

Condensed Consolidated Interim Financial Statements  
(In Canadian dollars)

# **CHARTWELL RETIREMENT RESIDENCES**

September 30, 2023  
(Unaudited)

# CHARTWELL RETIREMENT RESIDENCES

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

	Note	September 30, 2023	December 31, 2022
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 13,837	\$ 28,469
Trade and other receivables	7	16,985	20,465
Loan receivable	9	8,009	4,183
Asset held for sale	16	-	199,470
Other assets	8	35,753	27,829
Total current assets		74,584	280,416
Non-current assets:			
Other assets	8	4,002	8,973
Loans receivable	9	4,996	3,826
Investment in joint ventures	10	11,703	12,947
Intangible assets	5	26,215	28,135
Property, plant and equipment ("PP&E")	4	3,138,462	3,176,045
Total non-current assets		3,185,378	3,229,926
Total assets		\$ 3,259,962	\$ 3,510,342
<b>Liabilities and Unitholders' Equity</b>			
Current liabilities:			
Lease obligations	6	\$ 777	\$ 843
Accounts payable and other liabilities	15	165,091	199,818
Distributions payable		12,310	12,147
Term loans	13	124,872	-
Liabilities related to assets held for Sale	16	-	140,692
Senior unsecured debentures	14	199,960	199,777
Mortgages payable	11	360,739	191,357
Income Tax Payable	25	28,100	-
Total current liabilities		891,849	744,634
Non-current liabilities:			
Lease obligations	6	7,314	7,473
Other liabilities	15	3,138	1,376
Mortgages payable	11	1,323,540	1,466,024
Mortgages Payable related to assets held for sale	16	-	7,939
Credit facilities	12	14,627	181,234
Term loans	13	13,531	138,235
Senior unsecured debentures	14	149,784	149,677
Class B Units of Chartwell Master Care LP ("Class B Units")	17	15,732	12,916
Deferred tax liabilities	25	9,906	31,032
Total non-current liabilities		1,537,572	1,995,906
Total liabilities		2,429,421	2,740,540
Unitholders' equity	18	830,541	769,802
Total liabilities and unitholders' equity		\$ 3,259,962	\$ 3,510,342

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Trustees:

"Ann Davis"

Trustee "Jamie Scarlett"

Trustee

# CHARTWELL RETIREMENT RESIDENCES

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

		Three months ended September 30,		Nine months ended September 30,	
	Note	2023	2022	2023	2022
Revenue:					
Resident		\$ 173,383	\$ 168,758	\$ 507,378	\$ 490,562
Management and other fees		3,281	2,588	9,780	8,328
Lease revenue from joint ventures	10	8,852	8,852	26,556	26,556
Interest income		525	318	1,385	847
		186,041	180,516	545,099	526,293
Income (expenses):					
Direct property operating		(113,344)	(117,811)	(344,508)	(344,032)
Depreciation of PP&E	4, 16	(38,027)	(38,958)	(115,050)	(113,506)
Amortization of intangible assets	5, 16	(566)	(809)	(2,058)	(2,375)
Share of net income (loss) from joint ventures	10	1,023	(1,015)	(1,244)	(2,109)
General, administrative and trust		(14,403)	(11,215)	(46,995)	(40,307)
Other (expense) income	22	1,789	718	4,704	2,167
Finance costs	23	(23,395)	(21,978)	(69,910)	(62,221)
Change in fair values of financial instruments	24	(5,622)	9,054	(11,212)	18,856
		(192,545)	(182,014)	(586,273)	(543,527)
Loss before income taxes		(6,504)	(1,498)	(41,174)	(17,234)
Current Tax expense	25	(28,100)	-	(28,100)	-
Deferred Income tax benefit	25	11,274	2,248	21,091	2,718
Net income (loss) from continuing operations		(23,330)	750	(48,183)	(14,516)
Discontinued operations:					
Net income from discontinued operations	16	181,486	3,528	189,629	16,584
Net income and comprehensive income <sup>(1)</sup>		\$ 158,156	\$ 4,278	\$ 141,446	\$ 2,068

<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)

Nine months ended September 30, 2023	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, 2022	\$ 2,583,038	\$ 22,239	\$ (14,845)	\$ (47,298)	\$ (1,779,833)	\$ 6,501	\$ 769,802
Net income	—	—	—	141,446	—	—	141,446
Distributions to unitholders	—	—	—	—	(109,300)	—	(109,300)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	26,571	—	—	—	—	—	26,571
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	2,056	951	(1,741)	—	—	1	1,267
Interest on EUPP receivable	—	—	(177)	—	—	—	(177)
Distributions applied against EUPP receivable	—	—	932	—	—	—	932
Unitholders' equity, September 30, 2023	\$ 2,611,665	\$ 23,190	\$ (15,831)	\$ 94,148	\$ (1,889,133)	\$ 6,502	\$ 830,541

Distributions were declared and paid at \$0.051 per unit per month for the months of January 2023 to September 2023. In October 2023, 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)

Nine months ended September 30, 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 income	—	—	—	2,068	—	—	2,068
Distributions to unitholders	—	—	—	—	(107,446)	—	(107,446)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	26,389	—	—	—	—	—	26,389
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	2,286	887	(1,589)	—	—	5	1,589
Interest on EUPP receivable	—	—	(138)	—	—	—	(138)
Distributions applied against EUPP receivable	—	—	859	—	—	—	859
Unitholders' equity, September 30, 2022	\$ 2,574,126	\$ 22,479	\$ (15,181)	\$ (94,761)	\$ (1,743,731)	\$ 6,500	\$ 749,432

Distributions were declared and paid at \$0.051 per unit per month for the months of January 2022 to September 2022. In October 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 Cash Flows  
(In thousands of Canadian dollars)  
(Unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Cash provided by (used in):					
Operating activities:					
Net income		\$ 158,156	\$ 4,278	\$ 141,446	\$ 2,068
Items not affecting cash:					
Depreciation and amortization	4, 5, 16	38,593	39,767	117,108	117,899
Finance costs	16, 23	24,773	24,053	75,114	68,431
Transaction costs arising from business combinations and dispositions		809	-	1,436	-
Other expenses (income)	16, 22	(181,169)	(656)	(184,583)	(1,478)
Interest income	16, 21	(627)	(594)	(1,973)	(1,745)
Change in fair values of financial instruments	24	5,622	(9,054)	11,212	(18,856)
Current income taxes		28,100	-	28,100	-
Deferred income tax benefit	25	(11,274)	(2,248)	(21,091)	(2,718)
Share of net income from joint ventures	10	(1,023)	1,015	1,244	2,109
Other		618	311	1,267	1,587
Change in trade and other receivables		20,476	(4,545)	15,334	(9,681)
Change in other assets		(11,101)	2,989	(14,992)	(437)
Change in accounts payable and other liabilities		118	6,144	(1,944)	1,157
		72,071	61,460	167,678	158,336
Interest income and other income received		626	318	1,972	1,403
Interest paid		(20,212)	(19,990)	(68,942)	(62,992)
		52,485	41,788	100,708	96,747
Financing activities:					
Proceeds from mortgage financing		-	107,044	101,323	147,817
Mortgage repayments		(1,926)	(118,079)	(13,903)	(163,860)
Scheduled mortgage principal repayments		(20,824)	(21,630)	(63,606)	(65,320)
Increase in term loans (repayments)		-	-	-	13,600
Repayment of credit facilities		(172,000)	-	(167,000)	-
Draws on credit facilities	12	-	44,000	-	193,000
Net additions to finance costs		(565)	(6,129)	(7,859)	(8,199)
Distributions paid		(27,625)	(27,015)	(82,743)	(81,067)
		(222,940)	(21,809)	(233,788)	35,971
Investing activities:					
Acquisition of assets, net of cash acquired		-	(99)	-	(141,510)
Additions to PP&E and intangible assets		(24,714)	(30,877)	(87,453)	(80,525)
Proceeds from disposal of PP&E		192,834	654	194,260	1,737
Proceeds from capital funding receivable		816	1,711	3,764	5,063
Payout of loans receivable		(1,096)	-	(1,096)	-
Change in restricted cash		8,973	-	8,973	-
Distributions received from joint venture	10	-	-	-	1,150
Contributions to joint ventures	10	-	-	-	(1,453)
		176,813	(28,611)	118,448	(215,538)
Increase (decrease) in cash and cash equivalents		6,358	(8,632)	(14,632)	(82,820)
Cash and cash equivalents, beginning of period		7,479	21,298	28,469	95,486
Cash and cash equivalents, end of period		\$ 13,837	\$ 12,666	\$ 13,837	\$ 12,666

