



# ANNUAL REPORT **2023**

# Message from the CEO\*

---

Dear fellow unitholders,

We believe that the best way to generate growing and sustainable financial returns for our investors is through the delivery of exceptional services and quality care to our residents. We know that the personalized and memorable experiences we create for our residents drive high satisfaction rates and result in more resident referrals and higher occupancy rates. These experiences can only be created by highly engaged employees who are committed to our vision of ***Making People's Lives Better***. That is why in addition to occupancy and cash flow, we include employee engagement and resident satisfaction scores as our key performance targets.

For Chartwell, 2023 was a year of change, learning, and growth. Using the learnings from the difficult pandemic years we accelerated our transition to a more agile and scalable organization. We implemented several new technology solutions and reorganized many of our processes to further empower our residences' management teams in the development and execution of tailored business strategies. The early results of these initiatives have been encouraging. In 2023, our employee engagement and resident satisfaction scores increased by 5 and 7 percentage points, respectively, significantly exceeding our

internal targets. Our same property portfolio occupancy grew by 520 basis points, an unprecedented annual growth rate for our portfolio.

We made important progress in our portfolio optimization strategy. We completed our exit from the highly regulated Ontario Long-Term Care business, announced the wind-up of our joint venture with Welltower, and sold several non-core properties. These transactions,



We believe that the best way to generate growing and sustainable financial returns for our investors is through the delivery of exceptional services and quality care to our residents.

combined with the accelerating improvements in our financial performance and successful debt refinancings, are supporting our ability to turn to external growth. We expect to see more transactional activity in 2024 in our sector and are evaluating several potential acquisitions of high-quality properties in our markets.



We expect to maintain the strong momentum of occupancy and cash flow growth in 2024 and beyond supported by the accelerated growth in the senior population, the lack of new construction, shortages of long-term care accommodation, and the obsolescence of some of the existing inventory.

I am proud of our teams' successes in 2023 and grateful to them for their dedication to our residents, their loved ones, and for the support and encouragement they provide to each other. There is significant embedded potential value in our unique property portfolio and leading national management platform. The dedication and drive of our people give me confidence that we will realize this embedded value and deliver long-term, sustainable value for all our stakeholders for many years to come.


Thank you for your support,

A handwritten signature in black ink, appearing to read "V. Volodarski". The signature is fluid and cursive, written in a professional style.

Vlad Volodarski,  
Chief Executive Officer

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

# Chartwell's ESG Report - 2023



**SHINING A LIGHT ON SUSTAINABLE FUTURE THROUGH LED RETROFIT PROJECTS**

In 2023, we continued our transformative journey to significantly enhance the living spaces of our residents while simultaneously reducing our environmental footprint. We focused on energy conservation, emission reductions, and the promotion of a greener standard of living for our communities. To achieve this, we implemented LED lighting retrofits at two of our residences—Chartwell Oak Park Lasalle in Windsor, ON, and Chartwell Royalcliff in London, Ontario.

By exclusively utilizing products with Energy Star or DLC (DesignLights Consortium) certifications, we aimed to utilize lighting solutions that meet the highest standards of energy efficiency and performance.

**UNVEILING THE IMPACTS TO ENERGY CONSERVATION AND SUSTAINABILITY**

Sustainability Metrics	Chartwell Oak Park Lasalle	Chartwell Royalcliff
Total Annual Energy Saved	\$7,715.15	\$45,653.37
KWh Saved Annually	42,751	282,306
Greenhouse Gas Reductions Equivalent	6.6 passenger cars not driven for a year or 3,409 gallons of gasoline saved	43.5 passenger cars not driven for a year or 22,511 gallons of gasoline saved

These figures represent a significant reduction in electricity consumption, correlating to reduced demand on energy resources and a decline in greenhouse gas emissions from power plants. The kWh savings indicate a substantial decrease in energy usage, directly contributing to a lower carbon footprint for our residences.

The greenhouse gas reductions, demonstrated by the fewer number of passenger cars on the road and gallons of gasoline saved, underscore our active and increasing role in combating climate change.

**REDUCE, REUSE & RECYCLE**

Purchasing sustainable products, building relationships with environmentally and socially sustainable vendors, and cultivating a culture where sustainable purchasing is the norm are all critical components of a socially and environmentally sustainable purchasing program.

**FRESH LOCAL INGREDIENTS**


Chartwell has increased its supply of produce from local Canadian farmers so our residents can enjoy produce harvested at the peak of its freshness and nutritional value, while directly supporting local industries and farmers, who employ regionally appropriate, ethical, and environmentally conscious production methods:

- Fresh Dairy:** 100% Canadian in each province through our partnership with Agropur.
- Fresh Bread:** 100% Canadian in each province through our partnership with Weston Bakeries.
- Fresh Produce:** 25% sourced locally in-season between April-October and 70% sourced locally during peak summer season.
- Beef and Poultry:** 80% of Poultry and Beef served at our residences is sourced in Canada.

By increasing the proportion of food sourced locally, we effectively reduce the distances that produce, dairy, and meats must travel from farm to table. This strategic localization of our supply chain substantially reduces greenhouse gas emissions associated with long-haul transportation—including trucking and refrigeration—reducing our carbon footprint.

**BIODEGRADABLE PPE**

Chartwell used grade A surgical Canadian made biodegradable masks that are made of polylactide, sourced from eco-friendly cornstarch and straw for our staff. In addition to reducing its carbon footprint relating to shipping, Chartwell also diverted waste.



**427,000 BIODEGRADABLE MASKS SHIPPED TO RESIDENCES IN 2023**

5,337 pounds of waste diversion

**CERTIFIED REFORESTATION EFFORTS**

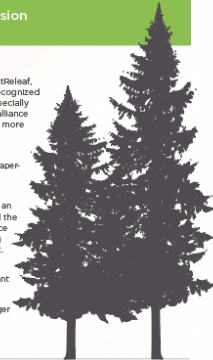
Chartwell has taken an important step forward by partnering with PrintReleaf, a sustainability platform verified by SGS International and a globally recognized leader in inspection, verification, testing, and certification services, especially concerning environmental and sustainability initiatives. This strategic alliance specifically targets the reduction of our carbon footprint and fosters a more sustainable interaction with our planet's scarce resources.

Through PrintReleaf, we ensure that for every unit of paper used in our operations—particularly in marketing operations, which is traditionally a paper-intensive area—we contribute directly to certified reforestation efforts.

PrintReleaf's platform enables Chartwell to measure our total paper consumption accurately and automatically translates that amount into an equivalent number of trees to be replanted in deforested areas around the world. These reforestation projects are carried out with strict adherence to sustainability standards, fully verified by SGS International, ensuring that our contributions result in tangible, positive environmental impact.

Since the initiation of our partnership with PrintReleaf, Chartwell has successfully offset 4,342,740 pages of paper—representing a significant portion of our paper consumption—through the planting of 521 trees.

In practical terms, our efforts translate into a healthier planet and a stronger commitment to preserving the environment for future generations.



Chartwell Environmental Social Governance Report 2023 45



ENVIRONMENTAL SOCIAL GOVERNANCE



2023  
**ESG**  
REPORT

April 15, 2024

View our full ESG Report at:  
[INVESTORS.CHARTWELL.COM/  
 COMPANY-PROFILE](https://investors.chartwell.com/company-profile)

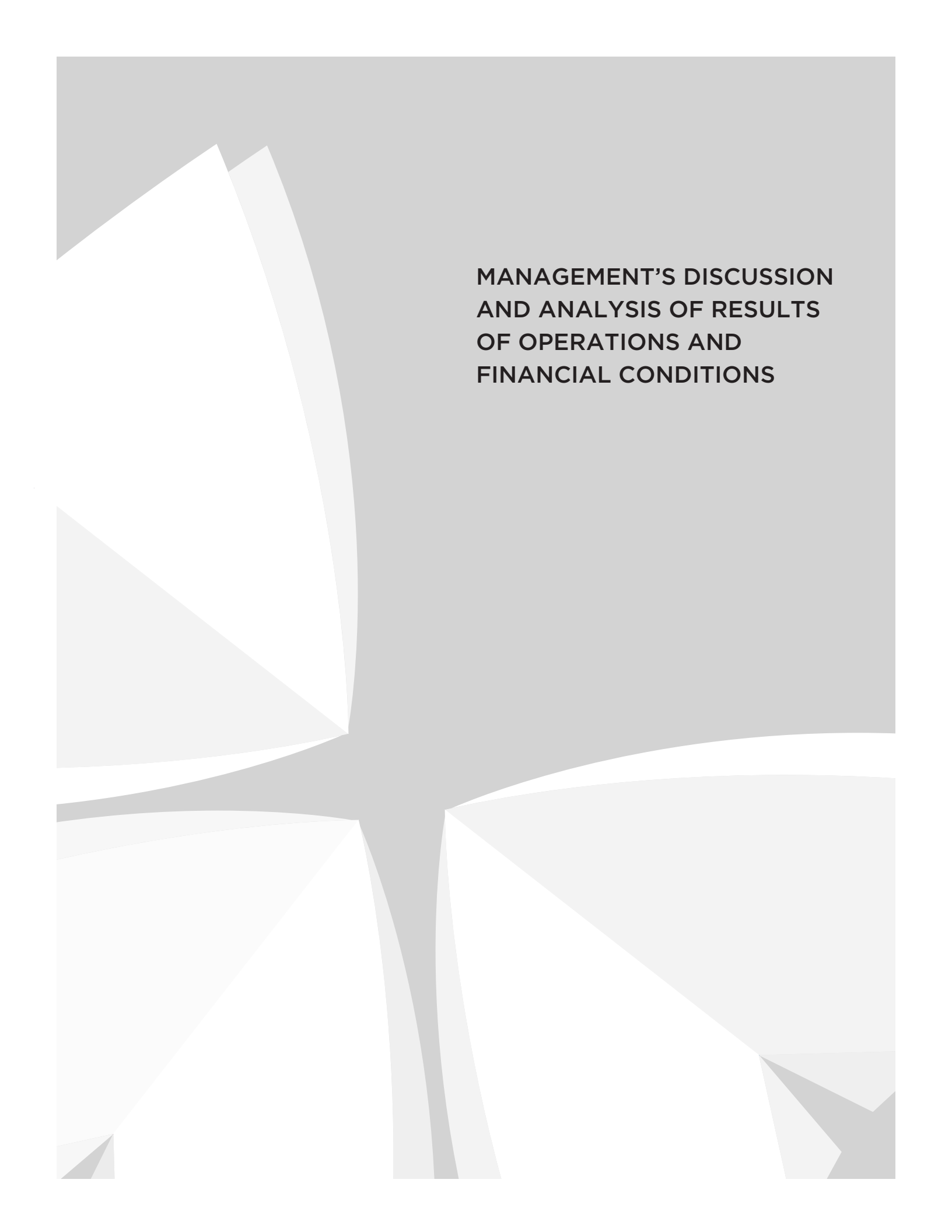
# FINANCIAL REPORT

For the Year Ended December 31, 2023

# Contents

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

<b>Business Overview</b>	<b>3</b>	<i>Supporting Covenant Calculations</i>	40
<b>Business Strategy</b>	<b>6</b>	Total Equity	43
<b>2024 Outlook</b>	<b>9</b>	<i>Distributions</i>	43
<b>Significant Events</b>	<b>12</b>	<b>Capital Investments</b>	<b>45</b>
<b>Joint Arrangements</b>	<b>16</b>	<b>Balance Sheet Analysis</b>	<b>46</b>
<b>Consolidated Results of Operations</b>	<b>18</b>	<b>Commitments and Contingencies</b>	<b>47</b>
Net Income/(Loss)	18	<b>Summary of Select Financial Information</b>	<b>48</b>
FFO	19	<b>Additional Information on Non-GAAP Measures</b>	<b>50</b>
Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses Adjusted Operating Margin and Adjusted NOI	20	<b>LTC Discontinued Operations</b>	<b>56</b>
Results of Retirement Operations	22	<b>Critical Accounting Policies and Estimates</b>	<b>58</b>
Interest Income	25	<b>Related Party Transactions</b>	<b>60</b>
General, Administrative and Trust Expenses	26	<b>Controls and Procedures</b>	<b>60</b>
Finance Costs	26	<b>Risks and Uncertainties and Forward-Looking Information</b>	<b>61</b>
Other Income/(Expense)	27	<b>Supplemental Information</b>	<b>72</b>
Other Items	28		
<b>Cash Flow Analysis</b>	<b>29</b>	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>Liquidity and Capital Resources</b>	<b>30</b>	<b>Management's Responsibility for Financial Statements</b>	<b>76</b>
Liquidity	30	<b>Independent Auditors' Report</b>	<b>77</b>
Debt	30	<b>Consolidated Balance Sheets</b>	<b>81</b>
Financial Covenants	34	<b>Consolidated Statements of Net Income and Comprehensive Income</b>	<b>82</b>
<i>Credit Facilities and Term Loans</i>	36	<b>Consolidated Statements of Unitholders' Equity</b>	<b>83</b>
<i>Debentures</i>	38	<b>Consolidated Statements of Cash Flows</b>	<b>84</b>
		<b>Notes to Consolidated Financial Statements</b>	<b>86</b>



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS OF RESULTS  
OF OPERATIONS AND  
FINANCIAL CONDITIONS**

## ***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, 2023. This MD&A should be read in conjunction with Chartwell’s audited consolidated financial statements for the years ended December 31, 2023 and 2022, and the notes thereto (the “Financial Statements”). This material is available on Chartwell’s website at [www.investors.chartwell.com](http://www.investors.chartwell.com). Additional information about Chartwell, including our Annual Information Form for the year ended December 31, 2023, dated March 7, 2024 (the “AIF”), can be found on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).

The discussion and analysis in this MD&A is based on information available to management as of March 7, 2024.

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 residences and the third-party management business of Chartwell. The direct ownership of such residences and operation of such business is conducted by subsidiaries of the Trust.

In this document we refer to joint ventures as defined by IFRS Accounting Standards 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; “2023” refers to the calendar year 2023; “2022” refers to the calendar year 2022, “2021” refers to the calendar year 2021; “2020” refers to the calendar year 2020.

Unless otherwise indicated, all comparisons of results for 2023 and Q4 2023 are in comparison to results from 2022 and Q4 2022, respectively.

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

In this document we use a number of performance measures that are not defined in generally accepted accounting principles (“GAAP”) which follow the disclosure requirements established by National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosures (effectively, the “Non-GAAP Measures”), to measure, compare and explain the operating results and financial performance of the Trust.

These Non-GAAP 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 Funds from Operations (“FFO”), and Adjusted Funds from Operations (“AFFO”), the “REALPAC Guidance”. Our FFO definition is substantially consistent with the definition adopted by REALPAC. Refer to the “Additional Information on Non-GAAP 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. 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.

Specified financial measures are categorized as non-GAAP financial measures, non-GAAP ratios, supplementary financial measures and capital management measures as follows:

### **Non-GAAP Financial Measures**

FFO, FFO for continuing operations, Total FFO, FFO from LTC Discontinued Operations, FFO for Equity-Accounted JVs, and Internal Funds from Operations, (“IFFO”), IFFO for continuing operations, Total IFFO, IFFO from LTC Discontinued Operations, Adjusted Funds from operations (“AFFO”) including per unit amounts (“PU”), Earnings before interest, tax, depreciation and amortization (“consolidated EBITDA” or “EBITDA”), Adjusted Resident Revenue, Adjusted Direct Property Operating Expense, Adjusted Operating Margin, Consolidated Interest Expense, Adjusted Consolidated Gross Book Value of Assets, Book value of assets, Gross book value adjustment on IFRS transition, Adjustment for accumulated depreciation and amortization, Aggregate Adjusted Assets, Payment of cash distributions and Amortization of finance costs and fair value adjustments on assumed mortgages, Finance cost reserve, and Proforma adjustments.

### **Non-GAAP Ratios**

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, Net Debt to Adjusted EBITDA Ratio, Payment of Cash Distributions, Expected Unlevered Yield, and Coverage Ratio.

### **Supplementary Financial Measures**

Net Operating Income (“NOI”), Adjusted NOI, Adjusted Development Costs, Lease-up-Losses, Estimated Stabilized NOI, Unencumbered Property Asset Value and Unencumbered Aggregate Adjusted Assets.

### **Capital Management Measures**

Liquidity, Imputed Cost of Debt, Total Equity, Regularly Scheduled Debt Principal Payments, Consolidated Indebtedness, Secured Indebtedness, Unsecured Indebtedness, and Investment Restrictions.

Refer to the “Additional Information on Non-GAAP Measures”, “Consolidated Results of Operations – FFO”, “Significant Events – Development – Expected Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Debt”, “Consolidated Results of Operations – Adjusted Resident Revenue, Adjusted Property Operating Expense, Adjusted Operating Margin, and Adjusted NOI” and “Liquidity and Capital Resources – Financial Covenants” sections of this MD&A for details on these measures.

### **Risks and Uncertainties**

Refer to the “Risks and Uncertainties” section of this MD&A, and our AIF, 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, forecasts 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 70 of this MD&A.

## 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.

<b><i>Our Vision</i></b>	Making People’s Lives BETTER
<b><i>Our Mission</i></b>	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.
<b><i>Our Values</i></b>	<b>Respect</b> – We honour and celebrate seniors <b>Empathy</b> – We believe compassion is contagious <b>Service Excellence</b> – We believe in providing excellence in customer service <b>Performance</b> – We believe in delivering and rewarding results <b>Education</b> – We believe in lifelong learning <b>Commitment</b> – We value commitment to the Chartwell family <b>Trust</b> – We believe in keeping our promises and doing the right thing
<b><i>Our Portfolio</i></b>	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 residences across the continuum of care, all of which are located in Canada.

We provide resident services and care in the following settings:

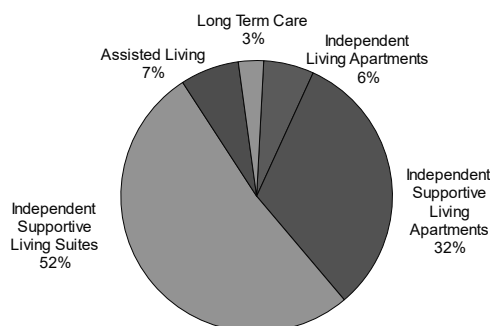
<b>Independent Living Apartments (“IL”)</b>	Apartments / townhouses/ bungalows/ with full kitchens, availability of dining, life enrichment and housekeeping services.
<b>Independent Supportive Living – Apartments (“ISLA”)</b>	Apartments/ townhouses/ bungalows/ with full kitchens, with availability of dining, life enrichment, housekeeping, personal assistance, and care services.
<b>Independent Supportive Living – Suites (“ISLS”)</b>	Suites with availability of dining, life enrichment, housekeeping, personal assistance, and care services.
<b>Assisted Living (“AL”)</b>	Suites with a base level of personal assistance services and/or personal care services for persons with Alzheimer’s disease or other forms of dementia included in the base fee, located in a separate/secure wing, floor or building. Additional care services may be added on top of base fee.
<b>Long Term Care (“LTC”)</b>	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

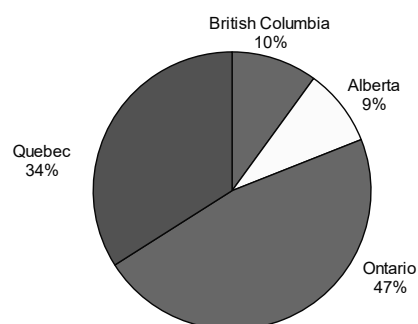
The following presents the composition of our owned and managed portfolio of residences in our Retirement Operations at December 31, 2023:

	Owned			Managed	Total
	100% Owned	Partially Owned <sup>(1)(2)</sup>	Total Owned	Total Managed <sup>(3)</sup>	
Residences	111	49	160	9	169
Suites/Beds	14,434	9,496	23,930	2,471	26,401

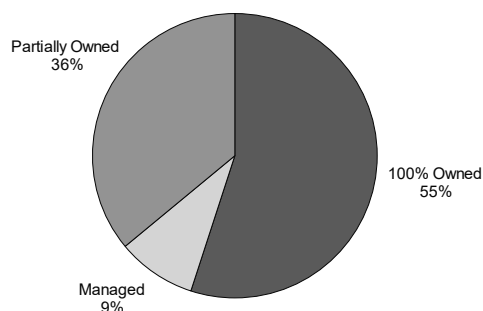
Level of Care <sup>(4)(5)</sup>



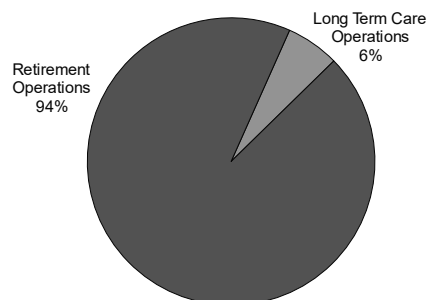
Geographic Location <sup>(5)</sup>



Ownership Interest <sup>(2)</sup>



Adjusted NOI by Operating Segment <sup>(4)(5)(6)</sup>



- (1) Includes 39 residences (8,074 suites) that are part of the Welltower Transaction agreement. Refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.
- (2) We have a 42.5% ownership interest in three residences (909 suites), a 45% ownership interest in one residence (332 suites), a 50% ownership interest in 41 residences (7,669 suites), a 60% ownership interest in one residence (165 suites) and an 85% ownership interest in three residences (421 suites).
- (3) Includes two residences (314 suites) that are managed for Welltower. Refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.
- (4) On September 6, 2023, we closed on the previously announced sale of our Long Term Care Operations in Ontario. Refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.
- (5) Based on Chartwell's share of ownership interest at December 31, 2023.
- (6) Adjusted NOI % represents Chartwell's share of ownership interest for the 12 months ended December 31, 2023.

## Property Portfolio Groupings

We use groupings of our properties to evaluate and monitor our financial and operating performance. Our portfolio groupings are: same property, growth, and repositioning.

The supplemental disclosures of these portfolio groupings are Non-GAAP Measures that do not have standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures used by other issuers. In addition to the definition for these portfolio groupings, the following includes the composition of each portfolio for the current reporting period.

### Same Property Portfolio

Our same property portfolio includes properties that have been owned continuously since the beginning of the previous fiscal year. To improve comparability, our same property portfolio excludes development properties that have not yet achieved 90% occupancy by January 1 of the preceding fiscal year, properties that are expected to be sold in the current or next fiscal year, and properties that are undergoing a significant redevelopment or repositioning.

The following table summarizes the composition of our same property portfolio as at December 31, 2023:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations <sup>(1)</sup>	101	12,866	12,551

(1) Excludes 38 properties (7,902 suites) that are part of the Welltower Transaction agreement; refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

### Growth Portfolio

Our growth portfolio, previously acquisitions and development portfolio, includes properties that were acquired subsequent to January 1 of the preceding fiscal year and development properties that have not yet achieved 90% occupancy by January 1 of the preceding fiscal year. Consequently, the previous fiscal year's results are not fully comparable for these properties. Additionally, our growth portfolio includes properties for which we will acquire incremental ownership interest in the current or next fiscal year.

The following table summarizes the composition of our growth portfolio as at December 31, 2023:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations <sup>(1)</sup>	29	5,508	3,519

(1) Includes 16 properties (3,480 suites) in which we will acquire Welltower's interests, and excludes one property (172 suites) moved to the repositioning portfolio under the terms of the Welltower Transaction agreement; refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

### Repositioning Portfolio

Our repositioning portfolio, previously dispositions and repositioning portfolio, includes properties that we expect to sell in the current or next fiscal year, and properties that are undergoing a significant redevelopment or repositioning, including in some cases changes in capacity or use.

The following table summarizes the composition of our repositioning portfolio as at December 31, 2023:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations <sup>(1)(2)</sup>	30	5,556	3,191

(1) Includes three properties (358 beds) which were previously reported in Long Term Care Operations that are now monitored and reported with our Retirement Operations, and one property (61 suites) which we have subsequently sold on February 1, 2024; the suites of which were removed from our available capacity effective January 1, 2023 and accordingly are not included in the suite count.

