$820) of borrowing costs related to development projects under construction at an average capitalization rate of 3.40% respectively (three months ended March 31, 2021 - 3.45%).

Our annual financial statements for the year ended December 31, 2021 include in note 5 a detailed discussion of the effects of the COVID-19 pandemic on the valuation of PP&E.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 5. Intangibles:

	Goodwill	Licenses	Software <sup>(1)</sup>	Total
<b>Cost</b>				
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
Reclassification to assets held for sale (note 16)	—	(35,194)	(9,077)	(44,271)
Balance, March 31, 2022	\$ 9,233	\$ 6,150	\$ 35,224	\$ 50,607
<b>Accumulated amortization</b>				
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
Amortization	—	—	946	946
Reclassification to assets held for sale (note 16)	—	—	(3,505)	(3,505)
Balance, March 31, 2022	\$ —	\$ —	\$ 19,816	\$ 19,816
<b>Carrying amounts</b>				
Balance, December 31, 2021	\$ 9,233	\$ 41,344	\$ 21,926	\$ 72,503
Balance, March 31, 2022	9,233	6,150	15,408	30,791

<sup>(1)</sup> The March 31, 2022 balance includes \$290 (December 31, 2021 - \$290) in software under development.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 6. Leases:

As at March 31, 2022, Chartwell has right-of-use assets in respect of land, office space and equipment leases totalling \$10,742 (December 31, 2021 - \$16,708) with remaining lease terms ranging from 2 to 57 years. Lease obligations related to these right-of-use assets totalled \$8,258 (December 31, 2021 - \$12,560) of which \$778 (December 31, 2021 - \$975) was classified current and \$7,480 (December 31, 2021 - \$11,585) was classified non-current as at March 31, 2022. 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	\$ 969
One to five years	2,289
More than five years	16,306
Total <sup>(1)</sup>	\$ 19,564

(1) Includes one land lease with cumulative required undiscounted cash payments of \$17,470 (December 31, 2021 - \$23,815) which matures in 2079.

## 7. Trade and other receivables:

	March 31, 2022	December 31, 2021
Residents	\$ 1,760	\$ 1,415
Related party	3,594	2,803
Insurance recoverables	1,642	932
Government grants receivable	2,226	1,823
Other	10,204	11,695
	\$ 19,426	\$ 18,668

Resident receivables balance at March 31, 2022 is net of an allowance for expected credit losses of \$1,824 (December 31, 2021 - \$1,762).

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

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 7. Trade and other receivables (continued):

During the three months ended March 31, 2022, Chartwell's direct operating expenses have been reduced by government grants for eligible expenditures of \$2,571 (March 31, 2021 - \$12,320) and general, administrative and trust expenses have been reduced by government grants for eligible expenditures of nil (March 31, 2021 - \$507).

## 8. Other assets:

	March 31, 2022	December 31, 2021
Prepaid expenses and deposits	\$ 20,812	\$ 15,760
Restricted cash	862	860
Inventory	940	1,239
Related party lease receivable	4,715	3,301
Other assets	9,418	7,535
	<u>\$ 36,747</u>	<u>\$ 28,695</u>
Current	\$ 32,723	\$ 25,964
Non-current	4,024	2,731
	<u>\$ 36,747</u>	<u>\$ 28,695</u>

## 9. Loans receivable:

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.

Loans receivable are measured at FVTPL and are considered Level 3 in the fair value hierarchy.

On April 14, 2021, a mezzanine loan of \$3,969 was settled upon the acquisition of Chartwell Le Teasdale II (note 3).

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 10. 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 March 31, 2022:

Joint arrangements	Number of properties	Chartwell ownership	Joint arrangement type	Consolidation method
Chartwell-Welltower Landlord <sup>(1)</sup>	37	50%	Joint operation	Proportionate
Chartwell-Welltower Operator <sup>(1)</sup>	37	50%	Joint venture <sup>(2)</sup>	Equity
Chartwell Le St-Gabriel Landlord <sup>(1)</sup>	1	42.5%	Joint operation	Proportionate
Chartwell Le St-Gabriel Operator <sup>(1)</sup>	1	42.5%	Joint venture <sup>(2)</sup>	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 <sup>(2)</sup>	Equity
Chartwell Constantia Retirement Residence	1	50%	Joint venture <sup>(2)</sup>	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 <sup>(2)</sup>	Equity
Pickering Project <sup>(3)</sup>	1	90%	Joint operation	Proportionate

<sup>(1)</sup> Chartwell directly holds its interest in real estate while its interest in operations is held through separate legal entities.