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 and nine months ended September 30, 2023 and 2022  
(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 in Canada. On September 6, 2023, Chartwell completed the sale of sixteen long term care homes and one retirement residence in Ontario, thereby ceasing the operation of its long term care segment (note 16)

The global COVID-19 pandemic and the related international public health emergency began in early 2020. In May 2023, the World Health Organization declared an end to the COVID-19 pandemic as a public health emergency. In respect of retirement residences COVID-19 infections are now managed similarly to other infectious diseases, such as influenza. Chartwell's annual financial statements for the year ended December 31, 2022 include in note 1 a detailed discussion of the effects of the COVID-19 pandemic and related risks which have affected its business.

## 2. Basis of preparation:

Statement of compliance:

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 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, 2022, 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 November 9, 2023.

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, 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 3. Acquisition:

Acquisitions during the year ended December 31, 2022:

On April 1, 2022, Chartwell acquired three retirement residences in Ontario for a 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%. Chartwell applied the optional concentration test in accordance with IFRS 3 and accounted for the acquisition as an asset acquisition. Acquisition related costs of \$6,088 have been capitalized to the building in the consolidated balance sheet.

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 three retirement residences.

Date of acquisition	April 1, 2022
Segment	Retirement Operations
Location	Province of Ontario
Number of properties (suites)	3 (467 suites)
PP&E	\$ 233,435
Working capital adjustments	(291)
Net assets acquired	\$ 233,144
Cash consideration	\$ 135,421
Mortgage assumed	85,635
Acquisition related costs incurred	6,088
Holdbacks	6,000
Total consideration	\$ 233,144



# 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 and nine months ended September 30, 2023 and 2022  
(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, 2021	\$ 346,097	\$ 3,521,135	\$ 174,915	\$ 64,546	\$ 21,324	\$ 4,128,017
Additions	—	70,945	10,461	32,326	192	113,924
Additions through acquisitions (note 3)	16,600	207,891	4,652	—	4,292	233,435
Disposals	(4,160)	(47,645)	(5,275)	—	—	(57,080)
Derecognition	—	(45,706)	—	—	—	(45,706)
Reclassification to assets held for sale (note 16)	(30,051)	(144,322)	(24,887)	(457)	(2,743)	(202,460)
Balance, December 31, 2022	328,486	3,562,298	159,866	96,415	23,065	4,170,130
Additions	—	61,926	10,969	22,016	—	94,911
Disposals	(3,288)	(31,138)	(883)	—	—	(35,309)
Derecognition	—	(34,563)	(57)	—	—	(34,620)
Balance, September 30, 2023	\$ 325,198	\$ 3,558,523	\$ 169,895	\$ 118,431	\$ 23,065	\$ 4,195,112
<b>Accumulated depreciation and impairment losses</b>						
Balance, December 31, 2021	\$ 516	\$ 834,600	\$ 136,621	\$ —	\$ 249	\$ 971,986
Depreciation of right-of-use assets	115	233	749	—	22	1,119
Depreciation	—	138,308	15,377	—	—	153,685
Disposals	—	(12,773)	(5,026)	—	—	(17,799)
Derecognition	—	(45,706)	—	—	—	(45,706)
Reclassification to assets held for sale (note 16)	(237)	(48,713)	(19,979)	—	(271)	(69,200)
Balance, December 31, 2022	394	865,949	127,742	—	—	994,085
Depreciation of right-of-use assets	75	158	488	—	—	721
Depreciation	—	104,127	10,202	—	—	114,329
Disposal	—	(17,644)	(846)	—	—	(18,490)
Derecognition	—	(34,563)	(57)	—	—	(34,620)
Impairment	—	625	—	—	—	625
Balance, September 30, 2023	\$ 469	\$ 918,652	\$ 137,529	\$ —	\$ —	\$ 1,056,650
<b>Carrying amounts</b>						
Balance, December 31, 2022	\$ 328,092	\$ 2,696,349	\$ 32,124	\$ 96,415	\$ 23,065	\$ 3,176,045
Balance, September 30, 2023	324,729	2,639,871	32,366	118,431	23,065	3,138,462

# 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 and nine months ended September 30, 2023 and 2022  
(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, 2022 and September 30, 2023:

Right-of-use assets	Land <sup>(1)</sup>	Buildings	Furniture, fixtures and equipment	Land held for development	Total
Balance, December 31, 2021	\$ 7,324	\$ 5,662	\$ 1,521	\$ 2,201	\$ 16,708
Additions	—	—	910	—	910
Depreciation	(115)	(233)	(749)	(22)	(1,119)
Disposals	—	—	(24)	—	(24)
Reclassification to assets held for sale (note 16)	(1,631)	(1,813)	(298)	(2,179)	(5,921)
Balance, December 31, 2022	5,578	3,616	1,360	—	10,554
Additions	—	—	378	—	378
Depreciation	(75)	(158)	(488)	—	(721)
Balance, September 30, 2023	\$ 5,503	\$ 3,458	\$ 1,250	\$ —	\$ 10,211

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

Dispositions during the nine months ended September 30, 2023:

On September 6, 2023, Chartwell completed the sale of sixteen long term care homes and one retirement residence in Ontario for an aggregate selling price of \$378,667, thereby ceasing the operation of its long term care segment (note 16).

On August 23, 2023, Chartwell completed the sale of one property in Ontario for a sale price of \$17,500. The purchase price was paid in cash.

On March 24, 2023, Chartwell completed the sale of one non-core property in Ontario for an aggregate selling price of \$5,000. A vendor take-back mortgage was extended to the purchaser in the amount of \$3,900, bearing an interest rate of 10.0% per annum with a three-year term. Of the remaining purchase price \$600 will be paid as income support payments.

Dispositions during the year ended December 31, 2022:

On December 7, 2022, Chartwell completed the sale of two long term care homes in British Columbia with 264 beds for an aggregate selling price of \$112,000 with the purchaser assuming the mortgage balance of \$26,102 for one of the homes. The remaining balance was paid in cash, a portion of which was used to repay the remaining mortgage debt of \$15,762. These two homes were managed and operated in the Retirement segment.

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

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

Other PP&E information:

Chartwell entered into an 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, \$279,817 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 September 30, 2023 (December 31, 2022 – \$276,058 in respect of residences which were held by Chartwell as at December 31, 2022).

For the nine months ended September 30, 2023, Chartwell had recorded an impairment loss of \$625 for one non-core property in Ontario. This property was sold subsequent to the quarter.

