

CHARTWELL RETIREMENT RESIDENCES

Audited Consolidated Financial Statements
(In Canadian dollars)

Years ended December 31, 2025 and 2024



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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Chartwell Retirement Residences

Opinion

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

- the consolidated balance sheets as at December 31, 2025 and December 31, 2024
- the consolidated statements of net income (loss) and comprehensive income (loss) for the years then ended
- the consolidated statements of unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **“Auditor’s Responsibilities for the Audit of the Financial Statements”** section of our auditor’s report.

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

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of the Recoverable Amount of Cash Generating Units

Description of the matter

We draw attention to Notes 2(d), 3(d) and 5 of the financial statements. The property, plant and equipment ("PP&E") carrying amount is \$4,790,319 thousand. The carrying amounts of the Entity's PP&E are assessed at each reporting date to determine if any events have occurred that would indicate the PP&E may be impaired. If any such indication exists, the asset's recoverable amount is estimated, and an impairment loss is recognized immediately in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined for the cash generating unit ("CGU") to which the PP&E belongs. The recoverable amount of a CGU is the higher of (a) fair value less costs of disposal and (b) value in use.

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

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

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

- For a selection of CGUs, we assessed the Entity's ability to accurately forecast by comparing the rental rates and occupancy rates used to estimate future stabilized cash flows of the prior year to actual results.
- For a selection of CGUs, we evaluated the Entity's rental rates and occupancy rates used to estimate future stabilized cash flows by comparing to actual historical rates. We took into account the changes in conditions and events affecting the CGUs to assess the adjustments, or lack of adjustments, made by the Entity in arriving at the rental rates and occupancy rates used to estimate future stabilized cash flows.



- For a selection of CGUs, we involved valuations professionals with specialized skills and knowledge who assisted in evaluating the discount rates, capitalization rates and terminal capitalization rates. These rates were compared to published reports of real estate industry commentators taking into consideration the features of the specific CGU.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2025 Annual Report".

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

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

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

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2025 Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Jason Gaiotto.

Toronto, Canada
February 26, 2026

CHARTWELL RETIREMENT RESIDENCES

Consolidated Balance Sheets
(In thousands of Canadian dollars)

As at December 31,	Note	2025	2024
Assets			
Current assets:			
Cash and cash equivalents		\$ 109,132	\$ 20,048
Trade and other receivables	9	19,929	17,672
Capital funding receivable	7	783	–
Loans receivable	11	6,369	21,677
Assets held for sale	18	–	274,435
Other assets	10	35,449	54,191
Total current assets		171,662	388,023
Non-current assets:			
Other assets	10	2,134	3,771
Loans receivable	11	10,037	19,280
Capital funding receivable	7	30,370	–
Investment in joint ventures	12	20,184	26,221
Intangible assets	6	20,271	21,744
Property, plant and equipment (“PP&E”)	5	4,790,319	3,628,030
Total non-current assets		4,873,315	3,699,046
Total assets		\$ 5,044,977	\$ 4,087,069
Liabilities and Unitholders' Equity			
Current liabilities:			
Lease obligations	8	\$ 984	\$ 925
Accounts payable and other liabilities	17	265,184	214,630
Distributions payable		16,213	14,071
Loans payable	15	–	148,972
Liabilities related to assets held for sale	18	–	149,290
Senior unsecured debentures	16	249,689	149,953
Mortgages payable	13	330,276	408,071
Total current liabilities		862,346	1,085,912
Non-current liabilities:			
Lease obligations	8	7,055	7,281
Other liabilities	17	11,566	3,583
Mortgages payable	13	1,851,885	1,386,908
Credit facilities	14	–	98,079
Senior unsecured debentures	16	547,479	398,358
Deferred tax liabilities	29	71,062	33,567
Total non-current liabilities		2,489,047	1,927,776
Total liabilities		3,351,393	3,013,688
Unitholders' equity		1,693,584	1,071,818
Non-controlling interest		–	1,563
Total equity		1,693,584	1,073,381
Total liabilities and equity		\$ 5,044,977	\$ 4,087,069

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

Alka Gautam Trustee Gary Whitelaw Trustee

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31,	Note	2025	2024
Revenue:			
Property	24	\$ 1,079,035	\$ 799,923
Management and other fees	24	4,919	12,560
Lease revenue from joint ventures	12	14,144	36,059
Lease revenue		2,223	–
Interest income	24	8,196	3,605
		1,108,517	852,147
Income (expenses):			
Direct property operating	32	(650,076)	(509,179)
Depreciation of PP&E	5	(245,509)	(166,371)
Amortization of intangible assets	6	(1,739)	(2,195)
Share of net income from joint ventures	12	1,573	9,466
General, administrative and trust	32	(56,601)	(49,460)
Other income	26	68,375	48,650
Finance costs	27	(125,956)	(106,308)
Change in fair values of financial instruments	28	(24,348)	(19,875)
		(1,034,281)	(795,272)
Net income before taxes		74,236	56,875
Current tax recovery/(expense)	29	(1,066)	255
Deferred income tax benefit/(expense)	29	(43,675)	(34,752)
Net income		29,495	22,378
Net income and comprehensive income		\$ 29,495	\$ 22,378
Net income and comprehensive income attributable to:			
Unitholders		29,413	22,408
Non-controlling interest		82	(30)
Net income and comprehensive income ⁽¹⁾		29,495	22,378

⁽¹⁾Referred to as "Net income" throughout the consolidated financial statements

See accompanying notes to consolidated financial statements.

CHARTWELL RETIREMENT RESIDENCES

Consolidated Statements of Unitholders' Equity

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

2025	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Non- controlling Interest	Total
Unitholders' equity, December 31, 2024	\$ 3,040,063	\$ 21,112	\$ (14,855)	\$ 103,383	\$ (2,084,386)	\$ 6,501	\$ 1,563	\$ 1,073,381
Net income and comprehensive income	–	–	–	29,413	–	–	82	29,495
Distributions to unitholders	–	–	–	–	(178,797)	–	–	(178,797)
Issuance of Trust Units under the at-the-Market "ATM" (note 20)	715,106	–	–	–	–	–	–	715,106
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	49,137	–	–	–	–	–	–	49,137
Trust Units issued on exchange of class B units	931	–	–	–	–	–	–	931
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of Units transferred to Treasury	3,738	460	(1,474)	–	–	–	–	2,724
Trust units issued on settlement of "DTUs"	2,456	–	–	–	–	–	–	2,456
Interest on EUPP receivable	–	–	(329)	–	–	–	–	(329)
Distributions applied against EUPP receivable	–	–	1,125	–	–	–	–	1,125
Net non-controlling interest change on acquisitions (note 4)	–	–	–	–	–	–	(724)	(724)
Net non-controlling interest change on deconsolidation	–	–	–	–	–	–	(921)	(921)
Total equity, December 31, 2025	\$ 3,811,431	\$ 21,572	\$ (15,533)	\$ 132,796	\$ (2,263,183)	\$ 6,501	\$ –	\$ 1,693,584

Distributions were declared and paid at \$0.051 per unit per month for the months of January 2025 to December 2025.

See accompanying notes to consolidated financial statements.

CHARTWELL RETIREMENT RESIDENCES

Consolidated Statements of Unitholders' Equity

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

2024	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Non- controlling Interest	Total
Unitholders' equity, December 31, 2023	\$ 2,622,374	\$ 23,666	\$ (16,185)	\$ 80,975	\$ (1,925,870)	\$ 6,501	\$ –	\$ 791,461
Net income and comprehensive income	–	–	–	22,408	–	–	(30)	22,378
Distributions to unitholders	–	–	–	–	(158,516)	–	–	(158,516)
Issuance of Trust Units pursuant to public offering (note 20)	338,879	–	–	–	–	–	–	338,879
Issuance of Trust Units under the at-the-Market "ATM" (note 20)	19,096	–	–	–	–	–	–	19,096
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	41,777	–	–	–	–	–	–	41,777
Trust Units issued on exchange of class B units	219	–	–	–	–	–	–	219
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of Units transferred to Treasury	8,393	(2,554)	431	–	–	–	–	6,270
Trust units issued on settlement of "DTUs"	9,325	–	–	–	–	–	–	9,325
Interest on EUPP receivable	–	–	(346)	–	–	–	–	(346)
Distributions applied against EUPP receivable	–	–	1,245	–	–	–	–	1,245
Non-controlling interest arising on acquisitions (note 4)	–	–	–	–	–	–	1,593	1,593
Total equity, December 31, 2024	\$ 3,040,063	\$ 21,112	\$ (14,855)	\$ 103,383	\$ (2,084,386)	\$ 6,501	\$ 1,563	\$ 1,073,381

Distributions were declared and paid at \$0.051 per unit per month for the months of January 2024 to December 2024.

See accompanying notes to consolidated financial statements.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31,	Note	2025	2024
Cash provided by (used in):			
Operating activities:			
Net income		\$ 29,495	\$ 22,378
Items not affecting cash:			
Depreciation and amortization	5, 6	247,248	168,566
Unit based compensation	25	15,854	9,726
Finance costs	27	125,956	106,308
Transaction costs arising from dispositions	26	6,719	5,518
Impairment expense (reversal) of assets		(12,963)	–
Other income (expense)	26	(62,131)	(54,168)
Interest income	24	(8,196)	(3,605)
Change in fair values of financial instruments	28	24,348	19,875
Current income (recovery) expense	29	1,066	(255)
Deferred income tax (benefit) expense	29	43,675	34,752
Share of net income (loss) from joint ventures	12	(1,573)	(9,466)
Other		2,724	6,271
Change in trade and other receivables		7,380	(5,389)
Change in other assets		15,463	(16,832)
Change in accounts payable and other liabilities		10,133	12,282
		445,198	295,961
Interest income and other income received		8,172	3,433
Interest paid		(123,439)	(98,544)
		329,931	200,850
Financing activities:			
Proceeds from public offering	20	–	331,671
Proceeds from issuance of trust units, net of costs	20	708,926	18,597
Proceeds from mortgage financing	19	483,090	295,453
Mortgage repayments	19	(347,580)	(193,242)
Scheduled mortgage principal repayments	19	(79,041)	(74,028)
Proceeds from debenture financing	16,19	400,000	150,000
Debenture repayment	16,19	(150,000)	–
Increase (repayment) of loans payable	15,19	(115,649)	23,988
Draws (repayment) of credit facilities	14	(100,000)	30,000
Net additions to finance costs	19	(40,388)	(19,491)
Distributions paid		(127,847)	(115,378)
		631,511	447,570
Investing activities:			
Acquisition of assets, net of cash acquired ⁽¹⁾	4	(788,498)	(577,929)
Additions to PP&E and intangible assets	5	(150,044)	(107,271)
Proceeds from disposal of PP&E, net of cash assumed ⁽²⁾	5	73,394	91,466
Payment (advance) of loans receivable	11	(10,907)	(25,458)
Change in restricted cash	10	–	2,122
Contributions to joint ventures	12	(590)	(5,580)
Distributions received from joint ventures	12	4,483	5,992
		(872,162)	(616,658)
Income taxes paid		(196)	(36,333)
		(872,358)	(652,991)
Increase (decrease) in cash and cash equivalents		89,084	(4,571)
Cash and cash equivalents, beginning of year		20,048	24,619
Cash and cash equivalents, end of year		\$ 109,132	\$ 20,048

⁽¹⁾ Includes net settlement of working capital and other assets and liabilities related to acquired properties (note 4).

