CHARTWELL
retirement residences

2020
ANNUAL REPORT

Message from the CEO*

Dear fellow unitholders,

Cultures are built over time and tested in crisis. In 2020, our culture and our people were tested by a global pandemic the likes of which our society has not seen in more than a century. We are extremely proud of our people and their response to this tremendous challenge. From our residences to corporate support teams, our people showed up, stepped up, and demonstrated courage and resolve to do everything possible to keep our residents, their families, and each other safe. They did it day after day since the start of the pandemic and they continue to this day. Their dedication to our vision of **Making People's Lives BETTER** has been extraordinary. At all times, the focus of our teams has been on keeping our residents and their families safe. Despite these extraordinary efforts the COVID-19 virus tragically claimed the lives of some of our residents and staff. Our thoughts are with those who lost loved ones to this disease.

The recognition and gratitude we have received from our residents and their families have been heart-warming and inspiring. We are especially proud of the fact that 96% of our residents and 95% of family members who responded to our "Listening to Serve you Better" surveys stated that they feel that Chartwell took important steps to keep them safe during the pandemic, and 94% of family members stated that their loved one was safe living at a Chartwell residence. Various restrictions implemented by governments to protect the most vulnerable segment of our population have caused hardships for our residents. Our residences' teams responded with new ways of serving and caring for our residents – from the enhanced infection prevention and control protocols, to telehealth and virtual family visits, to modified dining, activity, and entertainment programs. Even when distanced from their loved ones, even when in isolation, our residents were with our loving and caring staff, and never alone.

Our focus on **Environmental, Social and Governance** matters continued in 2020. Once again, we were recognized as a leader in corporate governance by the Globe and Mail's "Board Games" publication, which ranked us as the sixth best governed company among 211 Canadian issuers. In 2020, we renewed our focus on Diversity and Inclusion, developing **Chartwell's Diversity and Inclusion Framework** (chartwell.com/-/media/Files/investor-relations/en/chartwell-diversity-and-inclusion-framework.pdf) and establishing a Diversity and Inclusion Leadership Council. We have also engaged with various unitholders in the areas of talent and risk management and board renewal.

The pandemic has had a significant impact on our business. Our occupancies have declined significantly as we were restricted in our ability to conduct personalized tours and although move-ins were permitted, these came with restrictions to residents' freedoms. This decline in occupancy, as well as significant investments in staffing, personal protective equipment, and supplies in excess of government pandemic funding, negatively impacted our business. Over the years we built our company with a solid balance sheet, healthy liquidity, and ready access to capital. This is helping us to weather the current unprecedented crisis as we continue to focus on prudent management of our capital resources.

While the impact of the pandemic on our business will likely continue to be felt in the near term, we remain optimistic about the long-term prospects of our business. Chartwell is primarily a needs-driven business, providing support, engagement, and personal care to our residents. We believe the pandemic has further exacerbated these needs, and we are well-positioned to fulfill them. The growth of the population of people over the age of 75 in Canada is accelerating significantly in 2022 and will continue this robust growth for the next 20+ years. This is expected to create a growing demand for our services. The slow-down in new construction starts during the pandemic will result in fewer new residence openings in the short term, which will further support occupancy recovery. The most important factor that makes us optimistic about our prospects is our people. People for whom working at Chartwell is not just a job, not even a career, it is a purpose and a calling. People who give their all to keep their residents safe, cared for and engaged during the pandemic. People who demonstrated tremendous drive, empathy, and ingenuity in coming up with new ways of serving and caring for our residents in the most difficult circumstances. These Chartwell people are ready and excited to welcome new residents to our homes and create exceptional personalized experiences for them.

We thank our heroes from the bottom of our hearts.

Sincerely,

Vlad Volodarski,
CEO

* *This message from the CEO contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section of the MD&A contained in the Financial Report section of this Annual Report.*

Chartwell's ESG Approach

ENVIRONMENTAL

We support the global transition to a low-carbon economy through our own sustainable operations and evaluate the impact of our business decisions on the environment.

SOCIAL

We are focused on diversity and inclusion in our workforce. We prioritize safety, continuing education and development for our people.

GOVERNANCE

We remain committed to high standards of governance.

To view our full ESG Report please visit:
CHARTWELL.COM/EN/ABOUT-US/ENVIRONMENTAL-SOCIAL-GOVERNANCE

OUR PEOPLE

Chartwell is committed to a fully inclusive culture and equity in all talent hiring and management decisions. We prioritize safety, continuing education and development for our people.

CORPORATE RESPONSIBILITY

Creating societal impact has been core to chartwell since our founding more than 16 years ago.

PRIVACY & DATA SECURITY

Chartwell has implemented strong controls over data privacy and security measures to mitigate material risks for its investors, residents, employees and vendors.

ENVIRONMENTAL STEWARDSHIP

Chartwell's proactive engagement with employees, residents, vendors, investors and environmental groups informs its sustainability policies and practices.

CORPORATE GOVERNANCE

The chartwell board is built on a foundation of sound governance practices and commitment to its unitholders.

FINANCIAL REPORT

For the Year Ended December 31, 2020

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About this Management's Discussion and Analysis

Chartwell Retirement Residences ("Chartwell" or the "Trust") has prepared the following management's discussion and analysis (the "MD&A") to provide information to assist its current and prospective investors' understanding of the financial results of Chartwell for the year ended December 31, 2020. This MD&A should be read in conjunction with Chartwell's audited, consolidated financial statements for the years ended December 31, 2020 and 2019, and the notes thereto (the "Financial Statements"). This material is available on Chartwell's website at www.chartwell.com. Additional information about Chartwell, including its Annual Information Form ("AIF") for the year ended December 31, 2020, can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of March 4, 2021.

All references to "Chartwell," "we," "our," "us" or the "Trust" refer to Chartwell Retirement Residences and its subsidiaries, unless the context indicates otherwise. For ease of reference, "Chartwell" and the "Trust" are used in reference to the ownership and the operation of retirement and long term care communities and the third-party management business of Chartwell. The direct ownership of such communities and operation of such business is conducted by subsidiaries of the Trust.

In this document we refer to joint ventures as defined by International Financial Reporting Standards ("IFRS") in 'IFRS 11 – Joint Arrangements' and that are accounted for using the equity method as "Equity-Accounted JVs".

In this document, "Q1" refers to the three-month period ended March 31; "Q2" refers to the three-month period ended June 30; "Q3" refers to the three-month period ended September 30; "Q4" refers to the three-month period ended December 31; "2020" refers to the calendar year 2020; and "2019" refers to the calendar year 2019.

Unless otherwise indicated, all comparisons of results for 2020 and Q4 2020 are in comparison to results from 2019 and Q4 2019, respectively.

In this document we use a number of performance measures that are not defined in generally accepted accounting principles ("GAAP") such as Net Operating Income ("NOI"), "Adjusted NOI", Funds from Operations ("FFO"), Internal Funds from Operations ("IFFO"), "Net Debt to Adjusted EBITDA Ratio", "Liquidity", "Imputed Cost of Debt", "Lease-up-Losses", "Adjusted Development Costs", "Unlevered Yield", "Estimated Stabilized NOI" "Adjusted Resident Revenue", "Adjusted Direct Property Operating Expense", "Total Equity" and any related per unit ("PU") amounts to measure, compare and explain the operating results and financial performance of the Trust (collectively, the "Non-GAAP Financial Measures"). These Non-GAAP Financial Measures do not have standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures used by other issuers. The Real Property Association of Canada ("REALPAC") issued white papers with recommendations for calculations of FFO, Adjusted Funds from Operations ("AFFO"), and Adjusted Cash Flow from Operations ("ACFO") (the "REALPAC Guidance"). Our FFO definition is substantially consistent with the definition adopted by REALPAC. Please refer to the "Additional Information on Non-GAAP Financial Measures" section of this MD&A for details. As part of our financial covenants reporting, we present AFFO in accordance with the definitions used in our credit agreements. This definition differs from the definition in the REALPAC Guidance.

In this document we use various financial metrics and ratios in our disclosure of financial covenants such as "Debt Service Coverage Ratio", "Interest Coverage Ratio", "Total Leverage Ratio", "Adjusted Consolidated Unitholders' Equity Ratio", "Secured Indebtedness Ratio", "Unencumbered Property Asset Ratio", "Consolidated EBITDA to Consolidated Interest Expense Ratio", "Indebtedness Percentage", "Consolidated EBITDA", "Consolidated Interest Expense", "Regularly-Scheduled Debt Principal Repayments", "Consolidated Indebtedness", "Adjusted Consolidated Gross Book Value of Assets, AFFO", "Secured Indebtedness", "Consolidated Unsecured Indebtedness", "Unencumbered Property Asset Value", "Aggregate Adjusted Assets", "Unencumbered Aggregate Adjusted Assets", "Adjustment for accumulated depreciation and amortization", "Payment of cash distributions", "Investment restrictions", "Coverage ratio" and, “Amortization of finance costs and fair value adjustments on assumed mortgages”. These metrics are calculated in accordance with the definitions contained in our credit agreements and the trust indenture governing our outstanding debentures and may be described using terms which differ from standardized meanings prescribed by GAAP. These metrics may not be comparable to similar metrics used by other issuers. Please refer to the “Liquidity and Capital Resources – Financial Covenants” section of this MD&A for details.

All dollar references, unless otherwise stated, are in Canadian dollars.

Some of the industry data provided in this MD&A was provided by third parties. Although we have no reason to believe such information is inaccurate or incomplete, we cannot guarantee the accuracy or completeness of such information.

Risks and Uncertainties

Please refer to the “Risks and Uncertainties” section on page 59 of this MD&A, and the “COVID-19 Business Impacts and Related Risks” section on page 3 of this MD&A, as well as our AIF dated March 4, 2021, for detailed discussions of risk factors and uncertainties facing Chartwell.

Forward-Looking Information

This document contains forward-looking information that reflects management’s current expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry as of the date of this MD&A. Refer to the “Forward-Looking Information” section on page 66 of this MD&A.

COVID-19 Business Impacts and Related Risks

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic (the "pandemic"). During 2020, the spread of COVID-19 negatively affected our business, and it is expected to continue to do so for a period of time which currently cannot be reliably determined.

Our revenue and operating results depend significantly on the occupancy levels at our retirement residences and long term care homes. Numerous safety measures, restrictions, and directives to reduce the spread of COVID-19 have been implemented by governments and health authorities affecting many aspects of our operations during the pandemic.

These restrictions and directives have resulted in decreased occupancy levels due to reduced move-in activity in both our retirement residences and long-term care homes. The pandemic, and the corresponding impact of the restrictions and directives noted, is likely to continue for some time in 2021 and may continue to cause decreases in occupancy levels due to ongoing government directives that vary across jurisdictions, and that can require restrictions on internal gatherings and dining services, new resident isolations, restrictions on tours, and visitor access. Further, government directives related to the general operation of society and the economy overall, and negative perceptions of congregate living may also affect future occupancy levels. We believe that as more seniors are vaccinated in our residences and in the community at large, with the expansion of rapid testing, and the gradual easing of the restrictions, we expect move-ins and occupancies to begin recovering.

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

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

In addition, as management and residence staff continue their focus on resident and employee safety, which is of paramount importance, the pursuit of other business initiatives may be deferred.

Although various government funding programs have been implemented and we have had, and may continue to have, access to such programs, there is no certainty as to the extent to which these programs may mitigate the negative effects of the pandemic on our business.

The future negative impact to our business, results of operations, liquidity, and financial condition will depend on the scope, severity, and duration of the pandemic which currently cannot be reliably estimated.

Financing Arrangements

The majority of our financing arrangements require compliance with a number of financial covenants including minimum debt service covenants and limiting distributions should the distributions exceed certain thresholds. As a result of the uncertainties described above, we have proactively obtained amendments to our financing arrangements to reduce the required minimum debt service coverage covenant ratio to 1.2 for a period of two years ending December 31, 2022.

In addition, we completed an assessment of our liquidity by preparing income and cash flow forecasts. These forecasts are based on a number of assumptions and judgements with the most significant being occupancy levels, availability of financing, level of pandemic-related expenditures and availability of government funding. As a result of this assessment, we concluded that we have sufficient available liquidity to meet our obligations as they come due and that there are no material uncertainties related to events or conditions that may cast significant doubt upon our ability to continue as a going concern.

The available borrowing capacity of the secured and unsecured credit facilities may be reduced due to the impact of the pandemic. The available borrowing capacity under the secured credit facility is determined based on the lending value of collateral properties which are impacted by the operating income of such properties and their occupancy rates. The available borrowing capacity under the unsecured credit facility is impacted by the aggregate value of our unencumbered property assets as determined periodically by third-party appraisals. These values may also be impacted by occupancy rates and operating income of these properties.

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

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

Litigation

As a result of the pandemic, there is an increased risk of litigation which, even if not meritorious, and even if covered by our insurance, could result in increased operating costs to us to defend. As of March 4, 2021, we have been named as a defendant in three separate proposed class actions related to the pandemic. Our insurers are handling the defense of these actions. Refer to the "Litigation and Claims" section on page 51 of this MD&A for additional details.

Financial

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

Insurance

Participants in the seniors housing sector have recently experienced difficulty obtaining liability and other insurance at a reasonable cost, and, in some cases, industry participants have had difficulty renewing insurance policies at the same coverage as the expiring policies. There is a risk that we will incur additional costs renewing our insurance coverage and/or that such coverage may be reduced on renewal.

Business Overview

Chartwell is in the business of serving and caring for Canada's seniors. We are passionate about what we do because we know we are positively impacting the lives of many people.

Our Vision is… Making People's Lives BETTER

Our Mission is…

- to provide a happier, healthier and more fulfilled life experience for seniors
- to provide peace of mind for our residents' loved ones
- to attract and retain employees who care about making a difference in our residents' lives, and
- to provide an investment opportunity that benefits society with reasonable and growing returns to the unitholders.

Our Values are…

Respect – We honour and celebrate seniors

Empathy – We believe compassion is contagious

Service Excellence – We believe in providing excellence in customer service

Performance – We believe in delivering and rewarding results

Education – We believe in lifelong learning

Commitment – We value commitment to the Chartwell family

Trust – We believe in keeping our promises and doing the right thing

Our Portfolio

Chartwell is an open-ended real estate trust governed by the laws of the Province of Ontario. We indirectly own and operate a portfolio of seniors housing communities across the complete continuum of care, all of which are located in Canada.

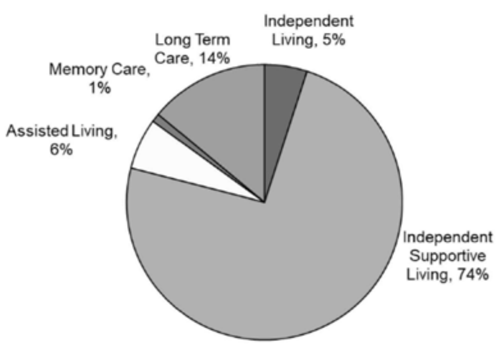
- Independent living ("IL") - Age-qualified suites/ townhouses/ bungalows/ apartments with availability of providing meals and dining, housekeeping and laundry services without personal care services/personal assistance available.
- Independent supportive living ("ISL") - Age-qualified suites/ townhouses/ bungalows/ apartments with dining, housekeeping and laundry services with personal assistance services available.
- Assisted living ("AL") - Age-qualified suites with a base level of personal assistance services included in the service fee, in a separate wing, floor or building. Additional care services may be added on top of base fee.
- Memory care ("MC") - Age-qualified suites with personal care services included in base fee for persons with Alzheimer's disease or other forms of dementia, in a separate/secure wing, floor or building.
- Long term care ("LTC") - Access to 24-hour nursing care or supervision in a secure setting, assistance with daily living activities and high levels of personal care. Admission and funding are overseen by local government agencies in each province.

Composition of Our Portfolio

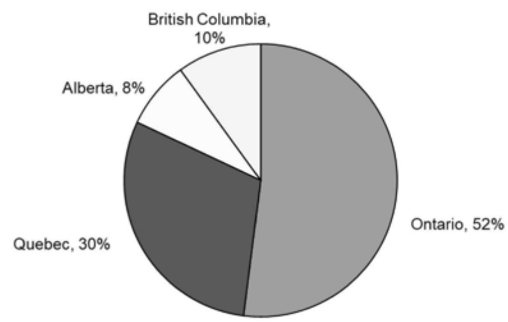
The following presents the composition of our owned and managed portfolio of communities in our two operating segments at December 31, 2020:

	Retirement Operations		**Long Term Care Operations**		**Total**	
	Communities	Suites/Beds	Communities(3)	Suites/Beds(3)	Communities	Suites/Beds
Owned Communities (1)						
100% Owned – operating	113	14,485	20	2,776	133	17,261
Partially Owned – operating (2)	47	9,184	-	-	47	9,184
Total Owned	160	23,669	20	2,776	180	26,445
Managed Communities	7	1,873	4	608	11	2,481
Total	167	25,542	24	3,384	191	28,926

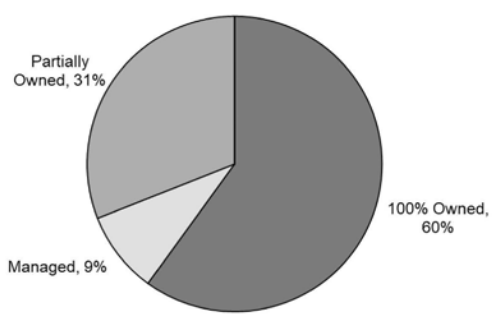
Level of Care (4)



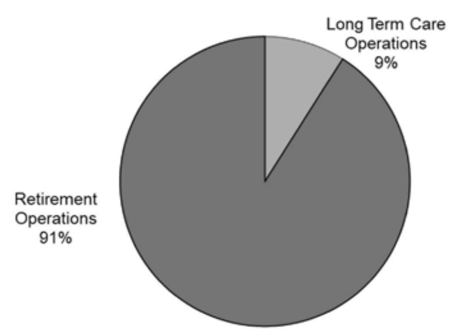
Geographic Location (4)



Ownership Interest (4)



NOI (5) by Operating Segment



(1) Where a community provides more than one level of care, it has been designated according to the predominant level of care provided, type of licensing and funding received and internal management responsibility.
(2) We have a 42.5% ownership in one community (345 suites), a 45% ownership interest in one community (332 suites), a 50% ownership interest in 40 communities (7,577 suites), a 60% ownership interest in one community (165 suites) and an 85% ownership interest in four communities (765 suites).
(3) Includes one retirement residence (64 suites) connected to an LTC home.
(4) Represents composition of suites/beds at Chartwell's share of ownership interest at December 31, 2020.
(5) NOI % represents Chartwell's share of ownership interest for the 12 months ended December 31, 2020.

Business Strategy

Our Strategy Statement

"In 2025, we will achieve in our retirement residences, **Employee Engagement** of 55% (highly engaged), **Resident Satisfaction** of 67% (very satisfied) and Same Property **Occupancy** of 95% to drive strong **IFFOPU** growth by providing exceptional resident experiences through personalized services in our upscale and mid-market residences in urban and suburban locations."

Due to the significant impact of the pandemic on our business, we extended the date for achievement of our employee engagement, resident satisfaction, and same property occupancy targets from 2023 to 2025.

Objectives:

We believe that only **highly engaged employees** will deliver the exceptional resident experiences that drive high resident satisfaction scores. We know that **very satisfied residents** are much more likely to recommend their residence to their friends and be Chartwell ambassadors in their communities. We know that the majority of our new resident move-ins are based on such recommendations. Therefore, by focusing our efforts and investments in the areas of employee engagement and resident satisfaction, we expect to generate **high occupancy rates** which, in turn, should drive strong growth in earnings. We elected to measure this earnings growth by utilizing an Internal Funds from Operations ("IFFO") metric on a per unit basis **("IFFOPU").** IFFO is calculated by adding to FFO the following: (a) lease-up-losses and imputed financing costs related to our development properties, (b) current income taxes, and (c) income guarantees due from vendors of certain acquired properties. The reconciliation of IFFO to net income/(loss) and FFO, explanations and rationale for adjustments can be found in the "Additional Information on Non-GAAP Financial Measures" section on page 53 of this MD&A.

Scope and Competitive Advantage:

Exceptional resident experience – Our customer is our resident. Our Unique Value Proposition is an exceptional resident experience, and we achieve it by providing **personalized services**. Our service standards are 'Safety, Respect, Efficiency and WOW'.

Personalized services – We treat each resident as a unique individual. We get to know them well before they come to reside with us and we tailor our service offering to their individual preferences and needs.

Our residences – We own, operate and develop our residences. With a few specific exceptions we do not manage residences for third parties, nor do we invest in residences managed by others.

Upscale to Mid-market – We target the upscale and mid retirement market. We do not operate residences with base-level services and a limited staff complement due to high operating risks. We do not operate residences with premium upscale services due to the small size and narrow focus of this niche market.

Urban and suburban – We target residences in urban and suburban areas and will not operate in markets with populations less than 25,000 within a 10 km radius of our residences. In addition, to achieve management efficiencies we will not operate residences that generate less than $1 million of NOI at stabilized occupancy. We expect to continue to operate in the four most populous provinces of Canada (Ontario, Quebec, British Columbia, and Alberta) where we strive to be market leaders.

This strategy statement is centered on our Retirement Operations segment, which represents 86%of our total suites and 91% of our Adjusted NOI.

Our Long Term Care Operations, which provide stable cash flows, meaningful economies of scale and significant operating expertise, particularly in the area of nursing care and infection control, remain an important part of our business. Our LTC team has been consistently implementing programs to drive employee engagement and resident satisfaction in their highly regulated environment. These "Rising above the Regs" programs, including the innovative "Imagine" training program for management and front-line employees are producing exceptional results. Our 2025 LTC Employee Engagement target is 50% highly engaged and 2025 LTC Resident Satisfaction target is 67% very satisfied.

The following highlights the progress made in 2020 on the key components of our business strategy and our 2020 initiatives:

Employee Engagement

The pandemic response of Chartwell employees from our residences to the corporates support offices has been extraordinary. Our people worked tirelessly and selflessly to serve and care for their residents, and support residents' families and friends and each other. The stories of their courageous dedication are numerous and heartwarming. These stories are true testaments of our culture and engagement of our employees.

Our regular employee engagement survey includes 24 questions with the score determined based on the average responses to all questions. In 2020 we did not conduct our regular employee engagement survey, instead we conducted a modified survey focused on our teams' experiences during the pandemic. Therefore, our 2020 survey results cannot be fully compared to those reported for prior periods. All historical surveys and our 2020 survey included the following statement "I am satisfied with Chartwell as a place to work".

The following table summarizes historical employee engagement survey results:

(% of strongly agree)	2017	2018	2019	2020
Overall Satisfaction score as previously reported	41%	47%	48%	n/a
I am satisfied with Chartwell as a place to work	36%	41%	42%	44%

In 2020, 44% of the respondents to our employee engagement survey strongly agreed with this statement, an increase of 2 percentage points from 2019 score of 42%.

Resident Satisfaction

Various governments' pandemic-related restrictions, including those related to resident isolation, visitations, activities, and dining, have had a significant negative impact on the quality of life of our residents. In an attempt to mitigate this impact, our teams, demonstrating great passion and creativity, implemented new ways of communicating with residents and families, and keeping our residents engaged with various new activities in a safe and caring environment.

Our regular resident satisfaction survey includes 36 questions with the overall score determined by the average responses to three questions:

- I am satisfied with Chartwell as a place to live
- It rarely crosses my mind to leave Chartwell for another retirement residence
- When asked, I would recommend Chartwell as a place to live.

In 2020, as part of our Listening to Serve you Better program, we performed a modified resident satisfaction survey focused on residents' experience during the pandemic. We also conducted a survey of family and friends of our residents. 96% of residents and 95% of friends and family members felt that their residence had taken important measures to keep residents safe during the pandemic. In addition, 94% of friends and family members felt that their loved one was safe living in a Chartwell residence.

While our 2020 resident satisfaction results cannot be fully compared to prior years, our historical surveys and our 2020 survey included the following statement “I am satisfied with my residence as a place to live.”

The following table summarizes our historical resident satisfaction results:

(% of strongly agree)	2017	2018	2019	2020
Overall Satisfaction score as previously reported	53%	58%	63%	n/a
I am satisfied with my residence as a place to live	51%	56%	61%	52%

In 2020, 52% of the respondents to our resident satisfaction survey strongly agreed with this statement, a decrease of 9 percentage points from 2019 score of 61%. We attribute this decrease in resident satisfaction to the significant impact that the pandemic-related mandatory restrictions have had on our residents’ lives in 2020.

Our Customer Service Vision Statement is “Delivering an exceptional resident experience that is personalized, memorable, and feels like home – where family and friends feel welcome and respected.”

Our multi-year Customer Experience (“CX’) Strategy, developed in 2019, was modified in 2020 to adapt to the pandemic realities moving some training modules to virtual format and our teams delivered over 6,700 person/hours of CX training to our employees.

Occupancy

We began 2020 with exceptionally strong leading indicators – our website traffic and initial contacts were at all time high levels in January and February of 2020. Unfortunately, due to the impacts of the pandemic in 2020, our same property portfolio average occupancy declined from 88.4% in January 2020 to 80.8% in December 2020.

Our marketing and sales strategies are focused on brand and reputation development, consumer education, local community outreach, and obtaining deep knowledge of each individual customer and their needs so that we can create personalized experiences for them. We believe these strategies, combined with the expected growing demand in retirement accommodation due to the senior population growth, will support our recovery and achievement of our 2025 occupancy target.

2021 Outlook

The pandemic has had a profound impact on our residents and their families, particularly those directly affected by the disease. Our priority continues to be the safety and well-being of our residents and staff and we are grateful to every one of over 16,000 employees for their tremendous efforts, commitment and dedication to our residents and their families.

In response to the pandemic, we implemented and continue to maintain enhanced infection prevention and control measures at our residences. Our corporate care team is using their expertise to operate a 24/7 Hotline to support our retirement residences and long term care homes. Despite the significant disruption in supply chains, we have been successful in sourcing personal protective equipment at competitive prices. Working with various provincial governments and other industry participants, we are protecting our employees and residents with this equipment at all of our residences. Our recruitment campaign resulted in over 6,000 new hires since March 2020. We enhanced our communication with residents, families and staff and implemented new technology solutions for telehealth and videoconferencing. Despite extraordinary efforts, COVID-19 tragically claimed the lives of some of our residents. Our thoughts are with those who lost loved ones to this disease.

As of the date of this MD&A, 12 of our retirement residences and four of our long term care homes have been declared by public health to be in COVID-19 outbreak. Our response to the pandemic is guided by public health authorities and the Federal, Provincial and Municipal governments. We continue to meet or exceed the direction provided by these authorities to control the spread of COVID.

The pandemic has introduced significant uncertainties as discussed in the "COVID-19 Business Impacts and Related Risks" section on page 3 of this MD&A.

Due to pandemic-related restrictions on resident activities and periodic restrictions on visitations and personalized tours, our occupancies declined in 2020 and continued to decline in the first two months of 2021. Loss of revenue from these occupancy declines, as well as pandemic-related expenses for staffing, personal protective equipment, and supplies in excess of government funding, resulted in 2020 debt leverage metrics being higher and debt service coverage lower than in prior years. In addition, these conditions negatively impacted the amount of retained cash to fund our capital investments in our properties and growth activities. While we believe these effects to be temporary in nature, it will take some time post-pandemic, to recover our occupancies and to improve our debt metrics.

While the impact of this occupancy decline has been significant, we believe it to be temporary in nature. As more seniors are vaccinated in our residences and in the community at large, with the expansion of rapid testing, and the gradual easing of the restrictions, we expect move-ins and occupancies to begin recovering. Further, the population of people in Canada over the age of 75 is expected to grow significantly in the next 20 years, with this accelerated growth commencing in 2022. This is expected to create additional demand for our services. There continues to be a shortage of long term care beds across the country, and while some provincial governments are taking steps to address this shortage, the construction of new beds will take time. Retirement residences are well-positioned to fill the demand created by these shortages. Since the onset of the pandemic, construction starts of new retirement residences have declined significantly in Canada. While projects that were in construction at the onset of the pandemic will likely be opened in 2021, there will likely be a slow-down in new retirement residence openings in 2022 and 2023. Please refer to the "Supplemental Information" section on page 68 of this MD&A for details of demand and supply in our markets. We believe that the quality of services and care that we offer at our properties, our strong national brand, as well as the overall quality of our real estate portfolio, will allow us to successfully compete with new entrants in most of our markets.

Prior to the pandemic, low unemployment rates and significant increases to minimum wages in Ontario and Alberta, had made it challenging to attract and retain front-line employees in certain of our markets. During the pandemic, various governments have stepped in to provide temporary top-up wages for many front-line essential health care workers. Approximately 65% of staff in our retirement residences, and 35% of staff in our long term care homes are hospitality staff - primarily in dining, housekeeping, maintenance, and administration services - with the remainder being health care staff - primarily personal support workers, health care aides, and registered practical nurses. We expect these recruitment and retention challenges will persist in 2021 and we will continue to focus on differentiating Chartwell as the employer of choice in our sector.

Retirement Operations

We continue our focus on resident and employee safety while improving the quality of services provided to our residents. We believe that our experienced and dedicated retirement operations team, with its strong focus on enhancing customer experience, and innovative branding, marketing, and sales programs, will provide leadership and expertise as we progress through post-pandemic recovery.

In 2020, our same property portfolio occupancy was significantly impacted by the pandemic resulting in lower occupancy primarily due to lower move-in activity, partially offset by reduced move-out activity. Although the impact of the pandemic is expected to persist in 2021, we expect an increase in leasing activity, as pandemic-related restrictions are lifted.

The following restrictions are in place as of the date of this MD&A:

	Quebec	Ontario	Alberta	British Columbia
Resident move-ins	Allowed	Allowed	Allowed	Allowed
Prospect tours	Permitted, except in outbreak	Permitted, except for high-risk zones and when in outbreak	Permitted, except in outbreak	Permitted, except in outbreak
Requirements on move-in	ISL – no restrictions. AL – negative test and 14 days isolation	Negative test and 14 days isolation	No isolation unless high-risk region – 14 days isolation	14 days isolation for AL/LTC, no isolation for IL/ISL
Dining services	Modified – 2 people per table unless in high-risk zone, then in-suite dining	Modified – 2 people per table. In-suite dining, if in outbreak	Modified – 2 people per table. In-suite dining, if in outbreak	Modified – 2 people per table. In-suite dining, if in outbreak
Group activities	Allowed with size restrictions	Allowed with restrictions, except in lock-down	Allowed with size restrictions and distancing, except in outbreak	Allowed with size restrictions and distancing, except in outbreak
Housekeeping services	Allowed	Allowed	Allowed	Allowed
Hairdresser services	Allowed for residents only	Not allowed in lockdown and outbreak, otherwise allowed	Allowed, unless in outbreak	Allowed, unless in outbreak
Visitors	Essential caregivers (1 designated) only 1 visitor per day (Red Zone). 2 visitors per day - 1 at a time (Orange Zone)	Essential caregivers (2 designated)	Essential caregivers (1 designated)	Essential caregivers in AL/LTC (1 person). 2 designated essential visitors allowed in IL
Short-term leaves	Essential reasons only	Allowed	Allowed	Allowed
Overnight stays outside of residence	Not permitted	Allowed, 14 days isolation	Allowed, 14 days isolation	Allowed, 14 days isolation. LTC not permitted

Where we have not been able to conduct in-person prospective resident tours, or where preferred by the prospective resident, we have provided a live virtual tour experience. We have updated our protocols for move-ins and tours by, or on behalf of, prospective residents to ensure that we prioritize the safety and well-being of our existing residents, while also addressing the needs of seniors in the community who require our services.