(2) Includes 23 properties (4,594 suites) in which we will sell our interests to Welltower under the terms of the Welltower Transaction agreement; refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

# 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.”

Objectives:

We believe that only **highly engaged employees** will deliver the exceptional resident experiences fulfilling our vision of Making People’s Lives Better and driving 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 local 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. IFFO is a non-GAAP measure. 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 50 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.

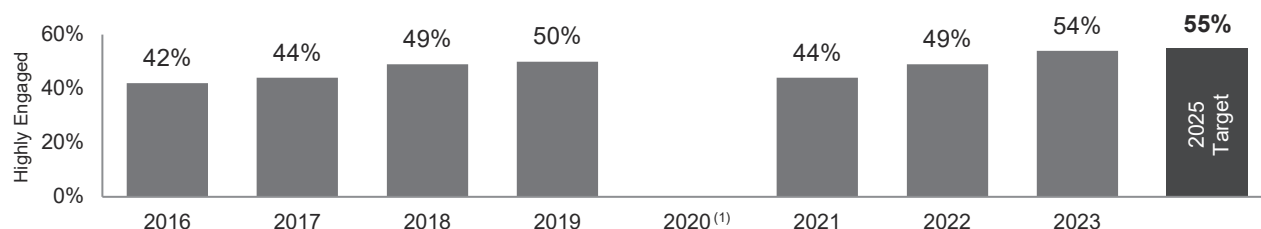
The following highlights the progress made in 2023 on the key components of our business strategy:

### Employee Engagement

Our annual employee engagement survey includes 25 core engagement statements. In addition, for the second year we added specific statements with respect to diversity of our employees and their perception of inclusivity at Chartwell.

In 2023, in our retirement residences we achieved a score of 54% of employees indicating high engagement (‘Strongly Agree’ responses). Our combined ‘Agree’ and ‘Strongly Agree’ score was 84% in 2023 compared to 81% in 2022.

The following chart summarizes historical employee engagement survey results for our retirement residences:



(1) In 2020, a modified survey was conducted; therefore, the 2020 result is not comparable to prior periods and it has not been presented.

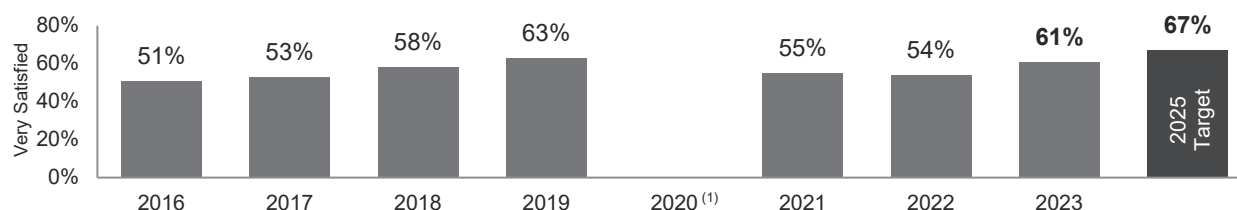
## Resident Satisfaction

Our annual resident satisfaction survey includes 38 statements covering various aspects of resident experience at Chartwell with the overall score determined by the average of ‘Strongly Agree’ responses to the following three statements:

- 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 2023, 61% of the survey respondents indicated their high satisfaction (‘Strongly Agree’ responses), surpassing our 2022 results by seven percentage points. Our combined score of residents who ‘Agree’ and ‘Strongly Agree’ with the survey statements was 87% in 2023 compared to 84% in 2022.

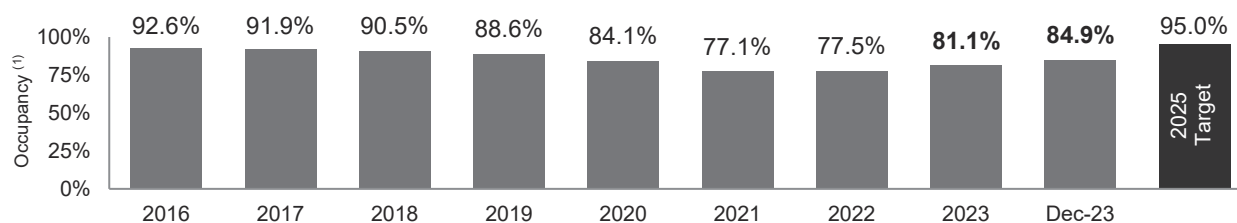
The following chart summarizes historical resident satisfaction survey results for our retirement residences:



(1) In 2020, a modified survey was conducted; therefore, the 2020 result is not comparable to prior periods and it has not been presented.

## Occupancy

The following chart summarizes our same property occupancy for our Retirement Operations:



(1) The same property occupancy numbers are as reported, and the composition of the same property portfolio is not the same year-over-year.

In 2023, we achieved strong occupancy growth from 79.7% in December 2022 to 84.9% in December 2023. Refer to the “2024 Outlook – Retirement Operations” section on page 9 of this MD&A for details.

## **Agile, Scalable Management Platform**

We are building on the strength of our management platform to become a more agile and scalable organization to support growth of our portfolio successfully and profitably in the future. We believe this will be achieved through further empowerment of our residences' leaders and front-line employees and the streamlining of our corporate support functions to provide more targeted and timely assistance to our residences' teams. In 2023, we continued with the implementation of the re-aligned corporate support functions to better support the needs of our residences. We streamlined many of our corporate processes and invested in our technology platforms to enable faster information sharing, decision making, and improved focus. New technology introduced in 2023 included: enhanced business intelligence capabilities, the roll-out of an electronic health records platform, an integrated recruitment system, a workforce management tool, a new website, and marketing automation systems, among others. We also focused our sales and marketing to support local and targeted strategies for each of our residences. In addition, we implemented new operating programs for smaller residences to enhance personalization of services to the residents in these homes in a more cost-effective manner.

## **Portfolio Optimization and Asset Management**

We accelerated the execution of our portfolio optimization strategy to become a focused operator of mid-market and upscale residences in urban and suburban areas. In 2023, we completed the sale of our Ontario LTC portfolio, and the divestiture of three non-core properties with another non-core property sold in February 2024. In addition, we announced the wind-up of our joint arrangements with Welltower Inc ("Welltower"). Refer to the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

As we continue to improve our portfolio, several other residences are currently under review for the development and execution of property-specific strategies which may include service model changes, capital upgrades, asset class repositioning, or dispositions. Our operations team has been reorganized to create a specialized team charged with oversight of certain properties which require more complex operating strategies.

## **Growth**

The rise in both construction costs and our cost of capital has resulted in a slowdown in our development and acquisition activities in recent years. As these costs moderate, we expect to pursue growth opportunities in new developments and through acquisitions. We believe that our national management platform will continue to be our competitive advantage in pursuing these growth opportunities. We also have a number of potential acquisition opportunities of newly developed residences through our partnership with Batimo, Inc ("Batimo") in Quebec and continue to evaluate a number of development opportunities on lands we control. We are also working to build new relationships with reputable developers and investors to avail ourselves of future growth opportunities that are complementary to our portfolio.

## 2024 Outlook

Our 2024 outlook is based on the continuation of the favourable industry dynamics that benefitted the seniors housing sector in 2023. We expect strong demand for our services driven by demographic growth of the senior population, slower pace of construction activity, continuing shortages of long term care beds and obsolescence of some of the existing inventory. We expect these favourable conditions to support occupancy and revenue growth in our portfolio in 2024.

We expect continued moderation of inflation and interest costs in 2024, positively impacting our operating and financing costs.

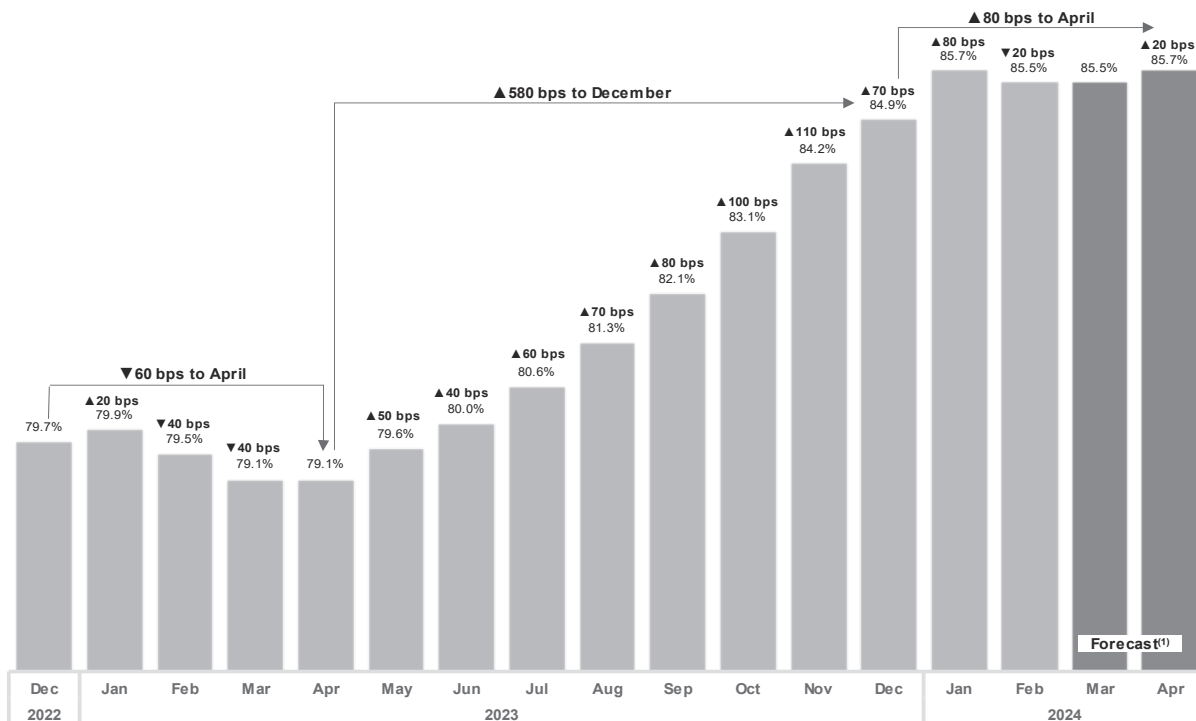
Our revenues and cost structure will further benefit from the ongoing investments we are making in our management platform including our sales and marketing strategies, technology capabilities and empowerment of our front-line leaders.

## Retirement Operations

In our same property portfolio, we achieved a blended rental and service rate increase of 4.5% in 2023. In 2024 we expect this rate to grow by approximately 5%. Rate increases to our existing residents will take place throughout the year based on individual lease anniversary dates. Market rates are being assessed on an ongoing basis considering local dynamics. We expect to continue to use targeted incentives in select markets to support sustainable occupancy growth. We expect the use of these incentives to decline and growth of market rates to accelerate once properties achieve stabilized occupancy levels in line with our 2025 target of 95%.

We increased our same property occupancy by 520 basis points (“bps”) in 2023. We anticipate continuing occupancy growth in 2024 supported by the favourable market conditions and execution of our proven sales and marketing strategies.

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



(1) Forecast includes leases and notices as at February 29, 2024, and an estimate of mid-month move-ins of 30 bps for March and 50 bps for April, based on the preceding 12-month average of such activity.

Due to seasonally lower move-in activity, we have historically experienced declines in occupancy from December to April. The three-year average for 2017, 2018, and 2019 (the “pre-pandemic average”) decline in our same property portfolio occupancy from December to April was 180 bps compared to a 60 bps decline in 2023. February 2024 same property occupancy was 85.5% and we expect April 2024 occupancy to be 85.7%, an increase of 80 bps from December 2023.

For our combined same property and growth portfolios, the annual revenue impact of a one percent change in rate and service fees is estimated at approximately \$6.8 million and a one percentage point change in occupied suites is estimated at \$8.4 million.

As a result of the trends discussed above and inflationary increases in our adjusted direct property operating expenses, in 2024 we expect adjusted operating margin in our same property portfolio to increase to approximately 38% from 34% in 2023. Adjusted operating margin is adjusted NOI divided by adjusted resident revenue.

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

In 2023, our G&A expenses were impacted by higher unit-based compensation due to the increase in trading price of our Trust Units, the CFO transition costs, and higher performance-based incentive compensation. As we continue building an agile and scalable operating platform through the implementation of new technology solutions and reimagining our corporate support processes, we expect to achieve reductions in our G&A expenses. We expect these cost reductions will offset the reduction in management fees associated with the wind-up of our joint arrangements with Welltower. As a result of these changes, we will incur restructuring costs in 2024.

## **Development**

Our development activities have slowed down in the last several years due to the rapid increases in construction and financing costs as well as the impact of the pandemic. We have several development projects in planning stages on the lands we already own. We expect to begin developing these sites once conditions improve and these developments become more economically feasible. We also expect to partner with reputable developers in order to gain access to attractive sites in strong markets.

## **Acquisitions**

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 2,417 suites currently in various stages of lease-up and construction in the province of Quebec. 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 occupancy threshold (defined as 90% occupancy for two consecutive months). As of the date of this MD&A, Batimo has exercised its put option on two of the projects – Chartwell Trait-Carré and Chartwell Le Prescott. Refer to the “Significant Events – Projects by Batimo” section on page 13 of this MD&A for details.

We continue to source and evaluate other acquisition opportunities in line with our growth strategies.

## **Portfolio Optimization**

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

A detailed discussion on transactions undertaken as part our portfolio optimization strategy is provided in the “Significant Events – Portfolio Optimization” section on page 15 of this MD&A.

## Taxation

In 2023, 27.9% of our distributions were classified as return of capital and 72.1% of our distributions were classified as eligible dividends. The eligible dividends are primarily due to the taxable capital gains on the LTC Transactions (as described in the “Significant Events – Portfolio Optimization” section on page 15 of this MD&A) which resulted in specified investment flow through (“SIFT”) tax payable of \$27.2 million for the 2023 taxation year.

Based on our current expectations, the Welltower Transaction (as described in the “Significant Events – Portfolio Optimization” section on page 15 of this MD&A) will result in SIFT taxes payable of approximately \$6.8 million in 2024. Based on current forecasts, we do not expect any other SIFT payable in 2024.

## Liquidity and Financing

As at March 7, 2024, liquidity amounted to \$368.4 million, which included \$32.4 million of cash and cash equivalents and \$336.0 million of available borrowing capacity on our Credit Facilities.

We finance our operations primarily through long-term fixed-rate mortgage debt and generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation (“CMHC”). We intend to continue financing our properties through this program including accessing CMHC’s mortgage financing top-up programs and, for those properties operating at high occupancy levels, converting conventional mortgages to CMHC debt and placing mortgages on certain currently unencumbered properties. In 2024, we have \$181.6 million of mortgage debt maturing at the weighted average interest rate of 3.14%. We also have a \$125.0 million term loan maturing in May 2024. We expect to refinance or repay this loan with proceeds from the sale of our non-core assets.

As at the date of this MD&A, 10-year CMHC-insured mortgage rates are estimated at approximately 4.3% and five-year conventional mortgage financing is available at approximately 5.4%.

The following table shows the incremental and annualized effect of a 1.0 percentage point change in interest rates for 2024 and 2025 fixed-rate debt maturities:

(\$000s)	2024 Maturities			2025 Maturities		
	Maturity Principal Payment	Incremental Change <sup>(1)</sup>	Annualized Effect <sup>(2)</sup>	Maturity Principal Payment	Incremental Change <sup>(1)</sup>	Annualized Effect <sup>(2)</sup>
Fixed-rate mortgage renewals	181,637	683	1,816	61,849	344	618
Term Loans	125,000	731	1,250	-	-	-
Debentures	-	-	-	150,000	1,398	1,500
Total	306,637	1,414	3,066	211,849	1,742	2,118

(1) Incremental change represents a 1.0 percentage point change in interest rates effective at maturity date for the year of maturity.

(2) Annualized effect represents a 1.0 percentage point change in interest rates assuming the related debt instrument matured January 1 of the year.

In addition, as at December 31, 2023, we have \$70.0 million of variable-rate debt outstanding in respect of which a 1.0 percentage point change in interest rates would result in \$0.7 million of change in interest expense per annum.

## Significant Events

In addition to the items discussed in the “2024 Outlook” section of this MD&A, the following events have had a significant effect on our financial results in 2023 and/or may be expected to affect our results in the future:

### Development

#### **Expected 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 measure ‘Expected Unlevered Yield’. Expected Unlevered Yield should not be construed as an alternative to other GAAP metrics and may not be comparable to measures used by other entities.

Expected 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 Developments**

The following table summarizes development projects that were completed since January 1, 2023:

Project	Location	Suites / Beds	Suite Type	Chartwell Ownership Interest	Operations Start Date	Current Occupancy <sup>(1)</sup>	Estimated Adjusted Development Costs <sup>(2)(3)(4)</sup> (\$millions)	NOI <sup>(2)(5)</sup> (\$millions)	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy	Estimated Stabilized NOI <sup>(2)(4)</sup> (\$millions)	Expected Unlevered Yield <sup>(4)</sup>
Chartwell Ridgepointe Retirement Residence	Kamloops, BC	90	IL	100%	Q4 2023	30.4%	33.0	(0.5)	Q2 2025	95%	2.3	7.0%

(1) As of February 29, 2024.

(2) Calculated at Chartwell’s ownership interest in the project.

(3) As at December 31, 2023, includes actual Adjusted Development Costs incurred of \$30.4 million.

(4) Non-GAAP; please refer to the preamble to this section for the definition of this metric and discussion of its significance.

(5) For the 12 months ended December 31, 2023.

## Developments in Construction

The following table summarizes development projects that are in construction:

Project	Location	Suites / Beds	Suite Type	Estimated Development Cost <sup>(1)</sup> (\$ millions)	Estimated Lease-up-Losses and Imputed Cost of Debt <sup>(1)(2)</sup> (\$millions)	Estimated Adjusted Development Costs <sup>(1)(3)</sup> (\$millions)	Adjusted Development Costs <sup>(1)(2)</sup> incurred as at December 31, 2023 (\$millions)	Estimated Adjusted Development Costs to Completion <sup>(4)</sup> (\$millions)	Expected Completion Date	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy	Estimated Stabilized NOI <sup>(1)(2)</sup> (\$millions)	Expected Unlevered Yield <sup>(2)</sup>
Chartwell Ballycliffe LTC <sup>(5)</sup>	Ajax, ON	224	LTC	55.5	5.4	60.9	56.8	4.1	Q2 2024	Q2 2024	N/A	N/A	N/A

(1) Calculated at Chartwell's ownership interest in the project.

(2) Non-GAAP; refer to the preamble to this section for the definition of this metric and the discussion of its significance.

(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, 2023.

(5) Redevelopment of the existing 100-bed Class C LTC to a 224-bed LTC home. The existing LTC operations are continuing 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 \$10.1 million, payable at substantial completion. On March 31, 2022, we entered into a forward sale contract for this property as part of the sale of the long term care platform as described in the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

## 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 in the province of Quebec. Batimo carries out development activities and we provide certain operations 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 occupancy threshold, defined as 90% occupancy for two consecutive months (the "Batimo Option"). The purchase price is based on Fair Market Value ("FMV"), determined by the appraisal mechanism described in such agreements. For Chartwell Le Prescott, Chartwell Le Montcalm, Chartwell L'Envol and Chartwell Trait-Carré properties, the Batimo Option is for a five-year period commencing when the related property achieves the occupancy threshold. Upon expiry of the Batimo Option, we have a two-year option to require Batimo to sell an 85% interest in these properties at 99% of FMV.

We have revised the terms of our arrangement to provide for Batimo's put rights to be for a two-year period instead of five ("Batimo Option 2.0") for certain projects. Upon expiry of the Batimo Option 2.0, we have a one-year option instead of two to acquire an 85% interest in the property at 99% of FMV. Three projects, Le Florilège, L'Aubier, and Résidence Légende (formerly known as Chartwell Greenfield Park), are subject to this arrangement.

Chartwell Trait-Carré, Chartwell Le Montcalm, Chartwell Le Prescott, and Chartwell L'Envol have achieved the occupancy threshold giving effect to the Batimo put rights. During Q2 2023, Batimo exercised its put right to require Chartwell to acquire an 85% interest in the 361-suite Chartwell Trait-Carré residence located in Quebec City. Occupancy at the property is currently 96.0%. Based on negotiations and appraisals completed to date, we expect to pay approximately \$85.0 million for an 85% interest in the property and expect to close on the acquisition in Q2 2024. During Q4 2023, Batimo exercised its put right to require Chartwell to acquire an 85% interest in the 324-suite Chartwell Le Prescott in Vaudreuil. Occupancy at the property is currently 95.8%. We estimate the current value of this residence at 100% ownership interest to be approximately \$85.0 million. Batimo has not exercised its put rights with respect to the other two properties. We estimate the current value of Chartwell Le Montcalm and Chartwell L'Envol at approximately \$150.0 million at 100% ownership interest.

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

Project	Location	Suites	Suite Type	Current Project Status <sup>(1)</sup>	Actual / Expected Completion Date	Current Occupancy <sup>(2)</sup>	Actual / Expected Stabilized Occupancy Date
Chartwell Le Prescott	Vaudreuil, QC	324	ISLA	O	June 2017	95.8%	Q4 2023
Chartwell Le Montcalm	Candiac, QC	283	ISLA	O	September 2017	97.3%	Q4 2022
Résidence Légende <sup>(3)</sup>	Greenfield Park, QC	368	ISLA / AL	O	June 2019	75.6%	Q3 2024
Chartwell L'Envol	Cap Rouge, QC	360	ISLA / AL	O	September 2019	91.8%	Q4 2023
Chartwell Trait-Carré	Quebec City, QC	361	ISLA / AL	O	February 2021	96.0%	Q3 2022
Le Florilège	Beauport, QC	345	ISLA / AL	O	December 2022	79.9%	Q4 2024
L'Aubier	Lévis, QC	376	ISLA / AL	C	Q1 2024	N/A	Q4 2025
<b>2,417</b>							

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

(2) As of February 29, 2024.

(3) Formerly known as Chartwell Greenfield Park.

On November 1, 2023, we advanced a \$10.0 million loan to Batimo, bearing interest at 15%, maturing on October 31, 2024, secured by third charges on Batimo's interest in two properties and a corporate guarantee. This loan was fully repaid in December 2023.

### Potential Developments on Owned Lands

The following table summarizes additional development opportunities on our owned lands. While a number of these development projects are in advanced stages of pre-construction or feasibility assessments, others have a longer-term development time horizon and, in some cases, may be subject to extensive municipal approval requirements. The land values are recorded in land held for development and properties under development.

Location	Ownership %	Vacant Land Size (acres)	Estimated Potential Number of Suites <sup>(1)</sup>	Book Value of Land (\$millions)
Bowmanville, ON	100%	1.8	114	4.3
Brockville, ON	100%	0.5	54	0.6
Calgary, AB	100%	1.4	384	5.8
Edmonton, AB	100%	2.1	202	3.5
Gatineau, QC	100%	3.4	600	8.6
Gatineau, QC <sup>(2)</sup>	50%	1.5	182	1.3
Morrisburg, ON	100%	1.8	24	-
Nepean, ON	100%	0.5	32	0.6
Oshawa, ON	100%	2.0	201	6.0
Pickering, ON	90%	1.3	415	5.5
Saint-Hyacinthe, QC	100%	0.8	70	0.7
Saint-Jérôme, QC <sup>(2)</sup>	50%	6.0	410	0.5
Surrey, BC	100%	2.6	184	4.9
Victoriaville, QC <sup>(2)</sup>	50%	1.1	66	0.1
Total <sup>(3)</sup>		26.8	2,938	42.4

(1) Numbers of potential suites to be developed are estimates and subject to change based on market conditions and municipal approval processes.