⁽²⁾ Includes net settlement of working capital and other assets and liabilities related to disposed properties (note 4).

See accompanying notes to consolidated financial statements.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

1. Organization and nature of operations:

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

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

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

On February 26, 2026, the Board of Trustees approved and authorized the consolidated financial statements for issue.

(b) Functional currency:

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

(c) Basis of measurement:

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

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

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

(d) Use of estimates and judgments:

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

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

2. Basis of preparation (continued):

- (ii) notes 3(d) and 5 - Impairment and reversals of impairment of property, plant and equipment

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

- (i) note 3(a) - Determining whether an acquisition is a business combination or asset acquisition.
- (ii) note 3(b) - Componentization of property, plant and equipment.
- (iii) note 3(j) – Assessing the interpretation of tax legislation when recognizing current and deferred tax assets and liabilities.
- (iv) note 30(e) - Assessing the probability of settling an obligation based on the occurrence or non-occurrence of a future event.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies:

(a) Basis of consolidation:

(i) Transactions eliminated on consolidation:

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

(ii) Joint arrangements:

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

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

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

(iii) Business combinations and asset acquisitions:

Chartwell accounts for its acquisitions based on the nature of the assets acquired. . In determining whether a particular set of activities and assets is a business, Chartwell assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. Chartwell also uses the optional fair value concentration test when determining whether a transaction is to be accounted for as an asset acquisition or a business combination. Acquisitions considered to be a business combination are accounted for under IFRS 3, while those that do not meet the business definition are accounted under IAS 16.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

The consideration transferred of a business combination is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition.

When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values. In determining the fair values that drive such analysis, Chartwell estimates the fair value of each component as further described in note 3(b). Chartwell recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the asset acquisition. Subsequent changes in the fair value of contingent consideration arrangements are recognized in profit or loss.

(iv) Non-controlling interest

As a result of the structure of certain acquisitions, non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(b) Property, plant and equipment:

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

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

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

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

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

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

Upon allocation of a purchase price of an asset acquisition, Chartwell determines the value associated with land and building using a number of sources including independent appraisals, Chartwell's internal analysis of recently acquired or developed properties, existing comparable properties and other market data. Chartwell determines the value associated with in-place resident contracts, which represents the avoided cost of originating the acquired resident contracts plus the value of the avoided loss of net property revenue over the estimated lease-up period of the property. Assumptions used to determine such fair values include comparable land sales, capitalization rates, discount rates, market rental rates and property operating data. Resident contracts are amortized over the expected term of the resident occupancy and are recorded as a component of buildings.

(c) Intangible assets:

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

(i) Licenses:

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

(ii) Software:

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

(iii) Goodwill:

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

(d) Impairment of non-financial assets:

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

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

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

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

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

(e) Government grants and government assistance:

(i) Capital funding receivable:

Capital funding are grants receivable from the Government of Ontario based on construction costs incurred for new eligible long term care (“LTC”) properties. The interest accretion on the grants is recognized in profit or loss as other income over the life of the grant which is 25 years.

Subsequent to construction, capital funding grants are present-valued and recorded as capital funding receivable, with an offset to the cost of the related PP&E upon inception. These grants are received over time, the accretion of the receivables is recognized in profit or loss as interest income over the life of the grant.

(ii) Government income grant:

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

(f) Assets held for sale:

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

(g) Financial instruments:

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

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

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

Financial assets classified at amortized cost are measured using the effective interest method. Financial assets classified as FVTPL are measured at fair value with gains and losses recognized in change in fair values of financial instruments and foreign exchange gains (losses) in profit or loss.

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

Chartwell has made the following classifications for its financial instruments:

Account	Measurement
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Capital funding receivable	Amortized cost
Restricted cash	Amortized cost
Loans receivable – mezzanine loans	FVTPL
Loans receivable – vendor take-back mortgages	Amortized cost
Other assets – income guarantee receivable	FVTPL
Accounts payable and other liabilities	Amortized cost
Distributions payable	Amortized cost
Mortgages payable	Amortized cost
Credit facilities	Amortized cost
Loans payable	Amortized cost
Senior unsecured debentures	Amortized cost
Derivative instruments	FVTPL
Class B Units	FVTPL

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

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

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

Derivative instruments:

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

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

Trust Units:

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

Class B Units:

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

(h) Fair value measurement:

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

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

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

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

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

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(i) Employee benefits:

(i) Short-term benefits:

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

(ii) Employee health benefits:

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

(iii) Unit-based payment plans:

Chartwell maintains an EUPP, Deferred Trust Units ("DTU"), and Restricted Trust Unit ("RTU") Plans for its employees, directors and Trustees. The EUPP and DTU Plan require settlement in Trust Units. Any changes in the fair value of the liability for the DTU and EUPP plans are recognized in change in fair values of financial instruments in profit or loss.

The RTU Plan requires settlement in cash and are accounted for as cash-settled awards, as Chartwell's Trust Units are puttable. The fair value of the amount payable is recognized as general, administrative and trust expenses and direct property operating expense in profit and loss, with a corresponding increase in liabilities, over the relevant service periods. The liability is remeasured at each reporting date and at the settlement date. The changes in the fair value of the liability for the RTU Plans are recognized in general, administrative and trust expenses and direct property operating expenses.

(j) Income taxes:

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

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

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

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

(k) Revenue recognition:

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

(i) Property revenue:

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

(a) Rental revenue:

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

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

Government funding and commercial revenue is presented as 'other property revenue'.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

(b) Services revenue:

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

(ii) Long term care homes property revenue:

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

In Canada, the provinces or regional health authorities regulate the amounts charged to residents of long term care homes, a substantial portion of which are funded by provincial or regional programs. Revenue in respect of such variable consideration is recognized based on management's best estimate of the most likely amount to which Chartwell will ultimately be entitled.

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

(iii) Fee revenue:

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

(iv) Lease revenue from joint ventures:

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

(l) Leases:

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

(i) As a lessee:

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

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

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

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

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

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

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

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

(iii) As a lessor:

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

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

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

3. Material accounting policies (continued):

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

(i) IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements, which replaces IAS 1, Presentation of Financial Statements. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. Chartwell is currently evaluating the impact of the standard on its consolidated financial statements. Areas of focus include new defined subtotals to be presented in the Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss), disclosure of management-defined performance measures and requirements for grouping of information. In addition, when presenting cash flows under the indirect method the starting point is operating profit subtotal instead of net income.

(ii) Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7). The amendments to the application guidance of IFRS 9 permit an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. Chartwell is currently evaluating the potential impact of the standard on its consolidated financial statements.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

4. Acquisitions and dispositions:

The following table outlines the total acquisitions, excluding the Welltower transaction discussed further below, during the year ended December 31, 2025:

	Victoria Harbour by Chartwell	Chartwell Rosemont Les Quartiers	Chartwell Sumach residence	Chartwell Les Tours Angrignon	Chartwell Panorama	Chartwell Azalis	Chartwell Edgewater	The Edward Boutique Living by Chartwell	Batimo Transactions	Total
Date of acquisition	January 15	March 1	June 1	October 1	November 3	December 1	December 2	December 15	See below	
Location	British Columbia	Quebec	Ontario	Quebec	Quebec	Quebec	British Columbia	Alberta	Quebec	
Ownership acquired %	(131 suites) 100%	(632 suites) 100%	(332 suites) 5%	(449 suites) 100%	(238 suites) 100%	(334 suites) 100%	(155 suites) 100%	(90 suites) 100%	See below	
PP&E	\$ 78,502	\$ 141,630	\$ 7,231	\$ 90,930	\$ 78,437	\$ 114,211	\$ 94,059	\$ 53,212	\$ 419,095	\$ 1,077,307
Working capital adjustments	(524)	(1,757)	62	(570)	(207)	(430)	(519)	(642)	(433)	(5,020)
Non-controlling interest	-	-	-	-	-	-	-	-	724	724
Total	\$ 77,978	\$ 139,873	\$ 7,293	\$ 90,360	\$ 78,230	\$ 113,781	\$ 93,540	\$ 52,570	\$ 419,386	\$ 1,073,011
Cash consideration	\$ 74,476	\$ 127,775	\$ 6,662	\$ 19,284	\$ 75,793	\$ 110,570	\$ 75,595	\$ 52,358	\$ 229,532	\$ 772,045
Mortgages assumed	-	-	-	67,975	-	-	-	-	164,002	231,977
Deferred payment	-	6,000	400	-	-	-	2,568	-	-	8,968
Settlement of mezzanine loan	-	-	-	-	-	-	24,018	-	14,221	38,239
Acquisition related costs	3,502	6,098	231	3,101	2,437	3,211	59	212	12,281	31,132
NOI Guarantee receivable	-	-	-	-	-	-	(8,700)	-	(650)	(9,350)
Total consideration	\$ 77,978	\$ 139,873	\$ 7,293	\$ 90,360	\$ 78,230	\$ 113,781	\$ 93,540	\$ 52,570	\$ 419,386	\$ 1,073,011

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

4. Acquisitions and dispositions (continued):

Batimo Acquisitions:

The following table outlines the Batimo acquisitions during the year ended December 31, 2025:

	Chartwell Trait-Carré	Chartwell Le Florilège	Chartwell L'Envol	Le Prescott II development	Le Prescott LIB development	Résidence L'Aubier	Résidence Légende	Total Batimo Transactions
Date of acquisition	March 10	April 1	April 1	June 11	July 3	November 1	December 18	
Location	Quebec (361 suites)	Quebec (345 suites)	Quebec (360 suites)	Quebec n/a	Quebec n/a	Quebec (376 suites)	Quebec (368 suites)	Quebec
Ownership acquired %	15%	100%	100%	50%	50%	100%	15%	
PP&E	\$ 17,100	\$ 116,302	\$ 121,389	\$ 7,971	\$ 6,282	\$ 131,525	\$ 18,526	\$ 419,095
Working capital adjustments	(128)	(61)	(70)	–	–	(366)	192	(433)
Non-controlling interest	724	–	–	–	–	–	–	724
Total	\$ 17,696	\$ 116,241	\$ 121,319	\$ 7,971	\$ 6,282	\$ 131,159	\$ 18,718	\$ 419,386
Cash consideration	\$ 7,084	\$ 34,885	\$ 47,616	\$ 7,849	\$ 6,282	\$ 117,834	\$ 7,982	\$ 229,532
Mortgages assumed	9,981	77,955	65,917	–	–	–	10,149	164,002
Settlement of mezzanine loan	–	–	4,221	–	–	10,000	–	14,221
Acquisition related costs	631	3,401	3,565	122	–	3,975	587	12,281
NOI guarantee receivable	–	–	–	–	–	(650)	–	(650)
Total consideration	\$ 17,696	\$ 116,241	\$ 121,319	\$ 7,971	\$ 6,282	\$ 131,159	\$ 18,718	\$ 419,386

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

4. Acquisitions and dispositions (continued):

Chartwell applied the optional concentration test in accordance with IFRS 3 for all of the 2025 acquisition transactions and accounted for the acquisitions as asset acquisitions. For the acquisition of Chartwell Edgewater, \$8,700 of the purchase price was held back to support the vendor 36-month net operating income “NOI” guarantee obligations to Chartwell. For the acquisition of Résidence L’Aubier, \$650 of the purchase price was held back to support the vendor 12-month NOI guarantee obligations to Chartwell.