The following table provides an update in respect of our same property retirement occupancy:

	One month ended October 31, 2020	One month ended November 30, 2020	One month ended December 31, 2020	One month ended January 31, 2021	One month ended February 28, 2021
Same property retirement occupancy	81.9%	81.5%	80.8%	79.8%	78.7%
Change from the previous month (1)	*(0.3pp)*	*(0.4pp)*	*(0.7pp)*	*(1.0pp)*	*(1.1pp)*

(1) 'pp' means percentage points.

The pace of decline in occupancy has accelerated in December, January, and February due to the increased restrictions on visitations, move-in protocols, resident activities, and personalized tours during the second wave of the pandemic. As of March 3, 2021, the vaccination program in our LTC homes has resulted in 90% of residents and 59% of staff having received first doses of vaccines, and 84% of residents and 46% of staff having received second doses of vaccines. In our retirement residences, as of March 3, 2021, 74% of residents and 34% of staff have received first doses of vaccines, and 23% of residents and 22% of staff have received second doses of vaccines. Outbreaks and case counts have significantly declined in recent weeks, with 12 of our retirement residences and four of our LTC homes currently declared in COVID-19 outbreak by public health, with total active resident case counts limited to 26, with no active resident case counts in our LTC homes. As more seniors are vaccinated in our residences and in the community at large, with the expansion of rapid testing, and the gradual easing of the restrictions, we expect move-ins and occupancies to begin recovering.

There has been a significant decline in 2020 of resident move-outs to both long term care and hospitals compared to 2019. As residents age in place longer, their needs increase and we have introduced expanded care and service offerings to our residents to address these growing needs.

The following table summarizes our expected combined rental and services rate growth in 2021:

Ontario	3.0%
Quebec	2.9%
Western Canada	2.0% (1)

(1) The lower rate growth in Western Canada is the result of lower assumed rate on government funded suites in Alberta and British Columbia.

Our tenant credit quality remains strong given the typical investment profile of Canadian seniors in our target customer demographic.

Long Term Care Operations

Our experienced LTC team is dedicated to providing the best possible care and services to our residents and has worked tirelessly through the pandemic, putting residents and their families first, adapting to new government directives and working with government to pilot and implement new measures and protocols to prevent and contain the spread of COVID-19.

We expect occupancies in our LTC portfolio to recover in 2021 once the pandemic subsides due to significant waiting lists for admission. There are approximately 38,000 people on the waiting list for LTC accommodation in Ontario which is approximately 8.6% higher than pre-pandemic levels. The Ontario government has announced occupancy protection funding will continue until March 31, 2021.

On January 6, 2021, the Ontario government announced additional funding of over $398 million for the long term care sector as follows:

- $268 million for infection prevention, staffing and personal protective equipment
- $88 million to support homes affected by the changes in occupancy due to the pandemic, and
- $42 million to hire more infection prevention and control staffing.

On January 21, 2021, the Ontario government provided additional emergency funding up to $153 million for the long term care sector as follows:

- $102 million by way of a one-time funding adjustment related to the shortfall on incremental costs as reported from April 1, 2020 to June 30, 2020, and
- $50.5 million for infection prevention, staffing and personal protective equipment.

The details of this funding for the Ontario long term care sector have not yet been announced. We expect that once the details are clarified, this new funding will defray a significant portion of the expenditures for nursing and other care and investments in measures to prevent and contain the spread of COVID, including additional staffing, screening, and disinfection, that we have made to date and that we will continue to make to protect our residents and staff in our LTC homes.

General, Administrative and Trust (“G&A”) Expenses

We expect G&A in 2021 to be in line with 2020 as our teams continue to provide enhanced support to our residences. We reallocated certain corporate resources to provide leadership in our homes as required, to support our enhanced recruitment efforts, and to assist in the implementation of innovative technology solutions and expect to continue to do so in 2021.

Development

Our business strategy is to develop modern, innovative, market-specific and operationally efficient seniors communities that remain competitive over the long term, and in some cases selectively partnering with reputable developers in order to gain access to attractive sites in strong markets. At this time, we have three projects under construction with a total of 518 suites, of which two projects are expected to be completed in 2021. In 2020, we added 55 new suites to our portfolio. A number of other projects are undergoing design, municipal approval and feasibility activities. While we continue to source and evaluate opportunities, due to the uncertainty created by the pandemic as discussed in the “COVID-19 Business Impacts and Related Risks” section, we have delayed the construction start of projects in the pre-construction stage.

Acquisitions and Dispositions

In addition to our own development activities, we have built an important pipeline of future acquisition opportunities with Batimo. Through this relationship, over time we expect to acquire ownership interests in close to 1,900 suites currently in various stages of lease-up, construction and pre-development in the province of Quebec. One of these projects (221 suites) achieved stabilized occupancy in 2020 and we expect to acquire an ownership interest in this project in Q2 2021.

As part of ongoing reviews of our properties, we may identify assets that no longer fit with our strategic direction due to their location, earnings potential, age, or other attributes.

Taxation

In 2020, 99.2% of our distributions were classified as return of capital.

Based on our current forecasts, we expect to have sufficient deductions and losses carried forward to eliminate any cash specified investment flow through (“SIFT”) taxes in 2021.

Significant Events

In addition to the items discussed in the 2021 Outlook section of this MD&A, the following events have had a significant effect on our financial results in 2020 and may be expected to affect our results in the future:

COVID-19

Refer to the “COVID-19 Business Impacts and Related Risks” section on page 3 of this MD&A.

Development

As described in the “2021 Outlook” section of this MD&A, new construction starts are presently on hold.

Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Debt

In addition to monitoring development costs measured on a GAAP basis which includes land, hard and soft development costs, furniture, fixtures and equipment, we assess our return on investment in development activities using the non-GAAP financial measure ‘Unlevered Yield’. Unlevered Yield should not be construed as an alternative to other GAAP metrics and may not be comparable to measures used by other entities.

Unlevered Yield is defined as the ratio of:

- the estimated annual NOI of a development property in the first year it achieves an expected stabilized occupancy level (“Estimated Stabilized NOI”) which varies from project to project,
- divided by the estimated adjusted development costs (the “Adjusted Development Costs”) which is the sum of:
  - development costs on a GAAP basis, plus
  - operating results generated by the development property, including pre-opening costs (the “Lease-up-Losses”), plus
  - an imputed cost of debt calculated by applying our estimated weighted average cost of debt to our GAAP development costs plus Lease-up-Losses, compounded during the development of the property (the “Imputed Cost of Debt”).

We believe this is a useful measure as we believe it reflects our financial returns on the total economic cost of developing a new property.

Completed Projects

The following table summarizes development projects that have been completed since January 1, 2019:

Project	Location	Suites / Beds	Suite Type	Chartwell Ownership Interest	Operations Start Date	Gross Book Value [(1)(2)] ($millions)	Occupancy [(3)] (%)	Adjusted Development Costs [(1)(2)(5)] ($millions)	NOI [(1)(4)] ($millions)	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI [(1)(5)] ($millions)	Expected Unlevered Yield [(5)]
Projects completed in 2019:													
Chartwell Carlton Retirement Residence	Burnaby, BC	105	ISL	100%	Q1 2019	42.2	56%	46.1	0.9	Q2 2022	97%	2.9	6.3%
Chartwell Wescott Retirement Residence	Edmonton, AB	137	ISL/ MC	100%	Q1 2019	40.7	37%	46.4	(0.5)	Q3 2022	94%	3.4	7.3%
The Sumach, by Chartwell	Toronto, ON	332	ISL	45%	Q2 2019	46.7	44%	49.6	0.9	Q4 2023	95%	3.5	7.1%
Kingsbridge Retirement Community [(6)]	Kingston, ON	165	ISL/ AL	60%	Q3 2019	30.7	43%	31.3	0.1	Q1 2023	95%	2.7	7.0%
Chartwell Thunder Bay Townhomes	Thunder Bay, ON	9	IL	100%	Q4 2019	3.9	78%	4.0	-	Q4 2020	100%	0.3	7.5%
Projects completed in 2020:													
Chartwell Meadowbrook Retirement Residence [(7)]	Lively, ON	55	IL/ ISL	100%	Q4 2020	23.9	27%	25.2	(0.4)	Q3 2021	95%	1.9	7.5%
		803				**188.1**		**202.6**	**1.0**			**14.7**	**7.3%**

(1) Calculated at Chartwell's ownership interest in the project.
(2) As at December 31, 2020.
(3) As of the date of this MD&A.
(4) For the 12 months ended December 31, 2020.
(5) Non-GAAP; the definition of this metric and the discussion of its significance can be found at the beginning of this section on page 14 of this MD&A.
(6) Chartwell owns a 60% interest in this property and Signature Living and its affiliates own the remaining 40% interest and provide development and operations management services. Signature Living is entitled to a promote payment if the return on equity exceeds certain targets. The estimated stabilized NOI and expected unlevered yield calculations include estimates of such promote payment.
(7) Opened in December 2020.

Projects in Construction

The following table summarizes projects that are in construction:

Project	Location	Suites / Beds	Suite Type	Estimated Development Cost [(1)] ($ millions)	Estimated Lease-up-Losses and Imputed Cost of Debt [(1)(2)] ($millions)	Estimated Adjusted Development Costs [(1)(3)] ($millions)	Adjusted Development Costs [(1)(2)] incurred as at December 31, 2020 ($millions)	Estimated Adjusted Development Costs to Completion [(4)] ($millions)	Expected Completion Date [(5)]	Expected Stabilized Occupancy Date [(5)]	Reservations [(6)]	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI [(1)(2)] ($millions)	Expected Unlevered Yield [(2)]
Chartwell Guildwood Retirement Residence [(7)]	Scarborough, ON	172	IL/ISL /MC	38.6	5.3	43.9	26.2	17.7	Q3 2021	Q1 2024	74%	95%	3.0	6.8%
Chartwell Montgomery Village	Orangeville, ON	122	ISL	44.0	3.6	47.6	24.4	23.2	Q3 2021	Q2 2023	22%	93%	3.4	7.1%
Chartwell Ballycliffe Long Term Care [(8)]	Ajax, ON	224	LTC	53.4	3.8	57.2	5.5	51.7	Q2 2023	Q2 2023	-	100%	4.8	8.4%
		518		**136.0**	**12.7**	**148.7**	**56.1**	**92.6**					**11.2**	**7.5%**

(1) Calculated at Chartwell's ownership interest in the project.
(2) Non-GAAP; the definition of this metric and the discussion of its significance can be found at the beginning of this section on page 14 of this MD&A.
(3) Non-GAAP; represents the total of estimated Development Costs and estimated Lease-up-Losses and Imputed Cost of Debt.
(4) Calculated as the Estimated Adjusted Development Costs less the Adjusted Development Costs incurred as at December 31, 2020.
(5) At this time, completion and stabilization dates are difficult to predict given the pandemic as described in the "COVID-19 Business Impacts and Related Risks" section on page 3 of this MD&A.
(6) As of the date of this MD&A.
(7) Redevelopment of the 83-suite residence to a 172-suite residence. Chartwell owns a 50% interest in this project.
(8) Redevelopment of the existing 100-bed Class C LTC to a 224-bed LTC home. The existing LTC operations are expected to continue during the redevelopment. The Ontario Ministry of Long-Term Care ("MLTC") will provide both capital funding to the project for 25 years post completion and a 17% grant toward land, hard and certain soft costs estimated at $8.0 million, payable at substantial completion. Estimated stabilized NOI for this project includes the expected capital funding subsidy receipt of $1.9 million.

Projects in Pre-Construction

The following projects are in the pre-construction phase of development and while we continue to move these projects along pre-construction milestones and re-assess feasibility and returns, we are deferring the start of these projects for the time being:

- Chartwell Ridgepointe Retirement Residence, Kamloops, British Columbia (90 ISL suites)
- Chartwell Royalcliffe Retirement Community, London, Ontario (163 IL/MC suites)
- Chartwell Wynfield III Retirement Residence, Oshawa, Ontario (201 IL/MC suites)
- Pickering, Ontario (a 90% interest in a proposed development of a 415-suite retirement residence (the "Pickering Project"))
- Calgary, Alberta (proposed development of 384-suite retirement residence)
- Edmonton, Alberta (proposed development of a 202-suite retirement residence)

Projects by Batimo

In addition to our own development activities, we have built an important pipeline of future acquisition opportunities by participating in certain development projects conducted by Batimo Inc. ("Batimo") in the province of Quebec. Batimo carries out development activities and we provide leasing, marketing and management services to these projects and in some cases, provide mezzanine financing. Pursuant to our agreements with Batimo, we have certain call rights to acquire, and Batimo has certain put rights which may require us to acquire, an 85% ownership interest in these properties upon achievement of expected stabilized occupancy levels, subject to certain conditions, at purchase prices determined based on the appraisal mechanism described in such agreements.

The following table summarizes the status of projects by Batimo as of the date of this MD&A:

Project	Location	Suites / Beds	Suite Type	Current Project Status (1)	Completion Date	Actual / Expected Stabilized Occupancy Date
Chartwell Le Prescott	Vaudreuil, QC	324	ISL	O	June 2017	Q4 2022
Chartwell Le Montcalm	Candiac, QC	283	ISL	O	September 2017	Q4 2021
Chartwell Le Teasdale II	Terrebonne, QC	221	ISL	O	October 2018	Q3 2020
Chartwell Greenfield Park	Greenfield Park, QC	368	ISL / AL	O	June 2019	Q4 2022
Chartwell L'Envol	Cap Rouge, QC	360	ISL / AL	O	September 2019	Q4 2022
Chartwell Trait-Carré	Quebec City, QC	361	ISL / AL	O	February 2021	Q4 2022
		1,917				

(1) Current project status is defined where 'O' means 'Operating'.

Chartwell Le Teasdale II has achieved stabilized occupancy as defined in our agreements with Batimo. We expect to complete the acquisition of an 85% ownership interest in this project for a purchase price of approximately $60.6 million in Q2 2021. We anticipate settling the purchase price by assuming the related construction financing of $37.3 million, and repayment of the outstanding mezzanine loan of $4.0 million, with the balance to be paid in cash.

In Q1 2021, construction of Chartwell Trait-Carré was completed and the first resident moved in February 1, 2021. The completion of this project marks the ninth residence that we have opened in partnership with Batimo in seven years.

Chartwell and Batimo have agreed to terminate the put-call agreement that was in place relating to a 316-suite project in Montreal.

Potential Developments on Owned and Leased Lands

The following table summarizes additional development opportunities on our owned and leased lands. While a number of these development projects are in advanced stages of feasibility assessments, others have a longer-term development time horizon and, in some cases, may be subject to extensive municipal approval requirements.

Residence	Location	Ownership %	Vacant Land Size (acres)	Estimated Potential Number of Suites (1)	Book Value of Land ($millions)
Chartwell Cité-Jardin résidence pour retraités	Gatineau, QC	100	3.4	600	8.6
Chartwell Crescent Gardens Retirement Community	Surrey, BC	100	2.6	184	4.9
Chartwell Hartford Retirement Residence	Morrisburg, ON	100	1.8	94	-
Chartwell Muskoka Traditions Retirement Residence	Hunstville, ON	100	0.4	36	0.9
Chartwell Ste-Marthe résidence pour retraités	Saint-Hyacinthe, QC	100	0.8	70	0.7
Chartwell Wedgewood Retirement Residence	Brockville,ON	100	0.5	54	0.6
Chartwell Woodhaven Long Term Care Residence (2)	Markham, ON	100	1.4	108	2.4
Chartwell Stillwater Creek Retirement Residence	Nepean, ON	100	0.5	32	0.6
Chartwell Belcourt résidence pour retraités	Ottawa, ON	50	0.2	31	0.3
Chartwell Domaine des Trembles résidence pour retraités	Gatineau, QC	50	1.5	182	1.2
Chartwell Héritage résidence pour retraités	Ottawa, ON	50	0.6	160	0.5
Chartwell Kingsville Retirement Residence	Kingsville, ON	50	1.6	55	0.3
Chartwell Manoir Pointe-aux-Trembles résidence pour retraités (3)	Montreal, QC	50	4.7	72	-
Chartwell Manoir Saint-Jérôme résidence pour retraités	Saint-Jérôme, QC	50	6.0	668	0.4
Chartwell Notre-Dame Victoriaville résidence pour retraités	Victoriaville, QC	50	1.1	66	0.1
Chartwell Royal Marquis Retirement Residence	Windsor, ON	50	0.6	45	0.3
Total (4)			27.7	2,457	21.8

(1) Numbers of potential suites to be developed are estimates and subject to change based on market conditions and municipal approval processes.
(2) Leased lands. The value recognized on adoption of IFRS 16.
(3) Potential redevelopment of the existing 247-suite residence to a 319-suite residence; acreage is for the entire site.
(4) Excludes $0.3 million of land acquired to facilitate redevelopment of one LTC property in Ontario.

Acquisitions

On March 2, 2020, we acquired a 42.5% interest in Chartwell Le St-Gabriel in Longueuil, Quebec from Batimo. Welltower Inc. (“Welltower”) also acquired a 42.5% interest and Batimo retained the remaining 15% interest in the property. The contractual purchase price at our share was $37.9 million and was settled through the assumption of a variable-rate mortgage of $23.9 million, settlement of the outstanding mezzanine loan of $3.6 million, with the balance, net of the bank account acquired and working capital adjustments, paid in cash.

On May 1, 2020, we acquired an 85% interest in Chartwell L’Unique III in St. Eustache, Quebec from Batimo. Batimo retained the remaining 15% interest in the project. The contractual purchase price of $32.6 million was settled by the assumption of a mortgage of $16.9 million, the settlement of Chartwell’s mezzanine loan of $3.2 million, and the remaining balance, net of working capital adjustments, was paid in cash.

Dispositions

On April 1, 2020, we completed the sale of four LTC properties in Ontario (299 beds) (the “Four LTC Properties”) for an aggregate sale price of $13.6 million. Chartwell has retained the obligation to remediate the lands at one of the Four LTC Properties.

On April 8, 2020, we completed the sale of one non-core retirement residence (195 suites) located in Quebec for $6.7 million. The mortgage related to this property of $6.4 million was discharged on closing.

On November 2, 2020, we completed the sale of three non-core retirement residences (186 suites) in Alberta for an aggregate sale price of $30.8 million. The mortgage related to one of these properties of $5.2 million was discharged on closing.

On November 30, 2020, we completed the sale of three non-core retirement residences (225 suites) in Ontario for an aggregate sale price of $33.8 million. The mortgages related to these properties of $12.9 million were discharged on closing.

Financings

On November 12, 2020, we entered into two agreements with a financial institution for a $100 million unsecured term loan, and a $50 million secured term loan. The loans mature on November 12, 2022, and bear interest at a fixed rate of 2.608% through interest rate swaps.

Distribution Reinvestment Program

On March 16, 2020, we announced a temporary suspension of our Distribution Reinvestment Program ("DRIP"), effective with the April 2020 distributions paid on May 15, 2020. The DRIP will remain suspended and all distributions will be paid in cash until further notice. If and when we resume the DRIP program, investors who had previously registered in our DRIP and who remain continuous unitholders will be automatically re-enrolled.

Joint Arrangements

'IFRS 11 – Joint Arrangements' classifies joint arrangements either as a joint operation or as a joint venture. Joint operations are joint arrangements in which the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for using proportionate consolidation. Joint ventures are joint arrangements in which the parties have rights to the net assets relating to the arrangement. Generally, where the party holds its interest in the joint arrangement through a separate legal entity, the joint arrangement will be classified as a joint venture. Joint ventures are accounted for using the equity method of consolidation. Chartwell does not independently control its joint arrangements which are accounted for using the equity method, and Chartwell's proportionate share of the financial position and results of operations of its investment in such joint arrangements, where presented and discussed in this MD&A using the proportionate consolidation method, does not necessarily represent Chartwell's legal claim to such items.

The following table summarizes the classification of properties which are owned through our joint arrangements or which are partially owned:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Joint Arrangement Type	Consolidation Method
Held directly:					
Chartwell-Welltower Landlord ("CWL") (1)	37	7,245	50%	Joint operation	Proportionate
Chartwell Le St-Gabriel Landlord ("CSGL")	1	345	42.5%	Joint operation	Proportionate
The Sumach by Chartwell	1	332	45%	Joint operation	Proportionate
Batimo	4	765	85%	Joint operation	Proportionate
Chartwell Riverside Retirement Residence	1	138	50%	Joint operation	Proportionate
Chartwell Churchill House Retirement Residence	1	98	50%	Joint operation	Proportionate
Pickering Project (2)	1	415	90%	Joint operation	Proportionate
Held through separate legal entities:					
Chartwell-Welltower Operator	Same as CWL	Same as CWL	Same as CWL	Joint venture	Equity
Chartwell Le St-Gabriel Operator	Same as CSGL	Same as CSGL	Same as CSGL	Joint venture	Equity
Chartwell Oakville Retirement Residence	1	147	50%	Joint venture	Equity
Chartwell Constantia Retirement Residence	1	121	50%	Joint venture	Equity
Kingsbridge Retirement Community	1	165	60%	Joint venture	Equity

(1) Includes one property under construction; refer to the "Projects in Construction" section on page 15 of this MD&A.
(2) In pre-construction; refer to the "Projects in Pre-Construction" section on page 16 of this MD&A.

On May 1, 2012, Chartwell and Welltower acquired undivided interests in a portfolio of 39 properties (of which two were subsequently sold) where each of Chartwell's and Welltower's interests in the real estate are held directly and where each of our interests in the operations are held through separate legal entities. Chartwell is the property manager for this portfolio. As the real estate is held directly by each of Chartwell and Welltower, it is classified as a joint operation and accounted for on a proportionate consolidation basis. The operations of the related properties, for which Chartwell is the manager, are held through a separate legal entity and as a result are classified as a joint venture and are accounted for using the equity method of consolidation.

On March 2, 2020, Chartwell and Welltower each acquired a 42.5% interest in Chartwell Le St-Gabriel from Batimo, with Batimo retaining the remaining 15% interest. As the real estate is held directly by each of Chartwell, Welltower and Batimo, it is classified as a joint operation and accounted for on a proportionate consolidation basis. The operation of the property, for which Chartwell is the manager, is held through a separate legal entity and as a result is classified as a joint venture and is accounted for using the equity method of consolidation.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

($000s)	**Q4 2020**	Q4 2019	Change	**2020**	2019	Change
Resident revenue	219,034	221,061	(2,027)	873,966	860,595	13,371
Direct property operating expense	156,381	152,837	3,544	622,499	590,016	32,483
Net income/(loss)	12,182	(11,485)	23,667	14,879	1,067	13,812

Resident revenue increased $13.4 million or 1.6% in 2020 primarily due to flow-through reimbursements provided by government to partially defray additional expenses incurred related to the pandemic, inflationary and market-based rental and service rate increases, and increased revenue from the provision of additional care and services, partially offset by lower occupancies and the disposition of properties.

Direct property operating expenses increased $32.5 million or 5.5% in 2020 primarily due to pandemic-related expenses, acquisitions and developments, including pre-leasing and initial operating costs, and higher property tax and insurance expenses, partially offset by lower food costs due to lower occupancies, and lower marketing, repairs and maintenance, and utilities expenses. Pandemic-related direct property operating expenses include investments in staffing including screening, employee meals and accommodation, compensation to staff in our residences, personal protective equipment, and supplies, all to support measures to reduce and prevent the spread of COVID-19.

In 2020, net income was $14.9 million compared to $1.1 million in 2019. Net income, in addition to the items described above, increased primarily due to gains on asset sales, deferred tax recovery in 2020 as compared to deferred tax expense in 2019, lower depreciation and amortization, and lower impairment losses, partially offset by the absence of remeasurement gain in 2020 as compared to 2019, higher amortization of intangibles, share of net loss from joint ventures, and higher finance costs.

Fourth Quarter:

For Q4 2020, resident revenue decreased $2.0 million or 0.9% primarily due to lower occupancies and the disposition of properties, partially offset by inflationary and market-based rental and service rate increases, increased revenue from the provision of additional care and services, and pandemic-related flow-through reimbursements provided by government to partially defray additional expenses incurred in 2020 related to the pandemic.

For Q4 2020, direct property operating expenses increased $3.5 million or 2.3% primarily due to pandemic-related expenses, and acquisitions and developments, higher property tax and insurance expenses, partially offset by the disposition of properties, lower food costs due to lower occupancies and lower utilities expenses.

Higher gains on asset sales, lower depreciation and amortization, and fair value gains recorded on financial instruments were partially offset by lower revenues and higher direct property operating expenses, share of net loss from joint ventures, and higher finance costs resulting in Q4 2020 net income of $12.2 million compared to a net loss of $11.5 million in Q4 2019.

FFO

FFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by GAAP. FFO as presented may not be comparable to similar measures used by other issuers. We present FFO substantially consistent with the definition adopted by REALPAC. This definition is included in the "Additional Information on Non-GAAP Financial Measures" section on page 53 of this MD&A.

We believe that the use of FFO, combined with the required primary GAAP presentations, is beneficial to the users of the financial information, improving their understanding of our operating results. We generally consider FFO to be a meaningful measure for reviewing our operating and financial performance because, by excluding real estate asset depreciation and amortization of intangible assets (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), transaction costs arising on business acquisitions and dispositions, impairment of property, plant and equipment ("PP&E"), distributions on Class B Units of Chartwell Master Care LP ("Class B Units") recorded as interest expense, change in fair value of financial instruments and foreign exchange gain/(loss), deferred income tax expense/(benefit), remeasurement gain, gain/(loss) on disposal of assets. and adjustments for Equity-Accounted JVs, FFO can assist the user of the financial information in comparing the financial and operating performance of our real estate portfolio between financial reporting periods.

Refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 53 of this MD&A for the reconciliation of net income/(loss), the most closely comparable GAAP measure, to FFO and FFO per unit ("FFOPU") amounts.

The following table presents FFO and FFOPU:

($000s, except per unit amounts)	**Q4 2020**	Q4 2019	Change	**2020**	2019	Change
FFO [(1)]	43,496	51,883	(8,387)	165,861	199,729	(33,868)
FFOPU [(1)]	0.20	0.24	(0.04)	0.76	0.92	(0.16)

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures" section on page 53 of this MD&A for a discussion of the calculation of the per unit amounts.

For 2020, FFO was $165.9 million or $0.76 per unit, compared to $199.7 million or $0.92 per unit in 2019. The following items impacted the change in FFO:

- lower adjusted NOI of $21.4 million consisting of:
  - a $26.0 million decrease in same property adjusted NOI comprised of:
    - a $22.6 million decrease in same property adjusted Retirement Operations NOI primarily due to reduced revenue related to lower occupancy of $35.7 million, net pandemic-related expenses of $4.1 million, and higher property tax and insurance expenses, partially offset by increased revenue from a combination of inflationary and market-based rental and service rate increases and from the provision of additional care and services, lower food costs due to reduced occupancy, and lower marketing, utilities and repairs and maintenance expenses
    - a $3.4 million decrease in same property adjusted Long Term Care Operations NOI as a result of increased investments in resident care and infection prevention and control measures which exceeded allotted government funding by $3.2 million and lower preferred accommodation revenues

  partially offset by
  - an increase in contributions from our acquisition, development and other property portfolio of $4.6 million
- higher finance costs of $7.9 million
- higher depreciation of PP&E and amortization of intangible assets used for administrative purposes of $1.6 million
- higher G&A expenses of $0.7 million
- lower interest income of $1.1 million
- lower management fee revenue of $1.1 million, and
- other items combined of $0.1 million.

For 2020, FFO was impacted by $5.5 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (2019 – $8.2 million).

Fourth Quarter:

For Q4 2020, FFO was $43.5 million or $0.20 per unit, compared to $51.9 million or $0.24 per unit in Q4 2019. The following items impacted the change in FFO:

- lower adjusted NOI of $5.0 million consisting of:
  - a $6.3 million decrease in same property adjusted NOI comprised of:
    - a $5.7 million decrease in same property adjusted Retirement Operations NOI primarily due to reduced revenue related to lower occupancy of $14.0 million and higher property tax and insurance expenses, partially offset by increases from a combination of inflationary and market-based rental and service rate increases and from the provision of additional care and services, lower utilities and repairs and maintenance expenses, and recoveries of pandemic-related expenses due to timing of government reimbursements
    - a $0.6 million decrease in same property adjusted Long Term Care Operations NOI as a result of investments in resident care and infection prevention measures that exceeded allotted government funding by $1.2 million and lower preferred accommodation revenues, partially offset by the timing of expenses and lower repairs and maintenance expenses

  partially offset by
  - an increase in contributions from our acquisition, development and other property portfolio of $1.3 million
- higher finance costs of $1.1 million
- higher depreciation of PP&E and amortization of intangible assets used for administrative purposes of $0.4 million
- lower management fee revenue of $1.5 million
- lower interest income of $0.3 million, and
- other items combined of $0.2 million

partially offset by

- lower G&A expenses of $0.1 million.

For Q4 2020, FFO was impacted by $1.5 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (Q4 2019 – $1.8 million).

Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI

The tables on the following pages of this section summarize our adjusted resident revenue, adjusted direct property operating expense and adjusted NOI and also include supplemental disclosure of our same property portfolio and our acquisitions, development and other portfolio. The supplemental disclosure of our same property portfolio and our acquisitions, development and other portfolio is non-GAAP and should not be construed as an alternative to GAAP measures. We use these groupings of properties to evaluate and monitor our financial and operating performance and we believe that this additional disclosure enhances the ability to understand and assess our results of operations and particularly to compare such results from period to period. The following provides definitions for each of these portfolio groupings as well as the composition of the portfolio included in the respective grouping for the current reporting period.

Same Property Portfolio

Our same property portfolio excludes properties that have not been owned continuously since the beginning of the previous fiscal year or that are expected to be sold in the current fiscal year. In addition, to improve comparability, properties that are undergoing a significant redevelopment or where we have added or expect to add significant capacity in the current year are excluded from the same property portfolio.

The following table summarizes the composition of our same property portfolio as at December 31, 2020:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	145	20,830	17,042
Long Term Care Operations (1)	19	2,676	2,676
Total same property portfolio	164	23,506	19,718

(1) Includes one retirement residence (64 suites) connected to an LTC home.

Acquisitions, Development and Other Portfolio

Our acquisitions, development and other portfolio includes properties that were acquired after January 1, 2019, newly developed properties, properties that are undergoing a significant redevelopment, properties where we have added or expect to add significant capacity in the current year and assets held for sale. Generally, such properties are operating at occupancy levels below their expected stabilized occupancies.

The following table summarizes the composition of the acquisitions, development and other portfolio as at December 31, 2020:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	15	2,839	2,277
Long Term Care Operations	1	100	100
Total acquisitions, development, and other portfolio	16	2,939	2,377

Acquisitions, development, and other portfolio includes five newly developed and one recently acquired retirement residence (801 suites at our share of ownership) with an aggregate gross book value of $299.4 million. These residences had a weighted average occupancy of 41% and 43% in 2020 and Q4 2020, respectively, and generated adjusted NOI of $2.3 million in 2020 and $0.7 million in Q4 2020. Upon achieving the expected stabilized average occupancy of 96%, these residences are estimated to generate annualized adjusted NOI of $22.3 million at our share of ownership.