<sup>(2)</sup> These joint arrangements have been structured through separate legal vehicles.

<sup>(3)</sup> Property under development.

The following tables summarize certain information about Chartwell's investment in joint ventures:

	Three months ended March 31,	
	2022	2021
Contributions to joint ventures	\$ 247	\$ —



# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 10. Joint arrangements (continued):

	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 3,825	\$ 5,123
Trade and other receivables	13,210	13,619
Other assets	4,666	3,057
Current assets	21,701	21,799
PP&E and intangible assets	57,020	56,278
Total assets	\$ 78,721	\$ 78,077
Accounts payable and other liabilities	\$ 17,388	\$ 16,772
Mortgages payable - current	221	219
Current liabilities	17,609	16,991
Mortgages payable - non-current	52,072	52,132
Total liabilities	\$ 69,681	\$ 69,123
Net investment in joint ventures	\$ 9,040	\$ 8,954
	Three months ended March 31, 2022	2021
Revenue	\$ 28,119	\$ 27,830
Direct property operating expense	(20,743)	(18,582)
Lease expense	(8,852)	(10,359)
Finance costs	(451)	(448)
Depreciation and amortization	54	(901)
Change in fair value of financial instruments and foreign exchange gains (losses)	1,712	145
Other income	—	4
Chartwell's share of net loss from joint ventures	\$ (161)	\$ (2,311)

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
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## 10. 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 condensed consolidated interim financial statements, the related party balances are included in accounts receivable and payable, lease revenue from joint ventures, lease expense and in management fee revenue, as applicable. As of March 31, 2022, \$2,581 (December 31, 2021 - \$1,972) of Chartwell's accounts receivable and \$11,733 (December 31, 2021 - \$12,369) of Chartwell's accounts payable relate to its investments in joint ventures. For the three months ended March 31, 2022, \$1,635 (March 31, 2021 - \$2,363) of Chartwell's management fees related to its investment in joint ventures.

Chartwell and Welltower Inc ("Welltower") (collectively 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. Chartwell's 50% interest in the operations of the 37 properties (collectively referred to as "Chartwell-Welltower Operator") and Chartwell's 42.5% interest in Chartwell Le St-Gabriel Operator are held through separate legal entities, which are accounted for as joint ventures using the equity method under IFRS 11.

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 renewal terms as long as the joint arrangement between respective parties is still in effect. As a result, Chartwell's share of the landlords' lease receipts, \$8,852 for the three months ended March 31, 2022 (three months ended March 31, 2021 - \$10,359) 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 (loss) 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).

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
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## 11. Mortgages payable:

	March 31, 2022	December 31, 2021
Mortgages principal balance	\$ 1,732,274	\$ 1,904,057
Mark-to-market adjustments on assumed mortgages	1,882	5,412
Financing costs <sup>(1)</sup>	(42,827)	(48,269)
	<b>\$ 1,691,329</b>	<b>\$ 1,861,200</b>
Current	\$ 259,373	\$ 301,594
Non-current	1,431,956	1,559,606
	<b>\$ 1,691,329</b>	<b>\$ 1,861,200</b>

<sup>(1)</sup> Includes financing costs with respect to the credit facilities of \$nil as at March 31, 2022 (December 31, 2021 - \$3,321).