Welltower Transaction:

On February 1, 2025, Chartwell closed on its transaction with Welltower to windup its joint arrangements (“Welltower Transaction”). Under the terms of the agreement, Chartwell conveyed 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) \$93,117 net of debt and working capital adjustments. Chartwell has incurred total transaction costs of \$12,863 in relation to this transaction and estimate SIFT taxes payable of \$1,756. Chartwell acquired \$210,454 in PP&E on the Chartwell Assets. Chartwell assumed \$131,742 in debt on the Chartwell Assets, bearing a weighted average interest at 3.09% and having a weighted average term to maturity of 5.29 years. The net change to total debt for Chartwell’s balance sheet was a reduction of approximately \$52,093, including the impact of the settlement of the Welltower loan 1 (note 14) of \$33,323 which was settled upon closing of the transaction. Chartwell applied the optional concentration test in accordance with IFRS 3 and accounted for the acquisition as an asset acquisition. Transaction costs of \$9,242 and mark to market adjustments of \$(1,101) have been capitalized to PP&E in the consolidated balance sheet. Chartwell recognized a gain on sale of assets totaling \$60,300 (note 26).

Future acquisitions subsequent to December 31, 2025:

On July 21, 2025, Chartwell entered into a definitive agreement to acquire a portfolio of six communities comprising 1,024 suites located in London, Waterloo, and Mississauga, for a total purchase price of \$432,000. The purchase price at closing will be partially settled by assuming mortgages of \$229,616 majority CMHC-insured. The assumed mortgages have a weighted average interest rate of 4.50% and weighted average maturity date of 19.0 years. Closing of the transaction is subject to third-party approvals. The purchase of 29 additional town homes at one of the sites, currently under development, will close on completion anticipated in Q4 2026

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

4. Acquisitions and dispositions (continued):

The following table outlines the total acquisitions during the year ended December 31, 2024:

	Batimo Transactions	Quebec Portfolio-1 ⁽²⁾	Pickering Land	Vista & Edgewater Care ⁽³⁾	Quebec Portfolio-2 ⁽⁴⁾	Total
Date of acquisition	see below	July 22	July 31	October 31	November 18	
Location	Province of Quebec (1,053 suites)	Province of Quebec (1,428 suites)	Province of Ontario (Vacant land)	Province of British Columbia (229 suites)	Province of Quebec (1,807 suites)	
Ownership acquired %	see below	100%	10%	100%	50%	
PP&E	\$ 263,843	\$ 301,138	\$ 1,166	\$ 115,192	\$ 209,453	\$ 890,792
Investment in joint ventures ⁽¹⁾	-	-	-	-	7,189	7,189
Working capital adjustments	(909)	(1,508)	-	(831)	(93)	(3,341)
Non-controlling interest	(1,593)	-	-	-	-	(1,593)
Total	\$ 261,341	\$ 299,630	\$ 1,166	\$ 114,361	\$ 216,549	\$ 893,047
Cash consideration	\$ 89,535	\$ 295,749	\$ 1,147	\$ 123,371	\$ 61,363	\$ 571,165
Mortgages assumed	159,681	-	-	-	152,050	311,731
Settlement of mezzanine loan	3,826	-	-	-	-	3,826
Acquisition transaction costs	9,948	3,881	19	190	7,786	21,824
NOI guarantee receivable	(1,649)	-	-	(9,200)	(4,650)	(15,499)
Total consideration transferred	\$ 261,341	\$ 299,630	\$ 1,166	\$ 114,361	\$ 216,549	\$ 893,047

⁽¹⁾ Includes investment in joint ventures primarily related to PP&E and working capital adjustments.

⁽²⁾ Chartwell acquired a 100% interest in five retirement residences. These properties are Chartwell Du Plateau, Chartwell Mille-lies, Chartwell Le Normandie, Chartwell Rivière-du-Nord, and Chartwell Rock Forest.

⁽³⁾ Chartwell acquired a 100% ownership in Chartwell Vista Retirement Community ("Vista") and Chartwell Edgewater Care Residence ("Edgewater Care").

⁽⁴⁾ Chartwell acquired a 50% ownership in 5 retirement residences. These properties are Chartwell Shawinigan, Chartwell Val-Bélair, Chartwell Des Rivières, Chartwell Des Chutes, and Chartwell Jules-Verne.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

4. Acquisitions and dispositions (continued):

The following table summarizes the Batimo acquisitions:

	Chartwell Le Prescott	Chartwell Trait- Carré	Résidence Légende	Total Batimo Transactions
Date of acquisition	May 3	May 15	June 21	
Location	Province of Quebec (324 Suites)	Province of Quebec (361 Suites)	Province of Quebec (368 Suites)	Total (1,053 Suites)
Ownership acquired %	85%	85%	85%	
PP&E	\$ 84,353	\$ 89,902	\$ 89,588	\$ 263,843
Working capital adjustments	(345)	(267)	(297)	(909)
Less: Non-controlling interest	(429)	(667)	(497)	(1,593)
Total	\$ 83,579	\$ 88,968	\$ 88,794	\$ 261,341
Cash consideration	\$ 38,156	\$ 27,265	\$ 24,114	\$ 89,535
Mortgages assumed	42,129	58,403	59,149	159,681
Settlement of mezzanine loan	-	-	3,826	3,826
Acquisition related costs	3,294	3,321	3,333	9,948
Less: income guarantee receivable	-	(21)	(1,628)	(1,649)
Total consideration transferred	\$ 83,579	\$ 88,968	\$ 88,794	\$ 261,341

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

4. Acquisitions and dispositions (continued):

Dispositions during the year ended December 31, 2025:

On September 2, 2025, Chartwell completed the sale of one residence in Quebec. The property had been fully impaired in Q2 2025, and no gain or loss was recognized on disposition.

Future disposition subsequent to December 31, 2025:

On February 19, 2026, Chartwell entered into a definitive agreement to sell one non-core property in Ontario for a sale price of \$49,000. This transaction is expected to close in Q1 2026.

Dispositions during the year ended December 31, 2024:

On September 18, 2024, Chartwell completed the sale of one residence in Ontario for a sale price of \$79,500. The purchase price was paid in cash. Chartwell recognized a gain on sale of assets totaling \$46,896 (note 26).

On August 30, 2024, Chartwell completed the sale of one retirement residence in Ontario for a sale price of \$4,600. The purchase price was paid in cash. Chartwell entered into a sale and leaseback transaction of the land and building until the property is vacated. Chartwell recognized a gain on sale of assets totaling \$2,619 (note 26).

On August 15, 2024, Chartwell completed the sale of one retirement residence in Ontario for a sale price of \$10,750. The purchase price was paid in cash. Chartwell recognized a gain on sale of assets totaling \$4,907 (note 26).

On February 1, 2024, Chartwell completed the sale of one property in Ontario for a sale price \$3,750. A vendor take-back mortgage was extended to the purchaser in the amount of \$2,800, maturing in February 2027, and bearing an interest rate of 8% per annum for the first two years and 10% per annum for the third year. Chartwell recognized a gain on sale of assets totaling \$27 (note 26).

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

5. Property, plant and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost						
Balance, December 31, 2023	\$ 298,119	\$ 3,249,314	\$ 166,894	\$ 98,391	\$ 21,618	\$3,834,336
Acquisition (note 4)	104,592	758,748	20,952	–	6,500	890,792
Additions	–	77,843	14,682	8,652	–	101,177
Disposals	(8,981)	(53,008)	(3,667)	–	–	(65,656)
Derecognition	–	(35,411)	–	–	–	(35,411)
Balance, December 31, 2024	393,730	3,997,486	198,861	107,043	28,118	4,725,238
Acquisition (note 4)	154,026	1,078,754	38,889	14,274	1,818	1,287,761
Additions	–	93,962	17,134	26,987	–	138,083
Disposals	(1,446)	(10,130)	(2,608)	–	–	(14,184)
Derecognition	–	(56,030)	–	–	–	(56,030)
Transfers In/Out (note 7)	–	34,372	1,844	(84,064)	16,403	(31,445)
Balance, December 31, 2025	\$ 546,310	\$ 5,138,414	\$ 254,120	\$ 64,240	\$ 46,339	\$6,049,423
Accumulated depreciation and impairment losses						
Balance, December 31, 2023	\$ 1,019	\$ 855,979	\$ 136,327	\$ –	\$ –	\$ 993,325
Depreciation	99	150,936	15,336	–	–	166,371
Disposals	–	(23,818)	(3,259)	–	–	(27,077)
Derecognition	–	(35,411)	–	–	–	(35,411)
Balance, December 31, 2024	1,118	947,686	148,404	–	–	1,097,208
Depreciation	99	223,001	22,409	–	–	245,509
Disposal	(1,446)	(11,462)	(1,635)	–	–	(14,543)
Derecognition	–	(56,030)	–	–	–	(56,030)
Impairment expense (reversal)	1,446	(14,509)	23	–	–	(13,040)
Balance, December 31, 2025	\$ 1,217	\$ 1,088,686	\$ 169,201	\$ –	\$ –	\$1,259,104
Carrying amounts						
Balance, December 31, 2024	\$ 392,612	\$ 3,049,800	\$ 50,457	\$ 107,043	\$ 28,118	\$3,628,030
Balance, December 31, 2025	545,093	4,049,728	84,919	64,240	46,339	4,790,319

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

5. 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, 2024 and December 31, 2025:

Right-of-use assets	Land ⁽¹⁾	Buildings	Furniture, fixtures and equipment	Total
Balance, December 31, 2023	\$ 5,479	\$ 3,404	\$ 1,257	\$ 10,140
Additions	–	–	910	910
Depreciation	(99)	(209)	(645)	(953)
Disposals	–	–	(161)	(161)
Balance, December 31, 2024	5,380	3,195	1,361	9,936
Additions	–	–	710	710
Depreciation	(99)	(211)	(695)	(1,005)
Disposal	–	–	(42)	(42)
Balance, December 31, 2025	\$ 5,281	\$ 2,984	\$ 1,334	\$ 9,599

⁽¹⁾ Relates to land leases

Other PP&E information:

During the year ended December 31, 2025, one property under development was transferred to other components of PP&E upon becoming available for use. Chartwell incurred \$80,116 of costs related to this development and became eligible for \$10,100 of development funding grant recorded in trade and other receivables (note 9). Of the total costs incurred, \$67,661 was allocated to other components of PP&E and \$2,355 recorded as direct property operating expenses. Additionally, \$31,445 (note 7) capital funding receivable has been allocated to this project based on the funding that will be received over the next 25 years.