The following table reconciles resident revenue and direct property operating expense from our financial statements to adjusted resident revenue and adjusted direct property operating expense and identifies contributions from our same property portfolio and our acquisition, development and other portfolio:

($000s, except occupancy rates)	**Q4 2020**	Q4 2019	Change	**2020**	2019	Change
Resident revenue	**219,034**	**221,061**	**(2,027)**	**873,966**	**860,595**	**13,371**
Add: Share of resident revenue from joint ventures (1)	28,624	29,381	(757)	116,157	116,090	67
Adjusted resident revenue (2)	**247,658**	**250,442**	**(2,784)**	**990,123**	**976,685**	**13,438**
Comprised of:						
Same property (2)	*225,475*	*224,525*	*950*	*894,441*	*878,776*	*15,665*
Acquisitions, development and other (2)	*22,183*	*25,917*	*(3,734)*	*95,682*	*97,909*	*(2,227)*
Adjusted resident revenue (2)	*247,658*	*250,442*	*(2,784)*	*990,123*	*976,685*	*13,438*
Direct property operating expense	**156,381**	**152,837**	**3,544**	**622,499**	**590,016**	**32,483**
Add: Share of direct property operating expenses from joint ventures (3)	17,070	18,410	(1,340)	72,697	70,322	2,375
Adjusted direct property operating expense (2)	**173,451**	**171,247**	**2,204**	**695,196**	**660,338**	**34,858**
Comprised of:						
Same property (2)	*158,082*	*150,826*	*7,256*	*624,954*	*583,308*	*41,646*
Acquisitions, development and other (2)	*15,369*	*20,421*	*(5,052)*	*70,242*	*77,030*	*(6,788)*
Adjusted direct property operating expense (2)	*173,451*	*171,247*	*2,204*	*695,196*	*660,338*	*34,858*
Adjusted NOI (2)	**74,207**	**79,195**	**(4,988)**	**294,927**	**316,347**	**(21,420)**
Comprised of:						
Same property (2)	*67,393*	*73,699*	*(6,306)*	*269,487*	*295,468*	*(25,981)*
Acquisitions, development and other (2)	*6,814*	*5,496*	*1,318*	*25,440*	*20,879*	*4,561*
Adjusted NOI (2)	*74,207*	*79,195*	*(4,988)*	*294,927*	*316,347*	*(21,420)*
Weighted average occupancy rate - same property portfolio	82.2%	90.1%	(7.9pp)	85.2%	90.1%	(4.9pp)
Weighted average occupancy rate - total portfolio	81.1%	87.9%	(6.8pp)	83.7%	87.6%	(3.9pp)

(1) Share of resident revenue from joint ventures represents Chartwell's pro rata share of the resident revenue of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 19 of this MD&A.

*(2) Non-GAAP; refer to the preamble to this table and the "*Results of Operations by Reportable Segment*" section on page 25 of this MD&A for explanations and discussion of the significance of these metrics.*

(3) Share of direct property operating expenses from joint ventures represents Chartwell's pro rata share of the direct property operating expenses of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 19 of this MD&A.

Adjusted resident revenue increased 1.4% in 2020, due to a 1.8% increase in same property adjusted resident revenue partially offset by lower revenue as a result of the disposition of properties. Same property adjusted resident revenue increased primarily due to inflationary and market-based rental and service rate increases, additional care and services revenue and reimbursements by government that partially defray pandemic-related expenses, partially offset by lower occupancies.

Adjusted direct property operating expense increased 5.3% in 2020, due to a 7.1% increase in same property adjusted direct operating expense, partially offset by lower expenses as a result of the disposition of properties. The increase in same property adjusted direct operating expense was primarily due to additional expenses related to the pandemic, property tax and insurance expenses, partially offset by lower food costs due to lower occupancies, lower marketing, repairs and maintenance, and utilities expenses,

Adjusted NOI decreased $21.4 million or 6.8% in 2020, due to an 8.8% decrease in same property adjusted NOI which was partially offset by contributions from our acquisition, development and other property portfolio.

In 2020, same property occupancy declined 4.9 percentage points primarily due to reduced move-in activity partially offset by reduced move-out activity, both as a result of the pandemic.

Fourth Quarter:

For Q4 2020, adjusted resident revenue decreased 1.1%, due to lower occupancies and lower revenue as a result of disposition of properties, partially offset by same property adjusted resident revenue increases primarily due to a combination of inflationary and market-based rental and service rate increases,additional care and services revenue and reimbursements by government to partially defray pandemic-related expenses.

For Q4 2020, adjusted direct property operating expense increased 1.3%, due to a 4.8% increase in same property adjusted direct operating expense partially offset by lower expenses as a result of the disposition of properties. The increase in same property adjusted direct operating expense was primarily due to additional expenses related to the pandemic net of reimbursements, property tax and insurance expenses. This was partially offset by lower food costs due to lower occupancies and lower utilities expenses.

For Q4 2020, adjusted NOI decreased $5.0 million or 6.3%, due to an 8.6% decrease in same property adjusted NOI which was partially offset by contributions from our acquisition, development and other property portfolio.

For Q4 2020, same property occupancy declined 7.9 percentage points primarily due to reduced move-in activity partially offset by lower move-out activity, both as a result of the pandemic.

Results of Operations by Reportable Segment

We monitor and operate our retirement and long term care properties separately. Our Retirement Operations segment includes 160 communities that we own and operate in four provinces in Canada: British Columbia, Alberta, Ontario, and Quebec. Our retirement residences provide services to age-qualified residents at rates, in most cases, set by Chartwell based on the services provided and market conditions. Our Long Term Care Operations segment includes 20 homes in Ontario, which includes one retirement residence that is connected to a long term care home. Admission and funding for long term care is overseen by local government agencies. Where a residence provides more than one level of care, it has been designated to a segment according to the predominant level of care provided, type of licensing and funding provided, and internal management responsibility.

The accounting policies of each of our segments are the same as those for Chartwell except that these segments include Chartwell's proportionate share of its joint ventures. Certain G&A expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.

The measure of segment profit or loss is Adjusted NOI (which is resident revenue less direct property operating expense, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expense).

Retirement Operations

The following table summarizes the composition of our Retirement Operations as at December 31, 2020:

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same Property							
100% Owned	105	610	11,074	951	167	451	13,253
50% Owned	40	593	6,563	358	63	-	7,577
Total same property owned	145	1,203	17,637	1,309	230	451	20,830
Acquisitions, Development & Other							
100% Owned – operating	8	130	1,000	72	30	-	1,232
Partially Owned – operating (1)	7	-	1,513	94	-	-	1,607
Total acquisitions, development & other	15	130	2,513	166	30	-	2,839
Total	160	1,333	20,150	1,475	260	451	23,669

(1) We own an 85% interest in four of these properties, a 60% interest in one property, a 45% interest in one property and a 42.5% interest in one property.

The following table presents the results of our Retirement Operations as at December 31, 2020:

($000s, except occupancy rates)	**Q4 2020**	Q4 2019	Change	**2020**	2019	Change
Adjusted resident revenue	**181,790**	**187,667**	**(5,877)**	**738,733**	**737,076**	**1,657**
Comprised of:						
Same property (1)	*161,913*	*170,000*	*(8,087)*	*657,669*	*670,044*	*(12,375)*
Acquisitions, development and other (1)	*19,877*	*17,667*	*2,210*	*81,064*	*67,032*	*14,032*
Adjusted direct property operating expense	**114,307**	**116,340**	**(2,033)**	**470,341**	**452,385**	**17,956**
Comprised of:						
Same property (1)	*101,127*	*103,497*	*(2,370)*	*413,726*	*403,537*	*10,189*
Acquisitions, development and other (1)	*13,180*	*12,843*	*337*	*56,615*	*48,848*	*7,767*
Adjusted NOI	**67,483**	**71,327**	**(3,844)**	**268,392**	**284,691**	**(16,299)**
Comprised of:						
Same property (1)	*60,786*	*66,503*	*(5,717)*	*243,943*	*266,507*	*(22,564)*
Acquisitions, development and other (1)	*6,697*	*4,824*	*1,873*	*24,449*	*18,184*	*6,265*
Weighted average occupancy rate - same property portfolio	81.4%	88.8%	(7.4pp)	84.1%	88.8%	(4.7pp)
Weighted average occupancy rate - total portfolio	80.3%	86.2%	(5.9pp)	82.5%	85.9%	(3.4pp)

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 23 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted resident revenue increased 0.2% in 2020 due to growing contributions from our acquisitions and developments, partially offset by a 1.8% decrease in same property adjusted resident revenue which is primarily related to lower occupancies offset by increased revenue from inflationary and market-based rental and service rate increases and additional care and services revenue.

Adjusted direct property operating expense increased 4.0% in 2020 due to a 2.5% increase in same property adjusted direct operating expense and growth in our acquisitions, development and other portfolio. The increase in same property adjusted direct operating expense was primarily due to additional expenses related to the pandemic of $8.0 million, higher property tax and insurance expenses partially offset by lower food costs due to lower occupancy and lower marketing, utilities, and repairs and maintenance expenses.

For 2020, adjusted NOI decreased $16.3 million or 5.7% primarily due to an 8.5% decrease in same property adjusted NOI as a result of the following:

- Our Ontario platform same property adjusted NOI decreased $13.0 million or 8.6%, primarily due to lower occupancies, pandemic-related expenses net of funding of $2.9 million, higher property tax, insurance and utilities expenses, partially offset by increased revenue from inflationary and market-based rental and service rate increases and additional care and services revenue, lower food costs due to lower occupancy, lower marketing and repairs and maintenance expenses.
- Our Western Canada platform same property adjusted NOI decreased $3.6 million or 6.2%, primarily due to lower occupancies, pandemic-related expenses net of funding of $0.8 million, higher property tax, insurance and utilities expenses, partially offset by increased revenue from inflationary and market-based rental and service rate increases and lower marketing and repairs and maintenance expenses.
- Our Quebec platform same property adjusted NOI decreased $6.0 million or 10.4%, primarily due to lower occupancies, higher property tax resulting from the one-time property tax credit received in 2019 for which there is not a comparable amount in 2020, and pandemic-related expenses net of funding of $0.4 million, partially offset by increased revenue from inflationary and market-based rental and service rate increases, and lower food costs due to lower occupancies, lower utilities, marketing, and repairs and maintenance expenses.

The following table summarizes our annual weighted average occupancy rates in our retirement same property portfolio:

	2020	2019	Change
Ontario	79.5%	84.8%	(5.3pp)
Western Canada	90.2%	94.9%	(4.7pp)
Quebec	87.6%	91.3%	(3.7pp)
Combined	84.1%	88.8%	(4.7pp)

In 2020, weighted average occupancy in our retirement same property portfolio was 84.1%, a 4.7 percentage point decrease from 2019, primarily due to the impact of the pandemic.

Fourth Quarter:

Adjusted resident revenue decreased 3.1% in Q4 2020, due to a 4.8% decrease in same property adjusted resident revenue partially offset by growth from our acquisitions and developments. The decrease in same property adjusted resident revenue was due to lower occupancies of $14.0 million partially offset by increased revenue from inflationary and market-based rental and service rate increases and from the provision of additional care and services.

Adjusted direct property operating expense decreased 1.7% in Q4 2020, due to a 2.3% decrease in same property adjusted direct operating expense due to timing of reimbursements by government, partially offset by growth in our acquisitions, development and other portfolio.

Adjusted NOI decreased $3.8 million or 5.4% in Q4 2020 primarily due to an 8.6% decrease in same property adjusted NOI as a result of the following:

- Our Ontario platform same property adjusted NOI decreased $3.1 million or 8.3%, primarily due to lower occupancies, higher property tax and insurance expenses, partially offset by increased revenue from inflationary and market-based rental and service rate increases and additional care and services, lower food costs due to lower occupancies, lower utilities, repairs and maintenance expenses and net pandemic-expense recoveries of $2.0 million due to timing of reimbursements by government.
- Our Western Canada platform same property adjusted NOI decreased $1.6 million or 10.5%, primarily due to lower occupancies, higher property tax and insurance expenses, partially offset by increased revenue from inflationary and market-based rental and service rate increases and additional care and services, and net pandemic-expense recoveries of $0.5 million due to timing of reimbursements by government.

- Our Quebec platform same property adjusted NOI decreased $1.0 million or 7.4%, primarily due to lower occupancies, higher property tax, insurance, and staffing costs, partially offset by increased revenue from inflationary and market-based rental and service rate increases and additional care and services, lower utilities expenses, and net pandemic-expense recoveries of $1.5 million due to timing of reimbursements by government.

The following table summarizes our quarterly weighted average occupancy rates in our retirement same property portfolio:

	Q4 2020	Q4 2019	Change	Q3 2020	Change
Ontario	77.1%	84.9%	(7.8pp)	77.5%	(0.4pp)
Western Canada	86.7%	94.9%	(8.2pp)	88.3%	(1.6pp)
Quebec	84.8%	91.1%	(6.3pp)	86.7%	(1.9pp)
Combined	81.4%	88.8%	(7.4pp)	82.5%	(1.1pp)

In Q4 2020, weighted average occupancy in our retirement same property portfolio was 81.4%, a decrease of 7.4 percentage points compared to Q4 2019, primarily due to reduced move-in activity of approximately 40%, partially offset by reduced move-out activity of approximately 20%, both as a result of the pandemic. The pace of decline in occupancy slowed to 1.1 percentage points for Q4 2020 compared to the decline in Q3 2020 of 2.5 percentage points.

Long Term Care Operations

The following table summarizes the composition of our Long Term Care Operations as at December 31, 2020:

		Composition of Suites/Beds					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same property (1)	19	-	75	-	-	2,601	2,676
Acquisitions, development and other	1	-	-	-	-	100	100
Total	20	-	75	-	-	2,701	2,776

(1) Includes one retirement residence (64 suites) connected to an LTC home.

The following table presents the results of our Long Term Care Operations as at December 31, 2020:

($000s, except occupancy rates)	**Q4 2020**	Q4 2019	Change	**2020**	2019	Change
Adjusted resident revenue	**65,868**	**62,775**	**3,093**	**251,390**	**239,609**	**11,781**
Comprised of:						
Same property [(1)]	*63,562*	*54,525*	*9,037*	*236,772*	*208,732*	*28,040*
Acquisitions, development and other [(1)]	*2,306*	*8,250*	*(5,944)*	*14,618*	*30,877*	*(16,259)*
Adjusted direct property operating expenses	**59,144**	**54,907**	**4,237**	**224,855**	**207,953**	**16,902**
Comprised of:						
Same property [(1)]	*56,955*	*47,329*	*9,626*	*211,228*	*179,771*	*31,457*
Acquisitions, development and other [(1)]	*2,189*	*7,578*	*(5,389)*	*13,627*	*28,182*	*(14,555)*
Adjusted NOI	**6,724**	**7,868**	**(1,144)**	**26,535**	**31,656**	**(5,121)**
Comprised of:						
Same property [(1)]	*6,607*	*7,196*	*(589)*	*25,544*	*28,961*	*(3,417)*
Acquisitions, development and other [(1)]	*117*	*672*	*(555)*	*991*	*2,695*	*(1,704)*
Weighted average occupancy rate - same property portfolio	87.2%	98.5%	(11.3pp)	91.7%	98.6%	(6.9pp)
Weighted average occupancy rate - total portfolio	86.5%	98.5%	(12.0pp)	91.6%	98.4%	(6.8pp)

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 23 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted NOI decreased $5.1 million or 16.2% in 2020, primarily due to an 11.8% decrease in same property adjusted NOI and decreased contributions from our acquisitions, development and other property portfolio which includes the sale of the Four LTC Properties.

Ontario's long term care funding is delivered via four distinct envelopes allocated to: nursing and personal care ("NPC"); programming and support services ("PSS"); food; and other accommodation. The first three envelopes must be spent entirely on residents and any surplus funding from the first three envelopes is returned to the government on filing of the annual long term care home financial returns which are independently audited. In 2020, we invested in significant additional staffing, personal protective equipment, and other measures to reduce and contain the spread of COVID-19. While we have been partially funded for some of these expenditures, $3.2 million of expenditures remain unfunded. In addition, our preferred accommodation revenues are lower due to lower occupancy.

In 2020, weighted average occupancy in our LTC same property portfolio was 91.7%, a 6.9 percentage point decrease from 2019, primarily due to reduced move-in activity as well as government directives limiting occupancy in our Class B- and C-bed LTC homes.

Fourth Quarter:

For Q4 2020, adjusted NOI decreased $1.1 million or 14.5% primarily due to a 9.7% decrease in same property adjusted NOI and decreased contributions from our acquisitions, development and other property portfolio which includes the sale of the Four LTC Properties. Same property adjusted NOI decreased 8.2% primarily due to $1.2 million of net pandemic-related expenses that exceeded special-purpose pandemic funding and $0.3 million lower preferred accommodation revenues, partially offset by the timing of expenses and lower repairs and maintenance expenses.

For Q4 2020, weighted average occupancy in our LTC same property portfolio was 87.2%, a decrease of 11.3 percentage points compared to Q4 2019, primarily due to reduced move-in activity and lower capacity in our Class B- and C-bed LTC homes as described above.

Management and Other Fees

($000s)	**Q4 2020**	Q4 2019	Change	**2020**	2019	Change
Welltower	878	1,639	(761)	5,670	6,777	(1,107)
Other	624	1,361	(737)	3,970	3,989	(19)
Total management and other fees	1,502	3,000	(1,498)	9,640	10,766	(1,126)

In 2020 and Q4 2020, management and other fees decreased $1.1 million and $1.5 million, respectively, primarily due to lower development fees and income performance-based fees.

Interest Income

($000s)	**Q4 2020**	Q4 2019	Change	**2020**	2019	Change
Interest income on loans receivable	302	466	(164)	1,360	1,831	(471)
Interest income on capital funding	436	527	(91)	1,906	2,238	(332)
Other interest income	49	-	49	606	438	168
Total interest income	787	993	(206)	3,872	4,507	(635)

In 2020 and Q4 2020, interest income on loans receivable decreased $0.5 million and $0.2 million, respectively, primarily due to lower loan balances.

In 2020 and Q4 2020, interest income on capital funding decreased $0.3 million and $0.1 million, respectively, due to lower receivable balances outstanding.

Other interest income increased $0.2 million and $0.1 million in 2020 and Q4 2020, respectively, primarily due to higher cash balances during these periods.

General, Administrative and Trust Expenses

($000s)	**Q4 2020**	Q4 2019	Change	**2020**	2019	Change
G&A expenses	8,674	8,746	(72)	43,895	43,148	747

G&A expenses increased $0.7 million in 2020 primarily due to a $0.7 million contribution to provide startup funding to support the Senior Living CaRES fund (“the CaRES Fund”) initiated by the founding members, Chartwell, Revera Inc., Extendicare and Sienna Senior Living, to provide emergency funding and support to LTC home and retirement residence employees.

In Q4 2020, G&A expenses remained substantially the same as in Q4 2019.

Finance Costs

($000s)	Q4 2020	Q4 2019	Change	2020	2019	Change
Contractual interest expense on mortgages	17,035	18,019	(984)	70,460	71,158	(698)
Comprised of:						
Same property [1]	14,514	15,318	(804)	59,414	60,578	(1,164)
Acquisitions, development and other [1]	2,521	2,701	(180)	11,046	10,580	466
Interest expense on Debentures [2]	3,501	3,501	-	13,888	13,888	-
Interest expense on Credit Facilities	578	719	(141)	3,628	2,711	917
Interest expense on Term Loans [3]	1,698	177	1,521	5,021	177	4,844
	22,812	22,416	396	92,997	87,934	5,063
Amortization of finance costs and mark-to-market adjustments on assumed mortgages	815	458	357	2,678	1,617	1,061
	23,627	22,874	753	95,675	89,551	6,124
Interest capitalized to properties under development	(903)	(1,343)	440	(3,469)	(4,986)	1,517
Distributions on Class B Units recorded as interest expense	235	239	(4)	944	961	(17)
Total finance costs	22,959	21,770	1,189	93,150	85,526	7,624

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 23 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.
(2) "Debentures" refers collectively to the "Series A Debentures" and the "Series B Debentures". See the "Liquidity and Capital Resources – Debt – Debentures" section on page 37 of this MD&A for details.
(3) "Term Loans" refers collectively to the unsecured term loans and the secured term loan. See the "Liquidity and Capital Resources – Debt – Term Loans" section on page 37 of this MD&A for details.

Contractual interest expense on mortgages decreased $0.7 million in 2020 primarily due to lower mortgage balances in our same property portfolio, partially offset by higher mortgage balances in our acquisitions, developments and other portfolio. For Q4 2020, contractual interest expense on mortgages decreased $1.0 million primarily due to lower mortgage balances.

Interest expense on Credit Facilities increased $0.9 million in 2020 primarily due to increased borrowings on the secured credit facility over the course of the year. For Q4 2020, interest expense on Credit Facilities decreased $0.1 million primarily due to lower draws on the secured credit facility.

Interest expense on Term Loans increased $4.9 million in 2020 primarily due to the $125 million unsecured term loan drawn on December 10, 2019. For Q4 2020, interest expense on Term Loans increased due to the new $50 million secured, and $100 million unsecured term loans drawn on November 12, 2020.

Interest capitalized to properties under development decreased $1.5 million and $0.4 million in 2020 and Q4 2020, respectively, primarily due to construction completion and transfer of several properties to operations.

The following table provides supplemental information related to finance costs for our Equity-Accounted JVs:

($000s)	Q4 2020	Q4 2019	Change	2020	2019	Change
Contractual interest expense on mortgages	445	495	(50)	1,861	2,074	(213)
Comprised of:						
Same property [1]	291	292	(1)	1,167	1,313	(146)
Acquisitions, development and other [1]	154	203	(49)	694	761	(67)
Amortization of finance costs	13	11	2	45	45	-
Interest capitalized to properties under development	-	-	-	-	(494)	494
Total finance costs	458	506	(48)	1,906	1,625	281

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 23 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Other Income/(Expense)

($000s)	**Q4 2020**	Q4 2019	Change	**2020**	2019	Change
Transaction costs arising on acquisitions and dispositions	(306)	(543)	237	(996)	(1,816)	820
Impairment losses	-	(27,474)	27,474	(3,200)	(46,974)	43,774
Remeasurement gain	-	(1,313)	1,313	-	37,859	(37,859)
Gain on sale of assets	23,001	1,024	21,977	25,072	6,081	18,991
Other income	165	341	(176)	764	887	(123)
Total other income/(expense)	22,860	(27,965)	50,825	21,640	(3,963)	25,603

Transaction costs arising on business combinations and dispositions are expensed as incurred and fluctuate from period to period based on the timing and volume of transactions. Effective January 1, 2020, we started applying the IFRS 3 optional fair value concentration test upon determining whether a transaction constitutes a business combination or an asset acquisition. As a result, acquisitions of Chartwell Le St-Gabriel and Chartwell L'Unique III were treated as asset acquisitions and associated transaction costs were capitalized.

In 2019, we recorded a write down in the carrying value of seven of our retirement residences due to a decline in the operating performance resulting from competitive pressures. Additional impairment charges were recorded to certain of these retirement residences in 2020, as a result of the decline in the operating performance of these properties due to assumed temporary decline in estimated future cash flows used in the impairment model to reflect the impact of the pandemic.

In Q1 2019, we acquired the remaining interests in Clair Hills and Oak Ridges Retirement Residences. Chartwell previously owned all the outstanding Class C units and affiliates of the vendors owned all outstanding Class R units in limited partnerships that held these retirement residences. Chartwell's interests in these two properties were previously accounted for as investments in joint ventures using the equity method of accounting. Under IFRS, the acquisition of the remaining interests in these properties required revaluation of the existing interest. This remeasurement resulted in a gain of $37.9 million in 2019.

The gain on sale of assets in 2020 primarily relates to the sales of the Four LTC Properties, three non-core retirement residences in Alberta, and three non-core retirement residences in Ontario, as described in the "Significant Events – Dispositions" section of this MD&A.

Other income decreased $0.1 million and $0.2 million in 2020 and Q4 2020, respectively, primarily due to lower pharmacy fees.

Other Items

($000s)	**Q4 2020**	Q4 2019	Change	**2020**	2019	Change
Depreciation of PP&E and amortization of intangible assets	(42,424)	(46,962)	4,538	(179,681)	(180,522)	841
Change in fair value of financial instruments and foreign exchange gain/(loss)	(4,374)	3,036	(7,410)	3,828	(3,314)	7,142
Deferred income tax benefit/(expense)	(7,052)	8,889	(15,941)	3,865	(10,209)	14,074

Depreciation of PP&E and amortization of intangible assets decreased $0.8 million in 2020 and $4.5 million in Q4 2020, primarily due to decreases in the property portfolio from dispositions and depreciation adjustments, partially offset by acquisitions and the transfer of software under development to operations.

Change in fair value of financial instruments and foreign exchange gain/(loss) is primarily resulting from changes in the market value of the underlying financial instruments and estimated values of amounts receivable under income guarantees. These amounts are expected to fluctuate from period to period due to changes in financial markets and operating performance of properties subject to income guarantees.

The 2020 deferred tax recovery primarily relates to fair value adjustments on interest rate swaps and non-taxable portion of capital gains relating to the sale of properties. The 2019 deferred income tax expense is primarily related to step accounting adjustments on the acquisition of the remaining interests in two joint ventures, Clair Hills and Oak Ridges Retirement Residences, accounted for as business combinations for which there is not a comparable amount in 2020, as well as the reversal of temporary differences on the accounting and tax basis of PP&E. This was partially offset by the deferred tax benefit as a result of the impairment loss recorded during the year.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between 2020 and 2019 using our consolidated statements of cash flows:

Cash Provided by (Used in):	**Increase (Decrease)** ($millions)	**Explanation**
Operating activities	(11.9)	Change in cash flows from operating activities is primarily due to lower Adjusted NOI, and higher interest paid, partially offset by changes in working capital.
Financing activities	(169.1)	Change in cash flows from financing activities is due to lower proceeds from mortgage financing, higher mortgage repayments and higher distributions paid primarily due to the suspension of the DRIP, partially offset by higher proceeds from term loans.
Investing activities	235.2	Change in cash flows from investing activities is primarily due to lower additions to PP&E and intangible assets, lower acquisitions of assets, and higher proceeds from disposal of PP&E.

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q4 2020 and Q4 2019 using our consolidated statements of cash flows:

Cash Provided by (Used in):	**Increase (Decrease)** ($millions)	**Explanation**
Operating activities	(5.1)	Change in cash flows from operating activities is primarily due to lower Adjusted NOI and higher interest paid, partially offset by changes in working capital adjustments.
Financing activities	(171.6)	Change in cash flows from financing activities is due to lower proceeds from mortgage financing, higher payments on credit facilities, higher mortgage repayments, and higher distributions paid primarily due to the suspension of the DRIP, partially offset by higher proceeds from term loans.
Investing activities	189.9	Change in cash flows from investing activities is primarily due to lower additions to PP&E and intangible assets, lower acquisitions of assets, and higher proceeds from disposal of PP&E.

Liquidity and Capital Resources

Liquidity

Our liquidity and capital resources are used to fund capital investments in our properties, development and acquisition activities, servicing of our debt obligations, and distributions to our unitholders. Our principal source of liquidity is net operating income generated from our property operations. We also finance our operations through the use of property-specific mortgages, secured and unsecured credit facilities, secured and unsecured and term loans, senior unsecured debentures, and equity financing.

At December 31, 2020, our liquidity was $459.5 million as presented in the following table:

($000s)	**December 31, 2020**	December 31, 2019
Cash and cash equivalents	70,157	22,890
Available under Credit Facilities	389,353	391,781
Total	459,510	414,671

In addition, at December 31, 2020, our share of cash and cash equivalents held in our Equity-Accounted JVs was $6.5 million.

As at December 31, 2020, our current liabilities totalled $393.0 million, exceeding our current assets of $127.4 million, resulting in a working capital deficiency of $265.6 million. Current liabilities include an amount of $198.7 million of current mortgages payable, comprised of $122.6 million related to maturing balances, and $76.1 million related to principal amortization and unamortized mark-to-market adjustments net of unamortized finance costs. We expect to refinance these mortgages in the normal course at, or in some cases prior to, their maturities. We expect to be able to meet all of our obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from our operations, (ii) property-specific mortgages, (iii) secured and unsecured credit facilities, and (iv) secured and unsecured term loans. In addition, subject to market conditions, we may continue to dispose of certain non-core assets and seek to raise funds through new secured term loans, senior unsecured debentures or equity financing.

Debt

Our debt portfolio currently consists of property-specific mortgages, Credit Facilities, Term Loans, and Debentures. Our debt management objective is to maximize financial flexibility and to maintain a strong balance sheet by:

- accessing low-cost, long-term, fixed-rate debt and short-term, variable-rate financing
- managing interest rate risk by spreading debt maturities over time with the target of having no more than approximately 10% of the principal of our total debt maturing in any year
- proactively managing our short-term maturities and where appropriate, refinancing maturing mortgages with long-term debt, and
- growing our unencumbered asset pool.

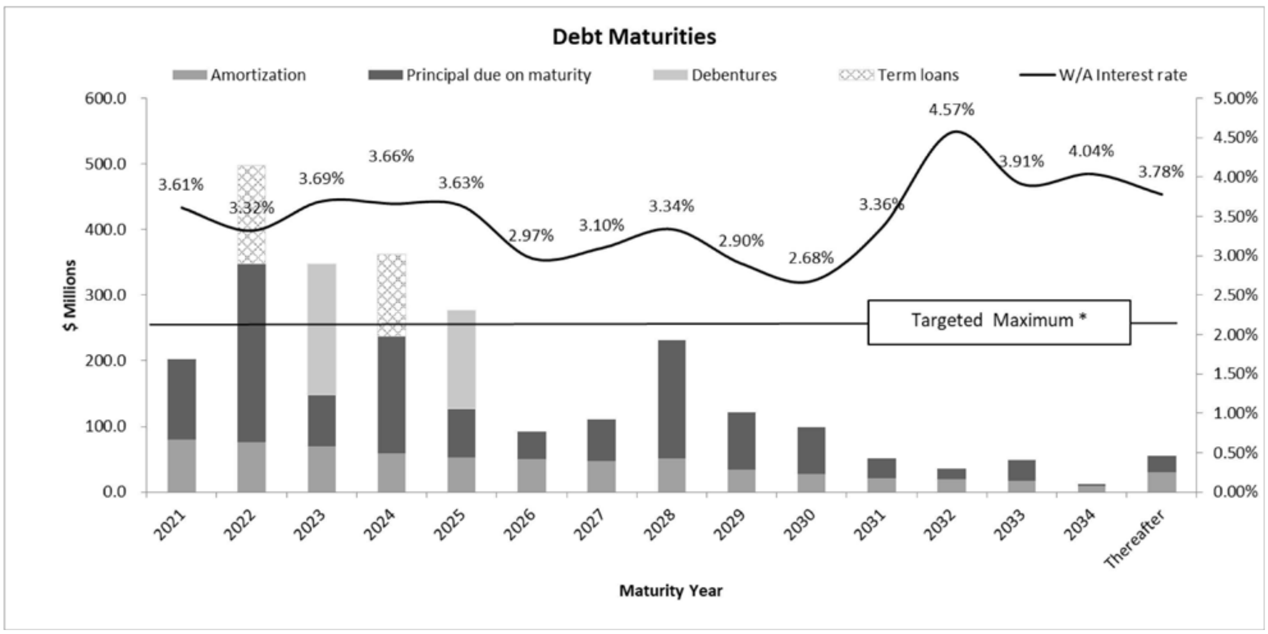
The following table summarizes the components of the principal balance of our debt at December 31, 2020 and December 31, 2019:

($000s)	**December 31, 2020**	December 31, 2019
Mortgages payable	1,921,157	1,975,089
Term Loans		
Unsecured term loans	225,000	125,000
Secured term loan	50,000	-
Debentures		
Series A Debentures	200,000	200,000
Series B Debentures	150,000	150,000
Total	2,546,157	2,450,089

The following table summarizes the scheduled principal maturity and weighted average interest rates for our debt portfolio at December 31, 2020:

($000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate	Term Loans	Weighted Average Interest Rate	Debentures	Weighted Average Interest Rate	**Total**	Consolidated Weighted Average Interest Rate
2021	80,560	122,640	203,200	3.61%	-	-	-	-	203,200	3.61%
2022	75,898	271,430	347,328	3.63%	150,000	2.61%	-	-	497,328	3.32%
2023	69,477	78,817	148,294	3.57%	-	-	200,000	3.79%	348,294	3.69%
2024	59,657	177,798	237,455	3.64%	125,000	3.70%	-	-	362,455	3.66%
2025	52,985	74,012	126,997	2.95%	-	-	150,000	4.21%	276,997	3.63%
2026	50,653	42,018	92,671	2.97%	-	-	-	-	92,671	2.97%
2027	48,029	63,176	111,205	3.10%	-	-	-	-	111,205	3.10%
2028	50,926	180,955	231,881	3.34%	-	-	-	-	231,881	3.34%
2029	34,855	85,729	120,584	2.90%	-	-	-	-	120,584	2.90%
2030	27,708	70,721	98,429	2.68%	-	-	-	-	98,429	2.68%
2031	22,008	30,131	52,139	3.36%	-	-	-	-	52,139	3.36%
2032	20,335	14,978	35,313	4.57%	-	-	-	-	35,313	4.57%
2033	17,762	31,221	48,983	3.91%	-	-	-	-	48,983	3.91%
2034	10,157	1,621	11,778	4.04%	-	-	-	-	11,778	4.04%
Thereafter	29,921	24,979	54,900	3.78%	-	-	-	-	54,900	3.78%
Total	650,931	1,270,226	1,921,157	3.41%	275,000	3.11%	350,000	3.97%	2,546,157	3.45%

The following chart provides a breakdown of our debt maturities at December 31, 2020:



** 10% of total debt = $254.6 million*

Mortgage Debt

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). As of December 31, 2020, approximately 75% of our total mortgage debt was CMHC insured. We intend to continue financing our properties through this program, including converting conventional mortgages to CMHC-insured debt upon renewal.