Mortgages payable are secured by first and second charges on specific properties and are measured at amortized cost. The mortgages payable as at March 31, 2022 are as follows:

	Regular principal payments	Principal due on maturity	Total debt
Remainder 2022	\$ 54,063	\$ 193,166	\$ 247,229
2023	68,890	88,068	156,958
2024	63,685	187,084	250,769
2025	57,431	75,286	132,717
2026	54,333	81,845	136,178
2027	50,325	57,549	107,874
2028	46,619	186,547	233,166
2029	36,480	90,382	126,862
2030	28,770	70,719	99,489
2031	20,848	94,588	115,436
2032	15,132	18,634	33,766
2033	12,077	13,078	25,155
2034	10,157	1,621	11,778
2035	9,755	—	9,755
Thereafter	20,164	24,978	45,142
	<b>\$ 548,729</b>	<b>\$ 1,183,545</b>	<b>\$ 1,732,274</b>

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 11. Mortgages payable (continued):

	March 31, 2022	December 31, 2021
Mortgages at fixed rates:		
Mortgages (principal)	\$1,680,476	\$1,856,024
Interest rates	1.31% to 5.60%	1.31% to 7.85%
Weighted average interest rate	3.09%	3.30%
Mortgages at variable rates:		
Mortgages (principal)	\$51,798	\$48,033
Interest rates	Bankers acceptance Plus 0.975% to the higher of Prime plus 0.55% or 3.25%	Bankers acceptance plus 0.975% to the higher of Prime plus 0.55% or 3.25%
Weighted average interest rate	2.33%	2.13%
Blended weighted average rate	3.07%	3.27%

Included in mortgages at fixed rates above, are mortgages totaling \$84,232 (December 31, 2021 - \$84,527) with interest rates fixed through interest rate swap contracts with an equivalent notional value, maturing between 2022 and 2024. The swaps have a fair value asset of \$2,730 (December 31, 2021 - \$662) included in other assets and a fair value liability of \$nil (December 31, 2021 - \$435) included in accounts payable and other accrued liabilities. 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 March 31, 2022.

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 March 31, 2022.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 11. Mortgages payable (continued):

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

During the three months ended March 31, 2022, Chartwell entered into additional amending agreements in respect of certain mortgages and the LBA to exclude incremental direct operating expenses directly related to the COVID-19 pandemic from January 1, 2022 to June 30, 2022 and net reimbursement of such expenses (if any) from the definition of EBITDA or Adjusted Fund From Operations ('AFFO') for the purpose of the calculation of the debt service coverage and AFFO payout ratios for the periods ending at the earlier of December 31, 2023 and the maturity date of the applicable credit agreement.

## 12. Credit facilities:

The following tables summarize certain details of Chartwell's credit facilities as at March 31, 2022 and December 31, 2021:

March 31, 2022	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for letters of credit	Available to be drawn	Maturity date
Secured credit facility	\$ 300,000	\$ 235,228	\$ (114,000)	\$ (6,353)	\$ 114,875	May 29, 2024
Unsecured credit facility	100,000	100,000	—	—	100,000	May 29, 2024
<b>Total</b>	<b>\$ 400,000</b>	<b>\$ 335,228</b>	<b>\$ (114,000)</b>	<b>\$ (6,353)</b>	<b>\$ 214,875</b>	

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
<b>Total</b>	<b>\$ 400,000</b>	<b>\$ 349,915</b>	<b>\$ —</b>	<b>\$ (6,466)</b>	<b>\$ 343,449</b>	

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

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## 12. 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, the secured collateral, and the occupancy rate of the property. Available capacity is reduced if ratio of the unencumbered property asset value to unsecured indebtedness (as defined in the credit agreement) falls below 1.3:1. The value of the unencumbered assets is based on third party appraisals that are dated no longer than two years from the applicable determination date.

Financing costs, which have been recorded as a reduction of the amounts outstanding under the credit facilities, as at March 31, 2022 were \$3,398 (December 31, 2021 - \$3,321 included in Mortgages payable as financing costs (note 11)).

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. 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 into 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 March 31, 2022.