During the three months and nine months ended September 30, 2023, Chartwell capitalized \$771 and \$2,078 (September 30, 2022 - \$568 and \$ 1,748) of borrowing costs related to development projects under construction at an average capitalization rate of 3.74% and 3.71% respectively (three months ended September 30, 2022 – 3.66% and nine months ended September 30, 2022 – 3.49%).

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 5. Intangibles:

	Goodwill	Licenses	Software	Total
<b>Cost</b>				
Balance, December 31, 2021	\$ 9,233	\$ 41,344	\$ 44,301	\$ 94,878
Additions	—	—	1,090	1,090
Disposals	—	(1,310)	(63)	(1,373)
Reclassification to assets held for sale (note 16)	—	(35,194)	(9,095)	(44,289)
Balance, December 31, 2022	9,233	4,840	36,233	50,306
Additions	—	—	375	375
Disposals	—	—	(416)	(416)
Balance, September 30, 2023	\$ 9,233	\$ 4,840	\$ 36,192	\$ 50,265
<b>Accumulated amortization</b>				
Balance, December 31, 2021	\$ —	\$ —	\$ 22,375	\$ 22,375
Disposals	—	—	(50)	(50)
Amortization	—	—	3,350	3,350
Reclassification to assets held for sale (note 16)	—	—	(3,504)	(3,504)
Balance, December 31, 2022	—	—	22,171	22,171
Disposals	—	—	(179)	(179)
Amortization	—	—	2,058	2,058
Balance, September 30, 2023	\$ —	\$ —	\$ 24,049	\$ 24,049
<b>Carrying amounts</b>				
Balance, December 31, 2022	\$ 9,233	\$ 4,840	\$ 14,062	\$ 28,135
Balance, September 30, 2023	9,233	4,840	12,142	26,215

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 6. Leases:

As at September 30, 2023, Chartwell has right-of-use assets in respect of land, office space and equipment leases totalling \$10,211 (December 31, 2022 - \$10,554) with remaining lease terms ranging from 2 to 56 years (note 4). Lease obligations related to these right-of-use assets totalled \$8,091 (December 31, 2022 - \$8,316) of which \$777 (December 31, 2022 - \$843) was classified current and \$7,314 (December 31, 2022 - \$7,473) was classified non-current as at September 30, 2023. 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.

## 7. Trade and other receivables:

	September 30, 2023	December 31, 2022
Residents	\$ 1,270	\$ 1,987
Related party	5,607	3,555
Insurance recoverables	754	1,474
Government grants receivable	2,511	1,951
Other	6,843	11,498
	<u>\$ 16,985</u>	<u>\$ 20,465</u>

Resident receivables balance at September 30, 2023 is net of an allowance for expected credit losses of \$1,956 (December 31, 2022 - \$2,006).

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

During the three and nine months ended September 30, 2023, there were no government grants netted against direct operating expenses for eligible expenditures (September 30, 2022 – \$131 and \$4,260).

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 8. Other assets:

	September 30, 2023	December 31, 2022
Prepaid expenses and deposits	\$ 14,165	\$ 16,035
Interest rate swaps <sup>(1)</sup>	7,607	8,973
Related party lease receivable	3,828	5,707
Other assets	3,091	4,160
Restricted cash <sup>(2)</sup>	9,945	972
Inventory	1,119	955
	<b>\$ 39,755</b>	<b>\$ 36,802</b>
Current	\$ 35,753	\$ 27,829
Non-current	4,002	8,973
	<b>\$ 39,755</b>	<b>\$ 36,802</b>

<sup>(1)</sup> This includes fair value interest rate swap related to mortgage payable of \$4,896 (December 31, 2022 - \$4,827) and term loans of \$2,711 (December 31, 2022 - \$4,146) (note 11 and 13).

<sup>(2)</sup> This includes cash held in trust for temporary transition services upon sale of long term care segment (note 16).

## 9. Loans receivable:

The following table summarizes Chartwell's loan receivables at September 30, 2023:

September 30, 2023	Outstanding Principal	Interest Rate	Maturity Date
Mezzanine loan advanced 2018 <sup>(1)</sup>	\$ 4,183	10%	July 31, 2024
Mezzanine loan advanced 2019 <sup>(1)</sup>	3,826	10%	January 27, 2024
Mezzanine loan advanced 2023 <sup>(2)</sup>	1,096	12%	February 28, 2025
Vendor take-back loan <sup>(3)</sup>	3,900	10%	March 24, 2026
Total	<b>\$ 13,005</b>		
Current	\$ 8,009		
Non-current	4,996		
	<b>\$ 13,005</b>		

<sup>(1)</sup> Secured by 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.

<sup>(2)</sup> Secured by second charges on strata lots including a general assignment of rents and leases

<sup>(3)</sup> Secured by second charges on two retirement residences owned by the borrower

# 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)

## 9. Loans receivable (continued):

On November 1, 2023, Chartwell advanced a \$10,000 loan to Batimo, bearing interest at 15%, maturing on October 31, 2024, secured by third charges on Batimo's interest in two properties and has a corporate guarantee.

## 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 September 30, 2023:

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) (2)</sup>	37	50%	Joint venture	Equity
Chartwell Le St-Gabriel Landlord <sup>(1)</sup>	1	42.5%	Joint operation	Proportionate
Chartwell Le St-Gabriel Operator <sup>(1) (2)</sup>	1	42.5%	Joint venture	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 <sup>(2)</sup>	1	50%	Joint venture	Equity
Chartwell Constantia Retirement Residence <sup>(2)</sup>	1	50%	Joint venture	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 <sup>(2)</sup>	1	60%	Joint venture	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.

On November 9, 2023, Chartwell entered into a definitive agreement with Welltower to windup its existing joint arrangements (note 27).

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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As at and for the three months and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 10. Joint arrangements (continued):

### (a) Joint operations:

At September 30, 2023, 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:

	September 30, 2023		December 31, 2022	
Current assets	\$	49,188	\$	49,506
Non-current assets		533,097		536,283
Total assets	\$	582,285	\$	585,789
Current liabilities	\$	154,616	\$	65,681
Non-current liabilities		293,328		394,618
Total liabilities	\$	447,944	\$	460,299

  

	Three months ended September 30, 2023		Nine months ended September 30, 2023	
		2022		2022
Total revenue	\$	14,568	\$	46,165
		14,141		44,851
Total expenses	\$	(12,849)	\$	(42,153)
		(13,238)		(41,512)

### (b) Joint ventures:

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.

	Nine months ended September 30, 2023		2022	
Contributions to joint ventures	\$	-	\$	1,453
Distributions received from joint ventures	\$	-	\$	(1,150)



# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 10. Joint arrangements (continued):

	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 9,538	\$ 8,175
Trade and other receivables	13,145	14,119
Other assets	5,495	6,037
Current assets	28,178	28,331
PP&E and intangible assets	53,804	55,485
Total assets	\$ 81,982	\$ 83,816
Accounts payable and other liabilities	\$ 18,327	\$ 18,746
Mortgages payable – current	26,673	228
Current liabilities	45,000	18,974
Mortgages payable – non-current	25,279	51,895
Total liabilities	\$ 70,279	\$ 70,869
Net investment in joint ventures	\$ 11,703	\$ 12,947

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 32,384	\$ 29,285	\$ 94,397	\$ 86,035
Direct property operating expense	(21,036)	(20,413)	(64,655)	(61,396)
Lease expense	(8,852)	(8,852)	(26,556)	(26,556)
Finance costs	(449)	(474)	(1,337)	(1,380)
Depreciation and amortization	(1,021)	(932)	(3,101)	(1,851)
Change in fair value of financial instruments	(3)	369	10	3,034
Other income	-	2	(2)	5
Chartwell's share of net income/(loss) from joint ventures	\$ 1,023	\$ (1,015)	\$ (1,244)	\$ (2,109)

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

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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 September 30, 2023, \$4,343 (December 31, 2022 - \$2,791) of Chartwell's accounts receivable and \$11,839 (December 31, 2022 - \$12,617) of Chartwell's accounts payable relate to its investments in joint ventures. For the three months and nine months ended September 30, 2023, \$1,817 and \$5,634 (September 30, 2022 - \$1,421 and \$4,540) of Chartwell's management fees related to its investment in joint ventures.