(2) Chartwell's ownership is expected to be 100% upon closing of the Welltower Transaction.

(3) Includes \$21.6 million in land held for development and \$20.8 million in properties under development.

## Portfolio Optimization

On September 6, 2023, we completed the previously announced sale of our Long Term Care Operations in Ontario ("OLTC") to AgeCare Health Services Inc. and its affiliates ("AgeCare") and a fund managed by Axium Infrastructure Inc. and its affiliates ("Axium"). This sale, together, the "LTC Transactions" includes:

- the sale of 16 long term care homes and one retirement residence in Ontario which have been reclassified as discontinued operations ("LTC Discontinued Operations"),
- the transition of management of three owned long term care homes, two of which we will continue to own, with the third being subject to a forward sale contract described below,
- the transition of management of four third-party owned long term care homes, and
- a forward sale contract related to one owned long term care home (100 beds) currently being redeveloped to have 224 beds ("Ballycliffe LTC").

The combined gross sale price for the LTC Transactions, including the forward sale of Ballycliffe LTC, before closing costs, taxes and working capital and other customary adjustments is \$443.2 million.

The gross sale price on September 6, 2023, excluding the forward sale of Ballycliffe LTC, was \$378.7 million. Net proceeds, after property-specific debt, working capital adjustments, transaction costs, and taxes was \$148.9 million which was used to pay down amounts outstanding on our secured credit facility.

Ballycliffe LTC is expected to be sold upon completion of its redevelopment in the first half of 2024. The contracted sale price is \$64.5 million with net proceeds, after transaction costs and taxes, and excluding working capital adjustments to be determined on closing, estimated at \$62.9 million. Either party may terminate the forward purchase agreement if the development is not completed by April 1, 2024. We do not expect to complete construction by that date and as such, may sell the property on different terms. We expect to use the proceeds, subject to market conditions, to pay down debt.

The following table summarizes non-core retirement residences closed to new admissions and sold during 2023:

	Date Closed	Suites removed from available capacity as of January 1, 2023
Chartwell Willowdale Retirement Residence	December 2022	64
Chartwell Riverpark Retirement Residence	February 2023	161
Chartwell Rideau Retirement Residence	July 2023	109
		334

For 2023, closing costs related to the above properties were \$1.6 million of which \$1.1 million was included in NOI.

On March 24, 2023, we completed the sale of Chartwell Kanata Retirement Residence (82 suites) located in Ontario for a sale price of \$5.0 million. A vendor take-back mortgage was extended to the purchaser in the amount of \$3.9 million, bearing an interest rate of 10.0% per annum with a three-year term, and \$0.6 million was provided to the purchaser as income support guarantee.

On August 23, 2023, we completed the sale of Chartwell Rideau Retirement Residence for a sale price of \$17.5 million which was paid in cash.

On November 1, 2023, we completed the sale of Chartwell Willowdale Retirement Residence for a sale price of \$2.3 million. A vendor take-back mortgage was extended to the purchaser in the amount of \$1.8 million, bearing an interest rate of 6.0% per annum with a three-year term. The remaining purchase price was paid in cash.

On November 9, 2023, we entered into a definitive agreement with Welltower to wind-up our existing joint arrangements (the "Welltower Transaction"). Under the terms of the agreement, Chartwell will convey its ownership interest in 23 assets (the "Welltower Assets") to Welltower for consideration of: (i) Welltower's ownership interest in 16 assets (the "Chartwell Assets") and (ii) \$97.2 million in cash. Net proceeds to Chartwell after estimated transaction costs of \$12.2 million and taxes of \$6.8 million are expected to be

approximately \$78.2 million (the "Cash Consideration"). Closing of the transaction, subject to the required regulatory and lender approvals, is expected in Q2 2024 (the "Closing"). On Closing, Chartwell will assume approximately \$140.3 million in debt on the Chartwell Assets, bearing a weighted average interest rate of 2.8% and a weighted average term to maturity of 4.4 years. The net change to total debt on Chartwell's balance sheet will be a reduction of approximately \$51.0 million, before any impact of the Cash Consideration. In addition, two properties (314 suites) 100% owned by Welltower will no longer be managed by Chartwell, and one remaining co-owned property (332 suites) will continue to be operated by Chartwell.

On December 11, 2023, we completed the sale of Chartwell Riverpark Retirement Residence for a sale price of \$13.9 million which was paid in cash.

On February 1, 2024, we completed the sale of Chartwell Bridlewood Retirement Residence (61 suites) located in Ontario which was under a definitive sale contract as of November 27, 2023, for a sale price of \$3.8 million. A vendor take-back mortgage was extended to the purchaser in the amount of \$2.8 million, maturing in February 2027, and bearing an interest rate of 8% per annum for the first two years and 10% per annum for the third year.

## Financing

On April 19, 2023, we entered into amending agreements to extend the maturity date of our Credit Facilities with a combined maximum potential capacity of \$400.0 million from May 29, 2024 to May 29, 2025 with substantially the same terms. Refer to the "Liquidity and Capital Resources – Debt – Credit Facilities" section on page 33 of this MD&A for details of our Credit Facilities.

On August 4, 2023, we entered into an unsecured delayed draw credit facility (the "Facility") with a syndicate of Canadian financial institutions. The Facility had a maximum capacity of \$200.0 million with a maturity date of May 29, 2025. The Facility was available any time prior to December 11, 2023, as required to repay our maturing senior unsecured debentures with a face value of \$200.0 million. This facility was not used and was cancelled prior to December 11, 2023. Refer to the "Liquidity and Capital Resources – Debt – Credit Facilities" section on page 33 of this MD&A for details.

On December 8, 2023, we issued \$250.0 million of 6.000% Series C senior unsecured debentures (the "Series C Debentures") due on December 8, 2026. The net proceeds of the Series C Debentures were used to repay our maturing 3.786% \$200.0 million Series A senior unsecured debentures and for general trust purposes, including amounts outstanding on our Credit Facilities. Refer to the "Liquidity and Capital Resources – Debt – Debentures" section on page 34 of this MD&A for details.

## Credit Rating

On November 28, 2023, DBRS updated the BBB(low) rating of our Issuer Rating and the Senior Unsecured Debentures Rating to a stable trend as described in their report. (Details are available on their website at [www.dbrsmorningstar.com](http://www.dbrsmorningstar.com)).

## 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 as at December 31, 2023:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Joint Arrangement Type	Consolidation Method
<b>Held directly:</b>					
Chartwell-Welltower Landlord ("CWL")	37	7,165	50%	Joint operation	Proportionate
Chartwell Le St-Gabriel Landlord ("CSGL")	1	345	42.5%	Joint operation	Proportionate
Chartwell Le Teasdale I	1	343	42.5%	Joint operation	Proportionate
Chartwell Le Teasdale II	1	221	42.5%	Joint operation	Proportionate
The Sumach by Chartwell	1	332	45%	Joint operation	Proportionate
Batimo	3	421	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	1	415	90%	Joint operation	Proportionate
<b>Held through separate legal entities:</b>					
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

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. In Q4 2023, Welltower purchased Batimo's share. 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 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.

On April 14, 2021, Chartwell and Welltower each acquired a 42.5% interest in Chartwell Le Teasdale II from Batimo, with Batimo retaining the remaining 15% interest in the property. Simultaneously, Chartwell completed the sale of 50% of its 85% interest in Chartwell Le Teasdale I to Welltower. In Q4 2023, Welltower purchased Batimo's share. The real estate and the operations for both properties are directly held by Chartwell and Welltower and are classified as joint operations and are accounted for on a proportionate consolidation basis.

On November 9, 2023, we entered into a definitive agreement with Welltower to wind-up our existing joint arrangements as outlined in the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

Subsequent to December 31, 2023, Welltower extended two loans to us for \$33.3 million and \$40.7 million, respectively, at an interest rate of 6.71% and 6.85%, respectively, as bridge financing for two properties with mortgages maturing in Q1 2024. One of these properties will be sold to Welltower and the associated loan of \$33.3 million related to this property will be settled upon the earlier of February 14, 2025, and the completion of the wind-up. The second loan of \$40.7 million matures on February 15, 2025.

# Consolidated Results of Operations

## Net Income/(Loss)

The following table summarizes select financial measures:

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Resident revenue	179,946	170,467	9,479	687,324	661,029	26,295
Direct property operating expense	118,853	120,672	(1,819)	463,361	464,704	(1,343)
Net income/(loss)	(13,173)	47,463	(60,636)	128,273	49,531	78,742

For 2023, resident revenue increased \$26.3 million or 4.0%, and direct property operating expense decreased \$1.3 million or 0.3%. Refer to the “Results of Retirement Operations” section on page 22 of this MD&A for details.

For 2023, net income was \$128.3 million compared to \$49.5 million in 2022 primarily due to:

- higher gains of \$178.7 million on asset sales from discontinued operations,
  - higher deferred tax benefit and
  - higher resident revenue,
- partially offset by:
- lower gain on disposal of assets included in continuing operations,
  - negative changes in fair values of financial instruments, primarily due to increases in trading prices of our Trust Units,
  - current income tax expense of \$27.2 million primarily due to the sale of the completed LTC Transactions,
  - higher impairment losses,
  - higher G&A expenses, and
  - higher finance costs.

### Fourth Quarter

For Q4 2023, resident revenue increased \$9.5 million or 5.6%, and direct property operating expense decreased \$1.8 million or 1.5%. Refer to the “Results of Retirement Operations” section on page 22 of this MD&A for details.

For Q4 2023, net loss was \$13.2 million compared to net income of \$47.5 million in Q4 2022 primarily due to:

- lower gain on asset sales,
  - negative changes in fair values of financial instruments, primarily due to increases in trading prices of our Trust Units,
  - higher impairment losses,
  - lower income from discontinued operations due to the sale of the completed LTC Transactions, and
  - higher G&A expenses,
- partially offset by:
- higher deferred tax benefit,
  - higher resident revenue, and
  - lower direct operating expenses.

## FFO

FFO, a non-GAAP financial measure, 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 in the REALPAC Guidance. This definition is included in the “Additional Information on Non-GAAP Measures” section on page 50 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 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, 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 Measures” section on page 50 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, FFOPU and Weighted average number of units:

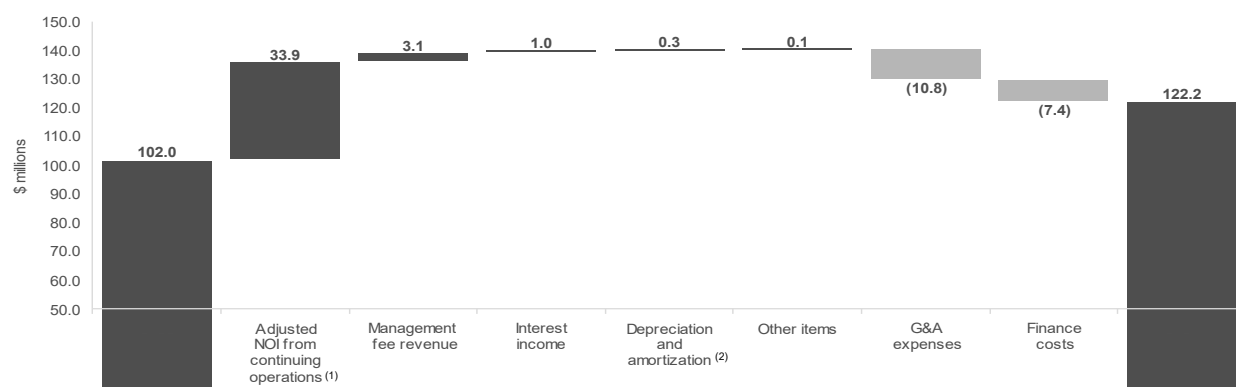
<i>(\$000s, except per unit amounts and number of units)</i>	Q4 2023	Q4 2022	Change	2023	2022	Change
FFO <sup>(1)</sup>						
Continuing operations	39,246	27,744	11,502	122,151	102,013	20,138
Total	39,099	33,357	5,742	133,190	126,917	6,273
FFOPU <sup>(2)</sup>						
Continuing operations	0.16	0.12	0.04	0.51	0.43	0.08
Total	0.16	0.14	0.02	0.55	0.53	0.02
Weighted average number of units (000) <sup>(3)</sup>	243,262	238,831	4,431	241,688	237,402	4,286

(1) Non-GAAP; refer to the “Additional Information on Non-GAAP Measures – FFO” section on page 50 of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

(2) Non-GAAP; refer to the “Additional Information on Non-GAAP Measures – Per Unit Amounts” section on page 55 of this MD&A for a discussion of the calculation of the per unit amounts.

(3) Non-GAAP; refer to “Weighted Average Number of Units” section on page 55 of this MD&A.

For 2023, FFO from continuing operations was \$122.2 million or \$0.51 per unit compared to \$102.0 million or \$0.43 per unit for 2022. 2022 included recoveries of pandemic expenses for preceding years of \$2.4 million compared to \$0.2 million in 2023. The following chart summarizes the change in FFO from continuing operations:



(1) As described in the “Adjusted Resident Revenue, Adjusted Direct Property Operating Expense, and Adjusted NOI” section on page 20 of this MD&A

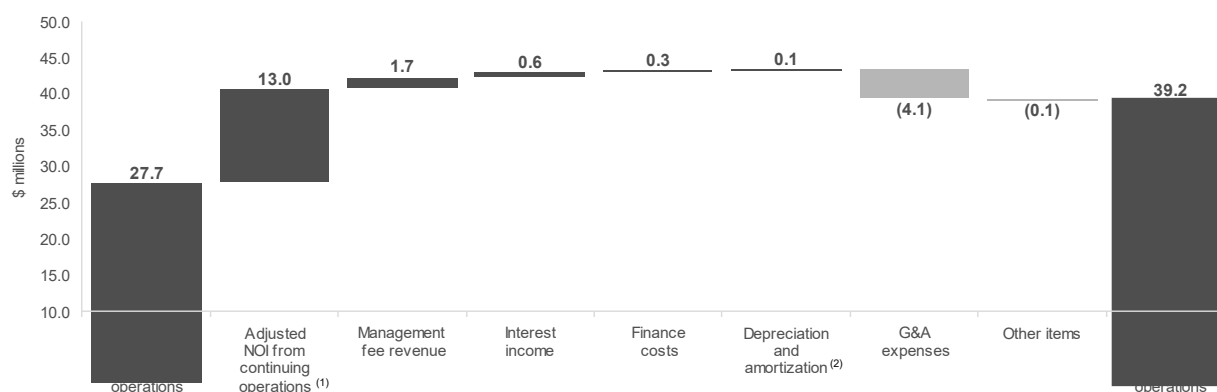
(2) Depreciation of PP&E and amortization of intangibles assets used for administrative purposes.

FFO from continuing operations for 2023 includes \$2.3 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (2022 – \$4.4 million).

Total FFO, which includes results of LTC Discontinued Operations, was \$133.2 million or \$0.55 per unit in 2023, compared to \$126.9 million or \$0.53 per unit in 2022. LTC Discontinued Operations results for 2022 included recoveries of pandemic and other expenses for preceding years of \$6.2 million or \$0.03 per unit for which there was not a comparable amount in 2023.

**Fourth Quarter:**

For Q4 2023, FFO from continuing operations was \$39.2 million or \$0.16 per unit, compared to \$27.7 million or \$0.12 per unit for Q4 2022. The following chart summarizes the change in FFO from continuing operations:



- (1) As described in the “Adjusted Resident Revenue, Adjusted Direct Property Operating Expense, and Adjusted NOI” section on page 20 of this MD&A
- (2) Depreciation of PP&E and amortization of intangibles assets used for administrative purposes.

For Q4 2023, FFO from continuing operations includes \$0.6 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (Q4 2022 – \$1.1 million).

For Q4 2023, Total FFO, which includes results of LTC Discontinued Operations, was \$39.1 million or \$0.16 per unit, compared to \$33.4 million or \$0.14 per unit in Q4 2022.

**Adjusted Resident Revenue, Adjusted Direct Property Operating Expense, Adjusted Operating Margin, and Adjusted NOI**

The tables on the following pages of this section summarize our adjusted resident revenue, adjusted direct property operating expense, adjusted operating margin and adjusted NOI, which are each non-GAAP measures, and also includes supplemental disclosure of our same property portfolio, our growth portfolio, and our repositioning portfolio. The supplemental disclosure of our same property portfolio, our growth portfolio, and our repositioning portfolio are non-GAAP measures 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. 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 are provided in the “Business Overview” section on page 5 of this MD&A.

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 NOI to adjusted NOI from continuing operations and adjusted NOI, and identifies contributions from our same property portfolio, our growth portfolio, and our repositioning portfolio:

(\$000s, except occupancy rates)	Q4 2023	Q4 2022	Change	2023	2022	Change
<b>Resident revenue</b>	<b>179,946</b>	<b>170,467</b>	<b>9,479</b>	<b>687,324</b>	<b>661,029</b>	<b>26,295</b>
<i>Add:</i>						
Share of resident revenue from joint ventures <sup>(1)</sup>	33,159	30,008	3,151	126,765	115,864	10,901
Resident revenue from LTC Discontinued Operations <sup>(2)</sup>	258	64,165	(63,907)	167,326	252,614	(85,288)
<b>Adjusted resident revenue <sup>(3)</sup></b>	<b>213,363</b>	<b>264,640</b>	<b>(51,277)</b>	<b>981,415</b>	<b>1,029,507</b>	<b>(48,092)</b>
<i>Comprised of:</i>						
<i>Same property <sup>(3)</sup></i>	<i>147,279</i>	<i>133,382</i>	<i>13,897</i>	<i>559,795</i>	<i>520,586</i>	<i>39,209</i>
<i>Growth <sup>(3)</sup></i>	<i>34,905</i>	<i>30,733</i>	<i>4,172</i>	<i>132,669</i>	<i>111,673</i>	<i>20,996</i>
<i>Repositioning <sup>(3)</sup></i>	<i>31,179</i>	<i>100,525</i>	<i>(69,346)</i>	<i>288,951</i>	<i>397,248</i>	<i>(108,297)</i>
<i>Adjusted resident revenue <sup>(3)</sup></i>	<i>213,363</i>	<i>264,640</i>	<i>(51,277)</i>	<i>981,415</i>	<i>1,029,507</i>	<i>(48,092)</i>
<b>Direct property operating expense</b>	<b>118,853</b>	<b>120,672</b>	<b>(1,819)</b>	<b>463,361</b>	<b>464,704</b>	<b>(1,343)</b>
<i>Add:</i>						
Share of direct property operating expense from joint ventures <sup>(4)</sup>	22,566	21,138	1,428	87,219	82,533	4,686
Direct property operating expense from LTC Discontinued Operations <sup>(2)</sup>	405	56,884	(56,479)	151,671	220,729	(69,058)
<b>Adjusted direct property operating expense <sup>(3)</sup></b>	<b>141,824</b>	<b>198,694</b>	<b>(56,870)</b>	<b>702,251</b>	<b>767,966</b>	<b>(65,715)</b>
<i>Comprised of:</i>						
<i>Same property <sup>(3)</sup></i>	<i>96,415</i>	<i>91,502</i>	<i>4,913</i>	<i>370,783</i>	<i>355,202</i>	<i>15,581</i>
<i>Growth <sup>(3)</sup></i>	<i>21,938</i>	<i>20,452</i>	<i>1,486</i>	<i>84,801</i>	<i>75,281</i>	<i>9,520</i>
<i>Repositioning <sup>(3)</sup></i>	<i>23,471</i>	<i>86,740</i>	<i>(63,269)</i>	<i>246,667</i>	<i>337,483</i>	<i>(90,816)</i>
<i>Adjusted direct property operating expense <sup>(3)</sup></i>	<i>141,824</i>	<i>198,694</i>	<i>(56,870)</i>	<i>702,251</i>	<i>767,966</i>	<i>(65,715)</i>
<b>NOI</b>	<b>61,093</b>	<b>49,795</b>	<b>11,298</b>	<b>223,963</b>	<b>196,325</b>	<b>27,638</b>
<i>Add:</i>						
Share of NOI from joint ventures	10,593	8,870	1,723	39,546	33,331	6,215
<b>Adjusted NOI from continuing operations</b>	<b>71,686</b>	<b>58,665</b>	<b>13,021</b>	<b>263,509</b>	<b>229,656</b>	<b>33,853</b>
<i>Add:</i>						
NOI from LTC Discontinued Operations	(147)	7,281	(7,428)	15,655	31,885	(16,230)
<b>Adjusted NOI <sup>(3)</sup></b>	<b>71,539</b>	<b>65,946</b>	<b>5,593</b>	<b>279,164</b>	<b>261,541</b>	<b>17,623</b>
<i>Comprised of:</i>						
<i>Same property <sup>(3)</sup></i>	<i>50,864</i>	<i>41,880</i>	<i>8,984</i>	<i>189,012</i>	<i>165,384</i>	<i>23,628</i>
<i>Growth <sup>(3)</sup></i>	<i>12,967</i>	<i>10,281</i>	<i>2,686</i>	<i>47,868</i>	<i>36,392</i>	<i>11,476</i>
<i>Repositioning <sup>(3)</sup></i>	<i>7,708</i>	<i>13,785</i>	<i>(6,077)</i>	<i>42,284</i>	<i>59,765</i>	<i>(17,481)</i>
<i>Adjusted NOI <sup>(3)</sup></i>	<i>71,539</i>	<i>65,946</i>	<i>5,593</i>	<i>279,164</i>	<i>261,541</i>	<i>17,623</i>
Weighted average occupancy rate:						
Same property portfolio	84.1%	79.5%	4.6pp	81.1%	78.6%	2.5pp
Growth portfolio	79.8%	74.6%	5.2pp	76.5%	72.4%	4.1pp
Repositioning portfolio	83.7%	81.4%	2.3pp	87.1%	80.4%	6.7pp
Total portfolio	83.3%	79.3%	4.0pp	81.9%	78.2%	3.7pp

(1) Non-GAAP; represents Chartwell's proportionate 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 16 of this MD&A.

(2) Refer to the "LTC Discontinued Operations" section on page 56 of this MD&A.

(3) Non-GAAP; refer to the preamble to this table and the "Results of Retirement Operations" section on page 22 of this MD&A for explanations and discussion of the significance of these metrics.

(4) Non-GAAP; represents Chartwell's proportionate share of the direct property operating expense of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 16 of this MD&A.

In 2023 and Q4 2023, adjusted resident revenue and adjusted direct property operating expense decreased primarily due to the completed LTC Transactions as discussed in the "Significant Events – Portfolio Optimization" section on page 15 of this MD&A.

The results of our continuing operations are discussed in the "Results of Retirement Operations" section on page 22 of this MD&A.

## Results of Retirement Operations

Prior to Q3 2023, we monitored and reported our Retirement Operations and Long Term Care Operations segments separately. On March 31, 2022, with the announcement of the sale of our Long Term Care portfolio, we classified the Long Term Care Operations segment as “LTC Discontinued Operations”. This sale closed September 6, 2023, as described in the “Significant Events – Portfolio Optimization” section on page 15 of this MD&A, and as such, our continuing operations consists only of Retirement Operations. Results of the LTC Discontinued Operations are provided under the “LTC Discontinued Operations” section on page 56 of this MD&A.

The measure of profit or loss is adjusted NOI which is adjusted resident revenue less adjusted direct property operating expense. Adjusted resident revenue is resident revenue plus Chartwell’s proportionate share of its joint ventures’ resident revenue. Adjusted direct property operating expense is direct property operating expense plus Chartwell’s proportionate share of its joint ventures’ direct property operating expense.