Since January 1, 2010, \$254,706 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 December 31, 2025 (2024 – \$240,608 in respect of residences which were held by Chartwell as at December 31, 2024).

During the year ended December 31, 2025, Chartwell capitalized \$2,419 (2024 - \$2,861) of borrowing costs related to development projects under construction at an average capitalization rate of 4.08% (2024 – 4.17%).

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

5. Property, plant and equipment (continued):

Chartwell has determined that each of its properties are CGUs for purposes of impairment assessments as each property independently generates cash flows. The recoverable amount for each property was recorded on a valuation based on fair value less costs of disposal. Fair value is measured using either the present value of future cash flows or the direct capitalization method and is categorized within Level 3 of the fair value hierarchy. In calculating fair value, management estimates future stabilized cash flows which include assumptions about rental rates and occupancy rates. Such assumptions can be significantly impacted by current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. Management also applies adjustments to reflect the expectations of market participants. The discount rates, capitalization rates and terminal capitalization rates applied to cash flows to determine the recoverable amount are based on recent transactions of similar assets within the market. Chartwell completes regular assessments of PP&E to determine if any events have occurred that would indicate possible impairment of PP&E. For the year ended December 31, 2025, Chartwell recorded an impairment reversal of \$14,041 (2024 - \$nil) for one property located in Ontario driven by a change in use and an impairment expense of \$1,001 (2024 - \$nil) for one property in Quebec that was sold in Q3 2025.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

6. Intangible assets

	Goodwill	Licenses	Software	Total
Cost				
Balance, December 31, 2023	\$ 9,233	\$ 4,840	\$ 35,299	\$ 49,372
Additions	–	–	84	84
Disposals	–	(560)	(1,072)	(1,632)
Balance, December 31, 2024	9,233	4,280	34,311	47,824
Additions	–	–	343	343
Disposals	–	–	(249)	(249)
Balance, December 31, 2025	\$ 9,233	\$ 4,280	\$ 34,405	\$ 47,918
Accumulated amortization				
Balance, December 31, 2023	\$ –	\$ –	\$ 24,354	\$ 24,354
Disposals	–	–	(469)	(469)
Amortization	–	–	2,195	2,195
Balance, December 31, 2024	–	–	26,080	26,080
Disposals	–	–	(249)	(249)
Amortization	–	–	1,739	1,739
Impairment expense	–	–	77	77
Balance, December 31, 2025	\$ –	\$ –	\$ 27,647	\$ 27,647
Carrying amounts				
Balance, December 31, 2024	\$ 9,233	\$ 4,280	\$ 8,231	\$ 21,744
Balance, December 31, 2025	9,233	4,280	6,758	20,271

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

6. Intangible assets (continued):

Chartwell completed its annual impairment assessment of the carrying value of licenses and goodwill which are classified as intangible assets with indefinite useful lives. The impairment assessment on the carrying value of licenses was completed in November and for goodwill was completed in December for the years ended December 31, 2025 and 2024. These intangible assets do not generate cash inflows that are largely independent of those of other assets and Chartwell completed the assessment of the recoverable amount of these intangible assets by comparing the fair value less costs of disposal of the related CGUs containing these intangible assets determined using the higher value in use (through either the internally prepared direct capitalization method or appraised values), to their carrying values. The direct capitalization method divides the estimated stabilized net operating income by an appropriate market capitalization rate. The key assumptions used in the impairment assessment include range of capitalization rate between 6.00% to 6.25% (2024 – between 6.25% to 6.50%) for goodwill. The capitalization rates used were derived from a combination of third-party information and the observation of industry trends. Chartwell determined that the fair value less costs of disposal exceeded the carrying value of the CGUs for the years ended December 31, 2025 and 2024.

7. Capital funding receivable:

The following table summarizes the capital funding receivable activity:

	December 31, 2025	December 31, 2024
Opening Balance	\$ –	\$ –
Capital funding increase	31,445	–
Reduction of capital funding receivable	(292)	–
Closing Balance	\$ 31,153	\$ –
Current	\$ 783	\$ –
Non-current	30,370	–
	\$ 31,153	\$ –

The capital funding receivable of \$31,153 (2024 - \$nil) represents the present value of the funding receivable from the Government of Ontario related to one long-term care home. The weighted average remaining term of this funding is approximately 24.7 years. The discount rate used in the present value calculation was 3.80% based on long-term government bond rates. The receipt of funding for the remaining term of the agreement is subject to the condition that the home continues to operate as long-term care home for the remaining period. During 2025, capital funding receipts amounted to \$744 (2024 - \$nil) of which \$452 (2024 - \$nil) was recorded as interest income and \$292 (2024 - \$nil) as a reduction of capital funding receivable.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

8. Leases:

As at December 31, 2025, Chartwell has right-of-use assets in respect of land, office space and equipment leases totaling \$9,599 (2024 - \$9,936) with remaining lease terms ranging from less than 2 to 53 years (note 5). Lease obligations related to these right-of-use assets totaled \$8,039 (2024 - \$8,206) of which \$984 (2024 - \$925) was classified current and \$7,055 (2024 - \$7,281) was classified non-current as at December 31, 2025. Chartwell generally does not include purchase, extension or termination options in its leases, other than extension options for land leases that support properties with lengthy useful lives.

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

Less than one year	\$	1,095
One to five years		1,449
More than five years		15,681
Total ⁽¹⁾	\$	18,225

⁽¹⁾Includes one land lease with cumulative required undiscounted cash payments of \$16,818 (2024 - \$17,045) which matures in 2079.

9. Trade and other receivables:

	2025	2024
Government grants receivable	\$ 11,059	\$ 712
Residents	1,709	1,168
Related party	1,192	5,019
Insurance recoverables	148	350
Other receivables	5,821	10,423
	\$ 19,929	\$ 17,672

Government grants receivable includes \$10,100 of development funding grants recognized upon substantial completion of construction for a LTC development. This balance represents the amounts owing related to costs incurred to date.

Resident receivables balance at December 31, 2025 is net of an allowance for expected credit losses of \$1,396 (2024 - \$1,492).

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

10. Other assets:

	2025	2024
Prepaid expenses and deposits	\$ 19,127	\$ 25,747
Income guarantees ⁽¹⁾ (note 4)	12,247	15,478
Related party lease receivable	3,404	514
Inventory	1,418	1,139
Restricted cash	1,167	1,519
Interest rate swaps ⁽²⁾	220	806
Deposits for future acquisitions (note 4)	–	9,000
Investments	–	3,759
	\$ 37,583	\$ 57,962
Current	\$ 35,449	\$ 54,191
Non-current	2,134	3,771
	\$ 37,583	\$ 57,962

(1) Income guarantees are carried at fair value and considered Level 3 in the fair value hierarchy. Fair value is determined by discounting the applicable expected future income from these properties.

(2) This represents fair value of interest rate swaps related to mortgages payable of \$220 (2024 - \$806) (note 13).

11. Loans receivable:

The following table summarizes Chartwell's loan receivables as at December 31, 2025:

	2025	2024
Mezzanine loans - Batimo	\$ –	\$ 14,183
Mezzanine loans – Other	6,808	17,494
Vendor take-back loans	9,598	9,280
	\$ 16,406	\$ 40,957
Current	\$ 6,369	\$ 21,677
Non-current	10,037	19,280
	\$ 16,406	\$ 40,957

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

11. Loans receivable (continued):

Mezzanine loans - Batimo

Mezzanine loans plus accrued interest due from Batimo were fully repaid on April 1, 2025 and November 1, 2025 upon acquisition of the associated properties.

Mezzanine loans – Other

Chartwell advanced a mezzanine loan of \$21,900 in two tranches during the year ended December 31, 2024 and December 31, 2025 bearing interest at a rate of 14% for Chartwell Edgewater (note 4). The loan was fully repaid on December 2, 2025.

On July 11, 2025, Chartwell advanced a \$4,500 mezzanine loan and on November 7, 2025, Chartwell advanced an additional \$2,000 mezzanine loan for the development of a retirement residence located in Calgary, Alberta. This loan bears interest at the rate of 12% or 13% and matures on July 11, 2028. Interest is accrued until the property is cash flow positive. Accrued interest of \$308 was added to the principal of the loan.

Vendor take-back loans

These mature in 2026-2027, bear interest at a rate of 6% - 10% and are secured by the related properties and personal guarantees as applicable.

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

12. Joint arrangements:

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The following are Chartwell's joint arrangements as at December 31, 2025:

Joint arrangements	Number of properties	Chartwell ownership	Joint arrangement type	Consolidation method
Batimo	2	85%	Joint operation	Proportionate
Chartwell Oakville Retirement Residence ⁽¹⁾	1	50%	Joint venture	Equity
Chartwell Constantia Retirement Residence ⁽¹⁾	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 ⁽³⁾	1	50%	Joint operation	Proportionate
Kingsbridge Retirement Community ⁽¹⁾	1	60%	Joint venture	Equity
Chartwell - Champlain Landlord ⁽¹⁾	5	50%	Joint operation	Proportionate
Chartwell - Champlain Operator ⁽¹⁾⁽²⁾	1	50%	Joint venture	Equity
Le Prescott Phase II	1	50%	Joint operation	Proportionate
Lib Vaudreuil-Dorion	1	50%	Joint operation	Proportionate

⁽¹⁾ These joint arrangements have been structured through separate legal vehicles

⁽²⁾ Chartwell directly holds its interest in real estate while its interest in operations is held through separate legal entities.

⁽³⁾ Includes acquisition of incremental 5% in Sumach in Q2 2025 (note 4).

On February 1, 2025, Chartwell completed the wind up of its existing joint arrangements with Welltower (note 4).

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

12. Joint arrangements (continued):

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

(a) Joint operations:

At December 31, 2025, 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. This financial information is included line by line in the consolidated financial statements at Chartwell's share:

	2025	2024
Current assets	\$ 31,747	\$ 44,725
Assets held for sale	–	274,435
Non-current assets	405,566	705,492
Total assets	\$ 437,313	\$ 1,024,652
Current liabilities	\$ 110,143	\$ 274,996
Liabilities related to assets held for sale	–	149,290
Non-current liabilities	145,788	244,949
Total liabilities	\$ 255,931	\$ 669,235
Total revenue	\$ 51,715	\$ 74,595
Total expenses	\$ (57,324)	\$ (60,510)

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

12. Joint arrangements (continued):

(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.