The following table summarizes the changes in the principal balance of our mortgage portfolio in 2020:

	Balance ($000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate	% CMHC Insured
Principal balance at December 31, 2019	1,975,089	6.8	3.68%	71%
Payouts and matured in the period	(204,619)	-	3.27%	18%
Assumed mortgages	40,832	0.3	4.14%	0%
New mortgage financings	205,891	6.5	2.10%	72%
Amortizing principal repayments	(77,768)	N/A	N/A	N/A
Repayment upon disposal of assets	(18,268)	-	-	-
Principal balance at December 31, 2020	1,921,157	6.6	3.41%	75%
Mark-to-market adjustments on assumed mortgages	7,176			
Finance costs	(46,098)			
Mortgages payable at December 31, 2020	1,882,235			

Assumed mortgages relate to the acquisition of Chartwell Le St-Gabriel on March 2, 2020, and the acquisition of Chartwell L'Unique III on May 1, 2020. On August 26, 2020, the assumed mortgage for Chartwell L'Unique III was refinanced with a CMHC-insured mortgage of $21.2 million bearing interest at 1.49% with a 3.8-year term to maturity. On October 30, 2020, the mortgage assumed on the acquisition of Chartwell Le St-Gabriel was refinanced with a CMHC-insured mortgage of $20.9 million bearing interest at 1.75% and a term to maturity of 10.3 years.

New mortgage financings include:

- 11 CMHC-insured mortgages totalling $148.0 million with a weighted average interest rate of 1.74% and a weighted average term to maturity of 8.3 years
- one conventional mortgage on our corporate head office in Mississauga ("Chartwell Hub"), of $45.8 million with a 3.40% interest rate and a 1.9-year remaining term to maturity, and
- construction financing draws primarily for one property under development of $12.1 million with a weighted average interest rate of 1.58% and a weighted average term to maturity of 2.2 years.

In June 2020, CMHC announced changes to its multi-unit residential loan insurance underwriting guidelines requiring borrowers to show reinvestment in related housing stock. These new guidelines have not had a significant effect on our refinancing activities as we continue to invest in capital improvements to our existing portfolio, and develop and acquire seniors living residences, such that we meet the requirements of the new guidelines.

Subsequent to December 31, 2020, we arranged additional CMHC-insured, top-up financings on seven properties totalling $55.0 million, and one CMHC-insured mortgage of $7.6 million on a property which was previously unencumbered. The weighted average term to maturity of these eight financings is 9.5 years bearing a weighted average interest rate of 2.21%. In addition, we have refinanced $48.0 million of our 2021 mortgage maturities at a weighted average term to maturity of 3.9 years and a weighted average interest rate of 1.93%. As at March 4, 2021, we have $74.6 million of mortgage maturities remaining in 2021 that are proceeding in the normal course.

The following table provides selected financial statistics for our mortgage debt portfolio:

	At December 31, 2020			At December 31, 2019
	Fixed Rate	Variable Rate	Total	Total
Principal amount ($000s)	1,862,261	58,896	1,921,157	1,975,089
Weighted average interest rate	3.46%	1.83%	3.41%	3.68%
Average term to maturity (years)	6.8	0.7	6.6	6.8

The following tables are supplemental information and summarize the components of our debt at December 31, 2020 and December 31, 2019 for our Equity-Accounted JVs:

($000s)	**December 31, 2020**	December 31, 2019
Principal balance of mortgages payable	52,974	48,847
Finance costs	(50)	(93)
Mortgages payable at December 31, 2020	52,924	48,754

($000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Principal Balance of Mortgages Payable	Weighted Average Interest Rate
2021	368	41,456	41,824	3.05%
2022	-	11,150	11,150	4.29%
Total	368	52,606	52,974	3.31%

As at March 4, 2021, for our Equity-Accounted JVs, we have $41.5 million of mortgage maturities remaining in 2021 that are proceeding in the normal course.

Credit Facilities

At December 31, 2020, our Credit Facilities had a total maximum borrowing capacity of $400.0 million. The following table summarizes the available borrowing capacity on these Credit Facilities:

($000s)	Maximum Capacity	Available Capacity	Utilized for Letters of Credit	Net Available Capacity	Borrowed	Available Borrowing Capacity	Maturity Date
Secured credit facility (1)	300,000	298,988	(9,635)	289,353	-	289,353	May 29, 2024
Unsecured credit facility (2)(3)	100,000	100,000	-	100,000	-	100,000	May 29, 2024
Total Credit Facilities	400,000	398,988	(9,635)	389,353	-	389,353	

(1) Available capacity is determined based on a formula that considers the lending value of the properties included in the secured asset pool. The factors impacting the lending value formula include property valuations, the mortgageability amount determined on the basis of NOI for the previous four quarters, the secured collateral, and the occupancy rate of the property.
(2) Available capacity is determined by a minimum ratio of unencumbered property asset value to unsecured indebtedness of 1.3:1.
(3) An option to increase borrowing capacity by an additional $50.0 million is available, subject to certain conditions.

The cost of our Credit Facilities is based on Chartwell's credit rating. At the current BBB(low) rating, amounts borrowed under the secured credit facility bear interest at the banks' prime rate ("Prime") plus 65 bps or BA plus 165 bps, and amounts borrowed under the unsecured credit facility bear interest at Prime plus 70 bps or BA plus 170 bps. Should Chartwell's credit rating be revised below BBB(low), amounts borrowed under the Credit Facilities would bear higher interest by an incremental 40 bps. The secured credit facility is secured by second-ranked charges on specific properties.

Our 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. We were in compliance with these financial covenants as at December 31, 2020, certain of which were amended subsequent to December 31, 2020. Please refer to the "Financial Covenants" section on page 39 of this MD&A for calculations of these covenants.

Term Loans

On December 10, 2019, we entered into a $125.0 million unsecured term loan agreement with a Canadian chartered bank. The loan matures on May 31, 2024, and through an interest rate swap, the interest rate was fixed at 3.523%. On June 26, 2020, we entered into a revised swap agreement. The fixed interest rate was changed effective June 30, 2020, to 3.703% and a rate floor of zero percent was added to the swap agreement.

On November 12, 2020, we entered into two agreements with a financial institution for a $100.0 million unsecured term loan, and a $50.0 million secured term loan. The loans mature on November 12, 2022, and through an interest rate swap, the interest rates are fixed at 2.608%. The $50.0 million term loan is secured by second charges on Chartwell's interests in three retirement residences in Ontario and two retirement residences in Quebec.

The Term Loans are subject to covenants that are generally consistent with the covenants on our Credit Facilities, certain of which were amended subsequent to December 31, 2020. Please refer to the "Financial Covenants" section on page 39 of this MD&A for calculations of these covenants.

The following table summarizes the Term Loans outstanding as at December 31, 2020:

($000s)	Outstanding Principal	Net Financing Costs	Carrying Value	Maturity Date
Unsecured term loan	125,000	(263)	124,737	May 31, 2024
Unsecured term loan	100,000	(215)	99,785	Nov 12, 2022
Secured term loan	50,000	(257)	49,743	Nov 12, 2022
Total Term Loans	275,000	(735)	274,265	

Debentures

On June 9, 2017, we issued $200.0 million of 3.786% Series A senior unsecured debentures (the "Series A Debentures") due on December 11, 2023, with semi-annual interest payments due on June 11 and December 11 of each year commencing December 11, 2017. Debt finance costs of $1.6 million were incurred and recorded against the principal owing.

On April 27, 2018, we issued $150.0 million of 4.211% Series B senior unsecured debentures (the "Series B Debentures") due on April 28, 2025, with semi-annual interest payments due on April 28 and October 28 of each year commencing October 28, 2018. Debt finance costs of $1.1 million were incurred and recorded against the principal owing.

The following table summarizes the balance of our Debentures:

($000s)	**As at December 31, 2020**	As at December 31, 2019
Series A Debentures outstanding	200,000	200,000
Series B Debentures outstanding	150,000	150,000
Unamortized finance costs	(1,319)	(1,706)
Carrying value	348,681	348,294

Under the terms of the Debentures, Chartwell is required to meet certain financial covenants. These covenants include required interest coverage ratio, indebtedness percentage ratio and unencumbered asset ratio. Chartwell was in compliance with these financials covenants as at December 31, 2020. Please refer to the "Financial Covenants" section on page 39 of this MD&A for calculations of these covenants.

Credit Rating

On October 23, 2020, DBRS confirmed the BBB(low) rating of our Issuer Rating and the Senior Unsecured Debentures Rating and changed our previous stable trend to negative based on the significant impact of the pandemic and the resultant higher net debt to adjusted EBITDA metrics compared to prior periods, as described in their report. (Details are available on their website at www.dbrsmorningstar.com, or link here)

Financial Covenants

Our Credit Facilities, Term Loans and Debentures contain numerous financial covenants. Failure to comply with the covenants could result in a default, which, if not waived or cured, could result in adverse financial consequences. The following discussions provide the status of our various financial covenants related to our Credit Facilities, Term Loans and Debentures. All covenant calculations in this section are based on the definitions of various financial metrics as negotiated with the lenders and agents and as reflected in our Amended and Restated Credit Agreements for the Secured and Unsecured Facilities (together, the "Credit Agreements"), and in the trust indentures for the Debentures. These covenants are calculated in accordance with the respective agreement and may not be comparable to similar metrics used by other entities or to any GAAP measure.

Credit Facilities and Term Loans

1. Debt Service Coverage Ratio for Credit Facilities and Term Loans

We are required to maintain a minimum debt service coverage ratio of 1.40 on a rolling 12-month basis.

($000s, except debt service coverage ratio)	**12 months December 31, 2020**	12 months December 31, 2019
Consolidated EBITDA for Credit Facilities and Term Loans (1)	272,279	296,370
Consolidated interest expense for Credit Facilities and Term Loans (2)	94,858	90,008
Consolidated regularly scheduled debt principal payments for Credit Facilities and Term Loans (3)	78,153	71,455
Consolidated debt service payments for Credit Facilities and Term Loans	173,011	161,463
Debt service coverage ratio for Credit Facilities and Term Loans	1.57	1.84

(1) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities, Term Loans, and Debentures" section on page 43 of this MD&A for the calculation of consolidated EBITDA for Credit Facilities and Term Loans.
(2) Refer to the "Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities, Term Loans, and Debentures" section on page 43 of this MD&A for the calculation of consolidated interest expense for Credit Facilities and Term Loans.
(3) Refer to the "Supporting Covenant Calculations – 3. Regularly-Scheduled Debt Principal Payments for Credit Facilities" section on page 44 of this MD&A for the calculation of consolidated regularly-scheduled debt principal payments for Credit Facilities and Term Loans.

2. Total Leverage Ratio for Credit Facilities and Term Loans

We are required to maintain a total leverage ratio below 65%.

($000s, except total leverage ratio)	**As at December 31, 2020**	As at December 31, 2019
Consolidated indebtedness for Credit Facilities and Term Loans (1)	2,623,139	2,522,196
Adjusted consolidated gross book value of assets for Credit Facilities and Term Loans (2)	4,941,577	4,836,884
Total leverage ratio for Credit Facilities and Term Loans	53.1%	52.1%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures" section on page 44 of this MD&A for the calculation of consolidated indebtedness for Credit Facilities and Term Loans.
(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Term Loans and Aggregate Adjusted Assets for Debentures" section on page 45 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities and Term Loans.

3. Adjusted Consolidated Unitholders' Equity Ratio for Credit Facilities and Term Loans

We are required to maintain an adjusted consolidated unitholders' equity of at least $1,000 million, plus 75% of the net proceeds raised by further issuance of units after June 30, 2016.

At December 31, 2020, the minimum adjusted consolidated unitholders' equity requirement was $1,194 million.

($000s)	**As at December 31, 2020**	As at December 31, 2019
Unitholders' equity per Financial Statements	733,977	837,567
Adjustment for accumulated depreciation and amortization for Credit Facilities and Term Loans (1)	1,186,943	1,074,265
Class B Units	17,125	22,210
Deferred Trust Units ("DTUs")	10,941	15,038
Adjusted consolidated unitholders' equity for Credit Facilities and Term Loans	1,948,986	1,949,080

(1) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of $24.2 million at December 31, 2020 ($20.2 million at December 31, 2019) and fully amortized assets of $253.0 million at December 21, 2020 ($236.3 million at December 31, 2019).

4. Payment of Cash Distributions for Credit Facilities and Term Loans

Our Credit Facilities require that our cash distributions do not exceed 100% of our AFFO for Credit Facilities.

($000s, except percentage of AFFO)	**2020**	2019
Distributions declared on Trust Units	131,259	127,617
Distributions on Class B Units	944	961
Distributions on DTUs	670	608
Total distributions for Credit Facilities and Term Loans	132,873	129,186
Less:		
Non-cash distributions settled by Distribution Reinvestment Program ("DRIP") (1)	8,518	26,937
Non-cash distributions applied to Executive Unit Purchase Plan ("EUPP")	1,030	919
Non-cash distributions applied to DTUs	670	608
Cash distributions for Credit Facilities and Term Loans	122,655	100,722
AFFO for Credit Facilities and Term Loans (2)	158,773	186,304
Cash distributions as a percentage of AFFO for Credit Facilities	77.3%	54.1%

(1) DRIP has been temporarily suspended, effective with the April 30, 2020 distribution paid on May 15, 2020.
(2) Refer to the "Supporting Covenant Calculations – 6. Adjusted Funds from Operations for Credit Facilities and Term Loans" section on page 45 of this MD&A for the calculation of AFFO for Credit Facilities and Term Loans.

5. Investment Restrictions for Credit Facilities and Term Loans

Our Credit Agreements include certain restrictions on investments in certain joint ventures, loans receivable and properties held for development as follows:

($000s)	Threshold as of December 31, 2020	**As at December 31, 2020**	As at December 31, 2019
Non-qualifying joint ventures and investments (1)	247,079	1,500	-
Loans receivable (2)	741,237	11,978	18,731
Investments in property held for development/construction as defined in the Credit Facilities and Term Loans (2)	741,237	119,406	174,841
Combined (3)	1,235,395	132,884	193,572

(1) Limit of 5% of adjusted consolidated gross book value of assets for Credit Facilities and Term Loans.
(2) Limit of 15% of adjusted consolidated gross book value of assets for Credit Facilities and Term Loans.
(3) Limit of 25% of adjusted consolidated gross book value of assets for Credit Facilities and Term Loans.

The following financial covenants are only applicable to the unsecured credit facility and Term Loans:

6. Secured Indebtedness Ratio for the Unsecured Credit Facility and Term Loans

We are required to maintain a secured indebtedness to adjusted consolidated gross book value of assets ratio of below 55%.

($000s, except secured indebtedness ratio)	**As at December 31, 2020**	As at December 31, 2019
Secured indebtedness for the unsecured credit facility and Term Loans (1)	2,024,131	2,023,936
Adjusted consolidated gross book value of assets for Credit Facilities and Term Loans (2)	4,941,577	4,836,884
Secured indebtedness ratio for the unsecured credit facility and Term Loans	41.0%	41.8%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures" section on page 44 of this MD&A for the calculation of secured indebtedness for Credit Facilities and Term Loans.
(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Term Loans and Aggregate Adjusted Assets for Debentures" section on page 45 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities and Term Loans.

We are required to maintain the unencumbered property asset value at more than 1.3 times our consolidated unsecured indebtedness.

($000s, except unencumbered property asset ratio)	**As at December 31, 2020**	As at December 31, 2019
Unencumbered property asset value for the unsecured credit facility and Term Loans (1)	1,037,500	902,650
Unsecured indebtedness for the unsecured credit facility and Term Loans (2)	599,008	498,260
Unencumbered property asset ratio for the unsecured credit facility and Term Loans	1.7	1.8

(1) Includes 38 properties valued at $1,037.5 million as of December 31, 2020 (38 properties valued at $902.7 million as of December 31, 2019). The value is based on third-party appraisals that are dated no longer than two years from the applicable determination date.
(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures" section on page 44 of this MD&A for the calculation of unsecured indebtedness for the Credit Facilities and Term Loans.

Debentures

1. Consolidated EBITDA to Consolidated Interest Expense Ratio for Debentures ("Interest Coverage Ratio for Debentures")

We are required at all times to maintain an Interest Coverage Ratio for Debentures of not less than 1.65 on a proforma basis and calculated based on the definitions for the Debentures.

($000s, except Interest Coverage Ratio)	**12 months December 31, 2020**	12 months December 31, 2019
Consolidated EBITDA for Debentures (1)	269,088	297,677
Consolidated interest expense for Debentures (2)	93,375	95,530
Interest Coverage Ratio for Debentures	2.9	3.1

(1) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities, Term Loans, and Debentures" section on page 43 of this MD&A for the calculation of consolidated EBITDA for Debentures.
(2) Refer to the "Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities, Term Loans, and Debentures" section on page 43 of this MD&A for the calculation of consolidated interest expense for Debentures.

2. Indebtedness Percentage for Debentures

We are required to maintain a ratio of consolidated indebtedness to aggregate adjusted assets of less than or equal to 65%.

($000s, except indebtedness percentage)	**December 31, 2020**	December 31, 2019
Consolidated indebtedness for Debentures (1)	2,535,329	2,483,937
Aggregate adjusted assets for Debentures (2)	4,864,880	4,809,030
Indebtedness percentage for Debentures	52.1%	51.7%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures" section on page 44 of this MD&A for the calculation of consolidated indebtedness for Debentures.
(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Term Loans and Aggregate Adjusted Assets for Debentures" section on page 45 of this MD&A for the calculation of aggregate adjusted assets for Debentures.

3. Coverage Ratio for Debentures

We are required to maintain a ratio of unencumbered aggregate adjusted assets to the aggregate principal amount of outstanding consolidated unsecured indebtedness of not less than 1.3 on a proforma basis giving effect to the transactions completed to the date of this MD&A and calculated based on the definition in the Supplemental Trust Indentures.

($000s, except ratio)	**December 31, 2020**	December 31, 2019
Unencumbered aggregate adjusted assets for Debentures (1)	1,037,500	902,650
Unsecured indebtedness for Debentures (2)	587,895	487,855
Coverage ratio for Debentures	1.8	1.9

(1) Includes 38 properties valued at $1,037.5 million as of December 31, 2020 (38 properties valued at $902.7 million as of December 31, 2019). The value is based on third-party appraisals that are dated no longer than two years from the applicable determination date.
(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures" section on page 44 of this MD&A for the calculation of unsecured indebtedness for the Debentures.

Supporting Covenant Calculations

1. Consolidated EBITDA for Credit Facilities, Term Loans, and Debentures

The following table provides the calculation of consolidated EBITDA for the Credit Facilities, Term Loans, and Debentures.

($000s)	**12 months December 31, 2020**	12 months December 31, 2019
Net income	14,879	1,067
Remeasurement gain	-	(37,859)
Gain on disposal of assets (1)	(25,073)	(6,083)
Transaction costs	996	1,816
Impairment losses	3,200	46,974
Non-cash change in fair value of financial instruments and foreign exchange loss/(gain) (1)	(3,552)	3,391
Consolidated net income/(loss) for Credit Facilities and Term Loans	(9,550)	9,306
Consolidated finance costs (1)	95,056	87,151
Consolidated depreciation of PP&E and amortization of intangible assets (1)	183,966	183,387
Consolidated income tax expense/(benefit)	(3,865)	10,209
Principal portion of capital funding	6,672	6,317
Consolidated EBITDA for Credit Facilities and Term Loans	272,279	296,370
Proforma adjustments (2)	(3,191)	1,307
Consolidated EBITDA for Debentures	269,088	297,677

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.
(2) Adjusted to reflect a full-year impact of acquisitions and dispositions completed during the reporting period, on a proforma basis.

2. Consolidated Interest Expense for Credit Facilities, Term Loans, and Debentures

The following table provides the calculation of consolidated interest expense for Credit Facilities, Term Loans, and Debentures.

($000s)	**12 months December 31, 2020**	12 months December 31, 2019
Interest on mortgages (1)	72,321	73,232
Interest on Debentures	13,888	13,888
Interest on Credit Facilities	3,628	2,711
Interest on Term Loans	5,021	177
Consolidated interest expense for Credit Facilities and Term Loans	94,858	90,008
Proforma adjustments (2)	(1,483)	5,522
Consolidated interest expense for Debentures	93,375	95,530

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.
(2) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period, on a proforma basis.

3. Regularly Scheduled Debt Principal Payments for Credit Facilities and Term Loans

The following table summarizes regularly scheduled principal debt payments for the Credit Facilities and Term Loans.

($000s)	**12 months December 31, 2020**	12 months December 31, 2019
Regularly scheduled debt principal payments per Financial Statements	77,768	70,963
Regularly scheduled debt principal payments for equity-accounted entities	385	492
Regularly scheduled debt principal payments for Credit Facilities and Term Loans	78,153	71,455

4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures

The following table provides the calculation of consolidated indebtedness for Credit Facilities, Term Loans, and Debentures.

($000s)	**December 31, 2020**	December 31, 2019
Principal balance of mortgages payable	1,921,157	1,975,089
Principal balance of mortgages payable related to Equity-Accounted JVs	52,974	48,847
Secured term loan	50,000	-
Secured indebtedness for the unsecured credit facility and Term Loans	2,024,131	2,023,936
Principal balance of Debentures	350,000	350,000
Unsecured term loans	225,000	125,000
Capital lease obligations	12,895	12,855
Unsecured indebtedness for Debentures	587,895	487,855
Outstanding letters of credit	9,635	8,219
Third-party guarantees	1,478	2,186
Unsecured indebtedness for Credit Facilities and Term Loans	599,008	498,260
Consolidated indebtedness for Credit Facilities and Term Loans	2,623,139	2,522,196
Add (Subtract):		
Outstanding letters of credit	(9,635)	(8,219)
Third-party guarantees	(1,478)	(2,186)
Cash and cash equivalents	(70,157)	(22,890)
Cash and cash equivalents of Equity-Accounted JVs	(6,540)	(4,964)
Consolidated indebtedness for Debentures	2,535,329	2,483,937

5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Term Loans and Aggregate Adjusted Assets for Debentures

The following table provides the calculations of both the adjusted consolidated gross book value of assets for Credit Facilities and the aggregate adjusted assets for Debentures.

($000s)	**December 31, 2020**	December 31, 2019
Book value of assets [1]	3,540,079	3,541,225
Gross book value adjustment on IFRS transition	214,555	221,394
Adjustment for accumulated depreciation and amortization for Credit Facilities and Term Loans [2]	1,186,943	1,074,265
Adjusted consolidated gross book value of assets for Credit Facilities and Term Loans	4,941,577	4,836,884
Add (Subtract):		
Cash and cash equivalents	(70,157)	(22,890)
Cash and cash equivalents of Equity-Accounted JVs	(6,540)	(4,964)
Aggregate adjusted assets for Debentures	4,864,880	4,809,030

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.

(2) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of $24.2 million at December 31, 2020 ($20.2 million at December 31, 2019) and fully amortized assets of $253.0 million at December 31, 2020 ($236.3 million at December 31, 2019).

6. Adjusted Funds from Operations for Credit Facilities and Term Loans

AFFO for Credit Facilities and Term Loans is calculated based on the definition used in our Credit Agreements and is likely not comparable to similar measures used by other entities. In accordance with the Credit Agreements, AFFO is calculated by adding or subtracting certain items measured to or from FFO as follows where, as required by the agreement, all such items are adjusted to account for our Equity-Accounted JVs using the proportionate consolidation method:

Principal portion of capital funding receivable: This item represents the principal portion of the long-term cash flow stream provided in the respective period by the MLTC to communities which meet certain design criteria.

Income guarantees: This item represents amounts due from vendors of acquired communities under the applicable purchase and sale agreement. It is generally applicable to communities in lease-up.

Amortization of finance costs and fair value adjustments on assumed mortgages: Adjustments for non-cash interest expense items and to account for interest expense based on the contractual terms of the underlying debt.

Finance cost reserve: This reserve represents normalized costs of refinancing our mortgages, estimated at 60 basis points, applied to the debt balances outstanding at the end of the reporting period and taking into account weighted average term to maturity of our mortgage portfolio.

Capital maintenance reserve: Capital maintenance reserve is estimated at 2% of property revenue.

The following table provides the calculation of AFFO for Credit Facilities and Term Loans for the purposes of the covenant calculations in the Credit Agreements:

($000s)	**2020**	2019
FFO [(1)]	165,861	199,729
Add (Subtract) amounts as defined in the Credit Agreements:		
Principal portion of capital funding receivable	6,672	6,317
Income guarantees [(2)]	6,383	1,007
Amortization of finance costs and fair value adjustments on assumed mortgages [(3)]	1,488	536
Finance cost reserve	(1,829)	(1,751)
AFFO for Credit Facilities and Term Loans before capital maintenance reserve	178,575	205,838
Capital maintenance reserve - 2% of property revenue	(19,802)	(19,534)
AFFO for Credit Facilities and Term Loans	158,773	186,304

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 53 of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(2) Non-GAAP; refer to the preamble to this table. Includes Chartwell's proportionate share of Equity-Accounted JVs.
(3) Non-GAAP; 2020 excludes $1.2 million of amortization of finance costs incurred in respect of renewal of our Credit Facilities and Debentures (2019 - $0.9 million).

Amendments to Covenants

Due to the uncertainty caused by the pandemic as described in the "COVID-19 Business Impacts and Related Risks" section on page 3 of this MD&A, subsequent to year end, we proactively entered into amending agreements relating to certain debt service coverage ratios in various credit agreements. The debt service coverage ratio was reduced from 1.4 to 1.2 for the period ending at the earlier of December 31, 2022, and the maturity date of the applicable credit agreement. The amended loans are: the Credit Facilities, the Term Loans, the Chartwell Hub mortgage, and certain other property-level mortgages.

We also amended our Large Borrower Agreement with CMHC. Under the Large Borrower Agreement Chartwell is subject to certain debt service coverage ratio requirements. These requirements were reduced to 1.2 or removed, as applicable, for the period ending December 31, 2022.

Total Equity

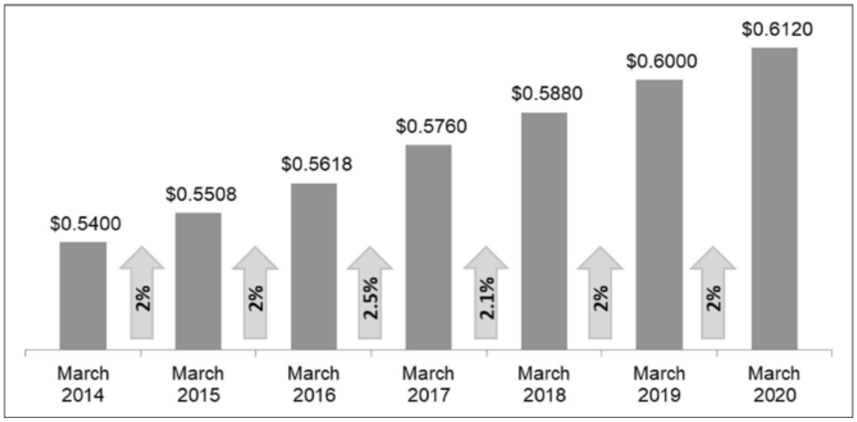
The following table summarizes changes in the number of outstanding units during 2020:

	Trust Units	**Trust Units under EUPP**	**Class B Units**	**DTUs**	**Total Equity [(1)]**
Balance December 31, 2019	213,055,028	1,500,945	1,597,860	1,081,867	217,235,700
Trust Units issued pursuant to DRIP	684,812	-	-	-	684,812
Trust Units issued under EUPP	-	266,685	-	-	266,685
Trust Unit surrendered for cancellation under EUPP	-	(126)	-	-	(126)
Trust Units released on settlement of EUPP receivable	33,302	(33,302)	-	-	-
Exchange of Class B Units into Trust Units	67,500	-	(67,500)	-	-
DTUs issued	-	-	-	70,185	70,185
Distributions on DTUs	-	-	-	63,769	63,769
Exchange of DTUs into Trust Units	238,079	-	-	(238,079)	-
Balance December 31, 2020	214,078,721	1,734,202	1,530,360	977,742	218,321,025

(1) Non-GAAP; includes Class B Units and DTUs which are classified as liabilities in our Financial Statements.

Distributions

The following chart summarizes increases in our annualized per unit distributions since 2014:



The declaration and payment of future distributions is at the discretion of the Board of Trustees of Chartwell (the "Trustees"). The Trustees rely upon forward-looking cash flow information including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects of the Trust, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate. The pandemic introduced significant uncertainties as discussed in the "COVID-19 Business Impacts and Related Risks" section on page 3 of this MD&A. The Trustees are continuing to monitor the impact that this pandemic is having on Chartwell's business and will exercise their discretion with respect to setting distribution rates accordingly. At this time, it is the Trustees' intention to maintain the current level of distributions.

In response to market disruptions caused by the pandemic, on March 16, 2020, we announced a temporary suspension of DRIP, effective with the April 2020 distributions paid on May 15, 2020. The DRIP will remain suspended and all distributions will be paid in cash until further notice. If and when we resume the DRIP program, investors who had previously registered in our DRIP and who remain continuous unitholders will be automatically re-enrolled.

The following table summarizes distributions declared on Trust Units in Q4 2020, 2020, 2019 and 2018 in relation to cash flows from operating activities and net income:

($000s)	**Q4 2020**	**2020**	2019	2018
Cash flows from operating activities	60,048	184,286	196,548	215,486
Net income	11,330	14,027	1,067	18,519
Distributions declared on Trust Units	32,962	131,259	127,617	124,006
Excess cash flows from operating activities over distributions declared on Trust Units	27,086	53,027	68,931	91,480
Deficit of net income over distributions declared on Trust Units	(20,780)	(116,380)	(126,550)	(105,487)

The Trustees do not use net income as determined in accordance with GAAP as the basis for establishing the level of distributions to unitholders as it includes items that we do not believe are informative or reflective of the factors described above that are used in and considered relevant in the setting of distribution rates. These items that are included in net income and are not used or considered relevant include, among other items, distributions on Class B Units which are recorded as interest expense, non-cash depreciation and amortization, changes in fair values of certain liabilities and impairment losses. We believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time.

Capital Investments

In normal circumstances, we regularly reinvest capital in our owned property portfolio with the goal of growing our property NOI and protecting and maintaining our properties. Due to strict restrictions allowing only essential visitors in our residences, beginning in late March 2020, only emergency capital works were undertaken for a period of several months in 2020.