Chartwell and Welltower Inc. ("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. 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 and \$26,556 for the three months and nine months ended September 30, 2023 (three months and nine months ended September 30, 2022 - \$8,699 and \$26,403) 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 11. Mortgages payable:

	September 30, 2023	December 31, 2022
Mortgages principal balance	\$ 1,732,928	\$ 1,701,668
Mark-to-market adjustments on assumed mortgages	1,368	2,265
Financing costs	(50,017)	(46,552)
	<u>\$ 1,684,279</u>	<u>\$ 1,657,381</u>
Current	\$ 360,739	\$ 191,357
Non-current	1,323,540	1,466,024
	<u>\$ 1,684,279</u>	<u>\$ 1,657,381</u>

Mortgages payable are secured by first and second charges on specific properties and are measured at amortized cost. The mortgages payable as at September 30, 2023 are as follows:

	Regular principal payments	Principal due on maturity	Total debt
Remainder 2023	\$ 18,503	\$ 81,950	\$ 100,453
2024	69,542	236,737	306,279
2025	63,257	72,329	135,586
2026	60,240	85,914	146,154
2027	55,673	105,443	161,116
2028	50,530	173,195	223,725
2029	41,008	90,583	131,591
2030	33,697	70,723	104,420
2031	25,992	94,588	120,580
2032	20,004	65,133	85,137
2033	14,462	136,748	151,210
2034	10,157	1,621	11,778
2035	9,755	-	9,755
2036	9,044	6,172	15,216
Thereafter	11,120	18,808	29,928
	<u>\$ 492,984</u>	<u>\$ 1,239,944</u>	<u>\$ 1,732,928</u>

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 11. Mortgages payable (continued):

	September 30, 2023	December 31, 2022
Mortgages at fixed rates:		
Mortgages (principal)	\$1,699,704	\$1,668,444
Interest rates	1.31% to 7.70%	1.31% to 5.68%
Weighted average interest rate	3.25%	3.16%
Mortgages at variable rates:		
Mortgages (principal)	\$33,224	\$33,224
Interest rates	Bankers' acceptance Plus 1.45%	Bankers acceptance plus 0.975% to the higher of Prime plus 0.55% or 3.25%
Weighted average interest rate	6.79%	5.68%
Blended weighted average rate	3.31%	3.21%

Included in mortgages at fixed rates above, are mortgages totalling \$82,402 (December 31, 2022 - \$83,330) with interest rates fixed through interest rate swap contracts with an equivalent notional value, maturing between 2024 and 2027. The swaps have a fair value asset of \$4,896 (December 31, 2022 - \$4,827) included in other assets (note 8). 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 and in certain cases limitations on the amounts of unitholder distributions that can be paid. Chartwell was in compliance with these financial covenants as at September 30, 2023.

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 September 30, 2023.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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(Unaudited)

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## 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 for the periods from the earlier of December 31, 2022 and the maturity date of the respective credit agreement. During the year ended December 31, 2022, these amendments were extended for the period ending at the earlier of December 31, 2024 and the maturity date of the respective credit agreement.

Chartwell also entered into an amending agreement in respect of its LBA with CMHC temporarily reducing the debt service coverage ratio requirements from 1.37x to 1.2x for the periods ending in the 12 months ending December 31, 2022. During the nine months ended September 30, 2023, these amendments were extended for the periods ending at the earlier of June 30, 2024 and the maturity date of the applicable credit agreement.

During the year ended December 31, 2022, Chartwell entered into additional amending agreements 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 Earnings before income tax, depreciation and amortization ("EBITDA") or Adjusted Funds 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 of the applicable credit agreement.

Further amendments were made during the year ended December 31, 2022 for certain mortgages, and the LBA to exclude incremental direct operating expenses directly related to the COVID-19 pandemic from January 1, 2022 to March 31, 2023 and net reimbursement of such expenses (if any) from the definition of EBITDA or AFFO for the purpose of the calculation of the debt service coverage and AFFO payout ratios. These amendments are applicable for the periods ending at the earlier of December 31, 2023 and the maturity of the applicable credit agreement.

In addition, Chartwell amended the AFFO payout ratios in various agreements during the year ended December 31, 2022 for certain mortgages and during the nine months ended September 30, 2023 for the LBA. These amendments, applicable for the periods January 1, 2023, to December 31, 2023 were made to allow for the payment of cash distributions up to 115% of AFFO plus \$20.0 million from 100% of AFFO previously. These amendments are effective until December 31, 2023 for certain mortgages and until June 30, 2024 for the LBA.

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 12. Credit facilities:

The following tables summarize certain details of Chartwell's credit facilities as at September 30, 2023 and December 31, 2022:

September 30, 2023	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for letters of credit	Available to be drawn	Maturity date
Secured credit facility	\$ 300,000	\$ 227,883	\$ (17,000)	\$ (6,002)	\$ 204,881	May 29, 2025
Delayed draw facility	200,000	200,000	—	—	200,000	May 29, 2025
Unsecured credit facility	100,000	100,000	—	—	100,000	May 29, 2025
Total	\$ 600,000	\$ 527,883	\$ (17,000)	\$ (6,002)	\$ 504,881	

December 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	\$ 226,698	\$ (184,000)	\$ (6,273)	\$ 36,425	May 29, 2024
Unsecured credit facility	100,000	100,000	—	—	100,000	May 29, 2024
Total	\$ 400,000	\$ 326,698	\$ (184,000)	\$ (6,273)	\$ 136,425	

On August 4, 2023, Chartwell entered into an unsecured delay draw credit facility (the "Facility") with a syndicate of Canadian financial institutions. The Facility has a maximum capacity of \$200,000 with a maturity date of May 29, 2025. The Facility is available any time prior to December 11, 2023, subject to customary representations and warranties, as required to repay Chartwell's Series A debentures (note 14), with any undrawn portion to be cancelled. The Facility is subject to substantially the same covenants and pricing as Chartwell's existing unsecured credit facility. A setup fee of \$601 was incurred in respect of the Facility in Q3 2023 which was capitalized as a deferred financing cost.

On April 19, 2023, Chartwell entered into amending agreements to extend the maturity date of the secured and unsecured credit facility from May 24, 2024 to May 29, 2025 with substantially the same terms.

Available capacity for the secured credit facility 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 the secured collateral, the associated occupancy rates of the property, property valuations and mortgageability amounts determined on the basis of net operating income (as defined in the credit agreement) for the previous four quarters.

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

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## 12. Credit facilities continued:

Available capacity for the unsecured credit facility 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 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 September 30, 2023 were \$2,373 (December 31, 2022 - \$2,766).

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 certain unencumbered properties and 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 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 September 30, 2023.