	2025	2024
Disposals of joint ventures	\$ (9,563)	\$ –
Contributions to joint ventures including upon acquisition	590	12,769
Distributions received from joint ventures	(4,483)	(5,992)

	2025	2024
Cash and cash equivalents	\$ 4,947	\$ 15,667
Trade and other receivables	12,725	12,032
Other assets	703	2,666
Assets held for sale	–	5,517
Current assets	18,375	35,882
PP&E and intangible assets	54,383	59,297
Total assets	\$ 72,758	\$ 95,179

Accounts payable and other liabilities	\$ 4,221	\$ 9,085
Mortgages payable – current	9,766	280
Liabilities held for sale	–	4,531
Current liabilities	13,987	13,896
Mortgages payable – non-current	38,587	49,216
Total liabilities	\$ 52,574	\$ 63,112

Net investment in joint ventures held for sale (note 18)	\$ –	\$ 5,846
Net investment in joint ventures	\$ 20,184	\$ 26,221

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

12. Joint arrangements (continued):

	2025	2024
Revenue	\$ 55,223	\$ 143,722
Direct property operating expense	(32,694)	(92,177)
Lease expense	(14,144)	(36,059)
Finance costs	(2,480)	(2,133)
Depreciation and amortization	(3,735)	(3,015)
Change in fair value of financial instruments	(602)	(872)
Other income (loss)	5	–
Chartwell's share of net income (loss) from joint ventures	\$ 1,573	\$ 9,466

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 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 December 31, 2025, \$nil (2024 - \$2,819) of Chartwell's accounts receivable and \$13,931 (2024 - \$12,335) of Chartwell's accounts payable relate to its investments in joint ventures. For the year ended December 31, 2025, \$3,271 (2024 - \$7,827) of Chartwell's management fees related to its investment in joint ventures.

Prior to completion of the Welltower transaction on February 1, 2025, Chartwell and Welltower Inc. ("Welltower") (referred to as the "landlords") each owned a 50% direct beneficial interest in the real estate assets and are obligated for the related mortgages for a portfolio of 37 properties. Chartwell owned a 42.5% beneficial interest and Welltower a 57.5% beneficial interest in the real estate and are each were obligated for the related mortgages for Chartwell Le St-Gabriel Landlord. Chartwell's interests in these properties were 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 were held through separate legal entities, which were accounted for as joint ventures using the equity method under IFRS 11.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

12. Joint arrangements (continued):

Chartwell and Champlain (referred to as the “landlords”) each owns a 50% direct beneficial interest in the real estate assets and are each obligated for the related mortgages for a portfolio of 5 properties, all acquired in Q4 2024 (note 4). Chartwell’s interests in these properties are accounted for as joint operations under IFRS 11. Chartwell’s 50% interest in the operations of the 5 properties (collectively referred to as “Chartwell-Champlain Operator”) are held through separate legal entities, which are accounted for as joint ventures using the equity method under IFRS 11.

Chartwell-Welltower Operator, Chartwell Le St-Gabriel Operator, and Chartwell-Champlain Operator have leased the real estate from Chartwell-Welltower Landlord, Chartwell Le St-Gabriel Landlord, and Chartwell-Champlain 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, \$14,114 for the year ended December 31, 2025 (2024 - \$36,059) is reported as lease revenue and is included in lease revenue from joint ventures. The lease expenses for Chartwell-Welltower Operator, Chartwell Le St-Gabriel Operator and Chartwell-Champlain Operator are included in the share of net income/(loss) from joint ventures.

In addition, Chartwell and Welltower each own a 50% interest each in The Sumach by Chartwell. Chartwell directly holds its interest in the real estate and related mortgage, and operations for this residence which are accounted for as joint operation (proportionately consolidated).

As at December 31, 2025, Chartwell holds an 85% beneficial interest and Batimo holds a 15% beneficial interest in two properties, including one property acquired in Q2 2024 (note 4). Chartwell directly holds its interest in the underlying real estate, related mortgage, and operations of these residences, which are accounted for as joint operations and proportionately consolidated.

At the beginning of 2025, three properties acquired in 2024 were held through a separate legal entity and consolidated, with a 15% non-controlling interest recognized for Batimo’s ownership interest. During the year, Chartwell completed a planned wind-up of the landlord and operator structure for these properties. As part of this restructuring, Chartwell acquired the remaining 15% interest in two of the properties. Following the wind-up and related transactions, the remaining property continues to be 85% owned by Chartwell and 15% owned by Batimo; however, Chartwell now directly holds its interest in the assets and liabilities. As a result, the accounting transitioned from consolidation with non-controlling interest to proportionate consolidation as a joint operation.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

13. Mortgages payable:

	2025	2024
Mortgages principal balance	\$ 2,272,320	\$ 1,852,274
Mark-to-market adjustments on assumed mortgages	131	2,376
Financing costs	(90,290)	(59,671)
	<u>\$ 2,182,161</u>	<u>\$ 1,794,979</u>
Current	\$ 330,276	\$ 408,071
Non-current	1,851,885	1,386,908
	<u>\$ 2,182,161</u>	<u>\$ 1,794,979</u>

Mortgages payable are secured by first and second charges on specific properties and are measured at amortized cost. For more information about Chartwell's exposure to interest rates and liquidity risks, see note 22. The mortgages payable repayment schedule as at December 31, 2025 are as follows:

	Regular principal payments	Principal due on maturity	Total debt
2026	\$ 84,681	\$ 249,162	\$ 333,843
2027	79,347	62,036	141,383
2028	75,956	183,677	259,633
2029	65,219	111,590	176,809
2030	57,966	82,278	140,244
2031	49,631	133,360	182,991
2032	43,869	65,133	109,002
2033	39,353	139,948	179,301
2034	35,413	237,696	273,109
2035	22,354	242,821	265,175
Thereafter	21,583	189,247	210,830
	<u>\$ 575,372</u>	<u>\$ 1,696,948</u>	<u>\$ 2,272,320</u>

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

13. Mortgages payable (continued):

	2025	2024
Mortgages at fixed rates:		
Mortgages (principal)	\$ 2,232,733	\$ 1,581,468
Interest rates	1.48% to 5.75%	1.31% to 5.75%
Weighted average interest rate	3.61%	3.50%
Mortgages at variable rates:		
Mortgages (principal)	\$ 39,587	\$ 270,806
Interest rates	4.03% to 4.85%	5.07% to 6.70%
Weighted average interest rate	4.57%	5.94%
Blended weighted average rate	3.63%	3.86%

Included in mortgages at fixed rates above, are mortgages totaling \$69,463 (2024 - \$40,433) with interest rates fixed through interest rate swap contracts with an equivalent notional value, maturing in 2026. The swaps have a fair value asset of \$220 (2024 - \$806) included in other assets (note 10). 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 December 31, 2025.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

14. Credit facilities:

The following tables summarize certain details of Chartwell's credit facilities as at December 31, 2025 and December 31, 2024:

December 31, 2025	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for letters of credit	Available to be drawn	Maturity date
Secured credit facility	\$ 300,000	\$ 300,000	\$ –	\$ (5,089)	\$ 294,911	May 29, 2029
Unsecured credit facility	100,000	100,000	–	–	100,000	May 29, 2029
Total	\$ 400,000	\$ 400,000	\$ –	\$ (5,089)	\$ 394,911	

December 31, 2024	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for letters of credit	Available to be drawn	Maturity date
Secured credit facility	\$ 300,000	\$ 300,000	\$ (100,000)	\$ (5,753)	\$ 194,247	May 29, 2027
Unsecured credit facility	100,000	100,000	–	–	100,000	May 29, 2027
Total	\$ 400,000	\$ 400,000	\$ (100,000)	\$ (5,753)	\$ 294,247	

On June 3, 2025, Chartwell entered into amending agreements to extend the maturity date of the secured and unsecured credit facility from May 29, 2027 to May 29, 2029. The terms of the secured facility were amended to reduce the applicable interest rate by 10 basis points. In addition, changes were made to the lending formula impacting the calculation of the facility's available borrowing capacity.

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 Consolidated Financial Statements

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

14. Credit facilities (continued):

Available capacity for the unsecured credit facility is constrained 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 December 31, 2025 were \$1,976 included in Accounts payable and other liabilities as there is no outstanding credit facility balance (2024 - \$1,921).

The amounts outstanding on the secured credit facility bear interest at the bank's prime rate plus 0.55% or CORRA plus 1.55% 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 0.70% or CORRA plus 1.70% 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 December 31, 2025.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

15. Loans Payable:

As at December 31, 2025, there were no loans payable outstanding.

On July 22, 2024, Chartwell entered into a \$150,000 unsecured term loan facility agreement with a Canadian chartered bank. The loan bears interest based on either the bank's prime rate or CORRA, with an initial term of six months and an optional extension for an additional six months. On October 31, 2024, Chartwell repaid \$75,000 of this unsecured loan. On March 5, 2025, the loan was fully repaid.

Welltower extended two loans for \$33,323 and \$40,665 respectively to Chartwell as bridge financing for two properties with mortgages that matured in Q1 2024. On February 1, 2025, Chartwell sold its interest in one of these properties to Welltower (note 18) and the associated loan of \$33,323 was repaid on February 1, 2025 with the completion of the windup. The second loan balance of \$40,665 was repaid on February 14, 2025.

The following table details the outstanding principal amounts and the carrying value of the unsecured term loan and the Welltower loans at December 31, 2024:

2024	Outstanding principal	Financing costs, net	Carrying value	Interest rate	Maturity date
Unsecured term loan	\$ 75,000	\$ (16)	\$ 74,984	5.62%	January 22, 2025
Welltower loan 1	33,323	–	33,323	6.71%	February 14, 2025
Welltower loan 2	40,665	–	40,665	6.85%	February 15, 2025
Total	\$ 148,988	\$ (16)	\$ 148,972		
					Carrying Value
Current					\$ 148,972
Non-current					\$ –
					\$ 148,972

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

16. Senior unsecured debentures:

The following tables detail the outstanding principal amounts and the carrying value of Chartwell's senior unsecured debentures at December 31, 2025 and at December 31, 2024:

December 31, 2025	Date issued	Outstanding principal	Financing costs, net	Carrying value	Due date
6.000% Series C	December 8, 2023	\$ 250,000	\$ (311)	\$ 249,689	December 8, 2026
4.400% Series D	October 28, 2024	150,000	(879)	149,121	November 5, 2029
3.650% Series E	March 6, 2025	200,000	(772)	199,228	May 6, 2028
4.500% Series F	March 6, 2025	200,000	(870)	199,130	March 6, 2032
Total		\$ 800,000	\$ (2,832)	\$ 797,168	

	Carrying value
Current	\$ 249,689
Non-current	547,479
	\$ 797,168

December 31, 2024	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date ⁽¹⁾	Due date
4.211% Series B	April 27, 2018	\$ 150,000	\$ (47)	\$ 149,953	February 25, 2025	April 28, 2025
6.000% Series C	December 8, 2023	250,000	(652)	249,348	-	December 8, 2026
4.400% Series D	October 28, 2024	150,000	(990)	149,010		November 5, 2029
Total		\$ 550,000	\$ (1,689)	\$ 548,311		

	Carrying value
Current	\$ 149,953
Non-current	398,358
	\$ 548,311

⁽¹⁾All 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.

On October 28, 2024, Chartwell issued \$150,000 of 4.40% Series D unsecured debentures due on November 5, 2029, with semi-annual interest payments due on May 5 and November 5 of each year. Debt financing costs of \$1,154 were incurred and are being amortized using the effective interest method.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

16. Senior unsecured debentures (continued):

On March 6, 2025, Chartwell issued \$400,000 aggregate principal amount of senior unsecured debentures, including:

- 1) \$200,000 of 3.65% Series E senior unsecured debentures due on May 6, 2028, with semi-annual interest payments due on May 6 and November 6 of each year. Debt financing costs of \$1,023 were incurred and are being amortized using the effective interest method.
- 2) \$200,000 of 4.50% Series F senior unsecured debentures due on March 6, 2032, with semi-annual interest payments due on March 6 and September 6 of each year. Debt financing costs of \$980 were incurred and are being amortized using the effective interest method.