The following table summarizes our capital investments in 2020 and 2019:

	2020			2019		
($000s)	Properties Owned prior to January 1, 2016 (1)	Properties Acquired since January 1, 2016 (2)	Total	Properties Owned prior to January 1, 2016 (3)	Properties Acquired since January 1, 2016 (4)	Total
Building improvements	19,485	7,101	26,586	37,634	4,806	42,440
Mechanical and electrical ("M&E")	8,228	1,436	9,664	12,419	1,268	13,687
Suite improvements and upgrades	8,516	1,199	9,715	17,459	2,337	19,796
Interior improvements and upgrades	2,402	318	2,720	4,924	660	5,584
Furniture, fixtures and equipment	5,618	4,185	9,803	7,608	1,630	9,238
Communications and information systems	288	153	441	514	107	621
	44,537	14,392	58,929	80,558	10,808	91,366
Properties under development			46,868			48,215
Land			-			3,500
Chartwell Hub (5)			6,815			44,255
Total capital investments			112,612			187,336

(1) Includes 164 properties (19,283 suites at Chartwell's share of ownership).
(2) Includes 23 properties (3,443 suites at Chartwell's share of ownership).
(3) Includes 166 properties (19,395 suites at Chartwell's share of ownership).
(4) Includes 22 properties (3,235 suites at Chartwell's share of ownership).
(5) Cost incurred for the development of Chartwell Hub. The cumulative cost as at December 31, 2020 is $89.3 million; the total expected development cost is $90.2 million. The construction was substantially completed in January 2020.

The following table is supplemental information and summarizes capital investments in our Equity-Accounted JVs in 2020 and 2019 not included in the table above:

	2020			2019		
($000s)	Properties Owned prior to January 1, 2016	Properties Acquired since January 1, 2016	Total	Properties Owned prior to January 1, 2016	Properties Acquired since January 1, 2016	Total
Capital investments in Equity-Accounted JVs	1,054	941	1,995	2,067	7,603	9,670

Building Improvements

This category primarily includes investments in facades, balconies, garages, elevators and parking lots. In addition to preserving the existing revenue generating capacity and value of the properties, these investments support occupancy growth due to improved physical appearance of the property, growth in ancillary property revenues (eg. parking rates) and operating cost savings (i.e. energy efficient windows and doors, improved building insulation).

In 2020, we completed 91 major building improvement projects valued over $50,000 each, totalling $19.7 million (2019 – 137 projects totalling $38.7 million). In addition, included in this category are acquisitions of six condominium suites at two of our properties in British Columbia totalling $2.4 million (2019 – eight condominium suites for $3.0 million).

Mechanical and Electrical

This category primarily includes investments in heating, air conditioning and ventilation systems, fire safety systems, including sprinklers and lighting systems. These investments are generally expected to result in energy cost savings and lower equipment maintenance costs over time.

In 2020, we completed 70 major M&E projects valued over $50,000 each, totalling $7.3 million (2019 – 96 projects totalling $12.9 million).

Suite Improvements and Upgrades

This category includes capital investments in resident suites. Over the past four years we have developed a program of strategic capital allocation to resident suite upgrades. These discretionary investments are made to improve the competitive position of our properties in the market and to allow for higher rental rate increases on suite turnover. In most cases, in addition to regular painting, resident suite upgrades include flooring upgrades and often full renovations of bathrooms and kitchens.

In 2020, we made investments in strategic suite upgrade programs in 54 properties (2019 – 82 properties).

Interior Improvements and Upgrades

This category includes investments in common areas of our properties that are made primarily to improve their marketability. This investment includes upgrades to property resident amenity areas, such as hallways, dining rooms, lounges, theatres, etc.

In 2020, we invested in strategic common area upgrade programs in 24 properties (2019 – 57 properties).

Furniture, Fixtures and Equipment

This category primarily includes investments in resident area and model suite furnishings and equipment, including upgrades to commercial kitchens and investments in resident transportation programs. These investments are primarily made to improve competitiveness of our properties and to provide enhanced services to our residents.

Communication and Information Services

This category includes investments in telecommunication systems, including emergency call systems and computer hardware.

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for December 31, 2020 compared to December 31, 2019.

	Increase (Decrease) ($millions)	Explanation
Total assets	(5.1)	Total assets decreased primarily due to decreases in PP&E for dispositions, partially offset by increases in cash, trade and other receivables.
Total liabilities	98.5	Total liabilities increased primarily due to debt used to finance investing activities.
Equity	(103.6)	The decrease in equity is primarily due to distributions, partially offset by net income for the period.

Commitments and Contingencies

Contractual Obligations and Guarantees

The following table summarizes the maturities on major financial liabilities as at December 31, 2020:

($000s)	Total	2021	2022	2023	2024	2025	Thereafter
Mortgages payable	1,921,157	203,200	347,328	148,294	237,455	126,997	857,883
Term loans	275,000	-	150,000	-	125,000	-	-
Debentures	350,000	-	-	200,000	-	150,000	-
Accounts payable and accrued liabilities	162,762	156,336	6,426	-	-	-	-
Distributions payable	11,085	11,085	-	-	-	-	-
Lease obligations	12,712	1,073	557	481	373	281	9,947
Total maturities	2,732,716	371,694	504,311	348,775	362,828	277,278	867,830

We have recorded lease obligations with respect to leases of land, buildings and furniture, fixtures and equipment.

Guarantees

We remain a guarantor of mortgages on two properties sold in 2014 with the aggregate outstanding balance as of December 31, 2020 of $1.5 million. The purchasers of these properties have indemnified us with respect to these guarantees.

As of December 31, 2020, together with our partners, we have jointly and severally guaranteed loans on certain joint arrangements to an aggregate maximum amount of $387.8 million. As at December 31, 2020, outstanding balances on these loans were $316.7 million.

Other Contracts

Pursuant to our agreements with Batimo, upon achievement of certain conditions, Batimo may require us to acquire an 85% interest in their development properties which we manage and, in some cases, provided mezzanine loans, at 99% of fair market value (“FMV”) as defined in the agreements (the “Batimo Option”). The Batimo Option is for a five-year period commencing on the opening of the related property. Upon expiry of the Batimo Option, we have a two-year option to acquire an 85% interest in the property at FMV. As of December 31, 2020, there were six projects with 1,917 suites that were subject to this arrangement, of which one was stabilized and five are in lease-up. Under our agreements with Welltower, Welltower may participate as Chartwell’s equal partner in acquisitions of interests in one of these projects.

Chartwell Le Teasdale II has achieved stabilized occupancy as defined in our agreements with Batimo. We expect to complete the acquisition of an 85% ownership interest in this project for a purchase price of approximately $60.6 million in Q2 2021. We anticipate settling the purchase price by assuming the related construction financing of $37.3 million, and repayment of the outstanding mezzanine loan of $4.0 million, with the balance to be paid in cash.

Letters of Credit

As at December 31, 2020, we were contingently liable for letters of credit in the amount of $9.6 million.

Litigation and Claims

Chartwell Retirement Residences or its subsidiaries have been named in three proposed class action lawsuits related to the pandemic as detailed below, none of which has been certified. Chartwell's insurer has assigned defence counsel and will be responding to the claims in due course through the appropriate court process.

- In May 2020, Chartwell became aware of a statement of claim in respect of a proposed class action alleging, among other things, negligence, breach of contract and breach of fiduciary duty in respect of Chartwell's response to the pandemic. The claim is brought on behalf of all residents who lived in Ontario homes owned, operated and/or managed by Chartwell during the pandemic as well as the family members of those residents. With the exception of $15 million in punitive damages, the amount of damages being sought is not specified in the claim.
- In July 2020, Chartwell became aware of a second statement of claim in respect of a proposed class action alleging, among other things negligence, breach of contract and breach of fiduciary duty in respect of Chartwell's response to the pandemic at Chartwell Ballycliffe Long Term Care Residence. The claim is brought on behalf of all residents who lived at Ballycliffe during the pandemic, as well as the family members of those residents and seeks damages in the amount of $30 million.
- In August 2020, Chartwell became aware of a statement of claim in respect of a proposed class action brought on behalf or residents of 96 Ontario long term care homes, six of which are owned or operated by Chartwell, alleging, among other things, negligence, breach of fiduciary duty and breaches of section 7 of the Charter of Rights and Freedoms. The claim is a joint claim against the various owners and operators of the 96 homes and seeks damages in the aggregate amount of $600 million. In September 2020, the statement of claim was amended to add the Government of Ontario as a defendant.

On November 20, 2020, Bill 218, Supporting Ontario's Recovery and Municipal Elections Act, 2020 (the "Recovery Act") received Royal Assent and came into effect. The Recovery Act provides protections from liability to businesses that make good faith efforts to comply with public health guidelines and laws regarding exposure to COVID-19, provided the business was not grossly negligent. The legislation applies retroactively to March 17, 2020. If the proposed class actions are not dismissed in accordance with the Recovery Act, Chartwell intends to defend itself against the claims.

Summary of Select Financial Information

Annual Financial Information

The following table summarizes selected annual financial information for each of the past three years ended December 31:

($000s, except per unit amounts)	2020	2019	2018
Resident revenues	873,966	860,595	814,262
Total revenues	928,587	915,312	866,654
Direct property operating expenses	622,499	590,016	557,839
Net income	14,879	1,067	18,519
Total assets	3,489,308	3,494,394	3,318,848
Total non-current liabilities	2,362,344	2,265,496	2,013,434
Total liabilities	2,755,331	2,656,827	2,385,328
Distributions declared per unit	0.61000	0.59800	0.58600

Our annual results for the past three years have been primarily affected by acquisitions, developments and dispositions. For 2020, our results have been impacted by the pandemic. Refer to the "COVID-19 Business Impacts and Related Risks" section on page 3 of this MD&A.

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

($000s, except per unit amounts)	2020				2019			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	231,689	233,290	230,653	232,955	234,915	229,610	227,438	223,349
Direct property operating expenses	(156,381)	(160,482)	(154,917)	(150,719)	(152,837)	(146,460)	(146,555)	(144,164)
Depreciation and amortization	(42,424)	(43,660)	(45,347)	(48,250)	(46,962)	(42,027)	(46,259)	(45,274)
Share of net income/(loss) from joint ventures	(503)	(1,527)	(588)	(1,198)	(45)	1,797	309	392
G&A expenses	(8,674)	(9,719)	(12,374)	(13,128)	(8,746)	(9,194)	(12,459)	(12,749)
Other income/(expense)	22,860	(2,928)	4,395	(2,687)	(27,965)	(17,046)	2,155	38,893
Finance costs	(22,959)	(23,409)	(23,635)	(23,147)	(21,770)	(21,633)	(21,597)	(20,526)
Changes in fair value of financial instruments and foreign exchange gain/ (loss)	(4,374)	(617)	(2,075)	10,894	3,036	2,774	(2,976)	(6,148)
Current income tax benefit/(expense)	-	-	-	-	-	-	-	-
Deferred income tax benefit/(expense)	(7,052)	2,286	1,957	6,674	8,889	1,363	(1,639)	(18,822)
Net income/(loss) for the period	12,182	(6,766)	(1,931)	11,394	(11,485)	(816)	(1,583)	14,951
FFO (1)	43,496	37,997	39,043	45,325	51,883	53,657	47,106	47,083
FFOPU (1)	0.20	0.17	0.18	0.21	0.24	0.25	0.22	0.22
IFFO (1)	46,055	40,965	41,910	48,783	53,800	56,136	49,670	49,358
IFFOPU (1)	0.21	0.19	0.19	0.22	0.25	0.26	0.23	0.23

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures" section on page 53 of this MD&A.

Our results for the past eight quarters have primarily been affected by:

- developments, acquisitions and dispositions as described in the "Significant Events" section on page 14 of this MD&A and in our 2019 MD&A
- changes in fair value of financial instruments and foreign exchange gains and losses
- impairment losses
- remeasurement gains, and
- deferred income taxes.

In addition, the pandemic has significantly affected our results beginning in Q2 2020.

Seasonal factors have a limited effect on our quarterly results as there is not a predictable pattern as to the effect of such factors. Seasonal factors include outbreaks and weather patterns.

Additional Information on Non-GAAP Financial Measures

As described in the relevant sections of this MD&A, where a Non-GAAP Financial Measure is discussed for the first time, we have described why we believe it is useful to investors and how management uses the Non-GAAP Financial Measure. Non-GAAP Financial Measures do not have any standardized meaning prescribed by GAAP and therefore, are unlikely to be comparable to similar measures used by other issuers. The following provides detailed definitions and reconciliations to the most closely comparable GAAP measure for any Non-GAAP Financial Measure that has not been provided elsewhere in this MD&A. We present FFO substantially consistent with the definition adopted by REALPAC.

Funds from Operations and Internal Funds from Operations

FFO

According to the REALPAC Guidance, FFO is defined as follows:

Profit or loss per GAAP Statement of Comprehensive Income adjusted for:

A. Unrealized changes in the fair value of investment properties.
B. Depreciation of depreciable real estate assets including depreciation for components relating to capitalized leasing costs, capitalized tenant allowances treated as capital improvements and lease-related items ascribed in a business combination.
C. Amortization of tenant allowances and landlord's work spent for the fit-out of tenant improvements and amortized as a reduction to revenue.
D. Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination.
E. Gains or losses from sales of investment properties and owner-occupied properties, including the gain or loss included within discontinued operations (if applicable).
F. Tax on profits or losses on disposals of properties.
G. Deferred taxes.
H. Impairment losses or reversals recognized on land and depreciable real estate properties, excluding those relating to properties used exclusively for administrative purposes.
I. Revaluation gains or losses recognized in profit or loss on owner-occupied properties, excluding those relating to properties used exclusively for administrative purposes.
J. Transaction costs expensed as a result of the purchase of a property being accounted for as a business combination.
K. Foreign exchange gains or losses on monetary items not forming part of a net investment in a foreign operation.
L. Gain or loss on the sale of an investment in a foreign operation.
M. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
N. Negative goodwill or goodwill impairment.
O. Effects of puttable instruments classified as financial liabilities.
P. Results of discontinued operations.
Q. Adjustments for equity-accounted entities.
R. Incremental leasing costs.
S. Property taxes accounted for under IFRIC 21.
T. Operational revenue and expenses from Right of Use assets.
U. Non-controlling interests.

IFFO

IFFO is a Non-GAAP Financial Measure used to evaluate management performance and does not have a standardized meaning prescribed by IFRS; therefore, it is not comparable to similar measures presented by other income trusts or other companies. IFFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. Chartwell calculates IFFO by adding or subtracting the following items to or from its FFO: (a) Lease-up-Losses and Imputed Cost of Debt on development properties; (b) income guarantees due from vendors of certain acquired properties; and (c) current income tax. These adjustments to FFO are made to ensure management is not incented to make short-term decisions for Chartwell by not developing new properties or acquiring properties with long-term value creation potential.

The following table provides a reconciliation of net income/(loss) to FFO and IFFO:

	($000s, except per unit amounts)	**Q4 2020**	Q4 2019	Change	**2020**	2019	Change
	Net income/(loss)	12,182	(11,485)	23,667	14,879	1,067	13,812
	Add (Subtract):						
B	Depreciation of PP&E	41,092	46,289	(5,197)	174,091	178,450	(4,359)
D	Amortization of limited life intangible assets	1,332	673	659	5,590	2,072	3,518
B	Depreciation of PP&E and amortization of intangible assets used for administrative purposes included in depreciation of PP&E and amortization of intangible assets above	(1,367)	(972)	(395)	(5,635)	(4,134)	(1,501)
E	Remeasurement gain	-	1,313	(1,313)	-	(37,859)	37,859
E	Loss/(gain) on disposal of assets	(23,001)	(1,024)	(21,977)	(25,072)	(6,081)	(18,991)
J	Transaction costs arising on acquisitions and dispositions	306	543	(237)	996	1,816	(820)
H	Impairment losses	-	27,474	(27,474)	3,200	46,974	(43,774)
G	Deferred income tax	7,052	(8,889)	15,941	(3,865)	10,209	(14,074)
O	Distributions on Class B Units recorded as interest expense	235	239	(4)	944	961	(17)
M	Changes in fair value of financial instruments and foreign exchange loss/(gain)	4,374	(3,036)	7,410	(3,828)	3,314	(7,142)
Q	FFO adjustments for Equity-Accounted JVs (1)	1,291	758	533	4,561	2,940	1,621
	FFO (2)	43,496	51,883	(8,387)	165,861	199,729	(33,868)
	Add (Subtract):						
	Lease-up-Losses and Imputed Cost of Debt (3)	1,483	1,777	(294)	5,469	8,227	(2,758)
	Income guarantees (4)	1,076	140	936	6,383	1,007	5,376
	IFFO (5)	46,055	53,800	(7,745)	177,713	208,963	(31,250)
	FFOPU (6)	0.20	0.24	(0.04)	0.76	0.92	(0.16)
	IFFOPU (6)	0.21	0.25	(0.04)	0.81	0.97	(0.16)

(1) Non-GAAP; see reconciliation table following for the calculation of these amounts.
(2) Non-GAAP; refer to the preamble to this table and to the "Consolidated Results of Operations – FFO" section on page 20 of this MD&A for a discussion of the significance of this metric.
(3) Non-GAAP; refer to the "Significant Events – Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Debt " section on page 14 of this MD&A. Includes Chartwell's proportionate share of Equity-accounted JVs.
(4) Non-GAAP; refer to the preamble to this table. Includes Chartwell's proportionate share of Equity-Accounted JVs.
(5) Non-GAAP; refer to the preamble to this table.
(6) Non-GAAP; refer to the "Per Unit Amounts" section on page 55 of this MD&A for a discussion of the calculation of the per unit amounts.

The following table provides supplemental information in respect of the adjustment to FFO for Equity-Accounted JVs:

	($000s)	Q4 2020	Q4 2019	Change	2020	2019	Change
B	Depreciation of PP&E and amortization of intangible assets	1,418	899	519	4,285	2,865	1,420
E	Loss/(gain) on disposal of assets	-	-	-	-	(2)	2
M	Change in fair value of financial instruments and foreign exchange loss/(gain)	(127)	(141)	14	276	77	199
Q	FFO adjustments for Equity-Accounted JVs (1)	1,291	758	533	4,561	2,940	1,621

(1) Non-GAAP; refer to the preamble to this section of this MD&A.

Per Unit Amounts

In our calculations of FFOPU and IFFOPU, we add the weighted average Class B Units to the weighted average Trust Units as the Class B Units are exchangeable into Trust Units at any time at the option of the unitholder. In addition, we add Trust Units issued under EUPP and DTUs.

Weighted Average Number of Units

The following table provides details of the weighted average number of units outstanding:

(000s)	Q4 2020	Q4 2019	Change	2020	2019	Change
Weighted average number of units (1)	218,312	216,950	1,362	218,212	216,167	2,045

(1) Includes Trust Units, Class B Units, Trust Units issued under EUPP and DTUs.

Net Debt to Adjusted EBITDA

In addition to the financial covenants related to our Credit Facilities and Debentures, we internally monitor the Net Debt to Adjusted EBITDA ratio as calculated based on the definitions of Consolidated Indebtedness and Consolidated EBITDA contained in the trust indentures for our Debentures.

The following table summarizes our Net Debt to Adjusted EBITDA ratio at December 31, 2020 and December 31, 2019:

($000s, except Net Debt to Adjusted EBITDA ratio)	December 31, 2020	December 31, 2019
Consolidated Indebtedness for Debentures (1)	2,535,329	2,483,937
Consolidated EBITDA for Debentures (2)	269,088	297,677
Net Debt to Adjusted EBITDA ratio	9.4	8.3

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 44 of this MD&A for the calculation of this amount.
(2) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 43 of this MD&A for the calculation of this amount.

The increase in Net Debt to Adjusted EBITDA ratio is primarily due to financing of certain acquisitions and development projects in lease-up which have not yet achieved their expected stabilized EBITDA contribution.

As discussed in the "Acquisitions, Development and Other Portfolio" section of this MD&A, five newly developed residences and one recently acquired residence contributed adjusted NOI of $2.3 million in 2020. Upon achieving the expected stabilized average occupancy of 96%, these projects are estimated to generate annualized adjusted NOI of $22.3 million. Our Net Debt to Adjusted EBITDA ratio when calculated based on consolidated EBITDA for debentures and adding the incremental NOI of these properties on a rolling 12-month basis of $20.0 million as though stabilized would be 8.8.

Critical Accounting Policies and Estimates

Our significant accounting policies for the year ended December 31, 2020 are referred to in Note 3 of our Financial Statements. Under IFRS, it is necessary to make estimates when preparing the financial statements and then to re-evaluate the original estimates used on an ongoing basis. Our estimates are based on past experience and other factors that we believe are reasonable under the circumstances. As this involves varying degrees of judgement and uncertainty, the amounts currently reported in the financial statements could, in the future, prove to be inaccurate.

Valuation of PP&E and Intangibles

Fair value is the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction (that is, other than in a forced or liquidation sale) between market participants. Quoted market prices in active markets are the best evidence of fair value and are used as the basis for fair value measurement, when available. When quoted market prices are not available, estimates of fair value are based on the best information available, including prices for similar items and the results of other valuation techniques. Valuation techniques used would be consistent with the objective of measuring fair value.

Our Financial Statements are affected by fair value measures. The most significant areas affected are as follows:

- An impairment loss is recognized when the carrying amount of an asset is not recoverable. The impairment loss is determined as the excess of carrying value over its recoverable amount.
- Intangible assets with indefinite lives are also required to be assessed at a minimum annually, comparing the recoverable amount to carrying value to determine if an impairment loss is required to be recognized.

PP&E and intangible assets represent more than 90% of our assets.

At each reporting date we assess whether there is an indication, based on internal or external sources of information, that an asset or a Cash Generating Unit ("CGU") in PP&E may be impaired. When indicators of impairment exist, we evaluate whether the recoverable amount of a CGU exceeds its carrying amount. Factors which could indicate that impairment exists include significant underperformance relative to historical or projected operating results, significant changes in the manner or use of the assets, significant negative industry or economic trends, or a change in the strategy for our overall business. In some cases, these events are clear, however, in many cases, a clearly identifiable event indicating possible impairment does not occur. Instead, a series of individually insignificant events may occur over a period of time leading to an indication that an asset may be impaired. As a result, events occurring in these situations may not be known until a date subsequent to their occurrence.

Our business, markets and business environment are continually monitored, and judgements and assessments are made to determine whether an event has occurred that indicates possible impairment. If such an indication exists, then the asset's recoverable amount is estimated, and an impairment loss is recognized immediately in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a) fair value less costs of disposal, and b) the value in use calculated on a discounted cash flow basis. Both the identification of events that may trigger impairment and the estimates of future cash flows and the fair value of the asset require considerable judgement.

The assessment of asset impairment requires us 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.. Actual results can, and often do, differ from these estimates, and can have either a positive or negative impact on the estimate and whether an impairment situation exists. In addition, when impairment tests are performed, the estimated useful lives of the properties are reassessed, with any change accounted for prospectively.

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.

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

Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income. The excess of the purchase price over the fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition goodwill is recorded as an asset.

When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values.

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

Changes in Accounting Estimates and Changes in Accounting Policies

Our significant accounting policies are described in Note 3 of our Financial Statements. Notes 3 (n) and (o) outline 2020 accounting policy changes and future accounting policy changes.

Effective January 1, 2020, we adopted the amendments to IFRS 3, Business Combinations with no impact on our financial statements upon transition. This accounting policy is further described in Note 2 of the Financial Statements.

Government grants that become receivable as compensation for expenses incurred in profit or loss on a systematic basis are recognized in the periods in which the expenses are recognized. The grants are recorded as a deduction in the amount of the related expense.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. We continue to make significant investments in improvements to our information systems and financial processes to further strengthen our internal controls. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that its objectives are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; and (ii) the impact of isolated errors. Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of December 31, 2020, an evaluation was carried out, under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of Chartwell's disclosure controls and procedures as defined under National Instrument 52-109. In making this assessment, the Chief Executive Officer and the Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of Chartwell's disclosure controls and procedures were effective December 31, 2020.

Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision of the design and operating effectiveness of our internal controls over financial reporting as at December 31, 2020, and based on that assessment determined that our internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the 2013 COSO framework as published by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no material changes in our internal controls over financial reporting that occurred during the year ended December 31, 2020 that have significantly affected or are reasonably likely to significantly affect our internal control over financial reporting.

Risks and Uncertainties and Forward-Looking Information

Risks and Uncertainties ♦

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Please refer to the "COVID-19 Business Impacts and Related Risks" section on page 3 of this MD&A for a discussion of risks related to COVID-19.

(a) **Business Risks**: We are subject to general business risks and to risks inherent in the seniors housing industry and in the ownership of real property. These risks include general economic conditions, health-related risks, disease outbreaks (for example, COVID-19) and control risks, fluctuations in occupancy levels, the inability to achieve economic residency fees (including anticipated increases in such fees), rent control regulations, increases in labour costs, and other operating costs including the costs of utilities, possible future changes in labour relations, reduction in personnel below acceptable levels (e.g. due to events such as a pandemic or disease outbreak), competition from or the oversupply of other similar properties, changes in neighbourhood or location conditions and, the imposition of increased taxes or new taxes, capital expenditure requirements, changes in interest rates, and changes in the availability and cost of money for long-term financing which may render refinancing of mortgages difficult or unattractive. Moreover, there is no assurance that expected demographic trends will continue or that the occupancy levels achieved to date at the Properties and expected in the future will continue or be achieved. Any one of, or a combination of, these factors may adversely affect our cash availability and financial position.

There are inherent legal, reputational and other risks involved in providing housing and health care services to seniors. The vulnerability and limited mobility of some seniors enhances such risks. Such risks include disease outbreak, fires or other catastrophic events at a property which may result in injury or death, negligent or inappropriate acts by employees or others who come into contact with our residents, and unforeseen events at Chartwell or even non-Chartwell properties that result in damage to our brand or reputation or to the industry as a whole.

(b) **Pandemic, Epidemic or Outbreak of Contagious Disease:** The occurrence of a pandemic, epidemic, or other outbreak of an infectious disease, such as COVID-19, or other public health crisis in areas in which we operate could have a material adverse effect on our business, results of operations, liquidity, borrowing capacity and financial condition. Federal, provincial or local health agencies may, or we may choose to, restrict, limit or suspend in-person tours by or on behalf of prospective residents and/or admissions to our residences as a precautionary measure in a crisis to avoid the spread of a contagious illness or other public health crisis, resulting in decreased occupancy. Even in the absence of any such restriction, limit or suspension, prospective residents may delay or defer moving into a residence due to negative perceptions of congregate living and/or in an attempt to avoid possible exposure. Enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure or to address actual outbreaks in our residences (for example, enhanced screening, personal protective equipment, increased disinfection, and other health and safety measures) would result in increased costs. A pandemic, epidemic or other outbreak may also adversely affect operations by causing staffing and supply shortages. Although government funding or assistance may mitigate some of these impacts, there is no certainty the extent to which that will be the case. In addition, outbreaks, such as COVID-19, cause our staff and our management team to spend considerable time planning for and addressing such events, which diverts their attention from other business concerns. Further, a pandemic, epidemic or contagious disease outbreak may impact the overall economy so that credit markets are adversely affected, which may make it more difficult for us to access the credit markets or, if able to do so, at a higher cost or less advantageous terms, potentially impacting, among other things refinancings and our development plans and timelines. A pandemic, epidemic, or other outbreak of an infectious disease may result in an increased risk that we may be subject to litigation related to our handling

♦ *For a complete description of the Risks and Uncertainties, please refer to our most recent AIF.*

of the pandemic at its residences, which, even if not meritorious, and even if covered by our insurance, could result in increased operating costs to defend. See the “COVID-19 Business Impacts and Related Risks” section on page 3 of this MD&A for information about the current pandemic and risks related thereto.

(c) **Occupancy, Business Volumes, and Competition:** Revenue and operating results depend significantly on the occupancy levels at our residences. Numerous other owners, managers and developers of seniors housing communities compete with us in seeking residents. The existence of competing owners, managers and developers and competition for our residents could have an adverse effect on our ability to find residents for our communities and on the rents which may be charged, and could adversely affect our revenues and, consequently, our ability to meet debt obligations. An increased supply of suites in the regions in which we operate may have an impact on the demand for our residences. Our ability to compete successfully depends on a number of factors, including the number of competitors in the local market, the types of services available, our reputation in the local area, cost of services and the location, physical condition and age of the residences. In addition, events in a local community such as community spread of COVID-19 may result in decreases in occupancy levels due to recommended preventative measures, negative perceptions of congregate living or government directives limiting sales and move-in activities.

(d) **Government Regulation**: Health care in general is an area subject to extensive regulation and frequent regulatory change. In Canada, a number of provinces are promoting regionally managed and regulated health care systems. However, there can be no assurance that future regulatory changes in health care, particularly those changes affecting the seniors housing industry, may not adversely affect our business.

In all provinces, LTC homes are subject to government oversight, regulation and licensing requirements, which may change or become more onerous in the future. For example, in Ontario, LTC home licences are issued for a fixed term which shall not exceed 30 years, after which the operators of an LTC home may or may not be issued a new licence. Therefore, such licences do not represent any guarantee of continued operation beyond the term of the licence. While we endeavour to comply with all regulatory requirements in our LTC homes, it is not unusual for stringent inspection procedures to identify deficiencies in operations. In such circumstances, it is our intention to correct deficiencies which have been legitimately identified within the time frames allowed.

Under the Ontario LTC Act, the licence term for Class B and C LTC homes in Ontario has been set to expire in 2025 or such later date as specifically provided for by the MLTC unless these homes are redeveloped to the new design standards. We have five LTC Class B and C homes. In September 2020 the MLTC published a new Long-Term Care Home Capital Development Funding Policy to incentivize the development and re-development of long term care homes. The redevelopment of our Class B and C LTC homes may include significant expenses which will not be adequately addressed by the funding provided by the government of Ontario.

Class B and C LTC homes in Ontario have three- or four-bed ward-style rooms. As a result of COVID-19, the MLTC has limited admissions to no more than two residents per room, adversely impacting occupancy in these homes. It is unknown how long this restriction will continue.

The provincial regulation of LTC homes includes the control of long term care fees and the subsidization of LTC residents. There can be no assurance that the current level of such fees and subsidies will be continued or that such fees will increase commensurate with expenses. A reduction of such fees or subsidies could have an impact upon the value of our properties and our net income. It may also be the case that individual provinces enact new minimum standards for the senior housing sector in response to the COVID-19 outbreaks and increased scrutiny that arose during the pandemic. As the scope of any new proposed regulations is still unknown, we cannot be certain that once enacted, we will not incur additional costs to comply with any such new regulations or that such new regulations will not introduce new minimum standards that affect our ability to operate at a profit.

In 2020, Ontario established a Long-Term Care COVID-19 Commission to investigate how and why COVID-19 spread in long term care homes. Interim reports were delivered by the Commission on October 23, 2020 and December 4, 2020 and the Commission has been asked by the government to submit its final report by April 30, 2021. While it is unknown what the Commission's final recommendations will be or which of the recommendations the government will implement, there may be changes to funding and regulation of long term care homes in Ontario as a result of the Commission. There can be no assurance that any such changes will not adversely affect Chartwell.

Under the COVID-19 related provincially declared states of emergency, the British Columbia, Alberta, Ontario and Quebec governments have issued various orders, directives or guidance specific to the seniors housing sector. Such measures include establishing operational standards, outbreak standards, and infection prevention and control protocols applicable to LTC homes and AL/IL residences. It may be the case that there will be further regulatory changes in the seniors housing industry in response to COVID-19.