During the year ended December 31, 2022, 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 May 29, 2024. During the nine months ended September 30, 2023, with the extension of our Credit Facilities to May 29, 2025, these amendments were further extended for the periods ending on or before June 29, 2024. During the year ended December 31, 2022, Chartwell entered into additional amending agreements to exclude incremental direct operating expenses directly related to the COVID-19 pandemic from January 1, 2022 to March 31, 2023 and net reimbursement of such expenses (if any) from the definition of EBITDA or AFFO for the purpose of the calculation of our debt service coverage and AFFO payout ratios for the periods ending on or before December 31, 2023.

During the year ended December 31, 2022, Chartwell entered into additional agreements amending the AFFO payout ratios applicable for the periods January 1, 2023, to December 31, 2023, to allow for the payment of cash distributions up to 115% of AFFO plus \$20.0 million from 100% of AFFO previously.

# 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)

## 13. Term loans:

The following tables detail the outstanding principal amounts and the carrying value of Chartwell's secured and unsecured term loans at September 30, 2023 and at December 31, 2022:

September 30, 2023	Outstanding principal	Financing costs, net	Carrying value	Interest rate	Maturity date
Unsecured term loan	\$ 125,000	\$ (128)	\$ 124,872	3.95%	May 31, 2024
Secured term loan	13,600	(69)	13,531	4.44%	May 19, 2027
Total	138,600	(197)	138,403		
					Carrying Value
Current					\$ 124,872
Non-current					13,531
					\$ 138,403

  

December 31, 2022	Outstanding principal	Financing costs, net	Carrying value	Interest rate	Maturity date
Unsecured term loan	\$ 125,000	\$ (286)	\$ 124,714	3.70%	May 31, 2024
Secured term loan	13,600	(79)	13,521	4.44%	May 19, 2027
Total	138,600	(365)	138,235		
					Carrying Value
Current					\$ –
Non-current					138,235
					\$ 138,235

The term loans held through Canadian chartered banks, are fixed through interest rate swap contracts. The swaps have a fair value asset of \$2,711 (December 31, 2022 - \$4,146) included in other assets. The swaps are considered Level 2 in the fair value hierarchy.

The covenants applicable to the unsecured term loan agreement include, among others, 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. During the year ended December 31, 2022, the debt service coverage ratio covenant of the unsecured term loan was amended to be reduced from 1.4x to 1.2x for the periods ending before May 31, 2024, the maturity date.



# 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)

## 13. Term loans (continued):

During the year ended December 31, 2022, Chartwell entered into an additional amending agreement to exclude incremental direct operating expenses directly related to the COVID-19 pandemic from January 1, 2022 to March 31, 2023 and net reimbursement of such expenses (if any) from the definition of EBITDA or AFFO for the purpose of the calculation of our debt service coverage and AFFO payout ratios for the periods ending on or before December 31, 2023.

In addition, during the year ended December 31, 2022, Chartwell amended the AFFO payout ratios applicable for the periods January 1, 2023, to December 31, 2023. Amendments were made for the payment of cash distributions not to exceed 115% of AFFO plus \$20.0 million from 100% of AFFO previously.

The covenants applicable to the secured term loan are generally consistent with the secured credit facility (note 12).

Chartwell was in compliance with these covenants as at September 30, 2023.

## 14. Senior unsecured debentures:

The following tables detail the outstanding principal amounts and the carrying value of Chartwell's senior unsecured debentures at September 30, 2023 and at December 31, 2022:

September 30, 2023	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	\$ (40)	\$ 199,960	October 11, 2023	December 11, 2023
4.211% Series B	April 27, 2018	150,000	(216)	149,784	February 25, 2025	April 28, 2025
<b>Total</b>		<b>\$ 350,000</b>	<b>\$ (256)</b>	<b>\$ 349,744</b>		
						Carrying value
Current						\$ 199,960
Non-current						149,784
						<b>\$ 349,744</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.

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 14. Senior unsecured debentures (continued):

December 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	\$ (223)	\$ 199,777	October 11, 2023	December 11, 2023
4.211% Series B	April 27, 2018	150,000	(323)	149,677	February 25, 2025	April 28, 2025
Total		\$ 350,000	\$ (546)	\$ 349,454		
						Carrying value
Current						\$ 199,777
Non-current						149,677
						\$ 349,454

<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 financial covenants as at September 30, 2023.

## 15. Accounts payable and other liabilities:

	Note	September 30, 2023	December 31, 2022
Accounts payable and accrued liabilities		\$ 134,773	\$ 177,187
Resident deposits		4,836	4,651
Deferred Trust Units ("DTU")	(a)	14,219	10,525
Restricted Trust Units ("RTU")	(b)	6,097	3,495
EUPP option component	(c)	8,304	5,336
		\$ 168,229	\$ 201,194
Current		\$ 165,091	\$ 199,818
Non-current		3,138	1,376
		\$ 168,229	\$ 201,194

# 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 and nine months ended September 30, 2023 and 2022  
(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 September 30, 2023 was \$10.28 (December 31, 2022 - \$8.44). DTU plan 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 expense and subsequent fair value changes are included in fair value of financial instruments

The following table summarizes the DTU activity:

	Units outstanding	Amount
Balance, December 31, 2021	1,094,679	\$ 12,939
Units granted	86,043	859
Change in fair value and distributions	66,487	(3,273)
Balance, December 31, 2022	1,247,209	10,525
Units granted	71,960	666
Change in fair value and distributions	64,238	3,028
Balance, September 30, 2023	1,383,407	\$ 14,219

### (b) RTU Plan:

During the nine months ended September 30, 2023, 547,367 notional Trust Units were granted (December 31, 2022 - 379,985), 83,333 notional Trust Units were cancelled (December 31, 2022 - 94,414), 58,682 notional Trust Units were issued in regard to distributions (December 31, 2022 - 54,586), and 218,973 notional Trust Units vested and were paid out (December 31, 2022 - 169,841). At September 30, 2023, 1,192,502 notional Trust Units remained outstanding (December 31, 2022 - 888,758). 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 and nine months ended September 30, 2023 and 2022  
(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 general, administrative and trust expenses and subsequent changes in fair values are recognized in change in fair values of financial instruments.

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:

	September 30, 2023	December 31, 2022
Expected volatility	22.02% - 27.02%	23.84% - 28.84%
Risk-free rate	4.44% - 5.32%	3.66% - 4.36%
Distribution yield	5.97% - 6.52%	7.49% - 9.72%

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 16. Assets and liabilities held for sale and discontinued operations:

On September 6, 2023, Chartwell completed the sale of sixteen long term care homes and one retirement residence in Ontario for an aggregate selling price of \$378,667 thereby ceasing the operation of its long term care segment. The sale price included capital funding receivable of \$18,667. The proceeds were reduced through the assumption of \$120,966 mortgage debt as at September 6, 2023 by the purchaser. The purchaser paid the remaining balance in cash, a portion of which was used to repay the remaining mortgage debt of \$13,898 not assumed by the purchaser as at September 30, 2023. Cash net proceeds, after property-specific debt and working capital adjustments was \$177,944. In addition, contingent liabilities associated with these long term care homes remained with Chartwell upon sale (note 26). Regulatory approvals were received on July 27, 2023. The transfer of operations and related assets happened on September 6, 2023. This transaction resulted in estimated \$28,100 in SIFT tax payable, which was recognized at closing.

Chartwell continues to own two long term care homes and one non-core property in Ontario. These homes are not significant to the overall operations and they are being managed by the purchaser and are being reported within the retirement residences segment which also includes two retirement residences with 167 long term care beds in British Columbia.