On April 28, 2025, Chartwell repaid the \$150,000 Series B debenture in full.

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 December 31, 2025.

17. Accounts payable and other liabilities:

	Note	2025	2024
Accounts payable and accrued liabilities		\$ 183,185	\$ 152,150
Resident deposits		8,953	5,859
Related party ⁽¹⁾		1,253	–
Deferred Trust Units (“DTU”)	(a)	16,232	13,015
Restricted Trust Units (“RTU”)	(b)	15,821	10,166
EUPP option component	(c)	22,072	14,262
Class B Units of Chartwell Master Care LP (“Class B Units”)	(d)	29,234	22,761
		<u>\$ 276,750</u>	<u>\$ 218,213</u>
Current		\$ 265,184	\$ 214,630
Non-current		11,566	3,583
		<u>\$ 276,750</u>	<u>\$ 218,213</u>

⁽¹⁾Related party payables are payables due to joint ventures and properties managed by Chartwell.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

17. Accounts payable and other liabilities (continued):

(a) DTU Plan:

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

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

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 December 31, 2025 was \$20.10 (2024 - \$15.08). 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. At December 31, 2025, the closing weighted average fair value per unit was \$18.70 (2024- \$13.75)

The following table summarizes the DTU activity:

	Units outstanding	Amount
Balance, December 31, 2023	1,353,281	\$ 15,858
Units granted	64,454	887
Change in fair value and distributions	58,021	5,595
DTU settled by the issuance of Trust units	(612,541)	(9,325)
Balance, December 31, 2024	863,215	13,015
Units granted	53,760	1,006
Change in fair value and distributions	28,664	4,667
DTU settled by the issuance of Trust units	(137,944)	(2,456)
Balance, December 31, 2025	807,695	\$ 16,232

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

17. Accounts payable and other liabilities (continued):

(b) RTU Plan:

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

The following table summarizes the RTU activity:

	Units outstanding	Amount
Balance, December 31, 2023	1,152,432	\$ 6,796
Granted	439,403	5,307
Distributions / Change in market value	58,979	3,518
Cancelled Units	(44,043)	(224)
Paid out / Vested	(413,652)	(5,231)
Balance, December 31, 2024	1,193,119	10,166
Granted	319,645	5,229
Distributions / Change in market value	43,029	9,159
Cancelled Units	(20,835)	(244)
Paid out / Vested	(464,439)	(8,489)
Balance, December 31, 2025	1,070,519	\$ 15,821

CHARTWELL RETIREMENT RESIDENCES

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

17. Accounts payable and other liabilities (continued):

At December 31, 2025, the closing weighted average fair value per unit was \$20.10 (2024 - \$15.08) and weighted average fair value per unit for notional trust units granted during the year was \$16.36 (2024 - \$12.08). The liability is measured to 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.

(c) EUPP option component:

The description of the EUPP is included in note 20(b). The fair value of the EUPP option component is recognized as an expense with a corresponding increase in liability over the employee service period. The liability is remeasured at each reporting date and at settlement date and is considered 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:

	December 31, 2025	December 31, 2024
Expected volatility	18.43% - 23.43%	22.97% - 27.97%
Risk-free rate	2.25% - 3.09%	2.67% - 3.12%
Distribution yield	3.05% - 3.09%	4.08% - 4.35%

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

17. Accounts payable and other liabilities (continued):

(d) Class B Units

Class B Units are exchangeable, at the option of the holder, into Trust Units. Such exchangeable instruments are presented as a current 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 December 31, 2025 was \$20.10 per unit (2024 - \$15.08 per unit). At December 31, 2025, 1,454,410 Class B Units were outstanding (2024 - 1,509,360).

	Units outstanding	Amount
Balance, December 31, 2023	1,525,360	\$ 17,877
Exchange of Class B units into Trust units	(16,000)	(219)
Change in fair value	–	5,103
Balance, December 31, 2024	1,509,360	22,761
Exchange of Class B units into Trust Units	(54,950)	(931)
Change in fair value	–	7,404
Balance, December 31, 2025	1,454,410	\$ 29,234

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

18. Assets and liabilities held for sale:

On February 1, 2025, Chartwell closed on its previously announced transaction with Welltower to windup its existing joint arrangements (note 4).

The assets and liabilities held for sale as at December 31, 2025 and at December 31, 2024 are as follows:

	December 31, 2025	December 31, 2024
Investments in joint venture	\$ –	\$ 5,846
PP&E	–	268,589
Total assets held for sale	\$ –	\$ 274,435
Other liabilities related to assets held for sale	\$ –	\$ 1,309
Term loan	–	13,600
Current mortgages payable related to assets held for sale	–	134,381
Total liabilities and mortgages related to assets held for sale	\$ –	\$ 149,290

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

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

	Mortgage Payable	Credit facilities	Loans payable	Senior unsecured debentures	Total
Balance, December 31, 2023	\$ 1,425,485	\$ 68,686	\$ 124,924	\$ 398,981	\$ 2,018,076
Reclassifications to liabilities held for sale	43,970	–	–	–	43,970
Proceeds from financing	295,453	30,000	223,988	150,000	699,441
Repayments	(193,242)	–	(200,000)	–	(393,242)
Scheduled principal payments	(74,028)	–	–	–	(74,028)
Financing costs paid	(17,193)	(898)	(139)	(1,261)	(19,491)
Assumed on acquisition	311,731	–	–	–	311,731
Amortization of financing costs and mark to market adjustments on assumed mortgages	2,463	291	200	591	3,545
Other	340	–	–	–	340
Balance, December 31, 2024	\$ 1,794,979	\$ 98,079	\$ 148,973	\$ 548,311	\$ 2,590,342
Proceeds from financing	483,090	–	–	400,000	883,090
Repayments	(204,946)	(100,000)	(115,649)	(150,000)	(570,595)
Scheduled principal payments	(79,041)	–	–	–	(79,041)
Mortgages early repayments	(142,634)	–	–	–	(142,634)
Financing costs paid	(37,305)	(697)	(266)	(2,120)	(40,388)
Assumed on acquisition	363,578	–	–	–	363,578
Repayment on disposal of PPE (note 4)	–	–	(33,323)	–	(33,323)
Amortization of financing costs and mark to market adjustments on assumed mortgages	4,429	642	70	977	6,118
Other	11	1,976	195	–	2,182
Balance, December 31, 2025	\$ 2,182,161	\$ –	\$ –	\$ 797,168	\$ 2,979,329

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

20. Trust Units and EUPP:

(a) Trust Units:

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

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

- (i) 90% of the "market price" of the units on the principal market on which the units are quoted for trading during the 10-trading-day period ending immediately prior to the date on which the units were surrendered for redemption; and
- (ii) 100% of the "closing market price" on the principal market on which the units are listed for trading on the redemption date.

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

20. Trust Units and EUPP (continued):

The following Trust Units are issued and outstanding:

	Number of Trust Units	Amount
Balance, December 31, 2023	238,837,656	\$ 2,622,374
Trust Units issued under DRIP	3,162,401	41,777
Trust Units issued on vesting of DTU	612,541	9,325
Trust Units issued in exchange of Class B units	16,000	219
Trust Units released on settlement of EUPP receivable	421,426	8,393
Trust Units pursuant to public offering	28,290,000	338,879
Trust Units issued under ATM Program	1,228,500	19,096
Balance, December 31, 2024	272,568,524	3,040,063
Trust Units issued under DRIP	2,826,431	49,137
Trust Units issued on vesting of DTU	137,944	2,456
Trust Units issued in exchange of Class B units	54,950	931
Trust Units released on settlement of EUPP receivable	154,898	3,738
Trust Units issued under ATM Program	38,894,442	715,106
Balance, December 31, 2025	314,637,189	\$ 3,811,431

On February 26, 2026, the Trustees approved an increase to Chartwell's monthly distributions from \$0.051 per unit to \$0.052 per unit. The increase will be effective for the March 31, 2026 distribution payable on April 15, 2026.

On June 27, 2024, Chartwell completed a public offering of 28,290,000 Trust Units at a price of \$12.20 per Trust Unit for total gross proceeds of \$345,138. During the year ended December 31, 2024, underwriting commission and other offering related costs for the public offering amounted to \$13,468, offset by a deferred tax asset of \$7,209.

On November 14, 2024, Chartwell filed a prospectus supplement to establish an at-the-market equity distribution program (the "ATM Program"). The ATM Program allowed Chartwell to issue up to \$250,000 of trust units from treasury to the public from time to time during the term of the ATM Program at its discretion. All \$250,000 Trust Units qualified for distribution under the ATM Program units have been issued and sold. On August 7, 2025, Chartwell amended the prospectus supplement establishing the ATM Program to allow Chartwell to issue up to an additional \$250,000 of Trust Units. All \$250,000 Trust Units qualified for distribution under the ATM Program additional units have been issued and sold. On November 6, 2025, Chartwell filed a new prospectus supplement for the ATM Program to allow Chartwell to issue up to an additional \$500,000 of Trust Units. The ATM Program is expected to remain in place until the earlier of May 30, 2026, or the sale of all \$500,000 Trust Units. As of December 31, 2025, \$240,000 Trust Units qualified for distribution under the ATM Program additional units have been issued and sold with \$260,000 available for future issuance under the terms of the Program.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

20. Trust Units and EUPP (continued):

The following table summarizes Trust Units issued under the ATM Program:

	December 31, 2025	December 31, 2024
Number of units	38,894,442	1,228,500
Weighted Average Price	\$ 18.52	\$ 15.90
Gross proceeds	720,471	19,528
Offering costs	(11,545)	(931)
Net cash proceeds	708,926	18,597
Deferred tax asset	6,180	499
Trust Units issued under ATM Program, net	\$ 715,106	\$ 19,096

(b) Trust Units issued under EUPP:

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

20. Trust Units and EUPP (continued):

An aggregate of 5,900,890 Trust Units are reserved for issuance pursuant to the EUPP, of which 1,332,691 were available to be issued at December 31, 2025 (2024 – 1,471,776).

The following table summarizes Trust Units issued under the EUPP:

	Number of Trust Units issued under EUPP	Amount
Balance, December 31, 2023	2,076,419	\$ 23,666
Trust Units issued under EUPP	162,195	1,990
Trust Units released on settlement of EUPP receivable	(421,426)	(4,544)
Balance, December 31, 2024	1,817,188	21,112
Trust Units issued under EUPP	139,085	2,337
Trust Units released on settlement of EUPP receivable	(154,898)	(1,877)
Balance, December 31, 2025	1,801,375	\$ 21,572

The non-cash compensation expense attributable to the EUPP of \$647 for the year ended December 31, 2025 (2024 - \$565) is included in general, administrative and trust expenses with a corresponding amount included in accounts payable and other liabilities (note 17). Trust Units issued under EUPP and EUPP receivable are recorded in unitholders' equity.