(e) **Human Capital:** We compete with other healthcare providers with respect to attracting and retaining qualified personnel. We are also dependent upon the available labour pool of employees. A shortage of trained or other personnel may require us to enhance our wage and benefits packages in order to compete. No assurance can be given that labour costs will not increase, or that if they do increase, they can be matched by corresponding increases in rental or management revenue. The health care industry continues to face shortages of qualified personnel, including but not limited to nurses and personal support workers, particularly in non-urban settings. This staffing shortage has been exacerbated by the pandemic which has resulted in increased competition for staffing, and in some provinces employees are limited to working at a single site for a health care employer. This shortage, along with general inflationary pressures, may require us to enhance our pay and benefits package to effectively compete for qualified personnel. We may not be able to recover such added costs through increased government funding or increased rates charged to residents. The inability to retain and/or attract qualified personnel may result in: a reduction in occupancy levels or services provided; use of staffing agencies at added cost; and an increased risk of deficiencies in operations which could potentially result in fines or penalties. An increase in personnel costs or a failure to attract, train and retain qualified and skilled personnel could adversely affect our business, results of operations and financial condition.

(f) **Labour Relations**: We employ or supervise over 16,000 persons, of whom approximately 80% are represented by labour unions. Labour relations are governed by collective bargaining agreements with many different unions. There can be no assurance that we will not at any time, whether in connection with the renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees which could have a material adverse effect on our business, operating results and financial condition. Most seniors housing communities in the Province of Ontario are governed by the Hospital Labour Disputes Arbitration Act which prohibits strikes and lockouts in the seniors housing sector and therefore collective bargaining disputes are more likely to be resolved through compulsory third-party arbitration in Ontario

In British Columbia, Alberta and Québec where strikes and lockouts may be permitted, certain essential services regulations apply which ensure the continuation of resident care and most services. Non-unionized seniors housing communities may become unionized in the event they are targeted for certification by a trade union. There can be no assurance that the seniors housing communities we own that are not currently unionized will not, in the future, be subject to unionization efforts or that any such efforts will not result in the unionization of such seniors housing communities' employees.

(g) **Liability and Insurance**: The businesses, which are carried on, directly or indirectly, by us, entail an inherent risk of liability. We expect that from time to time we may be subject to lawsuits as a result of the nature of such businesses. We maintain business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against us not covered by, or in excess of, our insurance could have a material adverse effect on our business, operating results and financial condition. Claims against us, regardless of their merit or eventual outcome, also may have a material adverse effect on our ability to attract residents or expand our business and will require management to devote time to matters unrelated to the operation of the business.

(h) **Growth:** The ability to grow may require the issuance of additional units and the ability to do so may not always be a viable capital-raising option. Furthermore, timing differences may occur between the issuance of additional units and the time the proceeds may be used to invest in new properties. Depending on the duration of this timing difference, this may be dilutive. We expect that we will have opportunities to acquire properties which will be accretive and enable us to increase cash flow through improved management, but there can be no assurance that will be the case.

(i) **Acquisitions, Disposition and Development**: Acquisitions, sales and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on our operations and financial results. Representations and warranties given by such third parties to us may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties.

Moreover, the acquired properties may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

In addition, the letters of intent and purchase or sale agreements entered into with third parties with respect to such acquisitions or sales, as applicable, are generally subject to certain closing conditions, and in some cases, the granting of regulatory approvals. Such acquisitions or sales may not be completed due to the failure to satisfy closing conditions or the failure to receive required regulatory approvals and certain funds paid by us may not be recoverable.

We are pursuing numerous development activities alone and with partners. These activities create development-specific risks, including: liens, constructions delays, increasing costs, labour disputes, delays in obtaining municipal and regional approvals and disputes with developing partners.

(j) **Maintenance of Assets**: We are committed to keeping our communities in a good state of repair. We fundamentally believe that investing in our communities increases resident and staff satisfaction, which ultimately makes the business more profitable. In 2020, we invested $58.9 million of capital in our property portfolio. In addition to recurring capital maintenance projects, these investments include large, often multi-phased, renovation projects and projects undertaken to comply with the requirements of various regulatory or government authorities, projects that improve the revenue-generating potential of our properties and projects identified during acquisition due diligence. The amount of these investments varies from time to time based on the volume of specific projects in progress. We take into account the capital maintenance requirements of our communities when determining future cash flows available for Distributions. A significant increase in capital maintenance requirements could adversely impact our cash availability.

(k) **Real Property Ownership and Lack of Diversity**: Real property equity investments are relatively illiquid. This illiquidity will tend to limit our ability to respond to changing economic or investment conditions. By specializing in a particular type of real estate, we are exposed to adverse effects on that segment of the real estate market and do not benefit from a diversification of our portfolio by property type.

(l) **Geographic Concentration**: Our business and operations are conducted within Canada primarily in Ontario and Quebec. A geographic concentration of our owned and leased suites, at our percentage share of ownership or leasehold interest, is described under the "Business Overview" section of this MD&A. The market value of these properties and the income generated from them could be negatively affected by changes in local, regional or national economic conditions or legislative/regulatory changes in the respective jurisdictions, including the extent of community outbreak of COVID-19.

(m) **Debt Financing**: We have and will continue to have substantial outstanding consolidated indebtedness comprised of mortgages on our retirement and LTC communities, Debentures, Term Loans, and Credit Facilities.

We may not be able to renegotiate the terms of renewal of our debt at favourable rates. We currently have access to the government-backed mortgage insurance program through the National Housing Act, which is administered by CMHC. We entered into a Large Borrower Agreement with CMHC which contains certain financial covenants related to minimum adjusted equity requirements, maximum indebtedness, debt service coverage and minimum capital and maintenance investments in the properties securing CMHC-insured loans. There can be no guarantee that the provisions of the mortgage insurance program will not be changed in the future. To the extent that any financing requiring CMHC consent or approval is not obtained, or such consent or approval is only available on unfavourable terms, we may be required to source a conventional mortgage which may be less favourable to us than a CMHC-insured mortgage. In addition, the terms of our indebtedness generally contain customary provisions that, upon an event of default, result in the acceleration of repayment of amounts owed and may restrict the distributions that may be made by the Trust. Therefore, upon an event of default under such indebtedness, our ability to make distributions will be adversely affected.

A portion of our cash flow is devoted to servicing our debt, and there can be no assurance that we will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If we were unable to meet interest or principal payments, we could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing, or reduce distributions. We are also subject to the risk that any of our existing indebtedness may not be able to be refinanced upon maturity or that the terms of such refinancing may not be as favourable as the terms of our existing indebtedness.

(n) **Economic and Financial Conditions**: Adverse changes to the economic and financial conditions in Canada, the U.S. and globally could impact our ability to execute upon our operating, investing and financing strategies which, in turn, could have a material adverse impact on our business, sales, profitability and financial position.

(o) **Joint-Venture Interests**: We have entered into joint-venture arrangements in respect of certain of our seniors housing operations. These joint-venture arrangements have the benefit of sharing the risks associated with ownership and management of such seniors housing residences including those risks described above. However, we may be exposed to adverse developments, including a possible change in control, in the business and affairs of our joint-venture partners which could have a significant impact on, or termination of, our interests in our joint ventures and could affect the value of the joint ventures to us and/or cause us to incur additional costs if we were to solely undertake the operations of the joint venture. In addition, there are risks which arise from the joint-venture arrangements themselves, including: the risk that the other joint- venture partner may exercise buy-sell, put or other sale or purchase rights which could obligate us to sell our interest or buy the other joint-venture partner's interest at a price which may not be favourable to us or at a time which may not be advantageous to us, the effect of which could be materially adverse to our financial position or resources.

(p) **Management Contracts:** We earn management fees from non-owned residences that we manage for others. We will not earn this revenue if the management agreements with the residences' owners are terminated or not renewed upon their expiry. Such contracts are generally terminable upon 90 days' notice, with the exception of management agreements on the Welltower properties and management agreements on properties with mezzanine loans advanced by us.

(q) **Privacy and Cyber Security**: As a custodian of a large amount of personal information and personal health information relating to our employees and our residents, we are exposed to the legal and reputational risk of the loss, misuse or theft of any such information. We mitigate this risk by deploying appropriate technology and training for unauthorized access or theft for our employees relating to the safeguarding of such information.

Cyber security has become an increasingly problematic issue for businesses in Canada and around the world, including for us and the seniors housing industry. Cyber-attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. Such an attack could compromise our confidential information as well as that of our residents, employees, and third parties with whom we interact and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage. In particular, in connection with our business we maintain a large amount of personal health information about our residents. If we were to experience a security breach resulting in unauthorized access to our use or disclosure of such information, we could be exposed to complaints, investigations or litigation and our reputation may be negatively affected. As a result, we continually monitor for malicious threats and adapt accordingly in an effort to ensure we maintain high privacy and security standards. We invest in cyber defense technologies to support our business model and to protect our systems, residents and employees by employing industry best practices. Our investments continue to manage the risks we face today and position us for the evolving threat landscape.

(r) **Conflicts of Interest**: Trustees of Chartwell Retirement Residences and CSH Trust, as well as Directors of Chartwell Master Care Corporation will, from time to time, in their individual capacities deal with parties with whom we may be dealing or may be seeking investments similar to those desired by us. The relevant constating documents of Chartwell Retirement Residences, CSH Trust and Chartwell Master LP contain conflict of interest provisions requiring our Trustees, CSH Trustees and Directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.

(s) **Loans Receivable:** Our loans receivable are normally secured by subordinated charges of the borrowers' interests in related projects and rank behind other senior financing. If our borrowers face financial difficulty and are not able to meet their commitments to their lenders, including us, we could suffer a loss of either interest or principal or both on the loans we have advanced, since other lenders will rank ahead of us in any recovery. Additionally, we may not, at the applicable time, have the financial capacity to acquire all facilities that we are entitled or required to acquire from borrowers. There is a risk, if property values deteriorate or the financial capacity of the borrowers deteriorates, that we could suffer losses on such loans.

(t) **Environmental Liabilities**: Under various environmental laws and regulations, we, as either owner or manager, could become liable for the costs of removal or remediation of certain hazardous, toxic or regulated substances released on or in our properties or disposed of at other locations sometimes regardless of whether or not we knew of or were responsible for their presence. The failure to remove, remediate or otherwise address such substances, if any, may adversely affect an owner's ability to sell such properties or to borrow using such properties as collateral and could potentially result in claims against the owner by private plaintiffs. It is our operating policy to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring or financing any property. Where Phase I environmental site assessments identify sufficient environmental concerns or recommend further assessments, Phase II or Phase III environmental site assessments are conducted. They are intrusive investigations that involve soil, groundwater or other sampling to confirm the absence or presence and extent of an environmental concern.

Environmental laws and regulation may change and we may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on our business, financial condition or results of operation and distributions.

(u) **Climate Change Risk:** We are exposed to climate change risk from natural disasters and severe weather, such as floods, ice storms, windstorms, earthquakes, wildfires or other severe weather that may result in damage or loss to our investment properties. These adverse weather and natural events could cause substantial damage and/or revenue losses as well as cost increases. There can be no assurance that damages or losses caused by these adverse weather and natural events will not exceed ours or our residents' property insurance coverage. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable.

Over time, climate change may also affect our operational expenses, including utilities and preventative maintenance expenses, as temperatures fluctuate. In addition, changes in federal, provincial or local legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties and could also require us to spend more on our new development properties without a corresponding increase in revenue. Management reports regularly to our Board on climate change risks, including mitigation strategies with respect to this risk.

(v) **Distributions:** Our distributions are made at the discretion of the Trustees based on forward-looking cash flow information, including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate. Items such as principal repayments, capital expenditures, variances in operating results and redemption of units, if any, or the failure of CSH Trust or Master LP to make distributions, may affect AFFO and, therefore, distributions. We may be required to decrease our distributions in order to accommodate such items. Under the terms of some of our financing arrangements, cash distributions to unitholders are limited to 100% of our AFFO.

(w) **Taxation**:

The SIFT Rules

The SIFT Rules, which relate to the federal income taxation of certain publicly-traded trusts and certain other publicly-traded flow-through entities, were enacted on June 22, 2007. Generally, under the SIFT Rules, certain distributions from a "SIFT trust" (as defined in the Tax Act) will not be deductible in computing the trust's taxable income, and the trust will be subject to tax on such distributions at a rate that is comparable to the general tax rate applicable to a Canadian corporation. To the extent that a distribution attracts this tax, it will be taxed in the hands of the receiving Unitholder as a taxable dividend from a taxable Canadian corporation, which dividend will be eligible for the enhanced dividend tax credit.

The SIFT Rules are not applicable to certain real estate investment trusts that meet certain conditions (as provided in the Tax Act) relating to the nature of their revenues and investments (the "REIT Conditions"). As currently structured, we do not meet the REIT Conditions. Chartwell has been a SIFT trust since 2007 and, unless we change our structure and the nature of our operations, we expect to be a SIFT trust for 2021 and future years.

In 2020, 99.2% of our distributions were classified as return of capital.

Tax Status

If we cease to qualify as a "mutual fund trust" for the purposes of the Tax Act or the Trust Units ceased to be "qualified investments" under the Tax Act, the Canadian federal income tax considerations applicable to us and our Unitholders would be materially and adversely different in certain respects.

We will endeavour to ensure that we continue to qualify as a mutual fund trust and the Trust Units continue to be qualified investments under the Tax Act for Plans but there is no assurance that we will be able to do so. Generally, Trust Units will be qualified investments for Plans if, at the relevant time (a) the Trust Units are listed on the TSX (or other designated stock exchanges for the purposes of the Tax Act), (b) the Trust Units are registered investments under the Tax Act or (c) if Chartwell qualifies as a mutual fund trust (as defined in the Tax Act). The Tax Act may impose penalties for the acquisition or holding of non-qualified investments by a Plan. Any property distributed to a Unitholder on an in-specie redemption of Trust Units may not be a qualified investment under the Tax Act for a Plan. There can be no assurance that Canadian federal income tax laws (or the judicial interpretation thereof), the administrative and/or assessing practices of the CRA and/or the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders.

Net income and net realized capital gains in excess of the cash distributions may be distributed to Unitholders in the form of additional Trust Units. Unitholders will generally be required to include an amount equal to the fair market value of those Trust Units in their taxable income, notwithstanding that they do not directly receive a cash Distribution.

Although we are of the view that all expenses to be claimed by us and our subsidiaries will be reasonable and deductible, that the tax filing positions taken by us are reasonable, and that the cost amount and capital cost allowance claims of such entities will have been correctly determined and that the allocation of Master LP's income for tax purposes among its partners is reasonable, there can be no assurance that CRA will agree. If CRA successfully challenges us and/or our subsidiaries in any of these respects, the taxable income of Chartwell and the Unitholders, will increase or change.

Master LP has acquired many properties on a rollover basis with the result that the cost base for tax purposes in such properties was less than their fair market value at the time of acquisition. Master LP may acquire properties on a rollover basis in the future, with a similar result in their cost base. On a future sale of such properties for a sale price in excess of such cost base, income and capital gain will be realized which may result in SIFT tax being payable.

Forward-Looking Information

This MD&A contains forward-looking information that reflects the current expectations, estimates and projections of management about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry. The words "plans", "expects", "scheduled", "estimates", "intends", "anticipates", "projects", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might" occur and other similar expressions, identify forward-looking statements. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

Examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

- statements regarding our business strategies
- our predictions and expectations with respect to the pandemic and its potential impact on Chartwell, including statements regarding recovery of occupancy levels and reallocation of corporate resources in response to the pandemic
- our expectations regarding increases in operating and development costs
- our expectations regarding long term care funding that will be made available by government

- our expectations regarding our ability to meet our obligations as they become due utilizing our sources of liquidity
- our expectations regarding achievement of certain occupancy levels
- our estimates of the number of suites that could potentially be built on our owned lands which are subject to market demand and municipal and regulatory approval
- information related to the expected completion date of communities under construction, which is subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities
- our ability to realize expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing, or due to other general business risks
- our ability to renew maturing debt and to obtain new financings in due course
- our ability to access low-cost mortgage financing insured by CMHC
- the sustainability of our current distributions
- our expectations regarding future acquisition opportunities with Batimo
- statements regarding our ability to compete with new entrants
- expectations regarding taxes that are expected to be payable in future years under the SIFT rules, and
- our expectations regarding future demand for retirement suites in the provinces in which we operate.

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See risk factors highlighted in materials filed with the securities regulatory authorities in Canada from time to time, including but not limited to our most recent AIF.

Supplemental Information

Significant Future Demand

Based on the current ratios of existing retirement suites to the population of people over the age of 75 (the "penetration rate"), by 2040 the demand for retirement suites is expected to grow by approximately 265,104 suites in the four provinces in which we operate.

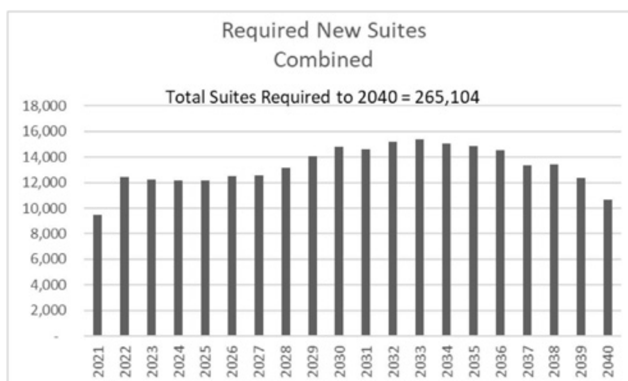
It is possible that the actual demand may exceed this estimate for the following reasons:

- The above estimate does not account for the demand growth for government-funded long term care spaces. If governments are unable to fully address such demand growth, there may be additional demand for retirement suites. There are approximately 38,000 people on the wait list for LTC accommodation in Ontario alone.
- The existing inventory of 241,133 retirement suites includes a number of older properties which may become obsolete over time, further increasing demand for newer suites.
- The acceptance of retirement living is significantly higher in Quebec, with a penetration rate of 18.4% compared to penetration rates of 5.5% in Ontario, 5.7% in Alberta and 8.0% in British Columbia. We believe the introduction of more flexible service offering and pricing options, including a la carte services, across the country, may increase the acceptance of retirement living and further drive demand.

The following tables outline estimated future demand for retirement suites in Ontario, Quebec, Alberta and British Columbia:

Combined

Year	Population of 75+	Demand Growth	Total Suites	Required New Suites
2020	2,491,500		241,133	8,264
2021	2,587,600	3.9%	250,610	9,478
2022	2,722,300	5.2%	263,069	12,458
2023	2,853,200	4.8%	275,284	12,215
2024	2,980,800	4.5%	287,430	12,146
2025	3,109,800	4.3%	299,610	12,180
2026	3,241,000	4.2%	312,105	12,494
2027	3,374,700	4.1%	324,701	12,596
2028	3,515,500	4.2%	337,875	13,174
2029	3,665,800	4.3%	351,961	14,086
2030	3,824,700	4.3%	366,796	14,835
2031	3,983,100	4.1%	381,435	14,639
2032	4,146,000	4.1%	396,610	15,175
2033	4,311,500	4.0%	411,979	15,369
2034	4,474,700	3.8%	427,041	15,063
2035	4,639,100	3.7%	441,918	14,877
2036	4,801,100	3.5%	456,460	14,542
2037	4,952,800	3.2%	469,817	13,357
2038	5,106,600	3.1%	483,218	13,401
2039	5,250,000	2.8%	495,575	12,357
2040	5,374,300	2.4%	506,236	10,661



Ontario

Year	Population of 75+ (1)	Demand Growth	Total Suites (2)	Required New Suites
2020	1,121,600		61,688	-
2021	1,161,700	3.6%	63,894	2,206
2022	1,222,700	5.3%	67,249	3,355
2023	1,280,400	4.7%	70,422	3,173
2024	1,334,600	4.2%	73,403	2,981
2025	1,388,700	4.1%	76,379	2,976
2026	1,443,700	4.0%	79,404	3,025
2027	1,500,000	3.9%	82,500	3,097
2028	1,559,500	4.0%	85,773	3,272
2029	1,622,700	4.1%	89,249	3,476
2030	1,689,800	4.1%	92,939	3,691
2031	1,757,000	4.0%	96,635	3,696
2032	1,826,600	4.0%	100,463	3,828
2033	1,897,300	3.9%	104,352	3,889
2034	1,968,100	3.7%	108,246	3,894
2035	2,041,700	3.7%	112,294	4,048
2036	2,115,400	3.6%	116,347	4,054
2037	2,186,100	3.3%	120,236	3,889
2038	2,258,700	3.3%	124,229	3,993
2039	2,327,500	3.0%	128,013	3,784
2040	2,388,400	2.6%	131,362	3,350
				69,674

Quebec

Year	Population of 75+ (1)	Demand Growth	Total Suites (2)	Required New Suites
2020	717,600		132,038	-
2021	746,500	4.0%	137,356	5,318
2022	780,200	4.5%	143,557	6,201
2023	813,700	4.3%	149,721	6,164
2024	848,200	4.2%	156,069	6,348
2025	882,100	4.0%	162,306	6,238
2026	917,600	4.0%	168,838	6,532
2027	952,700	3.8%	175,297	6,458
2028	989,000	3.8%	181,976	6,679
2029	1,028,100	4.0%	189,170	7,194
2030	1,069,000	4.0%	196,696	7,526
2031	1,108,600	3.7%	203,982	7,286
2032	1,150,500	3.8%	211,692	7,710
2033	1,192,600	3.7%	219,438	7,746
2034	1,233,600	3.4%	226,982	7,544
2035	1,272,600	3.2%	234,158	7,176
2036	1,310,200	3.0%	241,077	6,918
2037	1,343,400	2.5%	247,186	6,109
2038	1,375,800	2.4%	253,147	5,962
2039	1,405,000	2.1%	258,520	5,373
2040	1,430,200	1.8%	263,157	4,637
				131,118

Alberta

Year	Population of 75+ (1)	Demand Growth	Total Suites (2)	Required New Suites
2020	243,300		13,868	-
2021	254,000	4.4%	14,478	610
2022	269,100	5.9%	15,339	861
2023	284,200	5.6%	16,199	861
2024	299,100	5.2%	17,049	849
2025	314,900	5.3%	17,949	901
2026	330,900	5.1%	18,861	912
2027	348,000	5.2%	19,836	975
2028	366,700	5.4%	20,902	1,066
2029	387,500	5.7%	22,088	1,186
2030	409,700	5.7%	23,353	1,265
2031	432,700	5.6%	24,664	1,311
2032	455,800	5.3%	25,981	1,317
2033	479,300	5.2%	27,320	1,340
2034	502,900	4.9%	28,665	1,345
2035	526,700	4.7%	30,022	1,357
2036	550,200	4.5%	31,361	1,339
2037	572,600	4.1%	32,638	1,277
2038	594,800	3.9%	33,904	1,265
2039	615,700	3.5%	35,095	1,191
2040	634,000	3.0%	36,138	1,043
				22,270

British Columbia

Year	Population of 75+ (1)	Demand Growth	Total Suites (2)	Required New Suites
2020	409,000		33,538	-
2021	425,400	4.0%	34,883	1,345
2022	450,300	5.9%	36,925	2,042
2023	474,900	5.5%	38,942	2,017
2024	498,900	5.1%	40,910	1,968
2025	524,100	5.1%	42,976	2,066
2026	548,800	4.7%	45,002	2,025
2027	574,000	4.6%	47,068	2,066
2028	600,300	4.6%	49,225	2,157
2029	627,500	4.5%	51,455	2,230
2030	656,200	4.6%	53,808	2,353
2031	684,800	4.4%	56,154	2,345
2032	713,100	4.1%	58,474	2,321
2033	742,300	4.1%	60,869	2,394
2034	770,100	3.7%	63,148	2,280
2035	798,100	3.6%	65,444	2,296
2036	825,300	3.4%	67,675	2,230
2037	850,700	3.1%	69,757	2,083
2038	877,300	3.1%	71,939	2,181
2039	901,800	2.8%	73,948	2,009
2040	921,700	2.2%	75,579	1,632
				42,041

(1) Sources: Statistics Canada and CMHC.
(2) Total Suites = Population of 75+ multiplied by penetration rate (5.5% for Ontario; 18.4% for Quebec; 5.7% for Alberta; 8.0% for British Columbia).

Chartwell Top 15 Markets – Supply and Demand Data

Supply

Location [4]	Chartwell Portfolio [1] Total: # of Properties	# of Suites	2020 Adjusted NOI at Share ($Millions)	Existing Inventory [2] Total: # of Properties	# of Suites	Immediate Competition Impact [3] Chartwell Exposure: # of Properties	# of Suites	2020 Adjusted NOI at Share ($Millions)	Competition 5km to Chartwell Property: # of Properties	# of Suites
Greater Montreal Area	15	3,612	22.4	384	59,969	1	223	1.0	1	180
Gatineau	9	1,736	14.1	27	3,771	0	0	0.0	0	0
Greater Vancouver Area	14	1,706	25.5	148	15,583	1	104	0.5	1	117
Quebec City	5	1,542	9.6	144	18,292	1	616	2.5	1	350
Greater Ottawa Area	12	1,456	13.7	84	9,745	6	647	8.6	4	517
Edmonton	7	1,241	15.1	46	6,223	0	0	0.0	0	0
Toronto	7	1,168	12.8	65	7,596	1	100	0.3	1	179
Kitchener/Waterloo/Cambridge/Guelph	9	900	17.2	59	5,147	2	220	5.4	2	352
Ontario North	9	860	15.5	37	2,911	0	0	0.0	0	0
York	7	738	14.5	33	3,758	4	433	9.5	3	507
Calgary	5	641	11.6	46	5,990	0	0	0.0	0	0
Durham	4	450	9.0	31	3,515	4	450	9.0	6	1,116
Windsor/Essex County	6	603	9.1	28	2,600	1	112	2.4	1	120
Halton	5	566	9.3	30	3,374	1	131	3.8	1	182
Peel	3	517	7.6	34	3,867	2	194	4.2	2	449
Subtotal (Top 15 Markets)	**117**	**17,736**	**207.1**	**1,196**	**152,341**	**24**	**3,230**	**47.2**	**23**	**4,069**
Other	43	5,933	59.7							
Grand Total	**160**	**23,669**	**266.8**							

(1) Includes Retirement Operations segment only.
(2) Sources: CMHC Seniors Housing Report 2020 and CBRE.
(3) Summarizes Chartwell's existing properties impacted by competing properties in construction located within a five kilometer radius.
(4) Locations follow CMHC's region and naming convention except for Greater Vancouver Area (CMHC region "Lower Mainland"), Greater Montreal Area (CMHC region "Montreal"), Greater Ottawa Area (CMHC region "Ottawa"), and Kitchener/Waterloo/Cambridge/Guelph (CMHC region "Waterloo/Wellington/Dufferin).

Demand

Location [4]	Demographic Information [1] 2020: Total Population	Median Household Income ($)	Avg House Value ($)	Unemployment Rate %	Demographic Data 75+ yrs [1] 2020: Total Population	10 yr Growth %	Penetration Rate [2]
Greater Montreal Area	4,376,190	72,135	397,947	8.1%	335,348	45.8%	17.9%
Gatineau	351,989	82,688	286,346	7.0%	20,850	74.5%	18.1%
Greater Vancouver Area	3,039,099	87,684	981,140	7.4%	212,864	60.3%	7.3%
Quebec City	830,538	76,454	277,085	4.1%	74,926	54.4%	24.4%
Greater Ottawa Area	1,094,166	100,068	503,162	6.6%	76,150	57.1%	12.8%
Edmonton	1,502,363	96,250	389,917	11.1%	79,513	64.8%	7.8%
Toronto	3,042,042	79,213	941,145	10.7%	225,106	43.7%	3.4%
Kitchener/Waterloo/Cambridge/Guelph	899,161	91,128	521,477	8.5%	61,066	53.5%	8.4%
Ontario North	769,374	75,004	251,461	7.7%	71,343	45.5%	4.1%
York	1,218,377	110,696	878,433	10.7%	82,809	74.2%	4.5%
Calgary	1,569,944	101,138	469,149	10.4%	74,243	80.2%	8.1%
Durham	705,099	101,012	520,010	7.8%	45,891	59.9%	7.7%
Windsor/Essex County	423,906	75,499	336,583	11.1%	34,627	48.1%	7.5%
Halton	609,548	122,536	781,205	10.7%	42,998	52.1%	7.8%
Peel	1,543,724	97,469	712,156	10.7%	89,671	76.5%	4.3%
Subtotal/Average (Top 15 Markets)	**21,975,520**	**91,265** [3]	**549,814** [3]	**8.8%** [3]	**1,527,405**	**59.4%** [3]	**9.6%** [3]

(1) Sources: CMHC Seniors Housing Report 2020, CBRE utilizing Environics Analytics demographics, and Statistics Canada projections.
(2) Penetration rate is calculated as ratio of existing inventory of retirement suites over total 75+ years population.
(3) Average.
(4) Locations follow CMHC's region and naming convention except for Greater Vancouver Area (CMHC region "Lower Mainland"), Greater Montreal Area (CMHC region "Montreal"), Greater Ottawa Area (CMHC region "Ottawa"), and Kitchener/Waterloo/Cambridge/Guelph (CMHC region "Waterloo/Wellington/Dufferin).

Management's Responsibility for Financial Statements

To the Unitholders of Chartwell Retirement Residences

The accompanying consolidated financial statements of Chartwell Retirement Residences and the information included in this Annual Report have been prepared by management, which is responsible for their consistency, integrity and objectivity. Management is also responsible for ensuring that the consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards. To fulfill these responsibilities, management maintains appropriate systems of internal control, policies and procedures to ensure its reporting practices and accounting and administrative procedures are of high quality.

KPMG LLP, the independent auditor, is responsible for auditing the consolidated financial statements in accordance with generally accepted auditing standards in Canada, to enable the expression of their opinion on the consolidated financial statements to the unitholders. Their report, as auditors, is set forth herein.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls and engaging the independent auditors. The Board of Trustees carries out this responsibility through its Audit Committee, which meets regularly with management and the independent auditors. The Audit Committee is composed of three members who are independent of management. The consolidated financial statements have been reviewed and approved by the Board of Trustees and its Audit Committee. The independent auditors have direct and full access to the Audit Committee and Board of Trustees.

Vlad Volodarski
Chief Executive Officer

Sheri Harris
Chief Financial Officer

Independent Auditors' Report

To the Unitholders of Chartwell Retirement Residences,

Opinion

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

- the consolidated balance sheets as at December 31, 2020 and December 31, 2019
- the consolidated statements of net income and comprehensive income for the years then ended
- the consolidated statements of unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Description of the matter

We draw attention to Notes 1 and 2(d) of the financial statements. While there are uncertainties in assessing future liquidity requirements under normal operating conditions, the stressed conditions caused by COVID-19 have introduced increased uncertainties and there continues to be uncertainty about how the ongoing pandemic will impact the Entity's business, including the impact on future demand for its services. The pandemic has also caused, and may continue to cause, a material increase in direct operating expenses, most significantly labour costs. The future negative impact to the Entity's business, results of operations, liquidity and financial condition will depend on the scope, severity and duration of the pandemic which currently cannot be reliably estimated.

The Entity believes that it has sufficient available liquidity to meet its minimum obligations as they come due and to comply with financial covenants in the Entity's credit facilities, as amended, for a period of at least 12 months from December 31, 2020. The Entity has assessed that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern. In making this significant judgment, the Entity has prepared income and cash flow forecasts. The most significant assumptions in the preparation of such forecasts are occupancy levels and the continued availability of financing.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

We evaluated the continued availability of financing by:

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

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

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

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

Assessment of the recoverable amount of cash generating units

Description of the matter

We draw attention to Notes 2(d), 3(e), and 5 of the financial statements. The property, plant and equipment (PP&E) carrying amount is $3,222,779 thousand. Impairment provisions totaling $3,200 thousand were recorded. The carrying amounts of the Entity's PP&E are assessed at each reporting date to determine if any events have occurred that would indicate the PP&E may be impaired. If any such indication exists, the asset's recoverable amount is estimated, and an impairment loss is recognized immediately in profit or loss for the amount by which the asset's carrying amount exceed its recoverable amount. The recoverable amount is determined for the cash generating unit ("CGU") to which the PPE belongs. The recoverable amount of a CGU is the higher of (a) fair value less costs of disposal and (b) value in use.