The assets and liabilities held for sale as are as follows:

	September 30, 2023	December 31, 2022
Other assets	\$ —	\$ 3,264
Capital funding receivable	—	22,161
Intangible assets	—	40,785
PP&E	—	133,260
<b>Total assets held for sale</b>	<b>\$ —</b>	<b>\$ 199,470</b>
Accounts payable and other liabilities related to assets held for sale	\$ —	\$ 4,228
Current mortgages payable	—	136,464
related to assets held for sale	—	140,692
Liabilities related to assets held for sale	—	140,692
Mortgages payable related to assets held for sale	—	7,939
<b>Total liabilities and mortgages related to assets held for sale</b>	<b>\$ —</b>	<b>\$ 148,631</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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 16. Assets and liabilities held for sale and discontinued operations (continued):

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Resident Revenue	\$ 45,521	\$ 60,121	\$ 167,068	\$ 188,449
Interest income	102	276	588	898
Direct operating expenses	(41,330)	(54,732)	(151,266)	(163,846)
Finance costs	(1,378)	(2,075)	(5,204)	(6,210)
Other income (expense) <sup>(1)</sup>	178,571	(62)	178,443	(689)
Depreciation of PP&E	-	-	-	(1,816)
Amortization of intangible assets	-	-	-	(202)
Net Income (loss) from discontinued operations	\$ 181,486	\$ 3,528	\$ 189,629	\$ 16,584

<sup>(1)</sup> Other income (expense) includes gain on sale of \$178,904 and transaction costs related to the sale of the long-term care operations.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash flows from discontinued operations:				
Net cash from operating activities	\$ 21,315	\$ 4,553	\$ 29,503	\$ 18,529
Net cash used in financing activities	(1,855)	3,234	(7,445)	(1,229)
Net cash from investing activities	218,693	(239)	218,410	576

# 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 and nine months ended September 30, 2023 and 2022  
(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 September 30, 2023 was \$10.28 per unit (December 31, 2022 - \$8.44 per unit). At September 30, 2023, 1,530,360 Class B Units were outstanding (December 31, 2022 - 1,530,360).

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	Units outstanding	Amount
Balance, December 31, 2021	1,530,360	\$ 18,089
Change in fair value	—	(5,173)
Balance, December 31, 2022	1,530,360	12,916
Change in fair value	—	2,816
Balance, September 30, 2023	1,530,360	\$ 15,732

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# 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)

## 18. Trust Units and EUPP:

The following Trust Units are issued and outstanding:

	Number of Trust Units	Amount
Balance, December 31, 2021	231,226,547	\$ 2,545,451
Trust Units issued under DRIP	3,388,122	34,967
Trust Units released on settlement of EUPP receivable	137,940	2,620
Balance, December 31, 2022	234,752,609	2,583,038
Trust Units issued under DRIP	2,944,569	26,571
Trust Units released on settlement of EUPP receivable	122,162	2,056
Balance, September 30, 2023	237,819,340	\$ 2,611,665

The following table summarizes Trust Units issued under the EUPP:

	Number of Trust Units issued under EUPP	Amount
Balance, December 31, 2021	1,845,284	\$ 21,592
Trust Units issued under EUPP	180,789	2,200
Trust Units released on settlement of EUPP receivable	(137,940)	(1,553)
Balance, December 31, 2022	1,888,133	22,239
Trust Units issued under EUPP	264,645	2,283
Trust Units released on settlement of EUPP receivable	(122,162)	(1,332)
Balance, September 30, 2023	2,030,616	\$ 23,190

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%.



# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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(Unaudited)

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## **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 completed the sale of the long term care homes on September 6, 2023 and is no longer a segment. 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 19. Segmented information (continued):

Three months ended September 30, 2023									
	Retirement Operations	Long Term Care Operations <sup>(3)(4)</sup>	Segment Total	Other <sup>(2)</sup>	Subtotal	Recon- ciliation	Elimination of discontinued operations	Total	
Revenue:									
Resident Management and other fees	\$ 205,486	\$ 45,521	\$ 251,007	\$ –	\$ 251,007	\$ (32,103)	\$ (45,521)	\$	173,383
Lease revenue from joint ventures	–	–	–	3,281	3,281	–	–		3,281
Interest income	–	–	–	–	–	8,852	–		8,852
	–	–	–	908	908	(281)	(102)		525
	205,486	45,521	251,007	4,189	255,196	(23,532)	(45,623)		186,041
Expenses:									
Direct property operating	(134,387)	(41,323)	(175,710)	–	(175,710)	21,036	41,330		(113,344)
Adjusted net operating income <sup>(1)</sup>	71,099	4,198	75,297						
Depreciation of PP&E									(38,027)
Amortization of intangible assets									(566)
Share of net loss from joint ventures									1,023
General, administrative and trust									(14,403)
Other income									1,789
Finance costs									(23,395)
Change in fair values of financial instruments									(5,622)
									(79,201)
Loss before income taxes									(6,504)
Current tax expense									(28,100)
Deferred income tax expense									11,274
Net loss from continuing operations									(23,330)
Net income from discontinued operations, net of income taxes									181,486
Net income									\$ 158,156
Expenditures for non-current assets:									
Acquisitions	–	–	–	–	–	–	–		–
Capital additions	\$ 42,881	\$ (13,499)	\$ 29,382	\$ (1,921)	\$ 27,461	\$ (377)	\$ 3,129		30,213

(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 and the results of the Long Term Care Operations segment which has been sold in the quarter.

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

(3) Chartwell has classified this segment as discontinued operations.

(4) Chartwell continues to own three long-term care homes which are not considered significant for the purposes of reporting as a separate operating segment. One of these homes is subject to the future sale agreement outlined in note 4. These properties are now included as part of 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 19. Segmented information (continued):

	Three months ended September 30, 2022							
	Retirement Operations	Long Term Care Operations <sup>(3)(4)</sup>	Segment Total	Other <sup>(2)</sup>	Subtotal	Recon- ciliation	Elimination of discontinued operations	Total
Revenue:								
Resident Management and other fees	\$ 192,750	\$ 60,121	\$ 258,071	\$ –	\$ 258,071	\$ (29,192)	\$ (60,121)	\$ 168,758
Lease revenue from joint ventures	–	–	–	2,588	2,588	–	–	2,588
Interest income	–	–	–	–	–	8,852	–	8,852
	–	–	–	687	687	(93)	(276)	318
	197,950	60,121	258,071	3,276	261,347	(20,434)	(60,397)	180,516
Expenses:								
Direct property operating	(138,233)	(54,723)	(192,956)	–	(192,956)	20,413	54,732	(117,811)
Adjusted net operating income <sup>(1)</sup>	59,717	5,398	65,115					
Depreciation of PP&E								(38,958)
Amortization of intangible assets								(809)
Share of net loss from joint ventures								(1,015)
General, administrative and trust								(11,215)
Other income								718
Finance costs								(21,978)
Change in fair values of financial instruments								9,054
								(64,203)
Loss before income taxes								(1,498)
Deferred income tax expense								2,248
Net income from continuing operations								750
Net income from discontinued operations, net of income taxes								3,528
Net income								\$ 4,278
Expenditures for non-current assets:								
Acquisitions	96	2	98	–	98	–	–	98
Capital additions	\$ 25,579	\$ 6,936	\$ 32,515	\$ (408)	\$ 32,107	\$ (100)	\$ (980)	\$ 31,027

(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 and the results of the Long Term Care Operations segment which is discontinued.

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

(3) Chartwell has classified this segment as discontinued operations.