The following table summarizes the composition of our Retirement Operations as at December 31, 2023:

	Properties	Composition of Suites/Beds					Total	Total at Chartwell’s Share of Ownership
		IL	ISLA	ISLS	AL	LTC		
<b>Same property</b>								
100% Owned	94	662	2,636	7,477	965	201	11,941	11,941
Partially Owned <sup>(1)</sup>	7	17	421	487	-	-	925	610
Total same property	101	679	3,057	7,964	965	201	12,866	12,551
<b>Growth</b>								
100% Owned	11	226	306	904	95	-	1,531	1,531
Partially Owned <sup>(2)</sup>	18	322	1,980	1,420	255	-	3,977	1,988
Total growth	29	548	2,286	2,324	350	-	5,508	3,519
<b>Repositioning</b>								
100% Owned <sup>(3)</sup>	6	-	495	73	36	358	962	962
Partially Owned <sup>(2)</sup>	24	251	2,767	1,325	251	-	4,594	2,229
Total repositioning	30	251	3,262	1,398	287	358	5,556	3,191
<b>Total</b>	<b>160</b>	<b>1,478</b>	<b>8,605</b>	<b>11,686</b>	<b>1,602</b>	<b>559</b>	<b>23,930</b>	<b>19,261</b>

(1) We own an 85% interest in three properties and a 50% interest in four properties.

(2) We own a 60% interest in one property, a 50% interest in 37 properties, a 45% interest in one property, and a 42.5% interest in three properties.

(3) Includes three long term care homes (358 beds) which were previously reported in our Long Term Care Operations segment and are now monitored and reported with our Retirement Operations, and one property (61 suites) which we have subsequently sold on February 1, 2024, the suites of which were removed from available capacity effective January 1, 2023 and are not included in the suite count.

The following table presents the results of our Retirement Operations as at December 31, 2023:

<i>(\$000s, except occupancy rates)</i>	Q4 2023	Q4 2022	Change	2023	2022	Change
<b>Adjusted resident revenue</b> <sup>(1)</sup>	<b>213,105</b>	<b>200,475</b>	<b>12,630</b>	<b>814,089</b>	<b>776,893</b>	<b>37,196</b>
<i>Comprised of:</i>						
Same property <sup>(2)</sup>	147,279	133,382	13,897	559,795	520,586	39,209
Growth <sup>(2)</sup>	34,905	30,733	4,172	132,669	111,673	20,996
Repositioning <sup>(2)</sup>	30,921	36,360	(5,439)	121,625	144,634	(23,009)
<b>Adjusted direct property operating expense</b> <sup>(1)</sup>	<b>141,419</b>	<b>141,810</b>	<b>(391)</b>	<b>550,580</b>	<b>547,237</b>	<b>3,343</b>
<i>Comprised of:</i>						
Same property <sup>(2)</sup>	96,415	91,502	4,913	370,783	355,202	15,581
Growth <sup>(2)</sup>	21,938	20,452	1,486	84,801	75,281	9,520
Repositioning <sup>(2)</sup>	23,066	29,856	(6,790)	94,996	116,754	(21,758)
<b>Adjusted NOI</b> <sup>(1)</sup>	<b>71,686</b>	<b>58,665</b>	<b>13,021</b>	<b>263,509</b>	<b>229,656</b>	<b>33,853</b>
<i>Comprised of:</i>						
Same property <sup>(2)</sup>	50,864	41,880	8,984	189,012	165,384	23,628
Growth <sup>(2)</sup>	12,967	10,281	2,686	47,868	36,392	11,476
Repositioning <sup>(2)</sup>	7,855	6,504	1,351	26,629	27,880	(1,251)
Weighted average occupancy rate:						
Same property portfolio	84.1%	79.5%	4.6pp	81.1%	78.6%	2.5pp
Growth portfolio	79.8%	74.6%	5.2pp	76.5%	72.4%	4.1pp
Repositioning portfolio	83.7%	74.3%	9.4pp	81.5%	73.3%	8.2pp
Total portfolio	83.3%	77.7%	5.6pp	80.4%	76.5%	3.9pp

(1) Non-GAAP; refer to the preamble in this section for explanations of 'adjusted resident revenue', 'adjusted direct property operating expense', and 'adjusted NOI' for the significance of these metrics.

(2) Non-GAAP; refer to the "Property Portfolio Groupings" section on page 5 of this MD&A for explanations of 'Same property', 'Growth', and 'Repositioning' and the significance of these metrics.

For 2023, adjusted resident revenue increased 4.8% primarily due to:

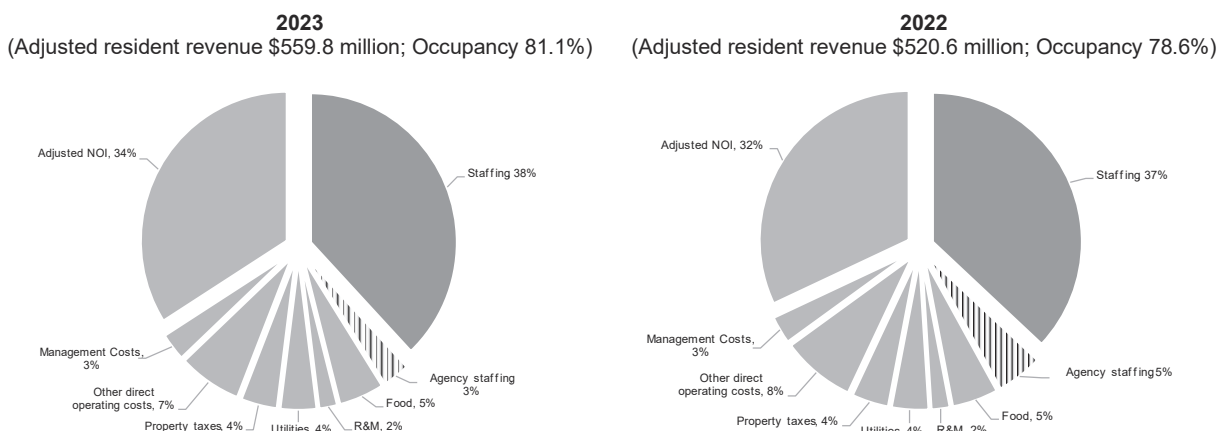
- higher same property adjusted resident revenue of 7.5% from rental and service rate increases and higher occupancy, and
  - higher revenue from our growth portfolio,
- partially offset by:
- dispositions and closure of properties.

For 2023, adjusted direct property operating expense increased 0.6% primarily due to:

- higher same property adjusted direct operating expenses of 4.4% due to higher staffing costs, higher food, repairs and maintenance, marketing, and property tax expenses,
  - additional expenses in our growth portfolio, and
  - expenses of \$1.1 million relating to the closure of properties during 2023,
- partially offset by:
- lower expenses as a result of the disposition of properties and lower staffing costs in our properties being closed and repositioned.

As a result, for 2023, adjusted NOI increased \$33.9 million or 14.7%, including an increase in same property adjusted NOI of \$23.6 million or 14.3%. Same property adjusted operating margin also increased in 2023 to 34% from 32% in 2022.

The following charts summarize the breakdown of our same property adjusted NOI and adjusted direct property operating expenses as a percentage of adjusted resident revenue for 2023 and 2022:



In 2023, agency cost as a percentage of total staffing costs declined to 7% from 13% in 2022. In Q4 2023, agency cost as a percentage of total staffing costs declined to 5% from 14% in Q4 2022 and is now below pre-pandemic levels.

The following identifies same property adjusted NOI trends by platform for 2023:

- Our Western Canada platform same property adjusted NOI increased \$5.4 million or 9.9%. 2023 same property adjusted NOI included a reversal of certain staffing accruals of \$1.3 million upon settlement of contracts.
- Our Ontario platform same property adjusted NOI increased \$13.0 million or 14.0%. 2022 included recoveries of pandemic expenses of \$1.4 million for which there is not a comparable amount in 2023.
- Our Quebec platform same property adjusted NOI increased \$5.2 million or 28.9%, and benefitted by \$0.8 million from lower staffing costs as compensation increases were more-than-offset by lower agency usage.

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

	2023	2022	Change
Western Canada	88.5%	85.5%	3.0pp
Ontario	78.7%	76.6%	2.1pp
Quebec	79.0%	76.3%	2.7pp
Same Property Retirement	81.1%	78.6%	2.5pp

In 2023, weighted average occupancy in our retirement same property portfolio was 81.1%, a 2.5 percentage point increase from 2022. All platforms experienced occupancy gains in 2023 compared to 2022.

#### **Fourth Quarter:**

For Q4 2023, adjusted resident revenue increased 6.3% primarily due to:

- higher same property adjusted resident revenue of 10.4% from rental and service rate increases and higher occupancy, and
- higher revenue from our growth portfolio, partially offset by:
- dispositions and closure of properties.

For Q4 2023, adjusted direct property operating expense decreased 0.3% primarily due to:

- lower expenses as a result of the disposition of properties, partially offset by:
- higher same property adjusted direct operating expenses of 5.4% due to higher staffing costs, higher food, marketing, and repairs and maintenance expenses, and
- additional expenses in our growth portfolio.

As a result, for Q4 2023, adjusted NOI increased \$13.0 million or 22.2% including an increase in same property adjusted NOI of \$9.0 million or 21.5%. Same property adjusted operating margin also increased to 35% in Q4 2023 from 31% in Q4 2022.

The following identifies same property adjusted NOI trends by platform for Q4 2023:

- Our Western Canada platform same property adjusted NOI increased \$1.7 million or 11.6%.
- Our Ontario platform same property adjusted NOI increased \$5.5 million or 24.0%.
- Our Quebec platform same property adjusted NOI increased \$1.8 million or 39.0%.

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

	Q4 2023	Q4 2022	Change	Q3 2023	Change
Western Canada	91.4%	87.1%	4.3pp	88.8%	2.6pp
Ontario	81.4%	77.2%	4.2pp	78.8%	2.6pp
Quebec	82.5%	77.1%	5.4pp	79.5%	3.0pp
Same property retirement	84.1%	79.5%	4.6pp	81.4%	2.7pp

In Q4 2023, weighted average occupancy in our Retirement Operations same property portfolio was 84.1%, compared to 79.5% in Q4 2022, an increase of 4.6 percentage points. All platforms experienced occupancy gains in Q4 2023 compared to Q4 2022. Q4 2023 Retirement Operations same property portfolio occupancy increased 2.7 percentage points from Q3 2023.

## Management and Other Fees

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Welltower	1,907	1,372	535	7,637	5,930	1,707
Long Term Care Homes <sup>(1)</sup>	478	394	84	1,860	1,586	274
Batimo	994	(41)	1,035	2,813	1,801	1,012
Other	344	311	33	1,193	1,047	146
Total management and other fees	3,723	2,036	1,687	13,503	10,364	3,139

(1) Includes management fees relating to four third-party owned long term care homes up to September 6, 2023. As of September 6, 2023, includes \$0.5 million in Q4 2023 and \$0.8 million in 2023 relating to temporary transition services for the LTC Transactions.

Management and other fees increased \$3.1 million and \$1.7 million in 2023 and Q4 2023, respectively, primarily due to higher performance based fees. To facilitate a smooth transition for the LTC Transactions, we provided temporary transition services to AgeCare for a fee.

## Interest Income

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Interest income on loans receivable	569	202	367	1,402	801	601
Other interest income	365	142	223	917	390	527
Total interest income	934	344	590	2,319	1,191	1,128

Interest income on loans receivables increased \$0.6 million and \$0.4 million in 2023 and Q4 2023, primarily due to higher loan balances outstanding.

Other interest income fluctuates period-to-period based on cash balances. Other interest income increased in 2023 and Q4 2023 primarily due to higher interest rates.

## General, Administrative and Trust Expenses

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
G&A expenses	13,455	9,334	4,121	60,450	49,641	10,809

For 2023, G&A expenses increased \$10.8 million primarily due to higher unit-based compensation costs of \$4.7 million due to the increase in value of our Trust Units, CFO transition costs of \$2.4 million, and \$1.6 million of higher performance-based compensation costs.

For Q4 2023, G&A expenses increased \$4.1 million primarily due to higher unit-based compensation costs of \$2.8 million due to the increase in value of our Trust Units, and \$0.7 million of higher performance-based compensation costs.

## Finance Costs

The following table applies to continuing operations:

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Contractual interest expense on mortgages	13,823	13,853	(30)	55,873	55,031	842
Comprised of:						
Same property <sup>(1)</sup>	9,476	11,283	(1,807)	37,203	45,851	(8,648)
Growth <sup>(1)</sup>	2,537	2,127	410	11,262	7,114	4,148
Repositioning <sup>(1)</sup>	1,810	443	1,367	7,408	2,066	5,342
Interest expense on Debentures <sup>(2)</sup>	4,004	3,501	503	14,392	13,888	504
Interest expense on Credit Facilities	1,862	3,295	(1,433)	12,023	7,731	4,292
Interest expense on Term Loans <sup>(3)</sup>	1,399	1,319	80	5,524	4,992	532
	21,088	21,968	(880)	87,812	81,642	6,170
Amortization of finance costs and mark-to-market adjustments on assumed mortgages	1,926	1,197	729	6,488	4,788	1,700
	23,014	23,165	(151)	94,300	86,430	7,870
Interest capitalized to properties under development	(657)	(529)	(128)	(2,735)	(2,276)	(459)
Distributions on Class B Units recorded as interest expense	234	234	-	936	937	(1)
Total finance costs – continuing operations	22,591	22,870	(279)	92,501	85,091	7,410

(1) Non-GAAP; refer to the “Property Portfolio Groupings” section on page 5 of this MD&A for explanations of ‘Same property’, ‘Growth’, and ‘Repositioning’ and the significance of these metrics.

(2) “Debentures” refers collectively to the “Series A Debentures”, the “Series B Debentures”, and the “Series C Debentures”. Refer to the “Liquidity and Capital Resources – Debt – Debentures” section on page 27 of the Q1 2023 MD&A for details.

(3) “Term Loans” refers collectively to the ‘unsecured term loan’ and the ‘secured term loan’. Refer to the “Liquidity and Capital Resources – Debt – Term Loans” section on page 27 of the Q1 2023 MD&A for details.

Contractual interest expense on mortgages increased \$0.9 million in 2023 primarily due to financing for mortgage renewals and refinancing. Contractual interest expense on mortgages decreased \$0.1 million in Q4 2023, primarily due to lower balances outstanding.

Interest expense on our Credit Facilities increased in 2023 due to higher balances outstanding and higher interest rates. Interest expenses on our credit facilities in Q4 2023 decreased to lower balances outstanding.

Interest expense on Term Loans increased in 2023 due to \$13.6 million secured term loan drawn on May 19, 2022.

Interest capitalized to properties under development increased in 2023 and Q4 2023 due to higher cumulative investments in projects in development.

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

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Contractual interest expense on mortgages	435	425	10	1,729	1,761	(32)
Comprised of:						
Same property <sup>(1)</sup>	240	224	16	958	972	(14)
Growth <sup>(1)</sup>	195	201	(6)	771	789	(18)
Amortization of finance costs	15	14	1	59	57	2
Total finance costs	450	439	11	1,788	1,818	(30)

(1) Non-GAAP; refer to the "Property Portfolio Groupings" section on page 5 of this MD&A for explanations of 'Same property' and 'Growth' and the significance of these metrics.

## Other Income/(Expense)

The following table applies to our continuing operations:

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Transaction costs arising on dispositions	(192)	(1,792)	1,600	(1,167)	(1,992)	825
Impairment losses	(10,273)	-	(10,273)	(10,898)	-	(10,898)
Gain on sale of assets	5,770	70,125	(64,355)	12,074	71,751	(59,677)
Other income	-	123	(123)	-	864	(864)
Total other income/(expense)	(4,695)	68,456	(73,151)	9	70,623	(70,614)

Transaction costs arising on dispositions are expensed as incurred and fluctuate from period to period based on the timing and volume of transactions.

Impairment losses of \$10.9 million in 2023 relates to the write down in the carrying value of two retirement residences located in Quebec and one retirement residence in Ontario. The Q4 2023 impairment loss of \$10.3 million relates to the write down in the carrying value of two retirement residences in Quebec. The impairment loss resulted from a decline in the operating performance of the properties due to competitive pressures.

Gain on sale of assets decreased \$59.7 million in 2023. For 2023, gain on sale of assets relates primarily to the sale of four non-core properties in Ontario. Gain on sale of assets in 2022 primarily relates to the sale of two long term care homes in British Columbia. For Q4 2023, gain on sale of assets relates primarily to sale of two non-core properties located in Ontario as compared to the Q4 2022 gain of \$70.2 million which relates to the sale of two long term care homes in British Columbia.

## Other Items

(\$000s)	Q4 2023	Q4 2022	Change	2023	2022	Change
Depreciation of PP&E and amortization of intangible assets	(39,587)	(40,255)	668	(156,695)	(156,136)	(559)
Change in fair value of financial instruments	(10,752)	2,929	(13,681)	(21,964)	21,785	(43,749)
Current income tax expense	869	-	869	(27,231)	-	(27,231)
Deferred income tax benefit/(expense)	3,419	(16,849)	20,268	24,510	(14,131)	38,641

For 2023, depreciation of PP&E and amortization of intangible assets increased \$0.6 million, primarily due to higher depreciation on buildings, including property acquisitions and developments, partially offset by lower depreciation due to property portfolio dispositions and transfers to assets held for sale. Depreciation of PP&E and amortization of intangible assets decreased \$0.7 million in Q4 2023 primarily due to property portfolio dispositions and transfer to assets held for sale partially offset by increase in PP&E additions.

In 2023 and Q4 2023, change in fair value of financial instruments is primarily resulting from changes in the market value of the underlying financial instruments. These amounts are expected to fluctuate from period to period due to changes in financial markets.

Current income tax expense of \$27.2 million in 2023 primarily related to the gain on sale from the completed LTC Transactions.

Deferred income tax benefit changed by \$38.6 million in 2023 primarily due to the reversal of temporary differences between the accounting carrying amount and tax cost base of the investment in the long term care segment upon completion of the LTC Transactions.

Deferred income tax expense decreased by \$20.3 million in Q4 2023 primarily due to changes in fair value adjustments from year to year, and due to utilization of non-capital loss carry forwards against taxable capital gains in Q4 2022 which was partially offset by the non-taxable portion of capital gains on dispositions.

## Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing, and investing cash flows between 2023 and 2022 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	19.7	Change in cash flows from operating activities is primarily due to: <ul style="list-style-type: none"> <li>• higher NOI from continuing operations,</li> <li>• changes in working capital, and</li> <li>• higher interest income,</li> </ul> partially offset by: <ul style="list-style-type: none"> <li>• higher interest paid.</li> </ul>
Financing activities	(201.1)	Change in cash flows from financing activities is primarily due to: <ul style="list-style-type: none"> <li>• repayment of credit facilities with the proceeds from the completed LTC Transactions,</li> <li>• lower proceeds from mortgage financing activities, and</li> <li>• higher additions to finance costs.</li> </ul> partially offset by: <ul style="list-style-type: none"> <li>• lower mortgage repayments, and</li> <li>• proceeds from senior unsecured debentures.</li> </ul>
Investing activities	244.5	Change in cash flows from investing activities is primarily due to: <ul style="list-style-type: none"> <li>• proceeds from the completed LTC Transactions and dispositions of non-core assets, and</li> <li>• acquisitions in 2022,</li> </ul> partially offset by: <ul style="list-style-type: none"> <li>• higher additions to PP&amp;E and intangible assets.</li> </ul>

The following table summarizes the significant changes in our operating, financing, and investing cash flows between Q4 2023 and Q4 2022 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	15.8	Change in cash flows from operating activities is primarily due to: <ul style="list-style-type: none"> <li>• higher NOI from continuing operations,</li> <li>• changes in working capital, and</li> <li>• lower interest paid,</li> </ul> partially offset by: <ul style="list-style-type: none"> <li>• lower interest income.</li> </ul>
Financing activities	68.7	Change in cash flows from financing activities is primarily due to: <ul style="list-style-type: none"> <li>• higher draws on our Credit Facilities,</li> <li>• higher proceeds from mortgage financing activities, and</li> <li>• proceeds from debenture financing,</li> </ul> partially offset by: <ul style="list-style-type: none"> <li>• higher mortgage repayments, and</li> <li>• higher additions to finance costs.</li> </ul>
Investing activities	(89.4)	Change in cash flows from investing activities is primarily due to: <ul style="list-style-type: none"> <li>• lower proceeds from the dispositions of assets, and</li> <li>• higher additions to PP&amp;E and intangible assets.</li> </ul>

# 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 business, subject to market conditions, through the use of property-specific mortgages, secured and unsecured Credit Facilities, secured and unsecured term loans, senior unsecured debentures and equity financing.

At December 31, 2023, our liquidity was \$348.6 million as presented in the following table:

(\$000s)	December 31, 2023	December 31, 2022
Cash and cash equivalents	24,619	28,469
Available under Credit Facilities <sup>(1)</sup>	324,012	136,425
Total	348,631	164,894

(1) Refer to the "Credit Facilities" section on page 33 of this MD&A for the determination and calculation of this amount.

In addition, at December 31, 2023, our share of cash and cash equivalents held in our Equity-Accounted JVs was \$12.6 million.

As at December 31, 2023, our current liabilities were \$760.8 million, exceeding our current assets of \$343.9 million, resulting in a working capital deficiency of \$416.9 million. Current liabilities include \$246.3 million of current mortgages payable, \$124.9 million of term loans maturing May 31, 2024, and \$194.0 million of liabilities related to assets held for sale.