(c) DRIP:

Chartwell has established a DRIP for its unitholders, which allows participants to reinvest their monthly cash distributions in additional Trust Units at an effective discount of 3%.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

21. Segmented information:

Chartwell has one reportable operating segment, Retirement Operations. The Retirement Operations segment includes an interest in 142 retirement residences (2024 - 178) that Chartwell owns and operates in Canada. The accounting policies of the segment are the same as those for Chartwell, except that it includes Chartwell's proportionate share of its joint ventures and Chartwell's proportionate share of its subsidiaries with non-controlling interest. The "Reconciliation" column shows the adjustments to account for these joint ventures using the equity method, and non-controlling interest as applied in these consolidated financial statements. The measure of segment profit or loss is adjusted net operating income which is property revenue less direct property operating expenses, including Chartwell's proportionate share of its subsidiaries and joint ventures' revenue and direct property operating expenses, respectively. Certain general, administrative and trust expenses are managed centrally by Chartwell and are not allocable to the reportable Retirement Operations segment. Chartwell has no material inter-segment revenue, transfers or expenses.

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

2025	Ontario	Western Canada	Quebec	Total Retirement Operations	Reconciliation	Total
Property revenue	\$ 524,988	\$ 255,896	\$ 349,807	\$ 1,130,691	\$ (51,656)	\$ 1,079,035
Direct property operating expenses	(319,479)	(157,941)	(203,822)	(681,242)	31,166	(650,076)
Adjusted net operating income	\$ 205,509	\$ 97,955	\$ 145,985	\$ 449,449	\$ (20,490)	\$ 428,959

2024	Ontario	Western Canada	Quebec	Total Retirement Operations	Reconciliation	Total
Property revenue	\$ 483,889	\$ 221,687	\$ 234,067	\$ 939,643	\$ (139,720)	\$ 799,923
Direct property operating expenses	(312,423)	(137,550)	(150,009)	(599,982)	90,803	(509,179)
Adjusted net operating income	\$ 171,466	\$ 84,137	\$ 84,058	\$ 339,661	\$ (48,917)	\$ 290,744

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

22. Financial instruments:

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

The carrying amounts and fair values of financial instruments, excluding loans receivable, income guarantee receivable, interest rate swaps, liabilities related to Class B Units 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.

	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Financial assets recorded at amortized cost				
Capital funding receivable	\$ 31,153	\$ 30,896	\$ –	\$ –
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	\$ 2,182,161	\$ 2,135,174	\$ 1,794,168	\$ 1,827,411
Credit facilities	–	–	98,079	100,000
Loans payable	–	–	148,972	149,434
Senior unsecured debentures	797,168	798,841	548,311	546,485

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 capital funding receivable is estimated by discounting the expected future cash flows using the current long-term government bond rate of 3.85%.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

22. Financial instruments (continued):

The fair value of mortgages payable is estimated by discounting the expected future cash outflows using the rates currently prevailing for similar instruments of similar maturities. At December 31, 2025, the mortgages payable were discounted using rates between 3.61% and 4.57% (2024 – 3.57% and 5.18%).

The fair value of loans payable is estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. At December 31, 2024, the outstanding loans payable was discounted using a weighted average rate 5.18%.

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 December 31, 2025, senior unsecured debentures were discounted using a weighted average rate of 4.27% (2024 - 5.26%).

The fair value of the credit facility is estimated to be the amount drawn at December 31, 2025 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.

(b) Financial risk management objectives and policies:

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

22. Financial instruments (continued):

These financial instrument risks are managed as follows:

(i) Credit risk:

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

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

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

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

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

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

Chartwell adopted the practical expedient to determine ECL on capital funding receivable, trade and other receivables using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL. At December 31, 2025, capital funding receivable is assessed to have low credit risk as it is government backed and outstanding resident receivables were \$1,709 (2024 - \$1,270), net of ECL of \$1,396 (2024 - \$1,492).

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

22. Financial instruments (continued):

(ii) Liquidity risk:

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

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

Liquidity risk is managed through cash flow forecasting. Management monitors forecasts of Chartwell's liquidity requirements to ensure it has sufficient financial resources to meet operational needs through maintaining sufficient cash and/or availability on the credit facilities and complying with its financial covenants related to debt agreements. Such forecasting involves a significant degree of judgment, takes into consideration current and projected macroeconomic conditions, Chartwell's cash collection efforts and debt financing plans. There is a risk that such liquidity forecasts may not be achieved, that covenant requirements of existing loan agreements are not met, and that currently available debt financing may no longer be available on terms and conditions that are favorable to Chartwell.

As at December 31, 2025, current liabilities totalled \$862,346, exceeding current assets of \$171,662, resulting in a working capital deficiency of \$690,684. Current liabilities includes \$330,276 of current mortgages payable, comprised of \$249,162 related to maturing balances which are expected to be renewed on maturity, \$81,114 related to regular principal payments and the balance of unamortized mark-to-market adjustments net of unamortized financing costs. In addition, as at December 31, 2025, current liabilities included \$249,689 of senior unsecured debentures maturing in December 2026. Chartwell expects to be able to meet all of its obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from property operations, (ii) property specific mortgages, (iii) term loans, (iv) secured and unsecured credit facilities under which \$394,911 was available and undrawn at December 31, 2025 (note 14), and (v) proceeds on asset sales.

Further, subject to market conditions, Chartwell may seek to raise funding through new senior unsecured debentures or equity financing and it may also continue to dispose of certain non-core assets to generate additional liquidity. The particular features and quality of the underlying assets and the debt and equity market conditions existing at the time of raising such financing may impact the ability and availability for financing.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

22. Financial instruments (continued):

There is a risk that due to negative changes in economic or operating conditions that lenders will not finance maturing mortgages payable debt on terms and conditions acceptable to Chartwell or on any terms at all. Negative changes in economic or operating conditions may also impact Chartwell's available borrowing capacity on its secured and unsecured credit facilities as disclosed in note 14. Management mitigates this risk by staggering debt maturities and through the use of programs, such as Canadian Mortgage and Housing Corporations ("CMHC") insured mortgages. These and other contractual obligations and contingencies, including those related to agreements with Batimo, are disclosed in note 30.

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

Chartwell, in its continuing operations, holds licenses related to each of its retained long term care homes and in certain cases, retirement residences. Holders of these licenses receive funding from the relevant provincial government. During the year ended December 31, 2025, Chartwell received \$29,599 (2024 - \$69,129) in funding in respect of these licenses.

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

(iii) Market risk:

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

22. Financial instruments (continued):

At December 31, 2025, Chartwell's interest-bearing financial instruments were as follows:

	Principal amount	
	2025	2024
Fixed-rate financial liabilities ⁽¹⁾	\$ 3,032,733	\$ 2,205,456
Variable-rate financial liabilities	\$ 39,587	\$ 445,806

⁽¹⁾Included in the fixed-rate financial liabilities are mortgages totalling \$69,463 (2024 - \$40,300) with interest rate fixed through interest rate swap contracts.

An increase of 100-basis-points in interest rates at December 31, 2025 for the variable-rate financial instruments would decrease income before income taxes on an annualized basis by \$396 (2024 - \$4,458).

An increase of 100-basis-points in interest rates for the fixed rate mortgages maturing in 2026 would decrease income before income taxes by \$425 (2024 - \$395) based on renewal dates and \$2,096 (2024 - \$744) on an annualized basis for the year.

23. Capital structure financial policies:

Chartwell's primary objectives in managing capital are:

- (a) to ensure that Chartwell has sufficient capital to execute on its strategic objectives, including targeted investments in maintenance and improvements of its property portfolio, development and acquisitions activities
- (b) to achieve the lowest overall cost of capital consistent with the appropriate mix of capital elements while ensuring that Chartwell complies with financial and non-financial covenants included in debt agreements and
- (c) to provide over the long term, growing distributions to unitholders.

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

23. Capital structure financial policies (continued):

Management defines capital as Chartwell's total unitholders' equity, Class B Units, current and non-current mortgage payable, senior unsecured debentures, loans payable and borrowings under its credit facilities.

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

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

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

23. Capital structure financial policies (continued):

The following are the Indebtedness Ratios at December 31, 2025 and 2024:

	2025	2024	Increase (decrease)
Indebtedness Ratio	44.7%	47.9%	(3.2%)

Chartwell's capital management is conducted in accordance with policies stated under the Declaration of Trust and requirements from certain of its lenders. Under the terms of Chartwell's loan agreements with these lenders, Chartwell is required to meet certain financial and non-financial covenants.

24. Revenue:

Property revenue is comprised of the following:

	2025	2024
Resident revenue	\$1,061,351	\$ 784,266
Other property revenue ⁽¹⁾	17,684	15,657
Total property revenue	\$1,079,035	\$ 799,923

⁽¹⁾Includes primarily government funding and commercial revenue

Total revenue is comprised of the following:

	2025	2024
Lease revenue ⁽¹⁾	\$ 551,251	\$ 421,704
Services revenue ⁽²⁾	544,151	414,278
Management and other fees	4,919	12,560
Interest income	8,196	3,605
Total revenue	\$1,108,517	\$ 852,147

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

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

25. Personnel expenses:

The analysis of employee benefits expense for the years ended December 31, 2025 and 2024, included in profit or loss under direct property operating expenses and general, administrative and trust expenses, is as follows:

	2025	2024
Salaries and wages	\$ (435,950)	\$ (361,382)
Post-employment benefits (defined contribution plans)	(5,540)	(4,498)
Unit-based compensation	(15,854)	(9,726)
	<u>\$ (457,344)</u>	<u>\$ (375,606)</u>

26. Other income (expense):

	2025	2024
Transaction costs arising on dispositions	\$ (6,719)	\$ (5,518)
Other	(787)	(1,207)
Other expense	(7,506)	(6,725)
Impairment (expense) reversal ⁽¹⁾	12,963	–
Net gain on disposal of assets ⁽²⁾	62,918	53,963
Other income ⁽³⁾	–	1,412
	<u>75,881</u>	<u>55,375</u>
Other income	<u>\$ 68,375</u>	<u>\$ 48,650</u>

⁽¹⁾ Impairment (expense) reversal relates to a partial reversal of impairment expense for one non-core property in Ontario - \$14,041 related to a change in use, which is offset by impairment of one non-core property in Quebec - \$1,078.

⁽²⁾ Net gain on disposal of assets relates primarily to sale of properties (note 4).