During the year ended December 31, 2021, 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. In addition, during the three months ended March 31, 2022, Chartwell entered into additional amending agreements to exclude incremental direct operating expenses directly relating to the COVID-19 pandemic from January 1, 2022 to June 30, 2022 and net reimbursement of such expenses (if any) for the purpose of the calculation of the debt service coverage and Adjusted Fund From Operations ('AFFO') payout ratios for the periods ending on or before December 31, 2023.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 13. Term loan:

The following tables detail the outstanding principal amounts and the carrying value of Chartwell's secured and unsecured term loans at March 31, 2022 and at December 31, 2021:

March 31, 2022	Outstanding principal	Financing costs, net	Carrying value	Maturity date
Unsecured term loan	\$ 125,000	\$ (260)	\$ 124,740	May 31, 2024

  

December 31, 2021	Outstanding principal	Financing costs, net	Carrying value	Maturity date
Unsecured term loan	\$ 125,000	\$ (291)	\$ 124,709	May 31, 2024

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

The swaps have a fair value asset of \$1,294 (December 31, 2021 - \$nil) included in other assets and a fair value liability of \$nil (December 31, 2021 - \$1,765) included in accounts payable other accrued liabilities. The swaps are considered level 2 in the fair value hierarchy.

Based on the term loan agreement, 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 into 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 March 31, 2022.

During the year ended December 31, 2021, the debt service coverage ratio covenant 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. In addition, during the three months ended March 31, 2022, Chartwell entered into additional amending agreements to exclude incremental direct operating expenses directly relating to the COVID-19 pandemic from January 1, 2022 to June 30, 2022 and net reimbursement of such expenses (if any) for the purpose of the calculation of the debt service coverage and Adjusted Fund From Operations ("AFFO" payout ratios for the periods ending on or before December 31, 2023.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 14. Senior unsecured debentures:

The following tables detail the outstanding principal amounts and the carrying value of Chartwell's senior unsecured debentures at March 31, 2022 and at December 31, 2021:

March 31, 2022	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date <sup>(1)</sup>	Due date
3.786% Series A	June 9, 2017	\$ 200,000	\$ (405)	\$ 199,595	October 11, 2023	December 11, 2023
4.211% Series B	April 27, 2018	150,000	(431)	149,569	February 25, 2025	April 28, 2025
<b>Total</b>		<b>\$ 350,000</b>	<b>\$ (836)</b>	<b>\$ 349,164</b>		

<sup>(1)</sup> 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.

December 31, 2021	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date <sup>(1)</sup>	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
<b>Total</b>		<b>\$ 350,000</b>	<b>\$ (933)</b>	<b>\$ 349,067</b>		

<sup>(1)</sup> 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 March 31, 2022.



# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 15. Accounts payable and other liabilities:

	Note	March 31, 2022	December 31, 2021
Accounts payable and accrued liabilities		\$ 152,746	\$ 163,379
Resident deposits		3,995	3,664
Deferred revenue		490	640
Deferred Trust Units ("DTU")	(a)	13,950	12,939
Restricted Trust Units ("RTU")	(b)	4,232	3,914
EUPP option component	(c)	11,124	9,915
Interest rate swaps		-	2,200
		<b>\$ 186,537</b>	<b>\$ 196,651</b>
Current		\$ 184,768	\$ 194,886
Non-current		1,769	1,765
		<b>\$ 186,537</b>	<b>\$ 196,651</b>

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 15. Accounts payable and other liabilities (continued):

### (a) DTU Plan:

The DTU fair value is determined using the market price for listed Trust Units since there is a one-for-one conversion feature. The market price of Trust Units as at March 31, 2022 was \$12.40 (December 31, 2021 - \$11.82). 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 non-cash compensation expense attributable to DTUs granted is included in general, administrative and trust expenses and subsequent fair value changes are included in fair value of financial instruments and foreign exchange gains (losses).

The following table summarizes the DTU activity:

	Units outstanding	Amount
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
Units granted	16,780	209
Change in fair value and distributions	13,698	802
Balance, March 31, 2022	1,125,157	\$ 13,950

### (b) RTU Plan:

During the three months ended March 31, 2022, 379,985 notional Trust Units were granted (December 31, 2021 - 355,856), 51,783 notional Trust Units were cancelled (December 31, 2021 - 32,632), 9,996 notional Trust Units were issued in regard to distributions (December 31, 2021 - 39,415), and 46,345 notional Trust Units vested and were paid out (December 31, 2021 - 294,999). At March 31, 2022, 1,010,296 notional Trust Units remained outstanding (December 31, 2021 - 718,444). The liability is measured at fair value based on the market price for Trust Units at each reporting period until settlement. RTU plan is considered Level 2 in the fair value hierarchy. The compensation expense attributable to the RTU plan is included in direct property operating expense and general, administrative and trust expenses.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

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## 15. Accounts payable and other liabilities (continued):

(c) EUPP option component:

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 Level 3 in the fair value hierarchy. Upon initial recognition the expense is recognized in change 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).