The assessment of asset impairment requires significant assumptions which include:

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

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions; and
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2020 Annual Report."

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

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

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

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2020 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

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

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

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

Toronto, Canada

March 4, 2021

Consolidated Balance Sheets

(In thousands of Canadian dollars)

As at December 31,	Note	2020	2019
Assets			
Current assets:			
Cash and cash equivalents		$ 70,157	$ 22,890
Trade and other receivables	9	29,898	20,716
Capital funding receivable	7	6,636	6,672
Other assets	10	20,713	20,451
Loans receivable	11	–	6,753
Assets held for sale	19	–	10,476
Total current assets		127,404	87,958
Non-current assets:			
Other assets	10	2,206	2,310
Loans receivable	11	11,978	11,978
Capital funding receivable	7	28,906	35,542
Investment in joint ventures	12	17,097	19,323
Intangible assets	6	78,938	75,103
Property, plant and equipment ("PP&E")	5	3,222,779	3,262,180
Total non-current assets		3,361,904	3,406,436
Total assets		$ 3,489,308	$ 3,494,394
Liabilities and Unitholders' Equity			
Current liabilities:			
Lease obligations	8	$ 1,073	$ 1,022
Accounts payable and other liabilities	17	182,098	170,355
Distributions payable		11,085	10,808
Mortgages payable	13	198,731	206,617
Liabilities related to assets held for sale	19	–	2,529
Total current liabilities		392,987	391,331
Non-current liabilities:			
Lease obligations	8	11,639	11,665
Other liabilities	17	6,426	–
Mortgages payable	13	1,683,504	1,734,061
Term loans	15	274,265	124,697
Senior unsecured debentures	16	348,681	348,294
Class B Units of Chartwell Master Care LP ("Class B Units")	20	17,125	22,210
Deferred tax liabilities	30	20,704	24,569
Total non-current liabilities		2,362,344	2,265,496
Total liabilities		2,755,331	2,656,827
Unitholders' equity	21	733,977	837,567
Total liabilities and unitholders' equity		$ 3,489,308	$ 3,494,394

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

Ann Davis, Trustee

Huw Thomas, Trustee

Consolidated Statements of Net Income and Comprehensive Income

(In thousands of Canadian dollars)

Years ended December 31,	Note	2020	2019
Revenue:			
Resident		$ 873,966	$ 860,595
Management and other fees		9,640	10,766
Lease revenue from joint ventures	12(b)	41,109	39,444
Interest income		3,872	4,507
	25	928,587	915,312
Income (expenses):			
Direct property operating	33	(622,499)	(590,016)
Depreciation of PP&E	5	(174,091)	(178,450)
Amortization of intangible assets	6	(5,590)	(2,072)
Share of net (loss) income from joint ventures	12(b)	(3,816)	2,453
General, administrative and trust	33	(43,895)	(43,148)
Other income (expense)	27	21,640	(3,963)
Finance costs	28	(93,150)	(85,526)
Change in fair values of financial instruments and foreign exchange gains (losses)	29	3,828	(3,314)
		(917,573)	(904,036)
Income before income taxes		11,014	11,276
Deferred income tax benefit (expense)	30	3,865	(10,209)
Net income and comprehensive income[1]		$ 14,879	$ 1,067

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Unitholders' Equity

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

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

Distributions were declared and paid at $0.050 per unit per month for the months of January 2020 and February 2020 and $0.051 per unit per month for the months of March 2020 to December 2020. In the first two months of 2021, distributions were declared at $0.051 per unit per month.

See accompanying notes to consolidated financial statements.

2019	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2018	$ 2,285,736	$ 17,519	$ (12,053)	$ (122,907)	$ (1,241,182)	$ 6,407	$ 933,520
Net income	–	–	–	1,067	–	–	1,067
Distributions to unitholders	–	–	–	–	(127,617)	–	(127,617)
Other equity related costs	(94)	–	–	–	–	–	(94)
Deferred tax asset	50	–	–	–	–	–	50
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	26,937	–	–	–	–	–	26,937
Trust Units issued on exchange of Class B Units	671	–	–	–	–	–	671
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	2,736	405	(993)	–	–	90	2,238
Interest on EUPP receivable	–	–	(124)	–	–	–	(124)
Distributions applied against EUPP receivable	–	–	919	–	–	–	919
Unitholders' equity, December 31, 2019	$ 2,316,036	$ 17,924	$ (12,251)	$ (121,840)	$ (1,368,799)	$ 6,497	$ 837,567

Distributions were declared and paid at $0.049 per unit per month for the months of January 2019 and February 2019 and $0.050 per unit per month for the months of March 2019 to December 2019.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31,	Note	2020	2019
Cash provided by (used in):			
Operating activities:			
Net income		$ 14,879	$ 1,067
Items not affecting cash:			
Depreciation and amortization	5, 6	179,681	180,522
Finance costs	28	93,150	85,526
Transaction costs arising from acquisitions and dispositions	27	(996)	(1,816)
Other (income) expense	27	(21,640)	3,963
Interest income	25	(3,872)	(4,507)
Change in fair values of financial instruments and foreign exchange (gains) losses	29	(3,828)	3,314
Deferred income tax (benefit) expense	30	(3,865)	10,209
Share of net loss (income) from joint ventures	12(b)	3,816	(2,453)
Other		515	2,148
Change in trade and other receivables		(8,204)	(3,235)
Change in other assets		1,546	2,315
Change in accounts payable and other liabilities		23,836	3,489
		275,018	280,542
Interest income and other income received		3,770	4,631
Interest paid		(94,166)	(88,625)
		184,622	196,548
Financing activities:			
Proceeds from mortgage financing	18	176,609	259,933
Mortgage repayments	18	(193,605)	(108,183)
Scheduled mortgage principal repayments	18	(77,768)	(70,963)
Proceeds from term loans	15, 18	150,000	125,000
Additions to finance costs	18	(7,751)	(11,369)
Distributions paid		(122,646)	(100,489)
		(75,161)	93,929
Investing activities:			
Acquisition of assets, net of cash acquired	4	(21,623)	(128,572)
Additions to PP&E and intangible assets		(132,392)	(199,166)
Proceeds from disposal of PP&E and assets held for sale		86,739	25,885
Change in Capital funding receivable	7	6,672	6,317
Advances of loans receivable		–	(3,826)
Contributions to joint ventures	12(b)	(5,425)	(2,279)
Distributions received from joint ventures	12(b)	3,835	4,275
		(62,194)	(297,366)
Increase (decrease) in cash		47,267	(6,889)
Cash and cash equivalents, beginning of year		22,890	29,779
Cash and cash equivalents, end of year		$ 70,157	$ 22,890

See accompanying notes to consolidated financial statements.

1. Organization and Nature of Operations

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

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

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

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

COVID-19 business impacts and related risks:

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

Chartwell's revenue and operating results depend significantly on the occupancy levels at Chartwell's retirement residences and long-term care homes. Numerous restrictions and directives have been implemented by governments and health authorities affecting many aspects of our operations during the pandemic such as safety measures to reduce the spread of COVID-19.

These restrictions and directives have resulted in decreased occupancy levels due to reduced move-in activity in both our retirement residences and long-term care homes. The COVID-19 pandemic, and the corresponding impact of the restrictions and directives noted, is likely to continue for some time in 2021 and may continue to cause decreases in occupancy levels due to ongoing government directives, that vary across jurisdictions, and that can require restrictions on internal gatherings and dining services, new resident isolations, restrictions on tours and visitor access. Further, government directives related to the general operation of society and the economy overall and negative perceptions of congregate living may also affect future occupancy levels.

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

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

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

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

Financing arrangements:

As a result of the risks and conditions associated with the COVID-19 pandemic, and as described below, Chartwell has amended certain terms of various financing arrangements having conducted an assessment of its liquidity. Chartwell believes that it has sufficient available liquidity to meet its minimum obligations as they come due and to comply with financial covenants in its credit facilities, as amended, for a period of at least 12 months from December 31, 2020. Further, Chartwell has assessed that there are no material uncertainties related to events or conditions that may cast significant doubt upon Chartwell's ability to continue as a going concern. In making this significant judgment, Chartwell has prepared income and cash flow forecasts with the most significant assumptions in the preparation of such forecasts being occupancy levels and continued availability of financing.

Liquidity risk is the risk that an entity is unable to fund its assets or meet its obligations as they come due (note 2(d) and note 23(b)(ii)). Chartwell manages its liquidity with the objective of ensuring that it will have sufficient liquidity to meet its liabilities when they are due. While there are uncertainties in assessing future liquidity requirements under normal operating conditions, the stressed conditions caused by COVID-19 have introduced increased uncertainties and there continues to be uncertainty about how the ongoing pandemic will impact Chartwell's business including the impact on future demand for its services. The pandemic has also caused, and may continue to cause, a material increase in direct operating expenses, most significantly labour costs. The future negative impact to Chartwell's business, results of operations, liquidity and financial condition will depend on the scope, severity and duration of the pandemic which currently cannot be reliably estimated.

Chartwell's occupancy assumptions are impacted by the factors described above. In addition, Chartwell anticipates additional government funding of its significant expenses to enhance resident and employee safety in its Ontario long-term care homes.

The majority of Chartwell's financing arrangements require compliance with a number of financial covenants including minimum debt service covenants and limiting distributions should the distributions exceed certain thresholds. As a result of the uncertainties described above, Chartwell has proactively obtained amendments to its financing arrangements to reduce the minimum debt service covenants in respect of these financing arrangements for a period of two years ending December 31, 2022 as disclosed in Note 34.

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

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

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

Litigation:

As a result of the COVID-19 pandemic, there is an increased risk of litigation which, even if not meritorious, and even if covered by Chartwell's insurance, could result in increased operating costs to Chartwell to defend. As of March 4, 2021, Chartwell has been named as a defendant in three separate proposed class actions related to the pandemic. Chartwell's insurers are handling the defense of these actions. See commitments and contingencies (note 31) for additional details.

Financial:

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

2. Basis of Preparation

(a) Statement of compliance:

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

On March 4, 2021, the Board of Trustees authorized the consolidated financial statements for issue.

(b) Functional currency:

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

(c) Basis of measurement:

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

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

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

(d) Use of estimates and judgments:

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

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

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

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

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

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

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

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

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

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

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

3. Significant Accounting Policies

(a) Basis of consolidation:

(i) Transactions eliminated on consolidation:

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

(ii) Joint arrangements:

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

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

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

(iii) Business combinations:

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

Subsequent changes in the fair value of contingent consideration arrangements are recognized in profit or loss. The excess of the purchase price over the fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition goodwill is recorded as an asset. When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values. Effective January 1, 2020, Chartwell 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 (note 3(n)(ii)).

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

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

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

(b) Foreign currency:

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

(c) Property, plant and equipment:

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

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

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

Significant parts of the buildings are accounted for as separate components of the property, based on management's judgement 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").

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

(d) Intangible assets:

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

(i) Licenses:

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

(ii) Software:

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

(iii) Goodwill:

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

(e) Impairment of non-financial assets:

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

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

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

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

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

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

(f) Government grants and government assistance:

(i) Capital funding receivable:

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

(ii) Government income grants:

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

(g) Assets held for sale:

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

(h) Financial instruments:

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

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

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

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

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

Chartwell has made the following classifications for its financial instruments:

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

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

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

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

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

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

Trust Units:

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

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

Class B Units:

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

(i) Fair value measurement:

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

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

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

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

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

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

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

(j) Employee benefits:

(i) Short-term benefits:

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

(ii) Employee health benefits:

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

(iii) Unit-based payment plans:

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

(k) Income taxes:

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

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

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

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.

(l) Revenue recognition:

Chartwell derives most of its revenue from rental income, care services to residents and management services.

(i) Retirement residences resident revenue:

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

(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 residences and revenue is recognized pursuant to the terms of the lease agreement. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are deferred and recorded as contract liabilities.

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

(b) Services revenue:

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

(ii) Long-term care homes resident revenue:

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

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

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

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

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

(iii) Fee revenue:

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

(iv) Lease revenue from joint ventures:

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

(m) Leases:

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

(i) As a lessee:

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

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

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

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

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

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

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

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

Chartwell has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT 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.

(n) IFRS amendments adopted in 2020:

Chartwell has adopted the following amendments for the annual period beginning on January 1, 2020, the mandatory effective date.

(i) Amendments to IAS 1, Presentation of financial statements and IAS 8, Accounting policies, changes in accounting estimates and errors:

The amendment aligns the definition of "material" across all standards. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendment clarifies that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. The adoption of this standard did not have a material impact on the financial statements of Chartwell.

(ii) Amendments to IFRS 3, Business Combinations:

The amendment introduced an optional fair value concentration test to determine whether a transaction is to be accounted for as an asset acquisition or a business combination. The test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If the test is met, the set of acquired assets is accounted for as an asset acquisition. If the test is not met or if Chartwell chooses not to apply the test, a detailed assessment is performed in accordance with the requirements of IFRS 3. Chartwell applied the optional fair value concentration test to its acquisitions in 2020 (note 4).

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

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

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

Chartwell intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2023, when the standard becomes effective.

4. Acquisitions

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

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

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

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

The purchase price for Chartwell's 85% interest in Chartwell L'Unique III was $32,566, before transaction costs, and was settled through the assumption of a variable rate mortgage of $16,925, the settlement of a $3,184 outstanding mezzanine loan with the balance, net of working capital adjustments, paid in cash. Chartwell applied the optional concentration test in accordance with

IFRS 3 and accounted for the acquisition as an asset acquisition. Acquisition related costs of $1,042 have been capitalized to the building in the consolidated balance sheets.

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

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

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

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

(b) Acquisitions during the year ended December 31, 2019:

On January 31, 2019, Chartwell acquired the remaining interest in Clair Hills Retirement Residence (120 suites), ("Clair Hills") for a purchase price of $9,195. On February 1, 2019, Chartwell acquired the remaining interest in Oak Ridges Retirement Residence (129 suites), ("Oak Ridges") for a purchase price of $324. Previously, Chartwell accounted for its interests in these properties as investments in joint ventures (note 12). Upon completion of these transactions, Chartwell owns a 100% interest in the properties. Since these acquisitions were completed in steps, immediately before the acquisition, Chartwell remeasured its original interests to fair value. The remeasurement has resulted in an increase in value of $37,859 which has been recognized as a gain in other income in profit or loss. Chartwell incurred acquisition related costs of $592 which have been expensed in profit or loss for 2019. Clair Hills has contributed revenue of $7,235 and net loss of $267 since acquisition during the year ended December 31, 2019. Oak Ridges has contributed revenue of $6,563 and net loss of $1,106 since acquisition during the year ended December 31, 2019.

The following table summarizes the allocation of purchase price to each major category of assets and liabilities assumed at the date of the acquisition and the major categories of consideration transferred. The acquisitions were accounted for as business combinations under IFRS 3.

Date of acquisition	January 31, 2019	February 1, 2019			
Segment	Retirement Operations				
Location	Province of Ontario	Province of Ontario		Step accounting	
Number of properties (suites)	1 (120 suites)	1 (129 suites)	Subtotal	adjustments	Total
PP&E	$ 9,195	$ 324	$ 9,519	$ 101,481	$ 111,000
Net assets acquired	$ 9,195	$ 324	$ 9,519	$ 101,481	$ 111,000
Cash consideration	$ 9,195	$ 324	$ 9,519	$ –	$ 9,519
Mortgage assumed	–	–	–	57,417	57,417
Fair value of previously held interest	–	–	–	44,064	44,064
	$ 9,195	$ 324	$ 9,519	$ 101,481	$ 111,000

On December 11, 2019, Chartwell executed on the forward purchase agreement that was entered into on April 23, 2018 to acquire a 100% interest in Chartwell Emerald Hills Retirement Residence (256 suites) located in Edmonton, Alberta for a contractual purchase price of $120,000. The vendor provided Chartwell with an income guarantee of up to $7,500 for a two-year period if operating results fall below certain threshold amounts. The acquisition was accounted for as an asset acquisition and acquisition-related costs of $843 incurred by Chartwell have been capitalized to PP&E.

The following table summarizes the allocation of purchase price to each major category of net assets acquired at the date of the acquisition and the major categories of consideration transferred.

Date of acquisition	December 11, 2019
Segment	Retirement Operations
Location	Province of Alberta
Number of properties (suites)	1 (256 suites)
PP&E	$ 114,482
Income guarantee receivable[(1)]	6,361
Working capital adjustments	(947)
Net assets acquired	$ 119,896
Considerations transferred:	
Cash transferred to the seller	$ 119,053
Acquisition-related costs incurred	843
Total consideration including transaction costs	$ 119,896

[(1)]Represents the present value of income guarantee receivable calculated based on the budget.

5. Property, Plant and Equipment

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost						
Balance, December 31, 2018	$ 310,390	$ 3,082,413	$ 142,968	$ 193,548	$ 20,027	$ 3,749,346
Recognition of right-of-use assets upon adoption of IFRS 16	7,840	898	–	–	2,450	11,188
Additions	–	81,507	9,859	92,470	3,500	187,336
Additions through acquisitions (note 4)	15,765	205,097	4,620	–	–	225,482
Disposals	(2,597)	(26,720)	(957)	–	–	(30,274)
Derecognition	–	(63,555)	(522)	–	–	(64,077)
Transfers	14,293	117,510	5,098	(133,401)	(3,500)	–
Transfers to assets held for sale	(2,143)	(7,332)	(2,327)	–	(253)	(12,055)
Balance, December 31, 2019	343,548	3,389,818	158,739	152,617	22,224	4,066,946
Additions	–	48,685	10,244	53,683	–	112,612
Additions through acquisitions (note 4)	3,931	67,669	651	–	–	72,251
Disposals	(5,932)	(59,295)	(3,474)	–	–	(68,701)
Derecognition	–	(61,115)	(7,973)	–	–	(69,088)
Transfers	6,748	96,106	6,264	(109,118)	–	–
Balance, December 31, 2020	$ 348,295	$ 3,481,868	$ 164,451	$ 97,182	$ 22,224	$ 4,114,020
Accumulated depreciation and impairment losses						
Balance, December 31, 2018	$ –	$ 563,576	$ 92,024	$ –	$ –	$ 655,600
Depreciation of right-of-use assets	172	115	–	–	83	370
Depreciation	–	157,185	20,895	–	–	178,080
Disposals	–	(9,346)	(786)	–	–	(10,132)
Derecognition	–	(63,555)	(522)	–	–	(64,077)
Impairment	–	46,974	–	–	–	46,974
Loss due to water damage	–	2,803	98	–	–	2,901
Transfers to assets held for sale	–	(3,389)	(1,561)	–	–	(4,950)
Balance, December 31, 2019	172	694,363	110,148	–	83	804,766
Depreciation of right-of-use assets	172	343	873	–	83	1,471
Depreciation	–	152,486	20,134	–	–	172,620
Disposals	–	(19,159)	(2,569)	–	–	(21,728)
Derecognition	–	(61,115)	(7,973)	–	–	(69,088)
Impairment	–	3,200	–	–	–	3,200
Balance, December 31, 2020	$ 344	$ 770,118	$ 120,613	$ –	$ 166	$ 891,241
Carrying amounts						
Balance, December 31, 2019	$ 343,376	$ 2,695,455	$ 48,591	$ 152,617	$ 22,141	$ 3,262,180
Balance, December 31, 2020	347,951	2,711,750	43,838	97,182	22,058	3,222,779

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

Right-of-use assets	Land[(1)]	Buildings[(2)]	Furniture, fixtures and equipment	Land held for development	Total
December 31, 2018	$ –	$ 5,661	$ 1,553	$ –	$ 7,214
Newly recognized assets	7,840	898	–	2,450	11,188
Balance, January 1, 2019	7,840	6,559	1,553	2,450	18,402
Additions	–	223	634	–	857
Depreciation-newly recognized assets	(172)	(115)	–	(83)	(370)
Depreciation-additions	–	(11)	–	–	(11)
Depreciation-below market leases and capital leases	–	(184)	(771)	–	(955)
Balance, December 31, 2019	7,668	6,472	1,416	2,367	17,923
Additions	–	–	1,016	–	1,016
Depreciation	(172)	(343)	(873)	(83)	(1,471)
Balance, December 31, 2020	$ 7,496	$ 6,129	$ 1,559	$ 2,284	$ 17,468

[(1)]Relates to land leases

Dispositions during the year ended December 31, 2020:

On April 1, 2020, Chartwell completed the sale of four long-term care homes in Ontario that were classified as assets held for sale at December 31, 2020 for an aggregate sale price of $13,593. Chartwell has retained the obligation to remediate the lands at one of these long-term care homes. The four long-term care homes were classified as assets held for sale as at December 31, 2019 (note 19).

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

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

On November 30, 2020, Chartwell completed the sale of three retirement residences located in Ontario an aggregate sale price of $33,800.

Dispositions during the year ended December 31, 2019:

On May 31, 2019, Chartwell completed the sale of a retirement residence located in Ontario for $750.

On July 12, 2019, Chartwell completed the sale of a retirement residence located in Quebec for $10,500.

On December 9, 2019, Chartwell completed the sale of its 85% interest in a medical office building located in Quebec for $9,137.

Other PP&E information:

During the year ended December 31, 2020, an extension of one property and the corporate office were transferred from properties under development to other components of PP&E upon becoming available for use (2019 - four properties including an extension to one property). During the year ended December 31, 2019, vacant land which was acquired for $3,500 was transferred from land held for development to properties under development.

During the year ended December 31, 2020, Chartwell capitalized $3,469 (2019 - $4,986) of borrowing costs related to development projects under construction at an average interest rate of 3.61% (2019 - 3.78%).

Since January 1, 2010, $250,750 of fully amortized resident contracts has been removed from the cost and accumulated depreciation of PP&E in respect of residences which were held by Chartwell as at December 31, 2020 (2019 - $234,009 in respect of residences which were held by Chartwell as at December 31, 2019).

Chartwell completes regular assessments of PP&E to determine if any events have occurred that would indicate possible impairment of PP&E. Impairment provisions totalling $3,200 were recorded on five properties in Ontario during the year ended December 31, 2020 (2019 - $46,974 on seven properties in Ontario and Quebec) (note 27).

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

Chartwell expects delays to projects as well as delays to the commencement of construction for new development projects as Chartwell is evaluating risk and investment returns.

6. Intangible Assets

	Goodwill	Licenses	Software(1)	Total
Cost				
Balance, December 31, 2018	$ 9,233	$ 44,334	$ 23,111	$ 76,678
Additions	–	–	14,720	14,720
Disposals	–	–	(31)	(31)
Derecognition	–	–	(149)	(149)
Transfers to assets held for sale	–	(2,990)	(98)	(3,088)
Balance, December 31, 2019	9,233	41,344	37,553	88,130
Additions	–	–	10,190	10,190
Disposals	–	–	(924)	(924)
Balance, December 31, 2020	$ 9,233	$ 41,344	$ 46,819	$ 97,396
Accumulated amortization and impairment losses				
Balance, December 31, 2018	$ –	$ –	$ 11,171	$ 11,171
Disposals	–	–	(14)	(14)
Derecognition	–	–	(149)	(149)
Amortization	–	–	2,072	2,072
Transfers to assets held for sale	–	–	(53)	(53)
Balance, December 31, 2019	–	–	13,027	13,027
Disposals	–	–	(159)	(159)
Amortization	–	–	5,590	5,590
Balance, December 31, 2020	$ –	$ –	$ 18,458	$ 18,458
Carrying amounts				
Balance, December 31, 2019	$ 9,233	$ 41,344	$ 24,526	$ 75,103
Balance, December 31, 2020	9,233	41,344	28,361	78,938

(1) The 2020 balance includes $3,844 (2019 - $20,937) in software under development.

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, 2020 and 2019. These intangible assets do not generate cash inflows that are largely independent of those of other assets and Chartwell completed the assessment of the recoverable amount of these intangible assets by comparing the fair value less costs of disposal of the related CGUs containing these intangible assets determined using the direct capitalization method, to their carrying values. The direct capitalization method divides the estimated stabilized net operating income by an appropriate market capitalization rate. The key assumptions used in the impairment assessment include capitalization rates ranging from 7% - 12% for licenses and for goodwill, the capitalization rates used ranged from 6.25% - 6.65%. 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, 2020 and 2019.

7. Capital Funding Receivable

The following table summarizes the capital funding receivable activity:

	2020	2019
Opening Balance	$ 42,214	$ 48,531
Capital funding applied to receivable	(6,672)	(6,317)
Closing Balance	$ 35,542	$ 42,214
Current	$ 6,636	$ 6,672
Non-current	28,906	35,542
	$ 35,542	$ 42,214

The capital funding receivable of $35,542 (2019 - $42,214) represents the present value of the funding receivable from the Government of Ontario in respect of 15 long-term care homes. The weighted average remaining term of this funding is approximately 5.2 years. The discount rate used on the receivables above is based on applicable Ontario Government Bond Rates. The receipt of funding for the remaining terms of the agreements is subject to the condition that the homes continue to operate as long-term care homes for the remaining period. During 2020, capital funding receipts amounted to $8,578 (2019 - $8,555) of which $1,906 (2019 - $2,238) was recorded as interest income and $6,672 (2019 - $6,317) as a reduction of capital funding receivable.

8. Leases

As at December 31, 2020, Chartwell has right-of-use assets in respect of leases totalling $17,468 (2019 - $17,923) with remaining lease terms ranging from 2 to 58 years (note 5). Lease obligations related to these right-of-use assets totalled $12,712 (2019 - $12,687), of which $1,073 (2019 - $1,022) was classified current and $11,639 (2019 - $11,665) classified non-current as at December 31, 2020. 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	$ 1,083
One to five years	4,076
More than five years	21,666
Total[1]	$ 26,825

[1] Includes three land leases with cumulative required undiscounted cash payments of $24,191 which mature between 2044 and 2079.

9. Trade and Other Receivables

	2020	2019
Residents[(1)]	$ 805	$ 1,785
Related party[(2)]	1,293	1,841
Insurance recoverables	2,093	4,866
Government grants receivable[(3)]	10,580	–
Interest rate swaps	–	328
Other	15,127	11,896
	$ 29,898	$ 20,716

(1) Resident receivables balance at December 31, 2020 is net of an allowance for expected credit losses of $1,632 (December 31, 2019 - $1,229).

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

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

10. Other Assets

	2020	2019
Prepaid expenses and deposits	$ 10,992	$ 7,701
Restricted cash	1,504	1,168
Income guarantees	3,198	7,184
Other	7,225	6,708
	$ 22,919	$ 22,761
Current	$ 20,713	$ 20,451
Non-current	2,206	2,310
	$ 22,919	$ 22,761

Income guarantees were provided by vendors upon acquisition of certain properties. Income guarantees are considered Level 3 in the fair value hierarchy. Fair value is determined by discounting the applicable expected future income from these properties. For the year ended December 31, 2020, $5,325 (2019 - $2,142) of income guarantees were collected.

11. Loans Receivable

	2020	2019
Current	$ –	$ 6,753
Non-current	11,978	11,978
	$ 11,978	$ 18,731

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

Loans receivable are measured at FVTPL and are considered Level 3 in the fair value hierarchy. Mezzanine loans of $3,569 and $3,184 were settled upon the acquisition of Chartwell Le St-Gabriel Landlord on March 2, 2020 and Chartwell L'Unique III on May 1, 2020, respectively (note 4).

12. Joint Arrangements

As at December 31, 2020, the following are Chartwell's joint arrangements:

Joint arrangements	Number of properties	Chartwell ownership	Joint arrangement type	Consolidation method
Chartwell-Welltower Landlord[1]	37	50%	Joint operation	Proportionate
Chartwell-Welltower Operator[1,3]	37	50%	Joint venture[2]	Equity
Chartwell Le St-Gabriel Landlord[1]	1	42.5%	Joint operation	Proportionate
Chartwell Le St-Gabriel Operator[1]	1	42.5%	Joint venture[2]	Equity
Batimo	4	85%	Joint operation	Proportionate
Chartwell Oakville Retirement Residence	1	50%	Joint venture[2]	Equity
Chartwell Constantia Retirement Residence	1	50%	Joint venture[2]	Equity
Chartwell Riverside Retirement Residence	1	50%	Joint operation	Proportionate
Chartwell Churchill House Retirement Residence	1	50%	Joint operation	Proportionate
The Sumach by Chartwell	1	45%	Joint operation	Proportionate
Kingsbridge Retirement Community	1	60%	Joint venture[2]	Equity
Pickering Project[3]	1	90%	Joint operation	Proportionate

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

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

(3) Includes a property under development.

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

(a) At December 31, 2020, Chartwell has an interest in a number of joint operations, which have been accounted for under the proportionate consolidation method. The following is the summarized financial information in respect of the interests in these joint operations, which is included line by line in the consolidated financial statements at Chartwell's share:

	2020	2019
Current assets	$ 30,248	$ 21,223
Non-current assets	548,636	483,676
Total assets	$ 578,884	$ 504,899
Current liabilities	$ 74,760	$ 40,759
Non-current liabilities	349,433	331,780
Total liabilities	$ 424,193	$ 372,539
Total revenue	$ 65,364	$ 60,044
Total expenses	$ (53,195)	$ (48,271)

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

	2020	2019
Contributions to joint ventures	$ 5,425	$ 2,279
Distributions received from joint ventures[1]	3,835	20,275

[1] Includes non-cash distribution of $16,000 during the year ended December 31, 2019.

	2020	2019
Cash and cash equivalents	$ 6,540	$ 4,964
Trade and other receivables	15,679	13,144
Other assets	1,894	2,230
Current assets	24,113	20,338
PP&E and intangible assets	57,680	58,500
Total assets	$ 81,793	$ 78,838
Accounts payable and other liabilities	$ 11,772	$ 10,761
Mortgages payable - current	41,969	341
Current liabilities	53,741	11,102
Mortgages payable - non-current	10,955	48,413
Total liabilities	$ 64,696	$ 59,515
Net investment in joint ventures	$ 17,097	$ 19,323

	2020	2019
Revenue	$ 116,457	$ 116,784
Direct property operating expense	(72,697)	(70,322)
Lease expense	(41,109)	(39,444)
Finance cost	(1,906)	(1,625)
Depreciation of PP&E	(4,285)	(2,865)
Change in fair value of financial instruments and foreign exchange losses	(276)	(75)
Chartwell's share of net (loss) income from joint ventures	$ (3,816)	$ 2,453

Related party transactions occur between Chartwell and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Except as disclosed elsewhere in these consolidated financial statements, the related party balances are included in accounts payable and receivable, and in management fee revenue, as applicable. As of December 31, 2020, $985 (2019 - $526) of Chartwell's accounts receivable and $12,950 (2019 - $13,005) of Chartwell's accounts payable relate to its investment in joint ventures. For the year ended December 31, 2020, $5,703 (2019 - $6,730) of Chartwell's management fees were related to its investment in joint ventures.

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

Chartwell-Welltower Operator and Chartwell Le St-Gabriel Operator have leased the real estate from Chartwell-Welltower Landlord and Chartwell Le St-Gabriel Landlord, respectively. The terms of these leases are for three-year periods, with automatic renewals as long as the joint arrangement between Chartwell and Welltower is still in effect. As a result, Chartwell's 50% share of the landlords' lease receipts, $41,109 for the year ended December 31, 2020 (2019 - $39,444), is reported as lease revenue and is included in lease revenue from joint ventures. The lease expenses for Chartwell-Welltower Operator and Chartwell Le St-Gabriel Operator are included in the share of net income from joint ventures.