⁽³⁾ Other income relates to a one-time government funding related to historical periods for the disposed LTC segment.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

27. Finance costs:

	2025	2024
Contractual interest expense on mortgages	\$ (79,902)	\$ (62,631)
Interest expense on senior unsecured debentures	(37,032)	(22,539)
Interest expense on credit facility	(3,090)	(8,710)
Contractual interest expense on loans payable	(1,432)	(10,818)
	(121,456)	(104,698)
Interest capitalized to properties under development	2,516	2,862
Amortization of financing costs and mark-to-market adjustment on assumed mortgages, credit facilities and senior unsecured debentures	(6,118)	(3,545)
Distributions on Class B Units recorded as interest expense	(898)	(927)
Total finance costs	\$ (125,956)	\$ (106,308)

28. Change in fair values of financial instruments:

	2025	2024
Change in fair value of interest rate swaps	\$ (512)	\$ (3,274)
Change in fair value of EUPP option component	(9,024)	(6,656)
Change in fair value of Class B Units	(7,403)	(5,103)
Change in fair value of DTUs	(4,667)	(5,595)
Change in fair value of income guarantees	(4,456)	–
Change in fair value – other	1,714	753
Change in fair values of financial instruments	\$ (24,348)	\$ (19,875)

29. Income taxes:

For the year ended December 31, 2025, Chartwell recorded a current tax expense of \$1,066 (2024 – current tax recovery of \$255). This current tax expense in 2025 is primarily attributable to SIFT taxes payable on the disposition of Chartwell's ownership interest in 23 retirement residences ("Welltower Assets") offset by the tax recovery from disposition of other non-core assets. The current tax recovery in 2024 is primarily attributable to adjustments related to the capital gain on the disposition of the long-term care segment in the year ended December 31, 2023.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

29. Income taxes (continued):

Chartwell recorded a deferred tax expense of \$43,675 (2024 - deferred tax expense of \$34,752). The deferred tax expense in 2025 was primarily with respect to fair value adjustments, and the reversal of temporary differences associated with the sale of Welltower Assets and other non-core assets. The deferred tax expense in 2024 was primarily with respect to fair value adjustments and the reversal of temporary differences associated with the sale of non-core properties.

The income tax recovery (expense) - in the consolidated statements of comprehensive income represents an effective tax rate different than the Canadian tax rate applicable to trusts on undistributed income of 53.53% (2024 - 53.53%). The current SIFT tax rate payable is 26.15%. The differences for the years ended December 31 are as follows:

	2025	2024
Net income before income taxes	74,236	56,875
Income tax expense at Canadian tax rate	\$ (39,739)	\$ (30,445)
Non-taxable capital gain	13,022	4,724
Fair value changes	(10,421)	(8,897)
Differential between current SIFT rate and undistributed income tax rate	1,839	-
Reversal of deferred tax (asset)/liability	(7,300)	(814)
Derecognition/(Recognition) of deferred tax assets	(192)	658
Non-deductible and non-taxable items	(2,321)	265
Other	371	12
Income tax (expense) / recovery	\$ (44,741)	\$ (34,497)
Current tax (expense) / recovery	\$ (1,066)	\$ 255
Deferred tax expense	(43,675)	(34,752)
Income tax (expense) / recovery	(44,741)	(34,497)

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

29. Income taxes (continued):

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

	Balance, January 1, 2025	Recognized in net income (loss)	Recognized in unitholders' equity	Balance, December 31, 2025
Property, plant and equipment	\$ (22,733)	\$ (44,873)	\$ –	\$ (67,606)
Intangible assets	(964)	(26)	–	(990)
Losses available for carryforward	856	2,032	–	2,888
Other	(10,577)	(808)	6,180	(5,205)
Deferred tax asset (liability)	(33,418)	(43,675)	6,180	(70,913)
Deferred tax assets not recognized	(149)	–	–	(149)
Net deferred tax asset (liability)	\$ (33,567)	\$ (43,675)	\$ 6,180	\$ (71,062)

As at December 31, 2025, Chartwell recognized \$5,354 of non-capital loss carry forwards in a subsidiary trust which was previously derecognized.

	Balance, January 1, 2024	Recognized in net income (loss)	Recognized in unitholders' equity	Balance, December 31, 2024
Property, plant and equipment	\$ 2,276	\$ (25,009)	\$ –	\$ (22,733)
Intangible assets	(1,161)	197	–	(964)
Losses available for carryforward	1,641	(785)	–	856
Other	(9,144)	(9,140)	7,707	(10,577)
Deferred tax asset (liability)	(6,388)	(34,737)	7,707	(33,418)
Deferred tax assets not recognized	(134)	(15)	–	(149)
Net deferred tax asset (liability)	\$ (6,522)	\$ (34,752)	\$ 7,707	\$ (33,567)

Deferred tax assets have not been recognized for the deductible temporary differences of \$246 in 2025 (2024 - \$246). The deductible temporary differences do not expire under current legislation. Deferred tax assets have not been recognized in respect of these temporary differences as it is not probable that future taxable income will be available against which these tax benefits will be utilized.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

30. Commitments and contingencies:

Chartwell's maturities on major financial liabilities as at December 31, 2025, excluding future interest payments and put option commitments, are detailed in the following table:

	Note	Contractual value	2026	2027	2028	2029	2030	Thereafter
Mortgages payable	13	\$ 2,272,320	\$ 333,843	\$ 141,383	\$ 259,633	\$ 176,809	\$ 140,244	\$ 1,220,408
Senior unsecured debentures	16	800,000	250,000	-	200,000	150,000	-	200,000
Accounts payable and accrued liabilities	17	184,438	178,038	-	6,400	-	-	-
Distributions payable		16,213	16,213	-	-	-	-	-
Resident deposits	17	8,953	8,953	-	-	-	-	-
Lease obligations	8	8,039	984	373	116	25	-	6,541
Total maturities⁽¹⁾		\$ 3,289,963	\$ 788,031	\$ 141,756	\$ 466,149	\$ 326,834	\$ 140,244	\$ 1,426,949

(1) In addition to Total maturities, obligations include contractual commitments outlined in note 30(a) and (b) related to development and acquisition of certain properties.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

30. Commitments and contingencies (continued):

(a) Purchase contracts:

Chartwell has entered into various construction contracts related to its development projects. As at December 31, 2025, the remaining commitments under these contracts amounted to approximately \$58,572 (2024 - \$2,648).

(b) Other:

Chartwell has entered into various development arrangements with Batimo Inc. ("Batimo") under which Chartwell participates in the development and lease-up of certain retirement residence projects. Under legacy arrangements, Batimo has the right, upon a property achieving specified stabilized occupancy levels, to require Chartwell to acquire an 85% ownership interest in the property at a price based on fair market value, as defined in the agreements. This right is exercisable for a defined period following stabilization. As at December 31, 2025, one property has met the occupancy threshold giving rise to Batimo's put right. The estimated fair value of this property is \$86.5 million.

Chartwell and Batimo have adopted a revised ownership structure for one development project under construction adjacent to a residence co-owned by Chartwell and Batimo. Under this framework, Chartwell and Batimo each hold a 50% interest during construction and lease-up. Upon achievement of stabilized occupancy, the parties will negotiate the terms under which Chartwell's ownership interest would increase to 85%. If the parties are unable to reach an agreement, either party may require the transfer of an additional 35% interest to Chartwell at a price based on fair market value, as defined in the agreements. These rights are exercisable for a defined period following stabilization.

Certain other development projects with Batimo are subject to separate arrangements and are not governed by the terms described above.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

30. Commitments and contingencies (continued):

(c) Letters of credit:

As at December 31, 2025, Chartwell was contingently liable for letters of credit in the amount of \$5,089 (2024 - \$5,753).

(d) Guarantees:

Chartwell, with its partners, has jointly and severally guaranteed loans on partially owned properties. Chartwell ownership interest in these properties range from 50% to 85%, to a maximum amount of \$588,232. As at December 31, 2025, outstanding balances on these mortgages totalled \$529,566 (\$229,055 of which represents the partners' share).

(e) Litigation and claims:

On June 1, August 14th and October 5, 2020, Chartwell was served with three different statements of claims (the "Claims") that were filed in the Ontario Superior Court of Justice, all seeking an order certifying the Claims as class actions pursuant to the *Class Proceedings Act (Ontario)*. In January 2022, the Court granted an order to consolidate the Claims into one proceeding (the "Consolidated Claim") seeking an order to be certified as a class action against. The Consolidated Claim alleges, among other things, gross negligence, breach of the Canadian Charter of Rights and Freedom, breach of contract and breach of fiduciary duty in respect of Chartwell's response to the pandemic. The plaintiffs are seeking \$100,000 in general damages and \$10,000 in aggravated, punitive and/or exemplary damages. Chartwell does not believe that the Claims or the damages sought have merit.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

30. Commitments and contingencies (continued):

On November 20, 2020, the Ontario government enacted the *Supporting Ontario's Recovery Act* (the "Recovery Act"). Under the Recovery Act, which is retroactive to March 17, 2020, proceedings are barred and dismissed without costs if they allege injury by COVID-19 if the defendant made good faith efforts to follow public health guidance and COVID-19 related laws and did not act with gross negligence. On March 7, 2024, the Consolidated Claim was certified, but pursuant to the Recovery Act, only gross negligence claims survive the cause of action test. The litigation is currently in the discovery process. Chartwell is vigorously defending itself against these claims and does not believe the outcome will have a material adverse impact on its business, results of operations or financial condition and in any event believes that any potential liability would be resolved within the limits of its insurance coverage.

Certain Ontario LTC homes achieved pay equity by 2005 under a sector framework that used the "proxy" method, with the Ontario government directly funding the related obligations. In subsequent litigation commenced in 2010, unions asserted that additional adjustments were required to maintain pay equity. Although the Ontario Pay Equity Tribunal (the "Tribunal") found generally in favour of the participating LTC homes, appellate courts later found in favour of unions and directed the Tribunal. The Supreme Court of Canada denied leave to appeal on October 14, 2021, thereby upholding the appellate court decision.

Chartwell owns or previously owned four Ontario LTC homes that are respondents to this decision and previously owned seven additional Ontario LTC homes that also used the proxy method and could also be affected. Although Chartwell completed the sale of its LTC operations in 2023, it continues to participate in sector discussions with unions, other LTC homes and the Ontario government regarding an appropriate pay equity maintenance framework. There is significant uncertainties regarding how the decision will be implemented, including the scope of any required pay equity adjustments, the methodology and timing for implementation, and the ultimate financial impact on Chartwell. Discussions among the affected parties have not meaningfully progressed. As a result, Chartwell cannot currently reliably estimate any potential liability. No liability for potential pay equity adjustments, or related recovery from the Ontario government, has been recognized in Chartwell's financial statements. Any requirement to fund pay equity adjustments, in whole or in part, could increase Chartwell's labour costs and adversely affect its financial condition and results of operations.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

31. Key management personnel compensation:

The remuneration of key management personnel of Chartwell during the years ended December 31, 2025 and 2024 was as follows:

	2025	2024
Officers' and directors' compensation	\$ (5,378)	\$ (5,194)
Post-employment benefits	(130)	(154)
Other long term benefits	(6,760)	(4,400)
Unit-based payments	(647)	(565)
	<u>\$ (12,915)</u>	<u>\$ (10,313)</u>

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

32. Expenses by nature:

	2025	2024
Wages and benefits	\$ (457,344)	\$ (375,606)
Food and supplies	(75,263)	(57,086)
Realty taxes	(39,633)	(30,633)
Utilities	(35,152)	(26,859)
Other	(99,285)	(68,455)
	<u>\$ (706,677)</u>	<u>\$ (558,639)</u>

Included in the consolidated statements of net income and comprehensive income:

Direct property operating	\$ (650,076)	\$ (509,179)
General, administrative and trust	(56,601)	(49,460)
	<u>\$ (706,677)</u>	<u>\$ (558,639)</u>