We expect to refinance or repay this maturing debt and meet all of our other obligations as they become due. We may utilize some or all of the following sources of liquidity, subject to market conditions:

- (i) cash flow generated from our operations,
- (ii) proceeds from non-core asset sales,
- (iii) property-specific mortgages,
- (iv) secured and unsecured credit facilities,
- (v) secured and unsecured term loans, and
- (vi) new 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, 2023 and December 31, 2022:

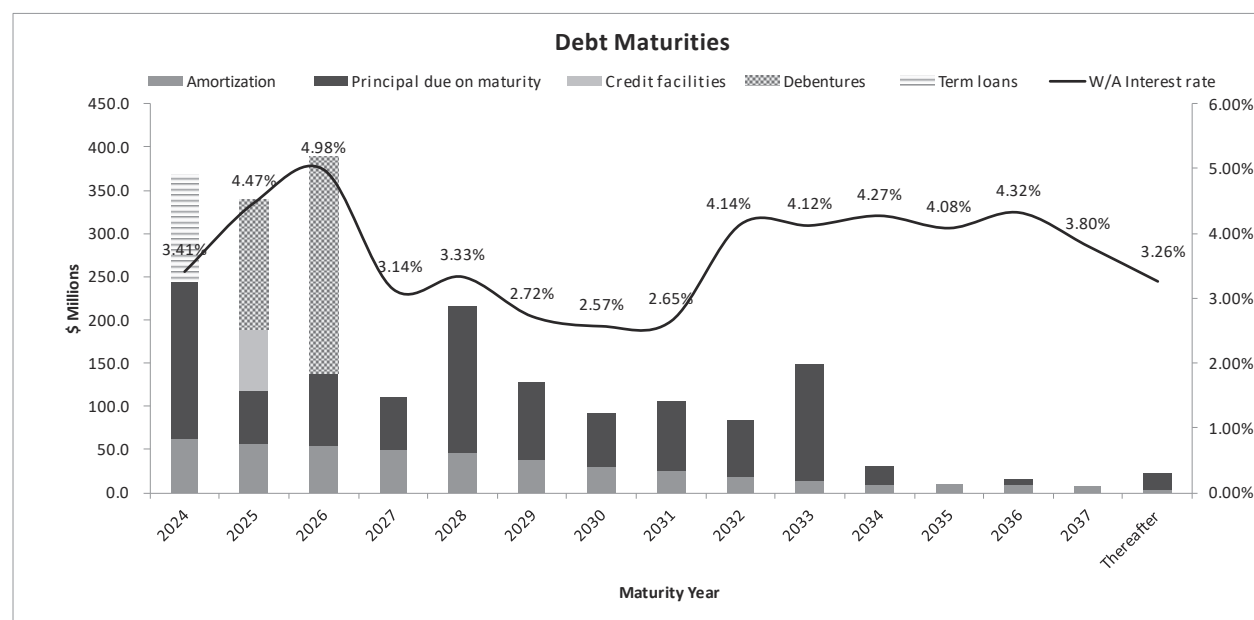
(\$000s)	December 31, 2023	December 31, 2022
Mortgages payable	1,469,304	1,701,668
Credit Facilities	70,000	184,000
Term Loans		
Unsecured term loan	125,000	125,000
Secured term loan	-	13,600
Debentures		
Series A Debentures	-	200,000
Series B Debentures	150,000	150,000
Series C Debentures	250,000	-
<b>Total</b>	<b>2,064,304</b>	<b>2,374,268</b>

The following table summarizes the scheduled principal maturity and weighted average interest rates for our debt portfolio at December 31, 2023:

(\$000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate <sup>(1)</sup>	Term Loans	Weighted Average Interest Rate	Credit Facilities	Weighted Average Interest Rate <sup>(1)</sup>	Debentures	Weighted Average Interest Rate	Total	Consolidated Weighted Average Interest Rate
2024	62,194	181,637	243,831	3.14%	125,000	3.95%	-	-	-	-	368,831	3.41%
2025	56,818	61,849	118,667	3.03%	-	-	70,000	7.48%	150,000	4.21%	338,667	4.47%
2026	53,977	84,713	138,690	3.15%	-	-	-	-	250,000	6.00%	388,690	4.98%
2027	50,380	59,468	109,848	3.14%	-	-	-	-	-	-	109,848	3.14%
2028	46,226	169,463	215,689	3.33%	-	-	-	-	-	-	215,689	3.33%
2029	36,810	90,583	127,393	2.72%	-	-	-	-	-	-	127,393	2.72%
2030	30,374	61,206	91,580	2.57%	-	-	-	-	-	-	91,580	2.57%
2031	24,760	80,334	105,094	2.65%	-	-	-	-	-	-	105,094	2.65%
2032	18,930	65,133	84,063	4.14%	-	-	-	-	-	-	84,063	4.14%
2033	13,543	135,482	149,025	4.12%	-	-	-	-	-	-	149,025	4.12%
2034	9,536	20,984	30,520	4.27%	-	-	-	-	-	-	30,520	4.27%
2035	9,755	-	9,755	4.08%	-	-	-	-	-	-	9,755	4.08%
2036	9,044	6,172	15,216	4.32%	-	-	-	-	-	-	15,216	4.32%
2037	7,744	-	7,744	3.80%	-	-	-	-	-	-	7,744	3.80%
Thereafter	3,376	18,813	22,189	3.26%	-	-	-	-	-	-	22,189	3.26%
<b>Total</b>	<b>433,467</b>	<b>1,035,837</b>	<b>1,469,304</b>	<b>3.26%</b>	<b>125,000</b>	<b>3.95%</b>	<b>70,000</b>	<b>7.48%</b>	<b>400,000</b>	<b>5.33%</b>	<b>2,064,304</b>	<b>3.84%</b>

(1) For variable rate instruments, the weighted average interest rate in 2024 is based on the 2023 weighted average interest rate.

The following chart provides a breakdown of our debt maturities at December 31, 2023:



## Mortgage Debt

We generally have access to low-cost mortgage financing insured by CMHC. As of December 31, 2023, approximately 93% of our mortgage debt was CMHC insured. We intend to continue financing our properties through this program including, for those properties operating at high occupancy levels, converting conventional mortgages to CMHC debt and placing mortgages on certain currently unencumbered properties.

The following table summarizes the changes in the principal balance of our mortgage debt portfolio in 2023:

	Balance (\$000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate	% CMHC Insured
Principal balance at December 31, 2022	1,701,668	6.1	3.21%	87%
Payouts and matured in the period	(102,871)	-	3.71%	20%
New mortgage financings	127,816	9.7	4.05%	100%
Amortizing principal repayments	(74,521)	N/A	N/A	94%
Mortgages transferred to assets and liabilities held for sale	(182,788)	4.1	3.67%	82%
Principal balance at December 31, 2023	1,469,304	6.2	3.26%	93%
Mark-to-market adjustments on assumed mortgages	1,134			
Finance costs	(44,953)			
Mortgages payable at December 31, 2023	1,425,485			

New mortgage financings include five CMHC-insured mortgages totalling \$127.8 million with a weighted average interest rate of 4.05% and a weighted average term to maturity of 9.7 years.

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

	At December 31, 2023		At December 31, 2022	
	Fixed Rate	Variable Rate	Total	Total
Principal amount (\$000s)	1,469,304	-	1,469,304	1,701,668
Weighted average interest rate	3.26	-	3.26	3.21%
Average term to maturity (years)	6.2	-	6.2	6.1

The following tables are supplemental information and summarize the components of our mortgage debt portfolio for our Equity-Accounted JVs:

(\$000s)	December 31, 2023	December 31, 2022
Principal balance of mortgages payable	51,990	52,276
Finance costs	(96)	(153)
Mortgages payable	51,894	52,123

(\$000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Principal Balance of Mortgages Payable	Weighted Average Interest Rate
2024	297	26,431	26,728	2.95%
2025	310	-	310	3.98%
2026	266	24,686	24,952	3.71%
Total	873	51,117	51,990	3.32%

## Credit Facilities

The following table summarizes the available borrowing capacity and borrowings on our Credit Facilities at December 31, 2023:

(\$000s)	Maximum Capacity	Available Capacity	Utilized for Letters of Credit	Net Available Capacity	Borrowed	Available Borrowing Capacity	Maturity Date
Secured credit facility <sup>(1)</sup>	300,000	300,000	5,988	294,012	70,000	224,012	May 29, 2025
Unsecured credit facility <sup>(2)</sup>	100,000	100,000	-	100,000	-	100,000	May 29, 2025
<b>Total Credit Facilities</b>	<b>400,000</b>	<b>400,000</b>	<b>5,988</b>	<b>394,012</b>	<b>70,000</b>	<b>324,012</b>	

(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, and the secured collateral.

(2) 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 our credit rating and covenant amendment premiums. At the current BBB(low) rating by DBRS, last confirmed by DBRS on November 28, 2023, with the current covenants in place amounts borrowed under the secured credit facility bear interest at the banks' prime rate ("Prime") plus 115 bps or the Banker' Acceptance rate ("BA") plus 215 bps, and amounts borrowed under the unsecured credit facility bear interest at Prime plus 120 bps or BA plus 220 bps. When the covenant amendment extensions are no longer applicable, the interest rate for the Credit Facilities would be reduced by 50 bps. The secured credit facility is secured by first and second-ranked charges on specific properties.

On April 19, 2023, we entered into amending agreements to extend the maturity date of the Credit Facilities by one year to May 29, 2025, with substantially the same terms.

On August 4, 2023, we entered into an unsecured delay draw credit facility for \$200.0 million with a syndicate of Canadian financial institutions which was available any time prior to December 11, 2023 to repay our Series A Debentures. The delay draw facility was cancelled upon the refinancing of our Series A Debentures.

## Term Loans

The following tables summarize the Term Loans outstanding as at December 31, 2023 and December 31, 2022:

<b>December 31, 2023</b>	Outstanding Principal (\$000s)	Financing Costs, Net (\$000s)	Carrying Value (\$000s)	Interest rate	Maturity date
Unsecured term loan	125,000	(76)	124,924	3.95%	May 31, 2024
<b>Total</b>	<b>125,000</b>	<b>(76)</b>	<b>124,924</b>		

<b>December 31, 2022</b>	Outstanding Principal (\$000s)	Financing Costs, Net (\$000s)	Carrying Value (\$000s)	Interest rate	Maturity date
Unsecured term loan	125,000	(286)	124,714	3.95%	May 31, 2024
Secured term loan	13,600	(79)	13,521	4.44%	May 19, 2027
<b>Total</b>	<b>138,600</b>	<b>(365)</b>	<b>138,235</b>		

Interest rates on the outstanding Term Loans were fixed through interest rate swaps.

## Debentures

The following tables summarize our Debentures outstanding as at December 31, 2023 and December 31, 2022:

<b>December 31, 2023</b>	Outstanding Principal (\$000s)	Financing Costs, Net (\$000s)	Carrying Value (\$000s)	Interest rate	Maturity date
Series B Debentures	150,000	(192)	149,808	4.211%	April 28, 2025
Series C Debentures	250,000	(827)	249,173	6.000%	December 8, 2026
Total	400,000	(1,019)	398,981		

<b>December 31, 2022</b>	Outstanding Principal (\$000s)	Financing Costs, Net (\$000s)	Carrying Value (\$000s)	Interest rate	Maturity date
Series A Debentures	200,000	(223)	199,777	3.786%	December 11, 2023
Series B Debentures	150,000	(323)	149,677	4.211%	April 28, 2025
Total	350,000	(546)	349,454		

On December 8, 2023, we issued \$250.0 million of 6.000% Series C senior unsecured debentures due on December 8, 2026, with semi-annual interest payments due on June 8 and December 8 of each year. Debt financing costs of \$0.8 million were incurred and are being amortized.

On December 11, 2023, we repaid our maturing \$200.0 million of 3.786% Series A senior unsecured debentures.

## 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 discussion provides 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 and our credit agreements for the Term Loans (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.

As of December 31, 2023, we were in compliance with all our debt covenants.

### Amendments to Covenants

Due to the uncertainty caused by the pandemic we amended our debt service coverage and AFFO payout covenants in various credit agreements.

### Credit Facilities and Term Loans

During 2021, the debt service coverage ratio covenant was reduced from 1.4 to 1.2. This amendment is applicable for the periods ending before June 29, 2024. Refer to the "Credit Facilities" section on page 33 of this MD&A.

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

In addition, in 2022, we entered into agreements amending the AFFO payout ratio covenants for the periods January 1, 2023, to December 31, 2023 to allow for the payment of cash distributions up to 115% of AFFO plus \$20.0 million.

## **Mortgages**

During 2021, the debt service coverage ratio covenant was reduced from 1.4 to 1.2 for the period ending at the earlier of December 31, 2023, and the maturity date of the applicable mortgages. During 2022, these amendments were extended for one property level mortgage until January 31, 2024 and our head office mortgage until December 31, 2024.

During 2022, we entered into additional amending agreements for the one property level mortgage and our head office mortgage to exclude incremental direct operating expenses related to the COVID-19 pandemic from January 1, 2022 to March 31, 2023 and net reimbursement of such expenses (if any) from the definition of EBITDA or AFFO for the purpose of the calculation of our debt service coverage and AFFO payout ratios for the periods ending on or before December 31, 2023.

In 2022, we also entered into agreements amending the AFFO payout ratios for the periods January 1, 2023, to December 31, 2023 to allow the payment of cash distributions up to 115% of AFFO plus \$20.0 million.

### **Large Borrower Agreement (“LBA”) with CMHC**

The debt service coverage ratio was reduced from 1.37 to 1.2 for the period ending at the earlier of June 30, 2024 and the maturity date of the applicable credit agreement.

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

In Q1 2023, we also entered into agreements amending the AFFO payout ratios for the periods January 1, 2023 to December 31, 2023, to allow the payment of cash distributions up to 115% of AFFO plus \$20.0 million. This amendment is effective for periods ending on or before June 30, 2024.

## 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 1.20 on a rolling 12-month basis. Refer to the “Amendments to Covenants” section on page 34 of this MD&A.

(\$000s, except ratio)	12 months December 31, 2023	12 months December 31, 2022
Consolidated EBITDA for Credit Facilities and Term Loans <sup>(1)</sup>	243,403	253,415
Consolidated interest expense for Credit Facilities and Term Loans <sup>(2)</sup>	94,727	91,657
Consolidated regularly scheduled debt principal payments for Credit Facilities and Term Loans <sup>(3)</sup>	82,252	87,271
Consolidated debt service payments for Credit Facilities and Term Loans	176,979	178,928
Debt service coverage ratio for Credit Facilities and Term Loans	1.38	1.42

- (1) Refer to the “Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities, Term Loans, and Debentures” section on page 40 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 40 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 41 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 ratio)	As at December 31, 2023	As at December 31, 2022
Consolidated indebtedness for Credit Facilities and Term Loans <sup>(1)</sup>	2,327,306	2,588,463
Adjusted consolidated gross book value of assets for Credit Facilities and Term Loans <sup>(2)</sup>	4,754,053	5,164,122
Total leverage ratio for Credit Facilities and Term Loans	49.0%	50.1%

- (1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures” section on page 41 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 42 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 \$1.0 billion plus 75% of the net proceeds raised by further issuance of units after June 30, 2016.

At December 31, 2023, the minimum adjusted consolidated unitholders’ equity requirement was \$1,338 million.

(\$000s)	As at December 31, 2023	As at December 31, 2022
Unitholders’ equity per Financial Statements	791,461	769,802
Adjustment for accumulated depreciation and amortization for Credit Facilities and Term Loans <sup>(1)(2)</sup>	1,317,674	1,400,176
Class B Units	17,877	12,916
Deferred Trust Units (“DTUs”)	15,858	10,525
Adjusted consolidated unitholders’ equity for Credit Facilities and Term Loans	2,142,870	2,193,419

- (1) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of \$24.7 million at December 31, 2023 (\$31.3 million at December 31, 2022) and fully amortized assets of \$278.4 million at December 31, 2023 (\$279.9 million at December 31, 2022).
- (2) Includes accumulated depreciation of PP&E and amortization of intangible assets for LTC Discontinued Operations of \$72.7 million at December 31, 2022 and fully amortized assets of \$1.6 million at December 31, 2022.

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

For the period ended December 31, 2023, our Credit Facilities require that our cash distributions do not exceed 115% of our AFFO plus \$20.0 million.

<i>(\$000s, except percentage of AFFO)</i>	<b>12 Months December 31, 2023</b>	12 Months December 31, 2022
Distributions declared on Trust Units <sup>(1)</sup>	146,037	143,548
Distributions on Class B Units	936	937
Distributions on DTUs	810	704
Total distributions for Credit Facilities and Term Loans	147,783	145,189
Less:		
Non-cash distributions settled by DRIP	36,086	34,967
Non-cash distributions applied to Executive Unit Purchase Plan ("EUPP")	1,241	1,150
Non-cash distributions applied to DTUs	810	704
Cash distributions for Credit Facilities and Term Loans	109,646	108,368
AFFO for Credit Facilities and Term Loans <sup>(2)</sup>	122,235	134,826
Add:		
Adjustment based on covenant amendment <sup>(3)</sup>	20,000	-
AFFO adjusted for covenant amendment	142,235	134,826
Cash distributions as a percentage of AFFO for Credit Facilities	77.1%	80.4%

(1) "Trust Units" are the units of Chartwell, other than the special voting units of Chartwell.

(2) Refer to the "Supporting Covenant Calculations – 6. Adjusted Funds from Operations for Credit Facilities and Term Loans" section on page 42 of this MD&A for the calculation of AFFO for Credit Facilities and Term Loans.

(3) The AFFO payout ratios for the periods January 1, 2023, to December 31, 2023 were amended to allow the payment of cash distributions up to 115% of AFFO plus \$20.0 million from 100% of AFFO previously.

#### 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:

<i>(\$000s)</i>	Threshold as of December 31, 2023	<b>As at December 31, 2023</b>	As at December 31, 2022
Non-qualifying joint ventures and investments <sup>(1)</sup>	237,703	-	-
Loans receivable <sup>(2)</sup>	713,108	15,305	8,009
Investments in property held for development/construction as defined in the Credit Facilities and Term Loans <sup>(2)</sup>	713,108	120,009	119,480
Combined <sup>(3)</sup>	1,188,513	135,314	127,489

(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 ratio)	As at December 31, 2023	As at December 31, 2022
Secured indebtedness for the unsecured credit facility and Term Loans <sup>(1)</sup>	1,787,682	2,093,620
Adjusted consolidated gross book value of assets for Credit Facilities and Term Loans <sup>(2)</sup>	4,754,053	5,164,122
Secured indebtedness ratio for the unsecured credit facility and Term Loans	37.6%	40.5%

(1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures” section on page 41 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 42 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities and Term Loans.

## 7. Unencumbered Property Asset Ratio for the unsecured credit facility 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 ratio)	As at December 31, 2023	As at December 31, 2022
Unencumbered property asset value for the unsecured credit facility and Term Loans <sup>(1)</sup>	881,250	1,120,500
Unsecured indebtedness for the unsecured credit facility and Term Loans <sup>(2)</sup>	539,624	494,843
Unencumbered property asset ratio for the unsecured credit facility and Term Loans	1.6	2.3

(1) Includes 28 properties valued at \$881.3 million as of December 31, 2023 (39 properties valued at \$1,120.5 million as of December 31, 2022 which includes four properties valued at \$49.9 million relating to our LTC Discontinued Operations). The property values are based on third-party appraisals that are dated no longer than two years from the applicable determination date. On closing of the Welltower transaction, our unencumbered asset pool will decline by approximately \$25.0 million.

(2) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures” section on page 41 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 ratio)	12 months December 31, 2023	12 months December 31, 2022
Consolidated EBITDA for Debentures <sup>(1)</sup>	223,009	229,632
Consolidated interest expense for Debentures <sup>(2)</sup>	95,153	91,321
Interest Coverage Ratio for Debentures	2.3	2.5

(1) Refer to the “Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities, Term Loans, and Debentures” section on page 40 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, Terms Loans, and Debentures” section on page 40 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%.

<i>(\$000s, except indebtedness percentage)</i>	<b>December 31, 2023</b>	December 31, 2022
Consolidated indebtedness for Debentures <sup>(1)</sup>	2,283,580	2,544,665
Aggregate adjusted assets for Debentures <sup>(2)</sup>	4,716,878	5,127,478
Indebtedness percentage for Debentures	48.4%	49.6%

- (1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures” section on page 41 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 42 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.

<i>(\$000s, except ratio)</i>	<b>December 31, 2023</b>	December 31, 2022
Unencumbered aggregate adjusted assets for Debentures <sup>(1)</sup>	881,250	1,120,500
Unsecured indebtedness for Debentures <sup>(2)</sup>	533,073	487,689
Coverage ratio for Debentures	1.7	2.3

- (1) Includes 28 properties valued at \$881.3 million as of December 31, 2023 (39 properties valued at \$1,120.5 million as of December 31, 2022 which includes four properties valued at \$49.9 million relating to our LTC Discontinued Operations). The property values are 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 41 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, 2023	12 months December 31, 2022
Net income	128,273	49,531
Gain on disposal of assets <sup>(1)</sup>	(190,748)	(71,767)
Transaction costs <sup>(1)</sup>	1,665	2,727
Impairment losses	10,980	-
Non-cash change in fair value of financial instruments <sup>(1)</sup>	23,212	(24,816)
<b>Consolidated net income/(loss) for Credit Facilities and Term Loans</b>	<b>(26,618)</b>	<b>(44,325)</b>
Consolidated finance costs <sup>(1)</sup>	99,493	95,057
Consolidated depreciation of PP&E and amortization of intangible assets <sup>(1)</sup>	160,611	160,962
Consolidated income tax expense/(benefit)	2,721	14,131
Principal portion of capital funding	3,764	6,746
Net pandemic expenses <sup>(2)</sup>	3,432	20,844
<b>Consolidated EBITDA for Credit Facilities and Term Loans</b>	<b>243,403</b>	<b>253,415</b>
Proforma adjustments <sup>(3)</sup>	(16,962)	(2,939)
Less: Net pandemic expenses <sup>(2)</sup>	(3,432)	(20,844)
<b>Consolidated EBITDA for Debentures</b>	<b>223,009</b>	<b>229,632</b>

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

(2) Amended to exclude incremental direct operating expenses from January 1, 2023 to March 31, 2023 and net reimbursement of such expenses (if any) from the definition of EBITDA for the purpose of the calculation of our debt service coverage for the periods ending at the earlier of December 31, 2023 and the maturity of the applicable credit agreement and as such excludes \$0.1 million of prior-period reimbursement recognized in 2023.

(3) 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, 2023	12 months December 31, 2022
Interest on mortgages <sup>(1)</sup>	62,788	65,046
Interest on Debentures	14,392	13,888
Interest on Credit Facilities	12,023	7,731
Interest on Term Loans	5,524	4,992
<b>Consolidated interest expense for Credit Facilities and Term Loans</b>	<b>94,727</b>	<b>91,657</b>
Proforma adjustments <sup>(2)</sup>	426	(336)
<b>Consolidated interest expense for Debentures</b>	<b>95,153</b>	<b>91,321</b>

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

(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, 2023	12 months December 31, 2022
Regularly scheduled debt principal payments per Financial Statements	81,967	86,997
Regularly scheduled debt principal payments for equity-accounted entities	285	274
<b>Regularly scheduled debt principal payments for Credit Facilities and Term Loans</b>	<b>82,252</b>	<b>87,271</b>

### 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, 2023	December 31, 2022
Principal balance of mortgages payable	1,469,304	1,701,668
Principal balance of mortgages payable related to assets held for sale	182,788	-
Principal balance of mortgages payable related to Equity-Accounted JVs	51,990	52,276
Principal balance of mortgages payable related to LTC Discontinued Operations	-	142,076
Outstanding amount on secured credit facility	70,000	184,000
Outstanding amount on secured term loan	-	13,600
Outstanding amount on secured term loan related to assets held for sale	13,600	-
<b>Secured indebtedness for the unsecured credit facility and Term Loans</b>	<b>1,787,682</b>	<b>2,093,620</b>
Principal balance of Debentures	400,000	350,000
Unsecured term loans	125,000	125,000
Capital lease obligations <sup>(1)</sup>	8,073	12,689
<b>Unsecured indebtedness for Debentures</b>	<b>533,073</b>	<b>487,689</b>
Outstanding letters of credit	5,988	6,273
Third-party guarantees	563	881
<b>Unsecured indebtedness for Credit Facilities and Term Loans</b>	<b>539,624</b>	<b>494,843</b>
Consolidated indebtedness for Credit Facilities and Term Loans	2,327,306	2,588,463
<i>Add (Subtract):</i>		
Outstanding letters of credit	(5,988)	(6,273)
Third-party guarantees	(563)	(881)
Cash and cash equivalents	(24,619)	(28,469)
Cash and cash equivalents of Equity-Accounted JVs	(12,556)	(8,175)
Consolidated indebtedness for Debentures	2,283,580	2,544,665

(1) Includes capital lease obligations related to LTC Discontinued Operations of \$4.2 million at December 31, 2022 and capital lease obligations related to joint ventures of \$0.1 million at December 31, 2023 (\$0.4 million at December 31, 2022).

## 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 Term Loans and the aggregate adjusted assets for Debentures.

(\$000s)	December 31, 2023	December 31, 2022
Book value of assets <sup>(1)</sup>	3,288,280	3,565,802
Gross book value adjustment on IFRS transition <sup>(2)</sup>	148,099	198,144
Adjustment for accumulated depreciation and amortization for Credit Facilities and Term Loans <sup>(3)(4)</sup>	1,317,674	1,400,176
<b>Adjusted consolidated gross book value of assets for Credit Facilities and Term Loans</b>	<b>4,754,053</b>	<b>5,164,122</b>
<i>Add (Subtract):</i>		
Cash and cash equivalents	(24,619)	(28,469)
Cash and cash equivalents of Equity-Accounted JVs	(12,556)	(8,175)
<b>Aggregate adjusted assets for Debentures</b>	<b>4,716,878</b>	<b>5,127,478</b>

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

(2) Includes gross book value adjustment on IFRS transition for LTC Discontinued Operations of \$57.4 million at December 31, 2022.

(3) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of \$24.7 million at December 31, 2023 (\$31.3 million at December 31, 2022) and fully amortized assets of \$278.4 million at December 31, 2023 (\$279.9 million at December 31, 2022).

(4) Includes accumulated depreciation of PP&E and amortization of intangible assets for LTC Discontinued Operations of \$72.7 million at December 31, 2022 and fully amortized assets of \$1.6 million at December 31, 2022.