Fair value 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:

	March 31, 2022	December 31, 2021
Expected volatility	23.21% - 28.21%	24.81% - 29.81%
Risk-free rate	2.79% - 2.91%	1.75% - 2.03%
Distribution yield	5.11% - 5.80%	5.52% - 6.81%

## 16. Discontinued operations:

On March 31, 2022, Chartwell entered into a definitive agreement to sell fifteen long-term care homes in Ontario and one retirement residence connected to an adjacent long-term care home, thereby ceasing the operation of its long term care segment. Assuming a closing date of December 31, 2022, the sale price is \$382,000 including estimated capital funding receivables of \$22,000 as at December 31, 2022. The purchase price will be reduced through the assumption of \$126,200 of estimated mortgage debt as at December 31, 2022 by the purchaser. The remainder is subject to additional adjustments in accordance with the terms of the purchase and sale agreement. The remaining balance will be paid in cash, a portion of which will be used to repay the remaining estimated mortgage debt of \$15,800 as at December 31, 2022, which is not being assumed by the purchaser. In addition, certain other liabilities, including contingent liabilities, associated with these long-term care homes will remain with Chartwell upon sale. This transaction is subject to receipt of regulatory approvals and other customary closing conditions. The timing of the transfer of operations and the related assets is anticipated to close in the first half of 2023.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 16. Discontinued operations (continued):

Upon closing of the sale, Chartwell will continue to own two long term care homes in Ontario. These homes are not significant to the overall operations, will be managed by the purchaser and will be reported within the retirement residences segment.

The assets and liabilities of the discontinued operations as at March 31, 2022 are as follows:

	March 31, 2022
Other assets	\$ 3,247
Capital funding receivable	27,244
Intangible assets	40,766
PP&E	129,271
Total assets held for sale	200,528
Accounts payable and other liabilities related to assets held for sale	4,769
Current mortgages payable related to assets held for sale	137,941
Liabilities related to assets held for sale	142,710
Mortgages payable related to assets held for sale	15,273
Total Liabilities and mortgages related to assets held for sale	157,983

The following is a summary of the results of discontinued operations:

	Three months ended March 31,	
	2022	2021
Resident revenue	67,955	60,748
Interest income	325	412
Direct operating expenses	(55,200)	(58,293)
Finance costs	(2,015)	(2,194)
Other expense	(501)	-
Depreciation of PP&E	(1,816)	(2,722)
Amortization of intangible assets	(202)	(209)
Net income (loss) from discontinued operations	8,546	(2,258)
Cash flows from discontinued operations:		
Net cash from operating activities	9,846	369
Net cash used in financing activities	(2,204)	(2,070)
Net cash used in investing activities	685	1,100

Included in other expenses for the three months ended March 31, 2022 are transaction costs of \$501 related to the expected sale of the long term care operations.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

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(Unaudited)

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## 17. 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. Holders of the Class B Units are entitled to receive distributions equal to those provided to holders of Trust Units. Distributions on Class B Units are reported as a finance cost on the statement of comprehensive income. Fair value is determined by using the market price 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 March 31, 2022 was \$12.40 per unit (December 31, 2021 - \$11.82 per unit). At March 31, 2022, 1,530,360 Class B Units were outstanding (December 31, 2021 - 1,530,360).