(4) Chartwell continues to own three long-term care homes which are not considered significant for the purposes of reporting as a separate operating segment. One of these homes is subject to the future sale agreement outlined in note 4. These properties are now included as part of 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 19. Segmented information (continued):

	Nine months ended September 30, 2023							
	Retirement Operations	Long Term Care Operations <sup>(3)(4)</sup>	Segment Total	Other <sup>(2)</sup>	Subtotal	Reconciliation	Elimination of discontinued operations	Total
Revenue:								
Resident Management and other fees	\$ 600,984	\$ 167,067	\$ 768,051	\$ –	\$ 768,051	\$ (93,605)	\$ (167,068)	\$ 507,378
Lease revenue from joint ventures	–	–	–	9,780	9,780	–	–	9,780
Interest income	–	–	–	–	–	26,556	–	26,556
	–	–	–	2,764	2,764	(791)	(588)	1,385
	600,984	167,067	768,051	12,544	780,595	(67,840)	(167,656)	545,099
Expenses:								
Direct property operating	(409,162)	(151,267)	(560,429)	–	(560,429)	64,655	151,266	(344,508)
Adjusted net operating income <sup>(1)</sup>	191,822	15,800	207,622					
Depreciation of PP&E								(115,050)
Amortization of intangible assets								(2,058)
Share of net loss from joint ventures								(1,244)
General, administrative and trust								(46,995)
Other income								4,704
Finance costs								(69,910)
Change in fair values of financial instruments								(11,212)
								(241,765)
Loss before income taxes								(41,174)
Current tax expense								(28,100)
Deferred income tax expense								21,091
Net loss from continuing operations								(48,183)
Net income from discontinued operations, net of income taxes								189,629
Net income								\$ 141,446
Expenditures for non-current assets:								
Acquisitions	–	–	–	–	–	–	–	–
Capital additions	\$ 96,093	\$ –	\$ 96,093	\$ (325)	\$ 95,768	\$ (857)	\$ –	\$ 94,911

(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 and the results of the Long Term Care Operations segment which has been sold in the quarter.

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

(3) Chartwell has classified this segment as discontinued operations.

(4) Chartwell continues to own three long-term care homes which are not considered significant for the purposes of reporting as a separate operating segment. One of these homes is subject to the future sale agreement outlined in note 4. These properties are now included as part of 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 19. Segmented information (continued):

	Nine months ended September 30, 2022							
	Retirement Operations	Long Term Care Operations <sup>(3)(4)</sup>	Segment Total	Other <sup>(2)</sup>	Subtotal	Recon- ciliation	Elimination of discontinued operations	Total
Revenue:								
Resident Management and other fees	\$ 576,418	\$ 188,449	\$ 764,867	\$ –	\$ 764,867	\$ (85,856)	\$ (188,449)	\$ 490,562
Lease revenue from joint ventures	–	–	–	8,328	8,328	–	–	8,328
Interest income	–	–	–	–	–	26,556	–	26,556
	–	–	–	1,924	1,924	(179)	(898)	847
	576,418	188,449	764,867	10,252	775,119	(59,479)	(189,347)	526,293
Expenses:								
Direct property operating	(405,428)	(163,846)	(569,274)	–	(569,274)	61,396	163,846	(344,032)
Adjusted net operating income <sup>(1)</sup>	170,990	24,603	195,593					
Depreciation of PP&E								(113,506)
Amortization of intangible assets								(2,375)
Share of net loss from joint ventures								(2,109)
General, administrative and trust								(40,307)
Other income								2,167
Finance costs								(62,221)
Change in fair values of financial instruments								18,856
								(199,495)
Loss before income taxes								(17,234)
Deferred income tax expense								2,718
Net loss from continuing operations								(14,516)
Net income from discontinued operations, net of income taxes								16,584
Net income								\$ 2,068
Expenditures for non-current assets:								
Acquisitions	233,433	2	233,435	–	233,435	–	–	233,435
Capital additions	\$ 72,266	\$ 17,472	\$ 89,738	\$ (68)	\$ 89,670	\$ (1,232)	\$ (4,981)	\$ 83,457

(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 and the results of the Long Term Care Operations segment which is discontinued.

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

(3) Chartwell has classified this segment as discontinued operations.

(4) Chartwell continues to own three long-term care homes which are not considered significant for the purposes of reporting as a separate operating segment. One of these homes is subject to the future sale agreement outlined in note 4. These properties are now included as part of 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 19. Segmented information (continued):

September 30, 2023	Retirement Operations	Long Term Care Operations	Segment Total	Other	Subtotal	Reconciliation	Discontinued operations	Total, net of discontinued operations
Total assets	\$ 3,207,165	\$ -	\$ 3,207,165	\$ 134,779	\$ 3,341,944	\$ (81,982)	\$ -	\$ 3,259,962
Total liabilities	\$ 1,858,308	\$ -	\$ 1,858,308	\$ 641,392	\$ 2,499,700	\$ (70,279)	\$ -	\$ 2,429,421

December 31, 2022	Retirement Operations	Long Term Care Operations	Segment Total	Other	Subtotal	Reconciliation	Discontinued operations	Total, net of discontinued operations
Total assets	\$ 3,192,133	\$ 256,842	\$ 3,448,975	\$ 145,183	\$ 3,594,158	\$ (83,816)	\$ (199,470)	\$ 3,510,342
Total liabilities	\$ 1,805,854	\$ 214,858	\$ 2,070,712	\$ 790,696	\$ 2,811,408	\$ (70,868)	\$ (148,631)	\$ 2,740,540

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

Three months ended September 30, 2023	Ontario	Western Canada	Quebec	Total Retirement Operations
Resident revenue	\$ 113,131	\$ 48,946	\$ 43,409	\$ 205,486
Direct property operating expenses	(73,649)	(30,804)	(29,934)	(134,387)
Adjusted net operating income	\$ 39,482	\$ 18,142	\$ 13,475	\$ 71,099

Three months ended September 30, 2022	Ontario	Western Canada	Quebec	Total Retirement Operations
Resident revenue	\$ 107,276	\$ 50,953	\$ 39,720	\$ 197,950
Direct property operating expenses	(74,995)	(33,796)	(29,442)	(138,233)
Adjusted net operating income	\$ 32,281	\$ 17,158	\$ 10,278	\$ 59,717

## 19. Segmented information (continued):

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

		Western Canada	Quebec	Total Retirement Operations
Nine months ended September 30, 2023	Ontario			
Resident revenue	\$ 331,927	\$ 142,842	\$ 126,215	\$ 600,984
Direct property operating expenses	(227,550)	(90,083)	(91,529)	(409,162)
Adjusted net operating income	\$ 104,377	\$ 52,759	\$ 34,686	\$ 191,822

		Western Canada	Quebec	Total Retirement Operations
Nine months ended September 30, 2022	Ontario			
Resident revenue	\$ 310,747	\$ 148,288	\$ 117,383	\$ 576,418
Direct property operating expenses	(218,306)	(97,366)	(89,756)	(405,428)
Adjusted net operating income	\$ 92,441	\$ 50,922	\$ 27,627	\$ 170,990

## 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, accounts payable and other liabilities, and distributions payable, as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value.

	September 30, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	\$ 1,684,279	\$ 1,605,493	\$ 1,657,381	\$ 1,622,776
Term loans	138,403	136,074	138,235	135,258
Senior unsecured debentures	349,744	342,987	349,454	341,278
Credit facilities	14,627	17,000	181,234	184,000

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.