13. Mortgages Payable

	2020	2019
Mortgage principal balance	$ 1,921,157	$ 1,975,089
Mark-to-market adjustments on assumed mortgages	7,176	9,389
Financing costs	(46,098)	(43,800)
	$ 1,882,235	$ 1,940,678
Current	$ 198,731	$ 206,617
Non-current	1,683,504	1,734,061
	$ 1,882,235	$ 1,940,678

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 23.

The mortgages payable as at December 31, 2020 are as follows:

	Regular principal payments	Principal due on maturity	Total debt
2021	$ 80,560	$ 122,640	$ 203,200
2022	75,898	271,430	347,328
2023	69,477	78,817	148,294
2024	59,657	177,798	237,455
2025	52,985	74,012	126,997
2026	50,653	42,018	92,671
2027	48,029	63,176	111,205
2028	50,926	180,955	231,881
2029	34,855	85,729	120,584
2030	27,708	70,721	98,429
2031	22,008	30,131	52,139
2032	20,335	14,978	35,313
2033	17,762	31,221	48,983
2034	10,157	1,621	11,778
Thereafter	29,921	24,979	54,900
	$ 650,931	$ 1,270,226	$ 1,921,157

	2020	2019
Mortgages at fixed rates:		
Mortgages (principal)	$1,862,261	$1,920,778
Interest rates	1.31% to 7.85%	1.90% to 7.85%
Weighted average interest rate	3.46%	3.68%
Mortgages at variable rates:		
Mortgages (principal)	$58,896	$54,311
Interest rates	Bankers acceptance Plus 0.975% to Bankers acceptance Plus 1.55%	Bankers acceptance plus 0.975% to Bankers acceptance plus 1.65%
Weighted average interest rate	1.83%	3.52%
Blended weighted average rate	3.41%	3.68%

Included in mortgages at fixed rates above, are mortgages totaling $53,767 (2019 - $126,818) with interest rates fixed through interest rate swap contracts with an equivalent notional value, maturing between 2021 and 2022. The swaps are measured at fair value and are recorded either in trade and other receivables (note 9) or accounts payable and other liabilities (note 17) at the end of the reporting period. The swaps are considered Level 2 in the fair value hierarchy.

Under the terms of the mortgages payable, Chartwell is required to meet certain financial covenants. These covenants among others include debt service coverage ratios. Chartwell was in compliance with these financials covenants as at December 31, 2020.

On December 5, 2015, Chartwell entered into a large borrower agreement ("LBA") with CMHC. The LBA provides among other things, the cross-collateralization of mortgage loans for Chartwell's largest CMHC insured lenders, and contains certain financial and operating covenants. Chartwell was in compliance with these covenants as at December 31, 2020.

Subsequent to December 31, 2020, the debt service coverage ratio covenants were amended in respect of certain mortgages and the LBA (note 34).

14. Credit Facilities

The following tables summarize certain details of Chartwell's credit facilities as at December 31, 2020 and December 31, 2019:

December 31, 2020:

	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for letters of credit	Available to be drawn	Maturity date
Secured credit facility (1)	$ 300,000	$ 298,988	$ –	$ (9,635)	$ 289,353	May 29, 2024
Unsecured credit facility (2)	100,000	100,000	–	–	100,000	May 29, 2024
Total	$ 400,000	$ 398,988	$ –	$ (9,635)	$ 389,353	

December 31, 2019:

	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for letters of credit	Available to be drawn	Maturity date
Secured credit facility [(1)]	$ 300,000	$ 300,000	$ –	$ (8,219)	$ 291,781	May 29, 2024
Unsecured credit facility [(2)]	100,000	100,000	–	–	100,000	May 29, 2024
Total	$ 400,000	$ 400,000	$ –	$ (8,219)	$ 391,781	

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

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

The amounts outstanding on the secured credit facility bear interest at the bank's prime rate plus 0.65% or banker's acceptance rate plus 1.65% based on Chartwell's current credit rating. The secured credit facility is secured by second-ranked charges on specific properties. The amounts outstanding on the unsecured credit facility bear interest at the bank's prime rate plus 0.70% or banker's acceptance rate 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, 2020.

The debt service coverage ratio covenants of the secured and unsecured credit facilities were amended subsequent to December 31, 2020 (note 34).

15. Term Loans

On December 10, 2019, Chartwell entered into $125,000 unsecured term loan agreement with a Canadian chartered bank. The variable rate on the loan has been fixed at an interest rate of 3.523% through an interest rate swap. On June 26, 2020, Chartwell entered into a revised swap agreement. Terms of the revised agreement include a rate floor of zero percent with a fixed effective interest rate of 3.703% as at December 31, 2020.

On November 12, 2020, Chartwell entered into two agreements with a financial institution for a $100,000 unsecured term loan and a $50,000 secured term loan. The variable rates on the loans have been fixed at an interest rate of 2.608% through interest rate swaps. The $50,000 term loan is secured by second charges on Chartwell's interests in three retirement residences in Ontario and two retirement residences in Quebec.

The interest rate swaps on the term loans are measured at fair value and are recorded either in trade and other receivables (note 9) or accounts payable and other liabilities (note 17) at the end of the reporting period. The interest rate swaps are considered Level 2 in the fair value hierarchy.

December 31, 2020:

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

December 31, 2019:

	Outstanding principal	Financing costs, net	Carrying value	Maturity Date
Unsecured term loan	$ 125,000	$ (303)	$ 124,697	May 31, 2024

Based on the term loan agreements, Chartwell is required to meet certain financial covenants. These covenants among others include debt service coverage ratio, secured indebtedness percentage ratio, minimum equity requirements, minimum unencumbered asset ratio, limitations on entering into certain investments and on the amount of cash distributions that can be paid to unitholders. Chartwell was in compliance with these financials covenants as at December 31, 2020.

The debt service coverage ratio covenants of the term loans were amended subsequent to December 31, 2020 (note 34).

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, 2020 and at December 31, 2019:

December 31, 2020:

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

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

December 31, 2019:

	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date (1)	Due date
3.786% Series A	June 9, 2017	$ 200,000	$ (952)	$ 199,048	October 11, 2023	December 11, 2023
4.211% Series B	April 27, 2018	150,000	(754)	149,246	February 25, 2025	April 28, 2025
Total		$ 350,000	$ (1,706)	$ 348,294		

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

Under the terms of the debentures, Chartwell is required to meet certain financial covenants. These covenants include required interest coverage ratio, indebtedness percentage ratio and unencumbered asset ratio. Chartwell was in compliance with these financials covenants as at December 31, 2020.

17. Accounts Payable and Other Liabilities

	Note	2020	2019
Accounts payable and accrued liabilities		$ 156,304	$ 136,662
Resident deposits		3,296	3,751
Deferred revenue		979	693
Deferred Trust Units	(a)	10,941	15,038
Restricted Trust Units	(b)	2,627	3,710
EUPP option component	(c)	7,919	9,992
Interest rate swaps		6,458	509
		$ 188,524	$ 170,355
Current		$ 182,098	$ 170,355
Non-current[1]		6,426	–
		$ 188,524	$ 170,355

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

(a) DTU Plan:

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

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

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

As described in note 3(j)(iii), the value of issued units is recorded as a liability on the consolidated balance sheets. DTU values are initially calculated based on the grant date fair value. Fair value is determined using the market prices for listed Trust Units since there is a one-for-one conversion feature. The liability is remeasured to fair value at each reporting date until the liability is settled. The liability is released after settlement upon retirement of the director. The market price of Trust Units as at December 31, 2020 was $11.19 (2019 - $13.90).

The following table summarizes the DTU activity:

	Units outstanding	Amount
Balance, December 31, 2018	974,063	$ 13,313
Units granted	66,632	986
Change in fair value and distributions	41,172	739
Balance, December 31, 2019	1,081,867	15,038
Units granted	70,185	682
Change in fair value and distributions	63,769	(2,462)
Units exchanged for Trust Units	(238,079)	(2,317)
Balance, December 31, 2020	977,742	$ 10,941

The non-cash compensation expense attributable to DTUs granted of $682 for the year ended December 31, 2020 (2019 - $986) is included in general, administrative and trust expenses.

(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.

During the year ended December 31, 2020, 274,490 notional Trust Units were granted (2019 - 271,678), 20,615 notional Trust units were cancelled (2019 - 14,961), 37,603 notional Trust units were issued in regard to distributions (2019 - 28,366), and 295,324 notional Trust units vested and were paid out (2019 - 206,618). At December 31, 2020, 650,804 notional Trust Units remained outstanding (2019 - 654,650).

The compensation expense attributable to the RTU Plan of $2,994 for the year ended December 31, 2020 (2019 - $2,933) is included in general, administrative and trust expenses.

(c) EUPP option component:

The description of the EUPP is included in note 21(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. Any change in liability is recognized in profit and loss.

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

	2020	2019
Expected volatility	24.15% - 29.15%	13.53% - 18.53%
Risk-free rate	0.73% - 1.40%	2.05% - 2.25%
Distribution yield	6.13% - 8.45%	4.60% - 5.28%

18. Reconciliation of Changes in Liabilities Arising from Financing Activities

	Mortgages payable	Term loans	Senior unsecured debentures	Total
Balance, December 31, 2018	$ 1,812,334	$ –	$ 347,883	$ 2,160,217
Proceeds from financing	259,933	125,000	–	384,933
Repayments	(108,183)	–	–	(108,183)
Scheduled principal payments	(70,963)	–	–	(70,963)
Financing costs paid(1)	(11,066)	(303)	–	(11,369)
Assumed on acquisition	57,417	–	–	57,417
Amortization of financing costs and mark to market adjustments on assumed mortgages(1)	1,206	–	411	1,617
Balance, December 31, 2019	1,940,678	124,697	348,294	2,413,669
Proceeds from financing	176,609	150,000	–	326,609
Repayments	(193,605)	–	–	(193,605)
Scheduled principal payments	(77,768)	–	–	(77,768)
Financing costs paid(1)	(7,201)	(550)	–	(7,751)
Assumed on acquisition	40,832	–	–	40,832
Amortization of financing costs and mark to market adjustments on assumed mortgages(1)	2,173	118	387	2,678
Other	517	–	–	517
Balance, December 31, 2020	$ 1,882,235	$ 274,265	$ 348,681	$ 2,505,181

(1) Mortgages payable include credit facilities related costs of $1,053 (2019 - $1,531) in relation to financing costs paid and $777 (2019 - $762) in relation to amortization of financing costs.

19. Asset Held for Sale and Related Liabilities

There were no assets held for sale and related liabilities at December 31, 2020.

As at December 31, 2019, management was committed to a plan to sell the four long-term care homes located in Ontario. The sale of the four long-term care homes closed on April 1, 2020 (note 5). The following table summarizes the significant assets held for sale and related liabilities at December 31, 2019:

	2019
Assets:	
Cash and cash equivalents	$ 5
Trade and other receivables	256
Other assets	75
PP&E and intangibles, net	10,140
	$ 10,476
Liabilities:	
Accounts payable and other liabilities	$ 2,529

20. Class B Units

Class B Units are exchangeable, at the option of the holder, into Trust Units. Such exchangeable instruments are presented as a liability and are measured at fair value. Fair value is determined by using market prices for listed Trust Units since there is a one-for-one exchange feature for each Class B Unit into a Trust Unit. Class B Units are considered Level 2 in the fair value hierarchy. The market price of Trust Units at December 31, 2020 was $11.19 per unit (2019 - $13.90 per unit). At December 31, 2020, 1,530,360 Class B units were outstanding (2019 - 1,597,860).

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

	Units outstanding	Amount
Balance, December 31, 2018	1,642,738	$ 22,456
Exchange of Class B Units into Trust Units	(44,878)	(671)
Change in fair value	–	425
Balance, December 31, 2019	1,597,860	22,210
Exchange of Class B Units into Trust Units	(67,500)	(553)
Change in fair value	–	(4,532)
Balance, December 31, 2020	1,530,360	$ 17,125

21. Unitholders' equity and EUPP:

(a) Trust Units:

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

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

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

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

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

The following Trust Units are issued and outstanding:

	Number of Trust Units	Amount
Balance, December 31, 2018	210,991,550	$ 2,285,736
Trust Units issued under DRIP	1,880,295	26,937
Trust Units issued in exchange of Class B Units	44,878	671
Trust Units released on settlement of EUPP receivable	138,305	2,736
Other equity related costs	–	(94)
Deferred tax asset (note 30)	–	50
Balance, December 31, 2019	213,055,028	2,316,036
Trust Units issued under DRIP	684,812	8,518
Trust units issued in exchange of DTUs	238,079	2,317
Trust Units issued in exchange of Class B Units	67,500	553
Trust Units released on settlement of EUPP receivable	33,302	541
Balance, December 31, 2020	214,078,721	$ 2,327,965

(b) Trust Units issued under EUPP:

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

An aggregate of 5,900,890 Trust Units are reserved for issuance pursuant to the EUPP, of which 2,306,391 were available to be issued at December 31, 2020 (2019 - 2,572,950).
The following table summarizes Trust Units issued under the EUPP:

	Number of Trust Units issued under EUPP	Amount
Balance, December 31, 2018	1,523,482	$ 17,519
Trust Units issued under EUPP	115,768	1,727
Trust Units released on settlement of EUPP receivable	(138,305)	(1,322)
Balance, December 31, 2019	1,500,945	17,924
Trust Units issued under EUPP	266,685	2,769
Trust Units surrendered for cancellation under EUPP	(126)	–
Trust Units released on settlement of EUPP receivable	(33,302)	(382)
Balance, December 31, 2020	1,734,202	$ 20,311

The non-cash compensation expense attributable to the EUPP of $562 for the year ended December 31, 2020 (2019 - $254) is included in general, administrative and trust expenses with a corresponding amount included in accounts payable and other liabilities (note 17). Trust Units issued under EUPP and EUPP receivable are recorded in unitholders' equity.

(c) DRIP:

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

On March 16, 2020, Chartwell announced the temporary suspension of its DRIP program commencing after the distribution payable to unit holders of record at March 31, 2020. The unitholders enrolled in the DRIP program will receive distribution payments in cash until further notice.

22. Segmented Information

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

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

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

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

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

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

2019	Retirement Operations	Long-Term Care Operations	Segment total	Other[2]	Subtotal	Recon-ciliation	Total
Revenue:							
Resident	$ 737,076	$ 239,609	$ 976,685	$ –	$ 976,685	$ (116,090)	$ 860,595
Management and other fees	–	–	–	10,766	10,766	–	10,766
Lease revenue from joint ventures	–	–	–	–	–	39,444	39,444
Interest income	–	–	–	5,201	5,201	(694)	4,507
	737,076	239,609	976,685	15,967	992,652	(77,340)	915,312
(Expenses) income:							
Direct property operating	(452,385)	(207,953)	(660,338)	–	(660,338)	70,322	(590,016)
Adjusted net operating income[1]	284,691	31,656	316,347				
Depreciation of PP&E							(178,450)
Amortization of intangible assets							(2,072)
Share of net income from joint ventures							2,453
General, administrative and trust							(43,148)
Other expense							(3,963)
Finance costs							(85,526)
Change in fair values of financial instruments and foreign exchange losses							(3,314)
							(314,020)
Income before income taxes							11,276
Deferred income tax expense							(10,209)
Net income							$ 1,067
Expenditures for non-current assets:							
Acquisition of properties	$ 225,482	$ –	$ 225,482	$ –	$ 225,482	$ –	$ 225,482
Capital additions	140,397	8,874	149,271	62,455	211,726	(9,670)	202,056

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

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

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

2019	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 3,163,095	$ 247,388	$ 3,410,483	$ 162,749	$ 3,573,232	$ (78,838)	$ 3,494,394
Total liabilities	$ 1,928,290	$ 215,406	$ 2,143,696	$ 572,646	$ 2,716,342	$ (59,515)	$ 2,656,827

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

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

2019	Ontario	Western Canada	Quebec	Total Retirement Operations
Resident revenue	$ 388,851	$ 177,158	$ 171,067	$ 737,076
Direct property operating expenses	(233,893)	(111,842)	(106,650)	(452,385)
Adjusted net operating income	154,958	65,316	64,417	284,691

23. Financial Instruments and Financial Risk Management

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

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

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	$ 1,882,235	$ 2,033,701	$ 1,940,678	$ 2,037,840
Term loans	274,265	280,021	124,697	125,000
Senior unsecured debentures	348,681	362,015	348,294	353,787

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

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

The fair value of mortgages payable is estimated by discounting the expected future cash outflows using the rates currently prevailing for similar instruments of similar maturities. At December 31, 2020, the mortgages payable were discounted using rates between 1.20% and 4.21% (2019 - 2.58% and 3.86%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of mortgages payable is Level 2 in the fair value hierarchy.

The fair value of term loans are estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. At December 31, 2020, term loans were discounted using a weighted average rate of 2.41%. As at December 31, 2019, carrying value of the $125,000 unsecured term loan approximated its fair value as the loan was issued on December 10, 2019. As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of term loans is Level 2 in the fair value hierarchy.

The fair value of senior unsecured debentures are estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. At December 31, 2020, senior unsecured debentures were discounted using a rate of 2.92% (2019 - 3.72%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of senior unsecured debentures is Level 2 in the fair value hierarchy.

(b) Financial risk management objectives and policies:

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

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

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

(i) Credit risk:

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

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

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

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

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

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

Chartwell adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL. At December 31, 2020, outstanding residents receivables were $805 (2019 - $1,785), net of ECL of $1,632 (2019 - $1,229).

(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 arises from the possibility of not having sufficient debt, cash and equity capital available to Chartwell to fund its growth program and refinance or meet its payment obligations as they arise.

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

As at December 31, 2020, current liabilities totalled $392,987, exceeding current assets of $127,404, resulting in a working capital deficiency of $265,583. Current liabilities includes an amount of $198,731 of current mortgages payable, comprised of $122,640 related to maturing balances which are expected to be renewed on maturity, $76,091 related to regular principal payments and the balance of unamortized mark-to-market adjustments net of unamortized financing costs. These and other contractual obligations and contingencies, including those related to agreements with Batimo, are disclosed in note 31. Chartwell expects to be able to meet all of its obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from property operations, (ii) property specific mortgages, (iii) term loans and (iv) secured and unsecured credit facilities, under which $389,353 was available and undrawn at December 31, 2020 (note 14). In addition, subject to market conditions, Chartwell may seek to raise funding through new senior unsecured debentures or equity financing. The particular features and quality of the underlying assets and the debt and equity market parameters existing at the time of financing may impact the ability for financing.

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

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

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

Chartwell holds licenses related to each of its long-term care homes and in certain cases, retirement residences. Holders of these licenses receive funding from the relevant provincial government. During the year ended December 31, 2020, Chartwell received $208,032 (2019 - $214,278) in funding in respect of these licenses excluding incremental COVID-19 funding, which has been recorded as resident revenue, interest income and capital funding receivable, as applicable.

Refer to note 31 for contractual maturities of Chartwell's major financial liabilities.

(iii) Market risk:

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

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

At December 31, 2020, Chartwell's interest-bearing financial instruments were as follows:

	Carrying amount 2020	Carrying amount 2019
Fixed-rate financial liabilities	$ 2,487,261	$ 2,395,778
Variable-rate financial liabilities	$ 58,896	$ 54,311

An increase of 100-basis-points in interest rates at December 31, 2020 for the variable-rate financial instruments would decrease income before income taxes for the year by $589 (2019 - $543).

24. Capital Structure Financial Policies

Chartwell's primary objectives in managing capital are:

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

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

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

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

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

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

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

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

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

The following are the Indebtedness Ratios at December 31, 2020 and 2019:

	2020	2019	Increase (decrease)
Indebtedness Ratio	51.8%	51.0%	0.8%

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

25. Revenue

	2020	2019
Lease revenue[(1)]	$ 355,003	$ 353,040
Services revenue[(2)]	560,072	546,999
Interest income	3,872	4,507
Management and other fees	9,640	10,766
Total revenue	$ 928,587	$ 915,312

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

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

26. Personnel Expenses

The analysis of employee benefits expense for the years ended December 31, 2020 and 2019, included in profit or loss under direct property operating expenses and general, administrative and trust expenses, is as follows:

	2020	2019
Salaries and wages	$ (482,366)	$ (437,045)
Post-employment benefits (defined contribution plans)	(6,735)	(6,704)
Unit-based compensation	(4,251)	(4,173)
	$ (493,352)	$ (447,922)

27. Other Income (Expense)

	2020	2019
Transaction costs arising on acquisitions and dispositions	(996)	(1,816)
Impairment of PP&E	(3,200)	(46,974)
Other expense	(4,196)	(48,790)
Gain on remeasurement of previously held interest on acquisition (note 4)	–	37,859
Gain on sale of assets	25,072	6,081
Other income	764	887
Other income	25,836	44,827
Other income (expense)	$ 21,640	$ (3,963)

During 2020, Chartwell recorded impairment provisions of $3,200 on five of its properties (2019 - $46,974 on seven properties); which represented the write down of PP&E. The impairment charges in 2020 were recorded with respect to a further decline as a result of COVID-19 in the operations of certain properties, previously impaired in 2019. 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.

28. Finance Costs

	2020	2019
Contractual interest expense on mortgages	$ (70,460)	$ (71,158)
Interest expense on senior unsecured debentures	(13,888)	(13,888)
Credit facility and other interest expense	(3,628)	(2,711)
Contractual interest expense on term loans	(5,021)	(177)
	(92,997)	(87,934)
Interest capitalized to properties under development	3,469	4,986
Amortization of financing costs and mark-to-market adjustments on assumed mortgages and senior unsecured debentures	(2,678)	(1,617)
Distributions on Class B Units recorded as interest expense	(944)	(961)
Total finance costs	$ (93,150)	$ (85,526)

29. Changes in Fair Values of Financial Instruments and Foreign Exchange Gains (Losses)

	2020	2019
Change in fair value of interest rate swaps	$ (7,010)	$ (865)
Foreign exchange losses	(67)	(210)
Change in fair value of EUPP option component	2,476	(755)
Change in fair value of Class B Units	4,532	(425)
Change in fair value of DTUs	2,462	(736)
Change in fair value - other	246	(669)
Change in fair value of income guarantees	1,189	346
Change in fair values of financial instruments and foreign exchange gains (losses)	$ 3,828	$ (3,314)

30. Income Taxes

For the year ended December 31, 2020, Chartwell recorded a deferred tax recovery of $3,865 (2019 - deferred tax expense of $10,209). The 2020 deferred recovery primarily relates to fair value adjustments and non-taxable portion of capital gains relating to the sale of properties. The 2019 deferred income tax expense is primarily related to step accounting adjustments on the acquisition of the remaining interests in Clair Hills and Oak Ridges accounted for as business combinations, as well as the reversal of temporary differences on the accounting and tax basis of PP&E. This was offset by the deferred tax benefit as a result of the impairment loss recorded during the year.

The income tax benefit (expense) - in the consolidated statements of comprehensive income represents an effective tax rate different than the Canadian tax rate applicable to trusts on undistributed income of 53.53 % (2019 - 53.53%). The differences for the years ended December 31 are as follows:

	2020	2019
Income before income taxes	$ 11,014	$ 11,276
Income tax expense at Canadian tax rate	$ (5,896)	$ (6,036)
Non-deductible and non-taxable items	3,431	(2,306)
Tax benefits not recognized	1,034	(347)
Fair value changes	5,201	(1,384)
Other	95	(136)
Income tax recovery (expense)	$ 3,865	$ (10,209)

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

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

	Balance, January 1, 2019	Recognized in net income (loss)	Recognized in unitholders' equity	Balance, December 31, 2019
Property, plant and equipment	$ (4,951)	$ (16,152)	$ –	$ (21,103)
Intangible assets	(14,779)	1,220	–	(13,559)
Losses available for carryforward	16,325	4,431	–	20,756
Other	(10,184)	639	50	(9,495)
Deferred tax asset (liability)	(13,589)	(9,862)	50	(23,401)
Deferred tax assets recognized (not recognized)	(821)	(347)	–	(1,168)
Net deferred tax liability	$ (14,410)	$ (10,209)	$ 50	$ (24,569)

Chartwell also has non-capital losses carried forward of $38,401.

Deferred tax assets have not been recognized for the following:

	2020	2019
Deductible temporary differences	$ 233	$ 275
Net capital losses carried forward	–	3,862
	$ 233	$ 4,137

The capital losses carried forward and deductible temporary differences do not expire under current legislation. Deferred tax assets have not been recognized in respect of these items as it is not probable that future taxable income will be available against which these tax benefits will be utilized.

31. Commitments and Contingencies

Chartwell's maturities on major financial liabilities as at December 31, 2020, excluding future interest payments, are detailed in the following table:

	Note	Contractual value	2021	2022	2023	2024	2025	Thereafter
Mortgages payable	13	$ 1,921,157	$ 203,200	$ 347,328	$ 148,294	$ 237,455	$ 126,997	$ 857,883
Term loans	15	275,000	–	150,000	–	125,000	–	–
Senior unsecured debentures	16	350,000	–	–	200,000	–	150,000	–
Accounts payable and accrued liabilities	17	162,762	156,336	6,426	–	–	–	–
Distributions payable		11,085	11,085	–	–	–	–	–
Lease obligations	31(a)	12,712	1,073	557	481	373	281	9,947
Total maturities		$ 2,732,716	$ 371,694	$ 504,311	$ 348,775	$ 362,828	$ 277,278	$ 867,830

(a) Lease obligations:

Chartwell has recorded lease obligations with respect to leases of land, buildings and furniture, fixtures and equipment (note 8).

(b) Purchase contracts:

Chartwell has entered into various construction contracts related to its development projects. As at December 31, 2020, the remaining commitments under these contracts amounted to approximately $108,865 (2019 - $149,241).

(c) Other:

Under Chartwell's agreements with Batimo Inc. ("Batimo"), upon achievement of certain conditions, Batimo can require Chartwell to acquire an 85% interest in their development properties in which Chartwell participates as the operations manager and, in some cases, as the mezzanine lender, at 99% of Fair Market Value ("FMV"), as defined in the agreements ("Batimo Option"). Batimo's Option is for a five-year period commencing on opening of the related property. Upon expiry of the Batimo Option, Chartwell has a two-year option to require Batimo to sell an 85% interest in the property at FMV, as defined in the agreements. One of the Batimo projects with 221 suites achieved stabilized occupancy in 2020 which is one of the conditions mentioned above. Chartwell expects to complete the acquisition of an interest in this property in the first half of 2021. The estimated FMV of this property at 100% ownership interest is $71,280.

(d) Letters of credit:

As at December 31, 2020, Chartwell was contingently liable for letters of credit in the amount of $9,635 (2019 - $8,219).

(e) Guarantees:

As a result of a purchaser's assumption of the mortgage on a property sold in 2014, Chartwell remains a guarantor of the mortgage. As at December 31, 2020, outstanding balance on this mortgage was $1,478 (2019 - $2,186 with respect to two mortgages). The purchaser has indemnified Chartwell with respect to this guarantee.

Chartwell, with its partners, has jointly and severally guaranteed loans on partially owned properties. Chartwell ownership interest in these properties range from 42.5% to 85%, to a maximum amount of $387,825. As at December 31, 2020, outstanding balances on these mortgages totalled $316,739 ($144,785 of which represents partners' share).

(f) Litigation and claims:

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

Chartwell has been named in three proposed class action lawsuits related to the pandemic as detailed below, none of which has been certified. Chartwell's insurer has assigned defence counsel and will be responding to the claims in due course through the appropriate court process.

- In May 2020, Chartwell became aware of a statement of claim in respect of a proposed class action alleging, among other things, negligence, breach of contract and breach of fiduciary duty in respect of Chartwell's response to the pandemic. The claim is brought on behalf of all residents who lived in Ontario homes owned, operated and/or managed by Chartwell during the pandemic as well as the family members of those residents. With the exception of $15,000 in punitive damages, the amount of damages being sought is not specified in the claim.

- In July 2020, Chartwell became aware of a second statement of claim in respect of a proposed class action alleging, among other things negligence, breach of contract and breach of fiduciary duty in respect of Chartwell's response to the pandemic at Chartwell Ballycliffe Long-Term Care Residence. The claim is brought on behalf of all residents who lived at Chartwell Ballycliffe Long-Term Care Residence during the pandemic, as well as the family members of those residents and seeks damages in the amount of $30,000.

- In August 2020, Chartwell became aware of a statement of claim in respect of a proposed class action brought on behalf or residents of 96 Ontario long-term care homes, six of which are owned or operated by Chartwell, alleging, among other things, negligence, breach of fiduciary duty and breaches of section 7 of the Charter of Rights and Freedoms. The claim is a joint claim against the various owners and operators of the 96 homes and seeks damages in the aggregate amount of $600,000. In September 2020, the statement of claim was amended to add the Government of Ontario as a defendant.

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

Chartwell did not record a provision with respect to these lawsuits as at December 31, 2020.

32. Key Management Personnel Compensation

The remuneration of key management personnel of Chartwell during the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Officers' and directors' compensation	$ (4,323)	$ (5,312)
Post-employment benefits	(59)	(72)
Other long-term benefits	(1,983)	(830)
Unit-based payments	(768)	(268)

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.

33. Expenses by Nature

	2020	2019
Wages and benefits	$ (493,352)	$ (447,922)
Food and supplies	(68,103)	(62,255)
Realty taxes	(30,989)	(29,489)
Utilities	(29,218)	(29,345)
Other	(44,732)	(64,153)
	$ (666,394)	$ (633,164)
Included in the consolidated statements of net income:		
Direct property operating	$ (622,499)	$ (590,016)
General, administrative and trust	(43,895)	(43,148)
	$ (666,394)	$ (633,164)

34. Subsequent Events

Amendments to Debt Covenants:

Subsequent to year end, Chartwell proactively entered into amending agreements relating to certain debt service coverage ratios in various credit agreements due to the uncertainties caused by the COVID-19 pandemic as described in note 1. The debt service coverage ratio covenants were reduced from 1.4x to 1.2x for the periods ending at the earlier of December 31, 2022 and the maturity date of the respective credit agreement. The affected loans are: the credit facilities, the unsecured term loans, the secured term loan, the corporate office mortgage and certain other property-level mortgages.

Chartwell also entered into an amending agreement on its Large Borrower Agreement with CMHC. Under the Large Borrower Agreement Chartwell is subject to certain debt service coverage ratio requirements. These requirements were reduced to 1.2x or removed for the periods ending December 31, 2022.

Corporate and Unitholder Information

TRUSTEES AND/ OR DIRECTORS

Michael Harris, Chair (1)

Lise Bastarache (2) (3)

Brent Binions (2)

Ann Davis (2) (3)

André Kuzmicki (2)

Sharon Sallows (1) (2)

James Scarlett (1)

Huw Thomas (3)

Vlad Volodarski

(1) Compensation, Governance and Nominating Committee

(2) Investment Committee

(3) Audit Committee

OFFICERS AND SENIOR MANAGEMENT

Vlad Volodarski
Chief Executive Officer

Karen Sullivan
President and Chief Operating Officer

Sheri Harris
Chief Financial Officer

Jonathan Boulakia
Chief Investment Officer and
Chief Legal Officer and Secretary

UNITHOLDER INFORMATION

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Toll free: (888) 584-2386
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Unitholder and Investor Contact
Vlad Volodarski,
Chief Executive Officer
Email: investorrelations@chartwell.com

Auditors
KPMG LLP
Toronto, Ontario

Legal Counsel
Osler, Hoskin & Harcourt LLP
Toronto, Ontario

Stock Exchange Listing
Toronto Stock Exchange (CSH.UN)

Transfer Agent and Registrar
Computershare Investor Services
Toronto, Ontario
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Facsimile: (866) 249-7775
Email: service@computershare.com

Annual Meeting of Unitholders
4:30pm ET - Thursday, May 20, 2021
Chartwell Retirement Residences
7070 Derrycrest Drive
Mississauga, Ontario L5W 0G5

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