## 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 and LTC Discontinued Operations:

**Principal portion of capital funding receivable:** This item represents the principal portion of the cash flow stream provided in the respective period by the Ontario Ministry of Long Term Care to long term care homes which meet certain design criteria.

**Income guarantees:** This item represents amounts due from vendors of acquired residences under the applicable purchase and sale agreement. It is generally applicable to residences 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 bps, 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.

**Net pandemic expense:** Amendment to exclude incremental direct operating expenses directly related to the COVID-19 pandemic for the period from January 1, 2022 to March 31, 2023 and net reimbursement of such expenses (if any) for the periods ending at the earlier of December 31, 2023 and the maturity of the applicable credit agreement.

**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)	2023	2022
FFO <sup>(1)</sup>	133,190	126,917
<i>Add (Subtract) amounts as defined in the Credit Agreements:</i>		
Principal portion of capital funding receivable	3,764	6,746
Income guarantees <sup>(2)</sup>	-	-
Amortization of finance costs and fair value adjustments on assumed mortgages <sup>(3)</sup>	3,198	2,695
Finance cost reserve	(1,721)	(1,786)
Net pandemic expense <sup>(4)</sup>	3,432	20,844
AFFO for Credit Facilities and Term Loans before capital maintenance reserve	141,863	155,416
Capital maintenance reserve - 2% of property revenue	(19,628)	(20,590)
AFFO for Credit Facilities and Term Loans	122,235	134,826

- (1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 50 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; 2023 excludes \$3.4 million of amortization of finance costs incurred in respect of renewal of our Credit Facilities and Debentures (2022 - \$2.0 million).
- (4) Incremental direct operating expenses directly related to the COVID-19 pandemic for the period from January 1, 2023 to March 31, 2023 and net reimbursement of such expenses (if any) and as such excludes \$0.1 million of prior-period reimbursements recognized in 2023.

## Total Equity

The following table summarizes changes in the number of outstanding units during 2023:

	Trust Units	Trust Units under EUPP	Class B Units	DTUs	Total Equity <sup>(1)</sup>
Balance December 31, 2022	234,752,609	1,888,133	1,530,360	1,247,209	239,418,311
Trust Units issued pursuant to DRIP	3,867,229	-	-	-	3,867,229
Trust Units issued under EUPP	-	333,377	-	-	333,377
Trust Units released on settlement of EUPP receivable	145,091	(145,091)	-	-	-
Exchange of Class B Units into Trust Units	5,000	-	(5,000)	-	-
DTUs issued	-	-	-	89,604	89,604
Distributions on DTUs	-	-	-	84,195	84,195
Exchange of DTUs into Trust Units	67,727	-	-	(67,727)	-
Balance December 31, 2023	238,837,656	2,076,419	1,525,360	1,353,281	243,792,716

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

As of March 7, 2024, the Trust has 241,490,515 Trust Units outstanding and Chartwell Master Care LP has 1,519,360 Class B Units outstanding which are exchangeable for 1,519,360 Trust Units.

## Distributions

The following table summarizes distributions declared on Trust Units in Q4 2023, 2023, 2022 and 2021 in relation to cash flows from operating activities and net income/(loss):

(\$000s)	Q4 2023	2023	2022	2021
Cash flows from operating activities	56,717	157,425	137,709	156,323
Net income/(loss)	(13,173)	128,273	49,531	10,132
Finance costs included in cash flow from financing activities	(1,353)	(9,212)	(8,944)	(8,434)
Distributions declared on Trust Units	36,737	146,037	143,548	136,227
Excess/(deficit) of cash flows from operating activities over distributions declared on Trust Units	19,980	11,388	(5,839)	20,096
Excess/(deficit) of cash flows from operating activities less finance costs included in cash flow from financing activities over distributions declared on Trust Units	18,627	2,176	(14,783)	11,662
Excess/(deficit) of net income over distributions declared on Trust Units	(49,910)	(17,764)	(94,017)	(126,095)

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 Trustees do not use net income/(loss) 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 setting the distribution rate. The items that are included in net income/(loss) 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.

In 2023 we achieved positive operating cash flows over distributions along with an excess of cash flows from operating activities (net of finance costs in cash flows from financing activities) over distributions.

Our operational, sales, marketing, and portfolio optimization strategies have produced improvements in our occupancies and reductions in agency staffing and pandemic expenses. We believe that these trends will continue in 2024 and our distributions are sustainable.

Unitholders who are Canadian residents are eligible to participate in our DRIP, which allows reinvestment of their distributions into new units of Chartwell, including a 3% bonus distribution with no commissions. This facilitates unitholders’ ability to realize the benefits of compound growth in their investment. Unitholders can enroll in our DRIP by contacting their investment advisor. In 2023, our average DRIP participation was 24.7% compared to 24.8% participation in 2022.

## 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. In 2022, pandemic-related restrictions, in many cases, limited access to our residences and as a result capital investments in 2022 were lower than 2023.

The following table summarizes our capital investments in 2023 and 2022:

(\$000s)	2023	2022
Building improvements	34,007	31,193
Mechanical and electrical ("M&E")	13,083	12,567
Suite improvements and upgrades	25,147	17,795
Interior improvements and upgrades	7,093	5,019
Furniture, fixtures and equipment	6,779	6,437
Communications and information systems	6,049	2,471
Properties under development	92,158	75,482
Land under development	31,164	32,048
	-	192
Total capital investments <sup>(1)</sup>	123,322	107,722

(1) Includes 160 properties (19,261 suites) at Chartwell's share of ownership in 2023, and 160 properties (19,355 suites) at Chartwell's share of ownership in 2022.

The following table is supplemental information and summarizes capital investments in our Equity-Accounted JVs in 2023 YTD and 2022 YTD not included in the table above:

(\$000s)	2023	2022
Capital investments in Equity-Accounted JVs	1,190	1,535

### 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 our properties, these investments support occupancy growth due to improved physical appearance of the property, growth in ancillary property revenues (e.g., parking rates) and operating cost savings (e.g., energy efficient windows and doors, improved building insulation).

In 2023, we completed 119 major building improvement projects valued over \$50,000 each, totalling \$30.0 million (2022 – 121 projects totalling \$29.8 million). In addition, included in this category are the acquisitions of eight condominium suites at two of our properties in British Columbia totalling \$3.1 million (2022 – four condominium suites for \$1.7 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 2023, we completed 93 major M&E projects valued over \$50,000 each, totalling \$11.3 million (2022 – 81 projects totalling \$10.5 million).

### Suite Improvements and Upgrades

This category includes capital investments in resident suites. We have developed and implemented 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/or, full renovations of bathrooms and kitchens.

In 2023, we invested in strategic suite upgrade programs in 56 properties (2022 – 59 properties).

### ***Interior Improvements and Upgrades***

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

In 2023, we invested in strategic common area upgrade programs in 39 properties (2022 – 31 properties).

### ***Furniture, Fixtures and Equipment***

This category primarily includes investments in resident common 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, 2023 compared to December 31, 2022 including those in our LTC Discontinued Operations.

	<b>Increase (Decrease)</b> <i>(Millions)</i>	<b>Explanation</b>
Total assets	(276.3)	Total assets decreased primarily due to decreases in PP&E, other assets, trade and other receivables, cash, and intangible assets, partially offset by increases in loans receivables and investment in joint ventures.
Total liabilities	(297.9)	Total liabilities decreased primarily due to lower draws on our credit facilities, decreases in deferred tax liabilities, accounts payable and mortgage payable, partially offset by increases of senior unsecured debentures, income tax payable, and other liabilities.
Equity	21.7	The increase in equity is primarily due to net income for the period and issuance of Trust Units under DRIP, partially offset by distributions.

## Commitments and Contingencies

### Contractual Obligations and Guarantees

The following table summarizes the maturities on major financial liabilities as at December 31, 2023, excluding future interest payments:

(\$000s)	Contractual Value	2024	2025	2026	2027	2028	Thereafter
Mortgages payable	\$1,469,304	243,831	118,667	138,690	109,848	215,689	642,579
Credit facilities	70,000	-	70,000	-	-	-	-
Term loans	125,000	125,000	-	-	-	-	-
Senior unsecured debentures	400,000	-	150,000	250,000	-	-	-
Accounts payable and accrued liabilities	119,743	119,743	-	-	-	-	-
Income tax payable	27,231	27,231	-	-	-	-	-
Distributions payable	12,364	12,364	-	-	-	-	-
Resident deposits	5,203	5,203	-	-	-	-	-
Lease obligations	8,073	751	737	128	-	-	6,457
Total maturities	2,236,918	534,123	339,404	388,818	109,848	215,689	649,036

The following table summarizes the maturities on major financial liabilities as at December 31, 2023 excluding future interest payments for our liabilities held for sale:

(\$000s)	Contractual Value	2024	2025	2026	2027	2028	Thereafter
Mortgages payable	182,788	55,977	17,378	7,943	51,768	8,558	41,164
Secured term loans	13,600	-	-	-	13,600	-	-
Total maturities	196,388	55,977	17,378	7,943	65,368	8,558	41,164

We have recorded lease obligations with respect to leases of land, office space and equipment.

We have entered into various construction contracts related to our development projects. As at December 31, 2023, the remaining commitments under these contracts amounted to approximately \$3.4 million (2022 - \$23.8 million).

### Guarantees

We remain a guarantor of the mortgage on one property sold in 2014 with the outstanding balance as of December 31, 2023 of \$0.6 million. The purchasers of this property have indemnified us with respect to this guarantee.

As of December 31, 2023, together with our partners we have jointly and severally guaranteed loans on certain joint arrangements to an aggregate maximum amount of \$565.4 million. As at December 31, 2023, outstanding balances on these loans were \$449.9 million.

### Other Contracts

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, have provided mezzanine loans for.

As of December 31, 2023, there were seven projects with 2,417 suites that were subject to these arrangements. Four of the Batimo projects, Chartwell Trait-Carré, Chartwell Le Montcalm, Chartwell Le Prescott and Chartwell L'Envol achieved the occupancy threshold giving effect to the Batimo put rights. A summary and status of Batimo projects is provided under the "Significant Events – Projects by Batimo" section on page 13 of this MD&A.

### Letters of Credit

As at December 31, 2023, we were contingently liable for letters of credit in the amount of \$6.0 million.

## Litigation, Claims and Contingencies

In 2020, Chartwell was named in three proposed class action lawsuits related to our handling of the COVID-19 pandemic in our Ontario Long Term Care homes which were subsequently consolidated into one proceeding (the “Consolidated Claim”). The Consolidated Claim was certified on March 7, 2024. Our insurer has assigned defense counsel and is responding to the Consolidated Claim through the appropriate court process. On November 20, 2020, Bill 218, Supporting Ontario’s Recovery and Municipal Elections Act, 2020 (the “Recovery Act”) received Royal Assent and came into effect. The Recovery Act, which applies retroactively to March 17, 2020, provides protections from liability to businesses that make good faith efforts to comply with public health guidelines and laws regarding exposure to COVID-19, provided the business was not grossly negligent. We did not record a provision with respect to the Consolidated Claims as at December 31, 2023. The contingencies associated with these long term care homes remain with Chartwell upon sale.

On October 14, 2021, the application for leave to appeal from the judgment of the Court of Appeal for Ontario in Attorney General of Ontario et al. v. Ontario Nurses’ Association, et al. was dismissed by the Supreme Court of Canada, thus upholding the appellate decision. The Court of Appeal decision held that LTC homes that used proxy comparators to develop pay equity plans have not met their maintenance requirements. Notwithstanding the closing of the sale of the long-term segment in 2023, we continue to work with the unions, the other participating LTC homes, and the Ontario Government to reach a pay equity maintenance framework appropriate for the sector.

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

## 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:

<i>(\$000s, except per unit amounts)</i>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Resident revenue	687,324	661,029	627,975
Total revenues	738,554	707,992	677,734
Direct property operating expense	463,361	464,704	423,884
Net income	128,273	49,531	10,132
Total assets	3,234,076	3,510,342	3,417,253
Total non-current liabilities	1,681,845	1,995,906	2,081,722
Total liabilities	2,442,615	2,740,540	2,591,142
Distributions declared per unit	0.6120	0.6120	0.6120

Our annual results for the past three years have been primarily affected by acquisitions, developments, and dispositions. For all three years, our results have been impacted by the pandemic. Refer to the “2024 Outlook” section on page 9 of this MD&A.

## Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information for:

(\$000s, except per unit amounts and number of units)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	193,455	186,041	180,771	178,287	181,699	180,516	175,873	169,904
Direct property operating expense	(118,853)	(113,344)	(113,290)	(117,874)	(120,672)	(117,811)	(112,434)	(113,787)
Depreciation and amortization	(39,587)	(38,593)	(38,539)	(39,976)	(40,255)	(39,767)	(38,749)	(37,365)
Share of net income/(loss) from joint ventures	(568)	1,023	(197)	(2,070)	(1,200)	(1,015)	(933)	(161)
G&A expenses	(13,455)	(14,403)	(17,163)	(15,429)	(9,334)	(11,215)	(15,264)	(13,828)
Other income/(expense)	(4,695)	1,789	605	2,310	68,456	718	774	675
Finance costs	(22,591)	(23,395)	(23,709)	(22,806)	(22,870)	(21,978)	(20,943)	(19,300)
Changes in fair value of financial instruments	(10,752)	(5,622)	(3,081)	(2,509)	2,929	9,054	7,161	2,641
Current income tax benefit/(expense)	869	(28,100)	-	-	-	-	-	-
Deferred income tax benefit/(expense)	3,419	11,274	2,340	7,477	(16,849)	2,248	1,111	(641)
Net income/(loss) from continuing operations	(12,758)	(23,330)	(12,263)	(12,590)	41,904	750	(3,404)	(11,862)
Net income/(loss) from LTC Discontinued Operations	(415)	181,486	4,806	3,337	5,559	3,528	4,510	8,546
Net income/(loss) for the period	(13,173)	158,156	(7,457)	(9,253)	47,463	4,278	1,106	(3,316)
FFO <sup>(1)</sup>								
Continuing operations	39,246	36,087	25,900	20,918	27,744	28,290	25,719	20,259
Total	39,099	39,002	30,751	24,338	33,357	31,880	30,355	31,324
FFOPU <sup>(1)</sup>								
Continuing operations	0.16	0.15	0.11	0.09	0.12	0.12	0.11	0.09
Total	0.16	0.16	0.13	0.10	0.14	0.13	0.13	0.13
IFFO <sup>(1)</sup>								
Continuing operations	39,878	36,602	26,255	21,676	28,877	29,535	26,785	21,279
Total	39,731	39,518	31,106	25,096	34,490	33,125	31,421	32,344
IFFOPU <sup>(1)</sup>								
Continuing operations	0.16	0.15	0.11	0.09	0.12	0.13	0.11	0.09
Total	0.16	0.16	0.13	0.10	0.14	0.14	0.13	0.14
Weighted average number of units (000) <sup>(2)</sup>	243,262	242,258	241,240	239,948	238,831	237,837	236,859	236,048

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Measures" section on page 50 of this MD&A.

(2) Non-GAAP; refer to the "Weighted Average Number of Units" section on page 55 of this MD&A.

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

- developments, acquisitions, and dispositions of properties as described in the "Significant Events" section on page 12 and the "2023 Outlook" section on page 9 of this MD&A and in our 2022 MD&A,
- pandemic impacts,
- changes in fair value of financial instruments,
- deferred income taxes,
- current income taxes,
- gain on the LTC Transactions, and
- impairment charges.

The effect of seasonal factors on our quarterly results is primarily related to outbreaks and weather patterns which affect both direct operating expenses, primarily utilities, staffing and maintenance cost trends, and also revenue due to changes in occupancy based on new resident move-in trends.

## Additional Information on Non-GAAP Measures

Throughout this MD&A, there are references to certain Non-GAAP Measures. As described in the relevant sections of this MD&A, where a Non-GAAP 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 Measure. Non-GAAP Measures do not have any standardized meaning prescribed by GAAP and therefore, are unlikely to be comparable to similar financial measures used by other issuers. The following provides detailed definitions and reconciliations to the most closely comparable GAAP measure for any Non-GAAP 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 for continuing operations and IFFO for continuing operations:

(\$000s, except per unit amounts and number of units)	Q4 2023	Q4 2022	Change	2023	2022	Change
Net income/(loss)	(12,758)	41,904	(54,662)	(60,941)	27,388	(88,329)
<i>Add (Subtract):</i>						
B Depreciation of PP&E	38,955	39,482	(527)	154,005	152,988	1,017
D Amortization of limited life intangible assets	632	773	(141)	2,690	3,148	(458)
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	(1,127)	(1,181)	54	(4,461)	(4,791)	330
E Loss/(gain) on disposal of assets	(5,770)	(70,125)	64,355	(12,074)	(71,751)	59,677
J Transaction costs arising on dispositions	192	1,792	(1,600)	1,167	1,992	(825)
H Impairment losses	10,273	-	10,273	10,898	-	10,898
F Tax on gains or losses on disposal of properties	(869)	-	(869)	27,231	-	27,231
G Deferred income tax	(3,419)	16,849	(20,268)	(24,510)	14,131	(38,641)
O Distributions on Class B Units recorded as interest expense	234	234	-	936	937	(1)
M Changes in fair value of financial instruments	10,752	(2,929)	13,681	21,964	(21,785)	43,749
Q FFO adjustments for Equity-Accounted JVs <sup>(1)</sup>	2,151	945	1,206	5,246	(244)	5,490
FFO <sup>(2)</sup>	39,246	27,744	11,502	122,151	102,013	20,138
<i>Add (Subtract):</i>						
Lease-up-Losses and Imputed Cost of Debt <sup>(3)</sup>	632	1,133	(501)	2,260	4,464	(2,204)
IFFO <sup>(5)</sup>	39,878	28,877	11,001	124,411	106,477	17,934
Weighted average number of units (000) <sup>(6)</sup>	243,262	238,831	4,431	241,688	237,402	4,286
FFOPU <sup>(7)</sup>	0.16	0.12	0.04	0.51	0.43	0.08
IFFOPU <sup>(7)</sup>	0.16	0.12	0.04	0.51	0.45	0.06

(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 19 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 12 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 "Weighted Average Number of Units" section on page 55 of this MD&A.

(7) 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 2023	Q4 2022	Change	2023	2022	Change
B Depreciation of PP&E and amortization of intangible assets	813	957	(144)	3,916	2,808	1,108
E Loss/(gain) on disposal of assets	(1)	(16)	15	-	(21)	21
H Impairment losses	82	-	82	82	-	82
M Change in fair value of financial instruments	1,257	4	1,253	1,248	(3,031)	4,279
Q FFO adjustments for Equity-Accounted JVs <sup>(1)</sup>	2,151	945	1,206	5,246	(244)	5,490

(1) Non-GAAP; refer to the preamble to this section.

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

(\$000s, except per unit amounts and number of units)	Q4 2023	Q4 2022	Change	2023	2022	Change
Net income/(loss)	(13,173)	47,463	(60,636)	128,273	49,531	78,742
<i>Add (Subtract):</i>						
B Depreciation of PP&E	38,955	39,482	(527)	154,005	154,804	(799)
D Amortization of limited life intangible assets	632	773	(141)	2,690	3,350	(660)
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	(1,127)	(1,181)	54	(4,461)	(4,791)	330
E Loss/(gain) on disposal of assets	(5,539)	(70,122)	64,583	(190,747)	(71,743)	(119,004)
J Transaction costs arising on dispositions	229	1,843	(1,614)	1,665	2,727	(1,062)
H Impairment losses	10,273	-	10,273	10,898	-	10,898
F Tax on gains or losses on disposal of properties	(869)	-	(869)	27,231	-	27,231
G Deferred income tax	(3,419)	16,849	(20,268)	(24,510)	14,131	(38,641)
O Distributions on Class B Units recorded as interest expense	234	234	-	936	937	(1)
M Changes in fair value of financial instruments	10,752	(2,929)	13,681	21,964	(21,785)	43,749
Q FFO adjustments for Equity-Accounted JVs <sup>(1)</sup>	2,151	945	1,206	5,246	(244)	5,490
FFO <sup>(2)</sup>	39,099	33,357	5,742	133,190	126,917	6,273
<i>Add (Subtract):</i>						
Lease-up-Losses and Imputed Cost of Debt <sup>(3)</sup>	632	1,133	(501)	2,260	4,464	(2,204)
IFFO <sup>(5)</sup>	39,731	34,490	5,241	135,450	131,381	4,069
Weighted average number of units (000) <sup>(6)</sup>	243,262	238,831	4,431	241,688	237,402	4,286
FFOPU <sup>(7)</sup>	0.16	0.14	0.02	0.55	0.53	0.02
IFFOPU <sup>(7)</sup>	0.16	0.14	0.02	0.56	0.55	0.01

(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 19 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 12 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 "Weighted Average Number of Units" section on page 55 of this MD&A.

(7) 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 a quarterly reconciliation of net income/(loss) to FFO for continuing operations and IFFO for continuing operations:

(\$000s, except per unit amounts and number of units)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income/(loss)	(12,758)	(23,330)	(12,263)	(12,590)	41,904	750	(3,404)	(11,862)
<i>Add (Subtract):</i>								
B Depreciation of PP&E	38,955	38,027	37,786	39,237	39,482	38,958	37,927	36,621
D Amortization of limited life intangible assets	632	566	753	739	773	809	822	744
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	(1,127)	(1,093)	(1,094)	(1,144)	(1,181)	(1,186)	(1,203)	(1,222)
E Loss/(gain) on disposal of assets	(5,770)	(2,883)	(709)	(2,712)	(70,125)	(656)	(425)	(545)
J Transaction costs arising on dispositions	192	469	104	402	1,792	122	23	55
H Impairment losses	10,273	625	-	-	-	-	-	-
F Tax on gains or losses on disposal of properties	(869)	28,100	-	-	-	-	-	-
G Deferred income tax	(3,419)	(11,274)	(2,340)	(7,477)	16,849	(2,248)	(1,111)	641
O Distributions on Class B Units recorded as interest expense	234	234	234	234	234	234	234	234
M Changes in fair value of financial instruments	10,752	5,622	3,081	2,509	(2,929)	(9,054)	(7,161)	(2,641)
Q FFO adjustments for Equity-Accounted JVs <sup>(1)</sup>	2,151	1,024	348	1,720	945	561	17	(1,766)
FFO <sup>(2)</sup>	39,246	36,087	25,900	20,918	27,744	28,290	25,719	20,259
<i>Add (Subtract):</i>								
Lease-up-Losses and Imputed Cost of Debt <sup>(3)</sup>	632	515	355	758	1,133	1,245	1,066	1,020
Income guarantees <sup>(4)</sup>	-	-	-	-	-	-	-	-
IFFO <sup>(5)</sup>	39,878	36,602	26,255	21,676	28,877	29,535	26,785	21,279
Weighted average number of units (000) <sup>(6)</sup>	243,262	242,258	241,240	239,948	238,831	237,837	236,859	236,048
FFOPU <sup>(7)</sup>	0.16	0.15	0.11	0.09	0.12	0.12	0.11	0.09
IFFOPU <sup>(7)</sup>	0.16	0.15	0.11	0.09	0.12	0.13	0.11	0.09

(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 19 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 12 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 "Weighted Average Number of Units" section on page 55 of this MD&A.