## 20. Financial instruments (continued):

# 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 and nine months ended September 30, 2023 and 2022  
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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 September 30, 2023, the mortgages payable were discounted using rates between 5.06% and 7.07% (December 31, 2022 - 4.27% and 5.86%).

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 September 30, 2023, the outstanding term loan was discounted using a weighted average rate of 6.89% (December 31, 2022 - 5.71%).

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 September 30, 2023, senior unsecured debentures were discounted using a rate of 7.07% (December 31, 2022 - 5.86%).

The fair value of the credit facility is estimated to be the amount drawn at September 30, 2023 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 values of mortgages payable, term loans, senior unsecured debentures and credit facility are 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

## 21. Revenue:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Lease revenue <sup>(1)</sup>	\$ 88,753	\$ 84,910	\$ 252,540	\$ 244,850
Services revenue <sup>(2)</sup>	93,482	92,700	281,394	272,268
Management and other fees	3,281	2,588	9,780	8,328
Interest income	525	318	1,385	847
Total revenue	\$ 186,041	\$ 180,516	\$ 545,099	\$ 526,293

<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.

## 22. Other income (expense):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Transaction costs arising on acquisitions and dispositions	\$ (469)	\$ (122)	\$ (975)	\$ (200)
Impairment losses	(625)	-	(625)	-
Other expense	(1,094)	(122)	(1,600)	(200)
Net gain on disposal of assets <sup>(1)</sup>	2,883	656	6,304	1,626
Other income	-	184	-	741
	2,883	840	6,304	2,367
Other income	\$ 1,789	\$ 718	\$ 4,704	\$ 2,167

<sup>(1)</sup> Net gain on disposal of assets relates primarily to sale of non-core properties (note 4).

# 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 and nine months ended September 30, 2023 and 2022  
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## 23. Finance costs:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Contractual interest expense on mortgages	\$ (14,335)	\$ (13,886)	\$ (42,050)	\$ (41,178)
Interest expense on senior unsecured debentures	(3,501)	(3,501)	(10,388)	(10,388)
Interest expense on credit facility	(3,105)	(2,464)	(10,161)	(4,438)
Contractual interest expense on term loans	(1,388)	(1,327)	(4,125)	(3,673)
	(22,329)	(21,178)	(66,724)	(59,677)
Interest capitalized to properties under development	771	568	2,078	1,748
Amortization of financing costs and mark-to-market adjustment on assumed mortgages, credit facilities and senior unsecured debentures	(1,603)	(1,134)	(4,562)	(3,590)
Distributions on Class B Units recorded as interest expense	(234)	(234)	(702)	(702)
Total finance costs	\$ (23,395)	\$ (21,978)	\$ (69,910)	\$ (62,221)

## 24. Change in fair values of financial instruments:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Change in fair value of interest rate swaps	\$ (802)	\$ 1,655	\$ (1,366)	\$ 10,324
Change in fair value of EUPP option component	(1,282)	2,704	(3,086)	2,875
Change in fair value of Class B Units	(1,240)	2,846	(2,816)	3,871
Change in fair value of DTUs	(1,304)	2,004	(3,028)	2,440
Change in fair value – other	(994)	(156)	(916)	(654)
Change in fair values of financial instruments	\$ (5,622)	\$ 9,054	\$ (11,212)	\$ 18,856

## 25. Income taxes:

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

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Chartwell recorded a current tax expense of \$28,100 in the three months and the nine months ended September 30, 2023. This current expense is primarily attributable to SIFT taxes payable on the disposition of its long term care segment (note 16).

For the three and nine months ended September 30, 2023, Chartwell recorded deferred tax benefit of \$11,274 and \$21,091 (September 30, 2022 – deferred tax benefit \$2,248 and \$2,718). The deferred tax recovery for the three months and nine months ending September 30, 2023 was primarily with respect to the temporary difference between the accounting carrying amount and tax cost base of the investment in the long term care segment, which reversed upon its sale.

## **26. Commitments and contingencies:**

### **(a) Litigation and claims:**

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 September 30, 2023.

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 continues to work with the unions, the other participating LTC homes and the Ontario Government to reach a pay equity maintenance framework appropriate for the sector.

# 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

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## 26. Commitments and contingencies (continued):

There are a significant number of uncertainties related to how the appellate court decision should be implemented. Discussions between the affected parties regarding the development of an appropriate framework and resolution to this matter have not meaningfully 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.

(b) Other:

Under Chartwell's agreements with Batimo Inc. ("Batimo"), 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 (the "Batimo Option"). The Batimo Option for certain properties is for a five-year period commencing when the related property achieves a minimum 90% occupancy level for two consecutive months, subject to certain conditions, at purchase prices determined based on the appraisal mechanism described in such agreements. Upon expiry of the Batimo Option, Chartwell has a two-year option to require Batimo to sell an 85% interest in some of the properties at FMV and others at 99% of FMV, as defined in the agreements. Chartwell and Batimo have revised the terms of their relationship for new projects starting with developments in Q3 2021 (the "Batimo Option 2.0") to provide for the Batimo Option to be for a two-year period instead of five. Upon expiry of the Batimo Option 2.0, Chartwell will have a one-year option instead of two to acquire an 85% interest in the property at 99% of FMV.

During 2022 two projects under the Batimo Option, one with 361 suites and another with 283 suites achieved stabilized occupancy (defined as 90% occupancy for two consecutive months) which is one of the conditions mentioned above. During the six months ended June 30, 2023, Batimo executed the put option on one of these properties. As required under the agreements with Batimo, Chartwell commissioned an appraisal of this property. The appraised value of the property at 100% ownership was \$85.3 million. During Q3 2023, Batimo exercised its right to commission a second appraisal. The appraised value under the second appraisal was \$108.0 million. Since the difference in the appraised values are greater than 5% a third appraisal is to be conducted by an appraiser selected by the first two appraisers. The purchase price for the property will be the average of the two closest appraisals. Subject to the completion of the contractual appraisal process, we expect to acquire this property in Q4 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 and nine months ended September 30, 2023 and 2022  
(Unaudited)

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## **26. Commitments and contingencies (continued):**

We estimate the current value of the second property at 100% ownership is \$60.0 million. Subsequent to the quarter a third project under the Batimo option with 324 suites achieved the stabilized occupancy. We estimate the current value of this third property at 100% ownership is \$73.3 million.

## **27. Subsequent Events:**

On November 1, 2023, Chartwell completed the sale of one non-core property in Ontario for a sale price of \$2,250. The transaction closed November 1, 2023. A vendor take-back mortgage was extended to the purchaser in the amount of \$1,750, bearing an interest rate of 6.0% per annum with a three-year term.

On November 9, 2023, Chartwell entered into a definitive agreement with Welltower to windup its existing joint arrangements. Under the terms of the agreement, Chartwell will convey its ownership interest in 23 retirement residences (the "Welltower Assets") to Welltower for consideration of: (i) Welltower's ownership interest in 16 retirement residences (the "Chartwell Assets") and (ii) \$97,200 in cash. Closing of the transaction, subject to the required regulatory and lender approvals, is expected in Q2 2024 (the "Closing"). Chartwell expects to incur transaction costs of approximately \$12,200 in relation to this transaction and estimate taxes payable of \$14,300. On Closing, Chartwell will assume approximately \$140,300 in debt on the Chartwell Assets, bearing a weighted average interest at 2.8% and having a weighted average term to maturity of 4.4 years. The net change to total debt for Chartwell's balance sheet will be a reduction of approximately \$51,000, before any impact of the cash consideration. The debt and cash consideration estimates above are based on an assumed closing as of April 1, 2024.