	Units outstanding	Amount
Balance, December 31, 2020	1,530,360	\$ 17,125
Change in fair value	—	964
Balance, December 31, 2021	1,530,360	18,089
Change in fair value	—	888
Balance, March 31, 2022	1,530,360	\$ 18,977

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 18. Trust Units and EUPP:

The following Trust Units are issued and outstanding:

	Number of Trust Units	Amount
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
Trust Units issued under DRIP	729,899	8,700
Trust Units released on settlement of EUPP receivable	3,500	59
Balance, March 31, 2022	231,959,946	\$ 2,554,210

The following table summarizes Trust Units issued under the EUPP:

	Number of Trust Units issued under EUPP	Amount
Balance, December 31, 2020	1,734,202	\$ 20,311
Trust Units issued under EUPP	158,254	1,828
Trust Units released on settlement of EUPP receivable	(47,172)	(547)
Balance, December 31, 2021	1,845,284	21,592
Trust Units released on settlement of EUPP receivable	(3,500)	(36)
Balance, March 31, 2022	1,841,784	\$ 21,556

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 temporary suspension of its DRIP program commencing after the distribution payable to unit holders of record at March 31, 2020. The unitholders enrolled in the DRIP program received distribution payments in cash.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

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## **18. Trust Units and EUPP (continued):**

Effective with the distribution payable, June 15, 2021 to unitholders of record as at May 31, 2021, the DRIP was reinstated.

On August 25, 2021, Chartwell completed a public offering of 15,490,500 Trust Units at \$13 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.

## **19. Segmented information:**

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 condensed consolidated interim 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. Chartwell has classified the Long-term Care segment as discontinued operations, however it continues to review the segment until the discontinuance is completed.

The measure of segment profit or loss 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.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 19. Segmented information (continued):

Three months ended March 31, 2022									
	Retirement Operations	Long-Term <sup>(3)(4)</sup> Care Operations	Segment Total	Other	Subtotal	Recon- ciliation	Elimination of Discontinued operations	Total	
Resident Management and other fees	\$ 177,735	\$ 75,968	\$ 253,703	\$ –	\$ 253,703	\$ (28,080)	\$ (67,955)	\$ 157,668	
Lease revenue from joint ventures	–	–	–	3,114	3,114	–	–	3,114	
Interest income	–	–	–	–	–	8,852	–	8,852	
	–	–	–	634	634	(39)	(325)	270	
	177,735	75,968	253,703	3,748	257,451	(19,267)	(68,280)	169,904	
Expenses:									
Direct property operating	(126,921)	(62,809)	(189,730)	–	(189,730)	20,743	55,200	(113,787)	
Adjusted net operating income <sup>(1)</sup>	50,814	13,159	63,973						
Depreciation of PP&E								(36,621)	
Amortization of intangible assets								(744)	
Share of net loss from joint ventures								(161)	
General, administrative and trust								(13,828)	
Other income								675	
Finance costs								(19,300)	
Change in fair values of financial instruments and foreign exchange losses								2,641	
								(67,338)	
Loss before income taxes								(11,221)	
Deferred income tax expense								(641)	
Net loss from continuing operations								(11,862)	
Net income from discontinued operations, net of income taxes								8,546	
Net loss								(3,316)	
Expenditures for non-current assets:									
Capital additions	\$ 17,657	\$ 3,249	\$ 20,906	\$ 241	\$ 21,147	\$ (634)	\$ (2,340)	\$ 18,173	

<sup>(1)</sup> 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 and the results of the Long Term Care Operations segment which is discontinued.

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

<sup>(3)</sup> Chartwell has classified this segment as discontinued operations however continues to review the segment until the discontinuance is completed.

<sup>(4)</sup> Upon closing of the sale, Chartwell will continue to own two long-term care homes which are not considered significant for the purposes of reporting as a separate operating segment. The segment will be considered disposed upon closing of the transaction and at that time these properties will be included in the retirement operations segment (note 16).



# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 19. Segmented information (continued):

Three months ended March 31, 2021									
	Retirement Operations	Long-Term <sup>(3)(4)</sup> Care Operations	Segment Total	Other	Subtotal	Recon- ciliation	Elimination of Discontinued operations	Total	
Resident Management and other fees	\$ 176,328	\$ 69,090	\$ 245,418	\$ –	\$ 245,418	\$ (27,743)	\$ (60,748)	\$ 156,927	
Lease revenue from joint ventures	–	–	–	3,480	3,480	–	–	3,480	
Interest income	–	–	–	–	–	10,359	–	10,359	
	–	–	–	1,078	1,078	(86)	(413)	579	
	176,328	69,090	245,418	4,558	249,976	(17,471)	(61,160)	171,345	
Expenses:									
Direct property operating	(111,953)	(66,133)	(178,086)	–	(178,086)	18,581	58,294	(101,211)	
Adjusted net operating income <sup>(1)</sup>	64,375	2,957	67,332						
Depreciation of PP&E								(37,679)	
Amortization of intangible assets								(786)	
Share of net loss from joint ventures								(2,311)	
General, administrative and trust								(12,792)	
Other income								470	
Finance costs								(20,465)	
Change in fair values of financial instruments and foreign exchange losses								(434)	
								(73,997)	
Loss before income taxes								(3,863)	
Deferred income tax benefit								1,188	
Net loss from continuing operations								(2,675)	
Net loss from discontinued operations, net of income taxes								(2,258)	
Net loss								(4,933)	
Expenditures for non-current assets:									
Capital additions	\$ 22,552	\$ 2,947	\$ 25,499	\$ 1,174	\$ 26,673	\$ (293)	\$ (579)	\$ 25,801	

<sup>(1)</sup>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 and the results of the Long Term Care Operations segment which is discontinued.

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

<sup>(3)</sup>Chartwell has classified this segment as discontinued operations however continues to review the segment until the discontinuance is completed.

<sup>(4)</sup>Upon closing of the sale, Chartwell will continue to own two long-term care homes which are not considered significant for the purposes of reporting as a separate operating segment. The segment will be considered disposed upon closing of the transaction and at that time these properties will be included in the retirement operations segment (note 16).

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
(Unaudited)

## 19. Segmented information (continued):

March 31, 2022	Retirement Operations	Long Term Care Operations	Segment Total	Other	Subtotal	Reconciliation	Discontinued operations	Total, net of discontinued operations
Total assets	3,034,693	\$ 238,897	\$ 3,273,590	\$ 278,360	\$ 3,551,950	\$ (78,721)	\$ (200,528)	\$ 3,272,701
Total liabilities	1,811,617	\$ 213,611	\$ 2,025,228	\$ 721,587	\$ 2,746,815	\$ (69,681)	\$ (157,983)	\$ 2,519,151

December 31, 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

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

March 31, 2022	Ontario	Western Canada	Quebec	Total Retirement Operations
Resident revenue	\$ 90,765	\$ 48,377	\$ 38,593	\$ 177,735
Direct property operating expenses	(64,789)	(31,413)	(30,719)	(126,921)
Adjusted net operating income	\$ 25,976	\$ 16,964	\$ 7,874	\$ 50,814

March 31, 2021	Ontario	Western Canada	Quebec	Total Retirement Operations
Resident revenue	\$ 90,366	\$ 45,601	\$ 40,361	\$ 176,328
Direct property operating expenses	(54,466)	(29,187)	(28,300)	(111,953)
Adjusted net operating income	\$ 35,900	\$ 16,414	\$ 12,061	\$ 64,375

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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As at and for the three months ended March 31, 2022 and 2021  
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## 20. Financial instruments:

The carrying amounts and fair values of financial instruments, excluding loans receivable, 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, capital funding receivable, accounts payable and other liabilities, and distributions payable, as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value.

	March 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	\$ 1,691,329	\$ 1,851,577	\$ 1,861,200	\$ 1,950,405
Term loans	124,740	122,741	124,709	125,504
Senior unsecured debentures	349,164	345,167	349,067	353,049
Credit facilities	110,602	114,000	-	-

Fair value represents management's estimate 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 March 31, 2022, the mortgages payable were discounted using rates between 3.27% and 5.12% (December 31, 2021 - 1.95% and 4.43%). 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.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
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## 20. Financial instruments (continued):

The fair value of term loans are estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. At March 31, 2022, the outstanding term loan was discounted using a weighted average rate of 4.62% (December 31, 2021 - 3.52%). 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.