(7) 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 a quarterly reconciliation of net income/(loss) to Total FFO for total operations and Total IFFO for total operations:

(\$000s, except per unit amounts and number of units)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income/(loss)	(13,173)	158,156	(7,457)	(9,253)	47,463	4,278	1,106	(3,316)
<i>Add (Subtract):</i>								
B Depreciation of PP&E	38,955	38,027	37,786	39,237	39,482	38,958	37,927	38,437
D Amortization of limited life intangible assets	632	566	753	739	773	809	822	946
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	(1,127)	(1,093)	(1,094)	(1,144)	(1,181)	(1,186)	(1,203)	(1,222)
E Loss/(gain) on disposal of assets	(5,539)	(181,794)	(714)	(2,701)	(70,122)	(655)	(423)	(545)
J Transaction costs arising on dispositions	229	809	154	474	1,843	183	147	556
H Impairment losses	10,273	625	-	-	-	-	-	-
F Tax on gains or losses on disposal of properties	(869)	28,100	-	-	-	-	-	-
G Deferred income tax	(3,419)	(11,274)	(2,340)	(7,477)	16,849	(2,248)	(1,111)	641
O Distributions on Class B Units recorded as interest expense	234	234	234	234	234	234	234	234
M Changes in fair value of financial instruments	10,752	5,622	3,081	2,509	(2,929)	(9,054)	(7,161)	(2,641)
Q FFO adjustments for Equity-Accounted JVs <sup>(1)</sup>	2,151	1,024	348	1,720	945	561	17	(1,766)
<b>FFO<sup>(2)</sup></b>	<b>39,099</b>	<b>39,002</b>	<b>30,751</b>	<b>24,338</b>	<b>33,357</b>	<b>31,880</b>	<b>30,355</b>	<b>31,324</b>
<i>Add (Subtract):</i>								
Lease-up-Losses and Imputed Cost of Debt <sup>(3)</sup>	632	515	355	758	1,133	1,245	1,066	1,020
Income guarantees <sup>(4)</sup>	-	-	-	-	-	-	-	-
<b>IFFO<sup>(5)</sup></b>	<b>39,731</b>	<b>39,517</b>	<b>31,106</b>	<b>25,096</b>	<b>34,490</b>	<b>33,125</b>	<b>31,421</b>	<b>32,344</b>
Weighted average number of units (000) <sup>(6)</sup>	243,262	242,258	241,240	239,948	238,831	237,837	236,859	236,048
FFOPU <sup>(7)</sup>	0.16	0.16	0.13	0.10	0.14	0.13	0.13	0.13
IFFOPU <sup>(7)</sup>	0.16	0.16	0.13	0.10	0.14	0.14	0.13	0.14

(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 19 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 12 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 "Weighted Average Number of Units" section on page 55 of this MD&A.

(7) 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.

## 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 2023	Q4 2022	Change	2023	2022	Change
Weighted average number of units <sup>(1)</sup>	243,262	238,831	4,431	241,688	237,402	4,286

(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, 2023, and December 31, 2022:

(\$000s, except ratio)	December 31, 2023	December 31, 2022
Consolidated Indebtedness for Debentures <sup>(1)</sup>	2,283,580	2,544,665
Consolidated EBITDA for Debentures <sup>(2)</sup>	223,009	229,632
Net Debt to Adjusted EBITDA ratio	10.2	11.1

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities, Term Loans, and Debentures" section on page 41 of this MD&A for the calculation of this amount.

(2) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities, Term Loans, and Debentures" section on page 40 of this MD&A for the calculation of this amount.

The Net Debt to Adjusted EBITDA ratio in 2022 and 2023 was impacted by lower EBITDA as a result of reduced occupancy and higher direct property operating expense primarily as a result of the pandemic, which started to rebound in the latter half of 2023. Additionally, financing of certain acquisitions and development projects in lease-up which have not yet achieved their expected stabilized EBITDA contribution also impacted this ratio.

## LTC Discontinued Operations

On September 6, 2023, we completed the sale of our long term care operations as described in the “Significant Events – Portfolio Optimization” section on page 15 of this MD&A.

The results of the LTC Discontinued Operations are included in the repositioning portfolio grouping. We continue to own two long term care homes which were included in the LTC Discontinued Operations reportable segment prior to the sale. Upon completion of the sale, these two homes are reported with our retirement residences as part of our Retirement Operations segment in the repositioning portfolio.

The following table summarizes the composition of the Long Term Care Operations as at September 6, 2023:

	Composition of Suites/Beds			Total at Chartwell's Share of Ownership
	Properties	ISLS	LTC	
Repositioning <sup>(1)</sup>	20	75	2,701	2,776
Total	20	75	2,701	2,776

(1) Includes one retirement residence (64 suites) connected to an LTC home and 11 retirement suites at another LTC home.

The following table presents the results of the Long Term Care Operations as at December 31, 2023:

(\$000s, except occupancy rates)	Q4 2023	Q4 2022	2023	2022
<b>Adjusted resident revenue<sup>(1)</sup></b>	<b>258</b>	<b>64,165</b>	<b>167,326</b>	<b>252,614</b>
Comprised of:				
Repositioning <sup>(2)</sup>	258	64,165	167,326	252,614
<b>Adjusted direct property operating expense<sup>(1)</sup></b>	<b>405</b>	<b>56,884</b>	<b>151,671</b>	<b>220,729</b>
Comprised of:				
Repositioning <sup>(2)</sup>	405	56,884	151,671	220,729
<b>Adjusted NOI<sup>(1)</sup></b>	<b>(147)</b>	<b>7,281</b>	<b>15,655</b>	<b>31,885</b>
Comprised of:				
Repositioning <sup>(2)</sup>	(147)	7,281	15,655	31,885
Weighted average occupancy rate				

(1) Non-GAAP, refer to the “Results of Retirement Operations” section on page 22 of this MD&A for explanations of the significance of these metrics.

(2) Non-GAAP; refer to the “Property Portfolio Groupings” section on page 5 of this MD&A for explanations of ‘Repositioning’ and the significance of this metric.

The following tables provide supplemental information related to LTC Discontinued Operations:

### Finance Costs

(\$000s)	Q4 2023	Q4 2022	2023	2022
Contractual interest expense on mortgages	-	1,988	5,186	8,254
Amortization of finance costs and mark-to-market adjustments on assumed mortgages	-	(51)	18	(106)
<b>Total finance costs – LTC Discontinued Operations</b>	<b>-</b>	<b>1,937</b>	<b>5,204</b>	<b>8,148</b>

### Other Items

(\$000s)	Q4 2023	Q4 2022	2023	2022
Other income/(expense)	(268)	(54)	178,175	(743)
Depreciation of PP&E	-	-	-	(1,816)
Amortization of intangible assets	-	-	-	(202)

Other income/(expense) in 2023 includes \$178.7 million gain on sale and transaction costs related to the LTC Transactions.

### Cash Flow Analysis (between 2023 and 2022)

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	4.8	Change in cash flows from operating activities is primarily due to change in working capital and lower interest paid.
Financing activities	(3.8)	Change in cash flows from financing activities is due to higher mortgage repayments.
Investing activities	218.0	Change in cash flows from investing activities is primarily due to higher proceeds from dispositions of PP&E and lower additions to PP&E.

### Cash Flow Analysis (between Q4 2023 and Q4 2022)

Cash Provided by (Used in):	Increase (Decrease) (\$millions)	Explanation
Operating activities	(6.1)	Change in cash flows from operating activities is primarily due to sale of long term care operations in 2023 as compared to adjusted NOI, change in working capital and interest paid in Q4 2022.
Financing activities	2.4	Change in cash flows from financing activities is due to due to sale of long term care operations in 2023 as compared to mortgage repayments in Q4 2022.
Investing activities	0.2	Change in cash flows from investing activities is primarily due to sale of long term operations in 2023 as compared to additions to PP&E in Q4 2022.

### Capital Investments

(\$000s)	2023	2022
Capital Investments	-	5,924
Properties under development	-	278
Total capital investments <sup>(1)</sup>	-	6,202

(1) Includes 17 properties (2,418 suites) at Chartwell's share of ownership.

The following table provides the reconciliation net income/(loss) of FFO from LTC Discontinued Operations and IFFO from LTC Discontinued Operations:

(\$000s, except per unit amounts and number of units)	Q4 2023	Q4 2022	2023	2022
Net income/(loss)	(415)	5,559	189,214	22,143
<i>Add (Subtract):</i>				
Depreciation of PP&E	-	-	-	1,816
Amortization of limited life intangible assets	-	-	-	202
Loss/(gain) on disposal of assets	231	3	(178,673)	8
Transaction costs arising on dispositions	37	51	498	735
FFO <sup>(1)</sup>	(147)	5,613	11,039	24,904
IFFO <sup>(2)</sup>	(147)	5,613	11,039	24,904
Weighted average number of units (000) <sup>(3)</sup>	243,262	238,831	241,688	237,402
FFOPU <sup>(4)</sup>	-	0.02	0.04	0.10
IFFOPU <sup>(4)</sup>	-	0.02	0.05	0.10

(1) Non-GAAP; refer to the "Consolidated Results of Operations – FFO" section on page 19 of this MD&A for a discussion of the significance of this metric.

(2) Non-GAAP; refer to the "Additional Information on Non-GAAP Measures – IFFO" section on page 51 of this MD&A for a discussion of the significance of this metric.

(3) Non-GAAP; refer to the "Weighted Average Number of Units" section on page 55 of this MD&A.

(4) 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 the quarterly reconciliation of net income/(loss) to FFO from LTC Discontinued Operations and IFFO from LTC Discontinued Operations:

(\$000s, except per unit amounts and number of units)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income/(loss)	(415)	181,486	4,806	3,337	5,559	3,528	4,510	8,546
<i>Add (Subtract):</i>								
Depreciation of PP&E	-	-	-	-	-	-	-	1,816
Amortization of limited life intangible assets	-	-	-	-	-	-	-	202
Loss/(gain) on disposal of assets	231	(178,911)	(5)	11	3	1	2	-
Transaction costs arising on dispositions	37	340	50	72	51	61	124	501
FFO <sup>(1)</sup>	(147)	2,915	4,851	3,420	5,613	3,590	4,636	11,065
IFFO <sup>(2)</sup>	(147)	2,915	4,851	3,420	5,613	3,590	4,636	11,065
Weighted average number of units (000) <sup>(3)</sup>	243,262	242,258	241,240	239,948	238,831	237,837	236,859	236,048
FFOPU <sup>(4)</sup>	-	0.01	0.02	0.01	0.02	0.01	0.02	0.04
IFFOPU <sup>(4)</sup>	-	0.01	0.02	0.01	0.02	0.01	0.02	0.04

- (1) Non-GAAP; refer to the "Consolidated Results of Operations – FFO" section on page 19 of this MD&A for a discussion of the significance of this metric.
- (2) Non-GAAP; refer to the "Additional Information on Non-GAAP Measures – IFFO" section on page 51 of this MD&A for a discussion of the significance of this metric.
- (3) Non-GAAP; refer to the "Weighted Average Number of Units" section on page 55 of this MD&A.
- (4) 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.

## Critical Accounting Policies and Estimates

### Critical Accounting Judgments, Estimates and Assumptions in Applying Accounting Policies

Our material accounting policies for the year ended December 31, 2023 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.

Our business, markets and business environment are continually monitored, and judgments 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.

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.

## **Changes in Accounting Estimates and Changes in Accounting Policies**

Our material accounting policies are described in Note 3 of our 2023 Financial Statements. Note 3(n) outlines future accounting policy changes. There were no significant changes to our accounting policies in 2023 or following the date of our 2023 Financial Statements.

## **Related Party Transactions**

In the normal course of operations, Chartwell enters into various transactions with related parties. A summary of related party transactions can be found in Note 11 of our Financial Statements.

## **Controls and Procedures**

We are committed to maintaining effective disclosure controls and procedures and internal controls over financial reporting. We continue to invest 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.

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 of the Treadway Commission in the Internal Control – Integrated Framework – 2013 (COSO Internal Control 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 as at December 31, 2023.

## **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, 2023, and based on that assessment determined that our internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the COSO Internal Control Framework – 2013.

There were no material changes in our internal controls over financial reporting that occurred during the year ended December 31, 2023 that have significantly affected or are reasonably likely to significantly affect our internal control over financial reporting.

# Risks and Uncertainties and Forward-Looking Information

## Risk and Uncertainties

- **General 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 available to, or the financial position of Chartwell.

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 increases 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.

- **Occupancy, Business Volumes, and Competition:** Revenue and operating results depend significantly on the occupancy levels at our residences. Numerous other developers, managers and owners of seniors housing residences compete with us in seeking residents. The existence of competing developers, managers and owners and competition for our residents may adversely affect our ability to find residents for our seniors housing residences and on the level of rents or rental rate 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 suites in such 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.
- **Access to Capital, Interest Rate Risk and Other Debt and Financing Risk:** We have and will continue to have substantial outstanding consolidated indebtedness comprised primarily of the mortgages, term loans, debentures and indebtedness under our credit facilities. Our level of indebtedness could adversely affect its business and results of operations, including: limiting its ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general business purposes; restricting Chartwell's flexibility and discretion to operate its business; limiting our ability to make Distributions; having to dedicate a portion of cash flows from operations to the payment of interest on our existing indebtedness and not having such cash flows available for other purposes; exposing our business to increased debt capital market risks, including interest rate risk and refinancing risk at maturity; exposing us to increased interest expense on borrowings at variable rates; limiting our ability to adjust to changing market conditions; and making us vulnerable in a downturn in general economic conditions.

We intends to finance its growth strategy, including acquisitions and developments, through a combination of its working capital and its cash flow from operations, additional indebtedness and public or private sales of equity or debt securities. In the event that we require additional equity or debt financing for any reason, there can be no assurance that such financing will be available when required or on commercially favourable terms or on terms that are otherwise satisfactory to us. We

are also subject to the risk that any of its 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 its existing indebtedness. This may be due to factors including our financial condition, results of operations and cash flows, the terms of our existing indebtedness, general economic conditions and volatility, disruption and other unfavourable trends in the North American capital and credit markets. In particular, we currently have access to the government-backed mortgage insurance program through the National Housing Act, which is administered by CMHC. We entered into the LBA with CMHC in December 2015. There can be no guarantee that the provisions of the mortgage insurance program will not be changed in the future so as to make costs of obtaining mortgage insurance prohibitive or so as to restrict access to the insurance program in the future. To the extent that any financing requiring CMHC consent or approval is not obtained or that such consent or approval is only available on unfavourable terms, We may be required to use a conventional mortgage or other financing alternatives which may be less favourable to us than a CMHC-insured mortgage. No assurance can be given that we will be successful in obtaining additional financing, or refinancing existing indebtedness, on acceptable terms, at reasonable cost and at the required times, or at all. If we cannot obtain financing on acceptable terms, at reasonable cost and at the required times, our operations, liquidity and financial condition may be materially adversely affected and we may have to forgo, delay, or abandon some or all of its planned capital expenditures or any development, investment, or acquisition opportunities that we identify, which could adversely affect our revenues and results of operations.

Increases in market interest rates could significantly increase our debt servicing costs, which could have a material adverse effect on our business and results of operations. A portion of our cash flow is devoted to servicing its 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 are unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing.

If we fail to comply with the covenants, restrictions and requirements of any of its debt obligations, it could be in default under the relevant agreement which could have a material adverse effect on our liquidity, financial condition and results of operations. A default under one debt financing arrangement could cause cross-defaults under other financing arrangements, including our mortgages, term loans, debentures and our credit facilities. For example, because the terms of our debt contain cross-default provisions, a default by us related to one debt instrument could affect a significant number of our other properties and corresponding mortgages, term loans, debentures and credit facilities. In the event of any such default, if we failed to obtain replacement financing or amendments to or waivers under the applicable financing arrangement, its lenders could cease making further advances, declare our debt to be immediately due and payable, impose significant restrictions and requirements on our operations, institute foreclosure procedures against their collateral, or impose significant fees and transaction costs. If debt acceleration occurs, economic conditions may make it difficult or expensive to refinance the accelerated debt or we may have to issue equity, which would have dilutive effects on unitholders. Even if new financing is made available to us, credit may not be available to us on acceptable or reasonable terms. In addition, the terms of our indebtedness generally contain customary provisions that, upon an event of default, restrict the Distributions that may be made by us and our subsidiaries. Upon an event of default under such indebtedness, our ability to make Distributions will be adversely affected.

- **Human Capital:** We compete in local markets with other health care providers with respect to attracting and retaining qualified personnel. We are also dependent upon the available labour pool of employees. A shortage of qualified 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 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. Continuation of such shortages could impact the delivery of services to residents in increased competition for staff and increased labour costs. 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.

- **Economic and Financial Conditions:** Adverse changes to the economic and financial conditions in Canada, the United States 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. In addition to labour costs, supply expenses make up a substantial portion of our cost of services. Those expenses can be subject to increases in periods of rising inflation. Although historically we have generally been able to implement cost control measures, proactive procurement practices and/or obtain increases in government funding sufficient to substantially offset increases in these expenses, there can be no assurance that we will be able to anticipate fully or otherwise respond to any inflationary pressures or receive such increased funding, which may have a material adverse effect on the business, results of operations and our financial condition. Similarly, such inflationary pressures, as well as strengthening competition for materials and services, may result in significant increases in redevelopment costs such that, in the absence of increased funding, redevelopment projects may no longer be economically viable or, if viable, provide a return on investment lower than initially anticipated.
- **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 and provide us with access to properties and development sites we would otherwise have. 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-venturer may exercise buy-sell, put or other sale or purchase rights which could obligate us to sell our interest or buy the other joint-venturer'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.
- **Labour Relations:** We, directly or indirectly employ 11,452 people in Canada. Excluding managers, approximately 70% of the employees working in the residences are represented by labour unions or employee associations. Labour relations with the unions 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. However, most seniors housing residences in the Province of Ontario fall under the jurisdiction of the Hospital Labour Disputes Arbitration Act which prohibits strikes and lockouts in the seniors housing sector. 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 residences may become unionized in the event they are approached for certification by a trade union. There can be no assurance that the seniors housing residences we own that are currently unorganized will not, in the future, be subject to unionization efforts or that any such efforts will not result in the unionization of such a seniors housing facility's employees.

In 1995, certain participating Ontario LTC homes and their respective unions agreed to a framework using the proxy method for a new pay equity plan that resulted in pay equity being achieved by

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

On October 14, 2021, the application for leave to appeal from the judgment of the Court of Appeal in Attorney General of Ontario et al. v. Ontario Nurses’ Association et al. was dismissed by the Supreme Court of Canada, thus upholding the appellate court decision. Chartwell owns four LTC homes that are respondents to this decision. In addition, Chartwell owns seven LTC homes that also used the proxy method to achieve pay equity which could also be affected by this decision. Notwithstanding the closing of the LTC Transaction in 2023, we continue to work with the unions, the other participating LTC homes and the Ontario government to reach a pay equity maintenance framework appropriate for the sector.

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

- **Workplace Health and Safety:** We recognize that ensuring a healthy and safe workplace reduces work-related injury, illness and disability, improves productivity, lowers absenteeism and helps minimize any liability or penalties which could be incurred in connection with workplace injuries or illness. Chartwell has occupational health and safety programs in place and has established policies, procedures and training aimed at ensuring compliance with applicable legislative requirements. Failure to comply with workplace health and safety policies and procedures or applicable legislative requirements could result in increased work-related injury or illness, fines and/or penalties and damage to our reputation and thus have a material adverse effect on the business, results of operations and financial condition of Chartwell.
- **Pandemic, Epidemic or Outbreak of 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 to infectious diseases. Enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure to infectious diseases or to address actual outbreaks in our residences (for example, enhanced screening, personal protective equipment, increased disinfection, mandatory vaccination policies, rapid testing 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 of the extent to which that will be the case. There is uncertainty regarding the implementation and impact of any

government funding, pandemic-related legislation and any other future COVID-19 relief measures. 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 of the pandemic, epidemic or other outbreak of infectious disease 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 “2024 Outlook” section on page 9 of this MD&A.

- **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 acquiring or developing 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.
- **Maintenance of Assets:** We are committed to keeping our communities in a good state of repair. We fundamentally believe that investing back into communities increases resident and staff satisfaction, which ultimately makes the business more profitable. In 2023, we invested \$92.2 million of capital back into 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 residences when determining future cash flows available for Distributions. A significant increase in capital maintenance requirements could adversely impact our cash availability.
- **Acquisitions, Disposition and Development:** Agreements to acquire or sell, as well as 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 several development activities. These activities create development-specific risks, including the risk of subcontractors placing liens on projects, constructions delays, increasing costs, labour disputes, delays in obtaining municipal and regional approvals and disputes with development partners.

- **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. These changes favour larger operators having the resources to provide more cost-effective management services and well developed staff training programs on a regional basis. There can be no assurance that future regulatory changes in health care, particularly those changes affecting the seniors housing industry will not adversely affect us.

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.

We no longer operate any LTC homes in Ontario, but currently retain ownership in three LTC homes managed by a third party. Upon closing of the Ballycliffe Transaction, we will retain an ownership in one Class B LTC home and one Class C LTC home, one licence for 56 beds is set to expire in 2025 and the other licence for 202 beds is set to expire in 2030. Under the FLTC Act that governs LTC homes in Ontario, the Director of Long-Term Care may make a policy regarding the obligation of a licensee that applies at the end of the term of a licence, but no such policy has yet been published. As the scope of any such policy is still unknown, we cannot be certain that once published, we will not incur additional costs to comply with any such policy.

- **Management Contracts:** We receive management fees from non-owned residences that we manage for others and earns management fees from co-owned properties. We will not receive 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 properties with secured mezzanine loans advanced by us.
- **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 such lawsuits as a result of the nature of its businesses. In addition, attempts to advance class action lawsuits have become prevalent in senior care. There can be no assurance that we will not face risks of this nature. 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 or that coverage for certain risks such as infectious diseases will continue to be available at all. 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 businesses and will require management to devote time to these matters rather than to the operation of the business.
- **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.
- **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 on page 3 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.

- **Conflicts of Interest:** The Chartwell Trustees, CSH Trustees and, Directors 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, CSH Trust and Master LP contain conflict of interest provisions requiring our Chartwell Trustees, CSH Trustees and Directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.
- **Loans Receivable:** Our loans receivable are generally secured by subordinated charges of the borrowers' interests in real estate and rank behind senior financing. Similarly, the vendor take back mortgages provided by Master LP are secured by subordinate charges on properties. 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 properties 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.
- **Environmental Liabilities:** Environmental legislation and policies have become increasingly important in recent years. 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 in some cases regardless of whether or not we knew of or was 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 regulations 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.

- **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 preventing unauthorized access or theft for our employees relating to the safeguarding of such information and we maintain cybersecurity insurance in amounts and with such coverage as deemed appropriate based on the nature and risks of the business.

Cyber security has become an increasingly problematic issue for issuers and 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, while we continually monitor for malicious threats and adapt accordingly in an effort to ensure we

maintain high privacy and security standards, invest in cyber defense technologies to support our business model and to protect our systems, residents and employees, employing industry best practices, there can be no assurance that these measures will prevent loss, misuse or theft of any such information.

- **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. Chartwell management reports on climate change risks, regularly to our Board of Directors, including mitigation strategies with respect to this risk.

- **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 to Chartwell Retirement Residences may affect Distributions. We may be required to decrease our distributions in order to accommodate any such items.
- **Redemption Right:** It is anticipated that the redemption right will not be the primary mechanism for holders of Units to liquidate their investments (see "Chartwell, CSH Trust and Master LP – Redemption Right"). Cash redemptions are subject to limitations. Securities which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and may not be qualified investments under the Tax Act for Plans. No established market is expected to develop in such notes and they may be subject to resale under applicable securities laws.
- **Dilution:** We may, in our sole discretion, issue additional Units from time to time, and the interests of the Unitholders may be diluted thereby.
- **Nature of Units:** The Units are not traditional equity investments. The Units represent an undivided ownership interest in Chartwell. Our primary assets are CSH Trust Units. The Units do not represent a direct investment in the business of Master LP and should not be viewed by investors as direct securities of Master LP or its subsidiaries. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions or rights to dissent from fundamental transactions undertaken by a corporation and to apply to court to be paid "fair value" for their securities. As well, Chartwell may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada) and thus the treatment of Unitholders upon an insolvency is uncertain.