The fair value of senior unsecured debentures is estimated by discounting the expected future cash outflows using the rates currently prevailing for similar instruments of similar maturities. At March 31, 2022, senior unsecured debentures were discounted using a rate of 4.62% (December 31, 2021 - 3.62%). 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.

The fair value of the credit facility is estimated to be the amount drawn at March 31, 2022 as Chartwell has the ability to repay the outstanding balance any time. As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of credit facility is Level 2 in the fair value hierarchy

## 21. Revenue:

	Three months ended March 31,	
	2022	2021
Lease revenue <sup>(1)</sup>	\$ 78,026	\$ 82,291
Services revenue <sup>(2)</sup>	88,494	84,995
Management and other fees	3,114	3,480
Interest income	270	579
Total revenue	\$ 169,904	\$ 171,345

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

<sup>(2)</sup>Includes property services element from retirement residence residents in accordance with IFRS 15.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
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## 22. Other income (expense):

	Three months ended March 31,	
	2022	2021
Transaction costs arising on acquisitions and dispositions	\$ (55)	\$ (64)
Other expense	(55)	(64)
Net gain on disposal of assets	545	361
Other income	185	173
Other income	730	536
Other income (expense)	\$ 675	\$ 470

## 23. Finance costs:

	Three months ended March 31,	
	2022	2021
Contractual interest expense on mortgages	\$ (13,304)	\$ (14,044)
Interest expense on senior unsecured debentures	(3,425)	(3,425)
Interest expense on credit facility	(435)	(365)
Contractual interest expense on term loans	(1,144)	(2,105)
	(18,308)	(19,939)
Interest capitalized to properties under development	555	820
Amortization of financing costs and mark-to-market adjustment on assumed mortgages and senior unsecured debentures	(1,313)	(1,112)
Distributions on Class B Units recorded as interest expense	(234)	(233)
Total finance costs	\$ (19,300)	\$ (20,464)

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
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## 24. Change in fair values of financial instruments and foreign exchange gains (losses):

	Three months ended March 31,	
	2022	2021
Change in fair value of interest rate swaps	\$ 5,562	\$ 1,803
Change in fair value of EUPP option component	(1,232)	(1,027)
Change in fair value of Class B Units	(888)	(796)
Change in fair value of DTUs	(814)	(669)
Change in fair value - other	11	258
Change in fair value of income guarantees	—	21
Foreign exchange (losses) gains	2	(25)
Change in fair values of financial instruments and foreign exchange (losses) gains	\$ 2,641	\$ (435)

## 25. Income taxes:

A deferred tax expense of \$641 was recorded in Q1 2022 as compared to a deferred tax benefit of \$1,188 in Q1 2021. The deferred tax expense in Q1 2022 and the deferred tax benefit in Q1 2021 were related to reversal of temporary differences on the accounting and tax basis of PP&E and fair value adjustments.

## 26. Commitments and contingencies:

Chartwell has been named in three proposed class action lawsuits related to our handling of the COVID-19 pandemic in our Ontario Long Term Care homes which were subsequently consolidated into one proceeding (the "Consolidated Claim"). The Consolidated Claim has not been certified. Chartwell's insurer has assigned defence counsel and is responding to the claims 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, which applies retroactively to March 17, 2020, 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. Chartwell did not record a provision with respect to the Consolidated Claim as at March 31, 2022.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

As at and for the three months ended March 31, 2022 and 2021  
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## **26. Commitments and contingencies (Continued):**

On October 14, 2021, the application for leave to appeal from the judgment of the Court of Appeal for Ontario 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 decision. The Court of Appeal decision held that LTC homes that used proxy comparators to develop pay equity plans have not met their maintenance requirements. 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.

## **27. Subsequent events:**

On April 1, 2022, Chartwell acquired three retirement residences in Ontario for a contractual purchase price of \$228,000, including a deferred payment of \$3,000. The purchase price was settled by assumption of \$85,635 of mortgages on two of the acquired properties, bearing a weighted average interest rate of 3.7%. The remainder of the purchase price was settled with cash on hand and borrowings on the secured credit facility.