The Units are not debt instruments and are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Further, cash Distributions are not guaranteed amounts and may fluctuate with the performance of the entities in which we invests. The trading price of the Units will be greatly affected by such performance and the anticipated Distributions of Chartwell. The market

value of the Units may deteriorate if we are unable to maintain its cash Distribution levels in the future and that deterioration may be significant.

- **Unitholder Liability:** The Declaration of Trust provides that no Unitholder shall be subject to any liability whatsoever to any person in connection with a holding of Units. However, in jurisdictions outside the Provinces of Ontario, Québec, Alberta and British Columbia (and in those jurisdictions in certain circumstances), there remains a minimal risk, which is considered by us to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Declaration of Trust, for our obligations to the extent that claims are not satisfied out of the our assets. Our affairs are conducted to seek to minimize such risk wherever possible.
- **Market for Units and Unit Price:** The Units are listed on the TSX. There can be no assurance that an active public market for Units will be sustained. One of the factors that may influence the market price of the Units is the annualized yield on the Unit price from Distributions. Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which could adversely affect the market price of the Units. The market price of the Units does not necessarily reflect our net asset value. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors outside of our control which may cause the market price of Units to change in a manner which is different from the change in value of the underlying real estate assets.

- **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 (whether received in cash, additional Units or otherwise) as a taxable dividend from a taxable Canadian corporation, which dividend will be eligible for the enhanced dividend tax credit (an “eligible dividend”).

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 2024 and future years.

In 2023, 27.9% of our distributions were classified as return of capital and 72.1% of our distributions were classified as eligible dividends. The eligible dividends are primarily due to the LTC Transaction which resulted in SIFT tax payable of \$27.2 million.

The Welltower Transaction will result in taxes payable of approximately \$6.8 million in 2024. Based on our current forecasts, we do not expect any other tax to be payable by us under the SIFT Rules in 2024.

***Tax Status***

If we cease to qualify as a “mutual fund trust” for the purposes of the Tax Act or the 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 we qualify 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 we make in a year may be distributed to Unitholders in the form of additional 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 tax being payable, under the SIFT Rules.

## 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. These assumptions include, but are not limited to, expected growth, results of operations, performance and business prospects and opportunities. In addition, certain specific assumptions were made in preparing forward-looking information including the expected closing of the Ballycliffe LTC in first half of 2024, growth in revenue and service fees, growth in occupancy rates due to industry demand, continued growth in labour costs as a result of labour shortages and market conditions, continued access to CMHC mortgages at competitive rates; continued access to capital markets which will continue to provide Chartwell with access to equity and/or debt at reasonable rates to meet financial and operating needs, no unforeseen changes to tax laws and our ability to maintain status as a mutual fund trust.

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, operational sales, marketing and portfolio optimization strategies, including targets, and the expected results of such strategies,
- statements and forecasts regarding occupancy trends and growth,
- statements regarding our ability to achieve improvements in our cash flows,
- our predictions and expectations with respect to industry trends including growth in the senior population, a deficit of long-term care beds and the slowdown of new construction starts, including statements regarding recovery of occupancy levels, growth and achievement of occupancy targets,

- our continued focus on differentiating Chartwell as a competitive employer within the industry through the implementation of various recruitment, retention and engagement focused initiatives,
- our expectations with respect to reducing our reliance on agency workers, agency staffing cost trends and cost reduction targets,
- our expectations regarding the decline and discontinuation of government funding and related impacts on our financial performance,
- our expectations with respect to provincial government directives,
- 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 and projected earnings generated therefrom,
- our expectations of adjusted operating margin,
- our expectations regarding achievement of certain employee engagement and resident satisfaction,
- our expectations with respect to potential development projects on our owned lands,
- information related to the expected completion and expected stabilized occupancy dates of properties under development,
- the expected closings and closing dates of, taxes, proceeds and expected use of proceeds from, acquisitions and dispositions,
- our expectations with respect to the balance and associated interest rates of certain mortgage debt,
- our ability to realize expected unlevered yields, occupancy rates and net operating income on our development projects,
- our expectations with respect to refinancing activities, including our ability to renew maturing debt and to obtain new financings in due course,
- our expectations regarding repayment of debt and the impact of such repayment on our unencumbered asset pool,
- our intention and ability to access low-cost mortgage financing insured by CMHC,
- the sustainability of our current distributions and plans to maintain the current level of distributions,
- our expectations regarding future development and acquisition opportunities, including but not limited to those with Batimo,
- our expectations with respect to the use of properties closed to new admissions and future disposition and asset repositioning opportunities,
- statements regarding the impact of certain litigation,
- expectations with respect to the funding of pay equity adjustments,
- statements regarding the income-generating potential of our properties,
- our expectations regarding the tax classification of future distributions,
- our expectations with respect to the fluctuation in the market and fair value of our financial instruments,
- our expectations regarding taxes that are expected to be payable in the current and future years under the SIFT rules, including our expectations with respect to deductions and losses which we expect to carry forward to offset taxes under the SIFT rules, and
- our expectations regarding future demand for retirement suites and services 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

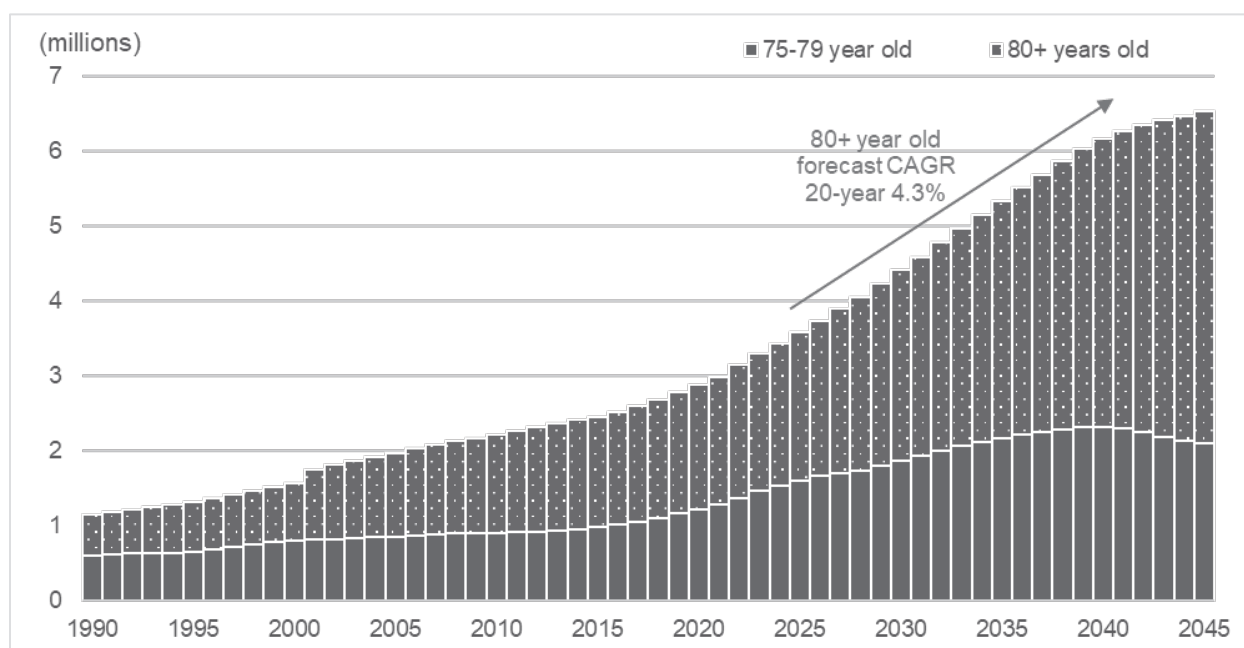
### Significant Future Demand

Based on the forecasted ratios of retirement suites to the population of people over the age of 75, the demand for retirement suites is expected to accelerate over the next 20 years.

Demand for retirements suites will further benefit from the following:

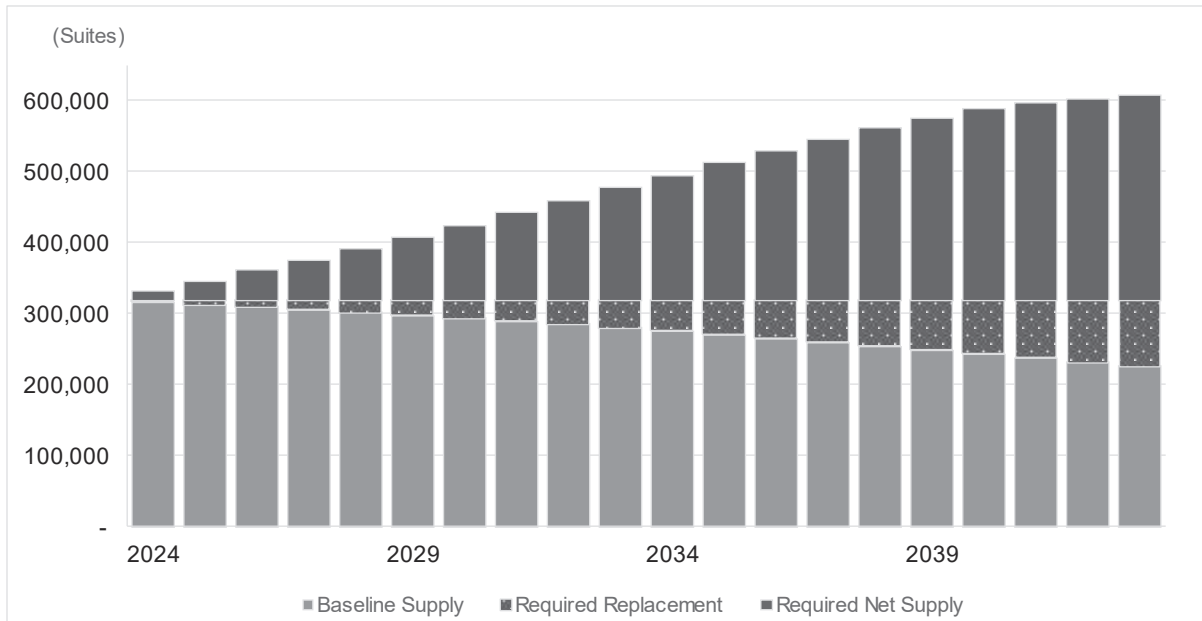
- If governments are unable to fully address demand growth for government-funded long term care spaces, there may be additional demand for retirement suites.
- The existing inventory of retirement suites includes a number of older properties which may become obsolete over time, further increasing demand for newer suites.
- We believe that there is pent-up demand for retirement accommodation and services, that built up through the pandemic, driven by the increased ageing population and disruptions of community-based support services for seniors during the pandemic.
- The acceptance of retirement living is significantly higher in Quebec. We believe the introduction of more flexible service offering and pricing options, including a-la-carte services, across the country, may further increase consumer interest in retirement living and drive higher demand.

### Population of Age 75+ Year Olds



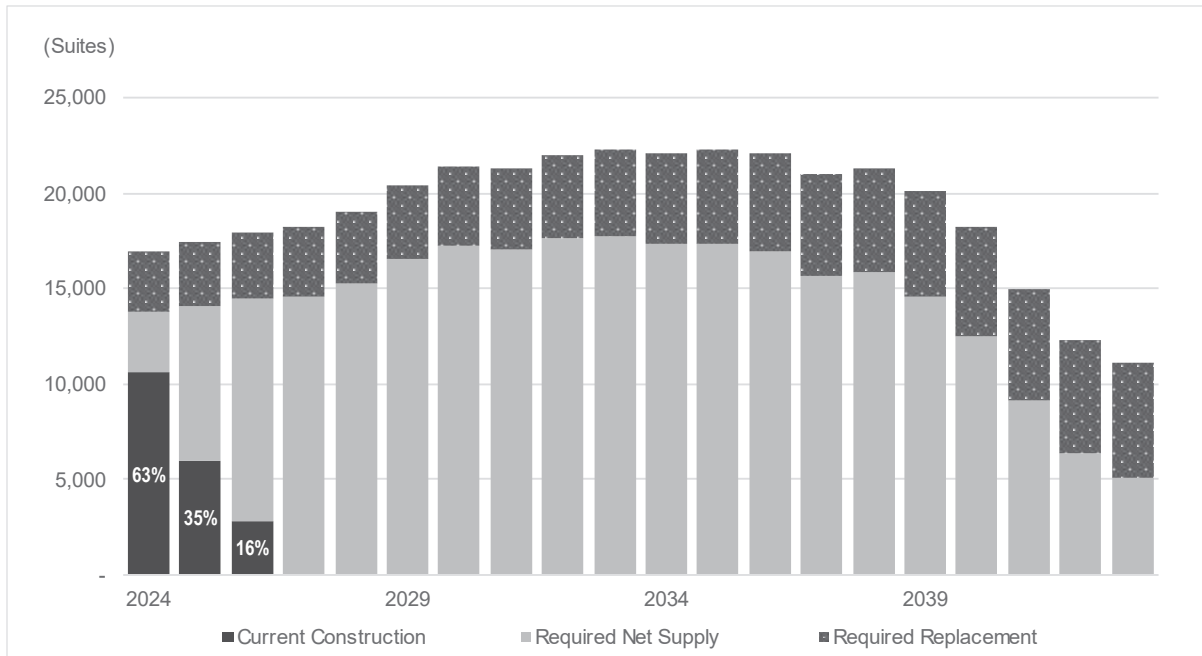
Sources: Statistics Canada and Cushman & Wakefield ULC.

## New Supply Required to Maintain Market Equilibrium



Source: Cushman & Wakefield ULC.

## Required Net-New Supply vs. Lifecycle Replacement of Existing Inventory



Source: Cushman & Wakefield ULC.

## Chartwell Top 15 Markets – Supply and Demand Data

### Supply

Location <sup>(4)</sup>	Chartwell Portfolio <sup>(1)</sup>		Existing Inventory <sup>(2)</sup>		Immediate Competition Impact <sup>(3)</sup>			
	Total		Total		Chartwell Exposure		New Construction opening within 5km of a Chartwell Property	
	# of Properties	# of Suites	# of Properties	# of Suites	# of Properties	# of Suites	# of Properties	# of Suites
Greater Montreal Area	16	3,756	376	63,719	1	564	1	476
Gatineau	9	1,735	23	4,147	4	895	1	66
Greater Vancouver Area	13	1,598	152	14,809	3	383	3	282
Quebec City	5	1,524	150	19,277	0	0	0	0
Greater Ottawa Area	9	1,038	91	10,788	6	730	7	1,889
Edmonton	6	1,200	90	10,269	0	0	0	0
Toronto	7	1,208	73	8,124	4	887	4	471
Kitchener/Waterloo/Cambridge/Guelph	10	1,016	61	5,643	0	0	0	0
Ontario North	9	850	42	3,601	0	0	0	0
York	8	858	42	4,811	3	336	2	177
Calgary	5	641	75	9,345	4	525	3	595
Durham	5	586	35	4,857	2	236	4	592
Windsor/Essex County	6	603	27	2,443	0	0	0	0
Halton	5	555	33	3,806	1	131	2	416
Peel	3	517	29	4,070	1	323	1	246
<b>Subtotal (Top 15 Markets)</b>	<b>116</b>	<b>17,685</b>	<b>1,299</b>	<b>169,709</b>	<b>29</b>	<b>5,010</b>	<b>28</b>	<b>5,210</b>
Other	41	5,887						
<b>Grand Total</b>	<b>157</b>	<b>23,572</b>						

- (1) Retirement Operations; excludes three long term care homes (358 beds) which were previously reported in our Long Term Care Operations segment.
- (2) Source: Cushman & Wakefield ULC.
- (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 <sup>(3)</sup>	Demographic Information <sup>(1)</sup>				Demographic Data 75+ yrs <sup>(1)</sup>	
	2023				2023	
	Total Population	Median Household Income (\$)	Avg House Value (\$)	Unemployment Rate %	Total Population	10 yr Growth %
Greater Montreal Area	4,463,919	83,420	515,428	6.1%	377,962	40.9%
Gatineau	362,275	92,592	409,645	4.6%	24,773	61.0%
Greater Vancouver Area	3,268,857	100,182	1,234,482	5.9%	253,393	54.5%
Quebec City	854,952	82,493	347,372	2.6%	87,061	42.6%
Greater Ottawa Area	1,116,218	110,451	627,320	5.0%	83,731	48.3%
Edmonton	1,534,381	104,110	437,277	6.7%	91,892	61.0%
Toronto	3,035,455	91,634	1,067,263	6.8%	240,147	37.8%
Kitchener/Waterloo/Cambridge/Guelph	962,689	102,711	741,117	6.7%	68,067	47.9%
Ontario North	811,512	80,893	351,162	8.6%	81,943	37.5%
York	1,276,245	124,274	1,226,023	6.8%	97,700	63.7%
Calgary	1,620,362	106,494	574,855	5.7%	87,902	76.8%
Durham	769,717	118,531	813,406	7.2%	51,284	56.4%
Windsor/Essex County	433,045	91,027	461,294	7.8%	38,388	39.5%
Halton	651,001	134,453	1,118,822	6.8%	49,593	45.7%
Peel	1,626,520	121,658	980,046	6.8%	102,469	65.6%
<b>Subtotal/Average (Top 15 Markets)</b>	<b>22,787,148</b>	<b>102,995<sup>(2)</sup></b>	<b>727,034<sup>(2)</sup></b>	<b>6.3%<sup>(2)</sup></b>	<b>1,736,305</b>	<b>51.9%<sup>(2)</sup></b>

- (1) Sources: Cushman & Wakefield provided by Environics Analytics 2023, and Statistics Canada. Table 14-10-0354-01 Regional unemployment rates used by the Employment Insurance program, three-month moving average, seasonally adjusted.
- (2) Average.
- (3) Locations follow CMHC's region and naming convention except for Greater Vancouver (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").



**CONSOLIDATED FINANCIAL  
STATEMENTS**

## 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*



Jeffrey Brown  
*Chief Financial Officer*

# Independent Auditor's Report

To the Unitholders of Chartwell Retirement Residences

## **Opinion**

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

- the consolidated balance sheets as at December 31, 2023 and December 31, 2022
- 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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

## **Basis for Opinion**

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

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

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

## **Assessment of the recoverable amount of cash generating units**

### **Description of the matter**

We draw attention to Notes 2(d), 3(d) and 5 of the financial statements. The property, plant and equipment ("PP&E") carrying amount is \$2,841,011 thousand. The carrying amounts of the Entity's PP&E are assessed at each reporting date to determine if any events have occurred that would indicate the PP&E may be impaired. If any such indication exists, the asset's recoverable amount is estimated, and an impairment loss is recognized immediately in profit or loss for the amount by which the asset's carrying amount exceed its recoverable amount. The recoverable amount is determined for the cash generating unit ("CGU") to which the PP&E belongs. The recoverable amount of a CGU is the higher of (a) fair value less costs of disposal and (b) value in use.

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

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

### ***Why the matter is a key audit matter***

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

### ***How the matter was addressed in the audit***

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

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

### ***Other Information***

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2023 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 auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2023 Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Jason Gaiotto.  
Toronto, Canada  
March 7, 2024

# Consolidated Balance Sheets

(In thousands of Canadian dollars)

As at December 31,	Note	2023	2022
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 24,619	\$ 28,469
Trade and other receivables	8	14,178	20,465
Loan receivable	10	8,009	4,183
Assets held for sale	17	269,232	199,470
Other assets	9	27,900	27,829
<b>Total current assets</b>		<b>343,938</b>	<b>280,416</b>
Non-current assets:			
Other assets	9	1,832	8,973
Loans receivable	10	7,296	3,826
Investment in joint ventures	11	14,981	12,947
Intangible assets	6	25,018	28,135
Property, plant and equipment ("PP&E")	5	2,841,011	3,176,045
<b>Total non-current assets</b>		<b>2,890,138</b>	<b>3,229,926</b>
<b>Total assets</b>		<b>\$ 3,234,076</b>	<b>\$ 3,510,342</b>

## Liabilities and Unitholders' Equity

Current liabilities:			
Lease obligations	7	\$ 788	\$ 843
Accounts payable and other liabilities	16	155,191	199,818
Distributions payable		12,364	12,147
Term loans	14	124,924	-
Liabilities related to assets held for Sale	17	193,979	140,692
Senior unsecured debentures	15	-	199,777
Mortgages payable	12	246,293	191,357
Income Tax Payable	29	27,231	-
<b>Total current liabilities</b>		<b>760,770</b>	<b>744,634</b>
Non-current liabilities:			
Lease obligations	7	7,285	7,473
Other liabilities	16	3,302	1,376
Mortgages payable	12	1,179,192	1,466,024
Mortgages Payable related to assets held for sale	17	-	7,939
Credit facilities	13	68,686	181,234
Term loans	14	-	138,235
Senior unsecured debentures	15	398,981	149,677
Class B Units of Chartwell Master Care LP ("Class B Units")	19	17,877	12,916
Deferred tax liabilities	29	6,522	31,032
<b>Total non-current liabilities</b>		<b>1,681,845</b>	<b>1,995,906</b>
<b>Total liabilities</b>		<b>2,442,615</b>	<b>2,740,540</b>
Unitholders' equity	20	791,461	769,802
<b>Total liabilities and unitholders' equity</b>		<b>\$ 3,234,076</b>	<b>\$ 3,510,342</b>

See accompanying notes to consolidated financial statements.

Approved by the Trustees:



Ann Davis, Trustee



Jamie Scarlett, Trustee

## Consolidated Statements of Net Income and Comprehensive Income

(In thousands of Canadian dollars)

Years ended December 31,	Note	2023	2022
<b>Revenue:</b>			
Resident		\$ 687,324	\$ 661,029
Management and other fees		13,503	10,364
Lease revenue from joint ventures	11(b)	35,408	35,408
Interest income		2,319	1,191
		738,554	707,992
<b>Income (expenses):</b>			
Direct property operating	8, 32	(463,361)	(464,704)
Depreciation of PP&E	5	(154,005)	(152,988)
Amortization of intangible assets	6	(2,690)	(3,148)
Share of net loss from joint ventures	11(b)	(1,812)	(3,309)
General, administrative and trust	32	(60,450)	(49,641)
Other income	26	9	70,623
Finance costs	27	(92,501)	(85,091)
Change in fair values of financial instruments	28	(21,964)	21,785
		(796,774)	(666,473)
Income (loss) before taxes		(58,220)	41,519
Current Tax (expense)	29	(27,231)	-
Deferred income tax benefit (expense)	29	24,510	(14,131)
Net income (loss) from continuing operations		(60,941)	27,388
<b>Discontinued operations:</b>			
Net income from discontinued operations	17	189,214	22,143
<b>Net income and comprehensive income<sup>(1)</sup></b>		<b>\$ 128,273</b>	<b>\$ 49,531</b>

<sup>(1)</sup>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)

2023	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2022	\$ 2,583,038	\$ 22,239	\$ (14,845)	\$ (47,298)	\$ (1,779,833)	\$ 6,501	\$ 769,802
Net income	–	–	–	128,273	–	–	128,273
Distributions to unitholders	–	–	–	–	(146,037)	–	(146,037)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	36,086	–	–	–	–	–	36,086
Trust units issued on exchange of class B units	58	–	–	–	–	–	58
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	2,461	1,427	(2,337)	–	–	–	1,551
Interest on EUPP receivable	–	–	(244)	–	–	–	(244)
Distributions applied against EUPP receivable	–	–	1,241	–	–	–	1,241
Trust units on conversion of DTU	731	–	–	–	–	–	731
Unitholders' equity, December 31, 2023	\$ 2,622,374	\$ 23,666	\$ (16,185)	\$ 80,975	\$ (1,925,870)	\$ 6,501	\$ 791,461

Distributions were declared and paid at \$0.051 per unit per month for the months of January 2023 to December 2023.

2022	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2021	\$ 2,545,451	\$ 21,592	\$ (14,313)	\$ (96,829)	\$ (1,636,285)	\$ 6,495	\$ 826,111
Net income	–	–	–	49,531	–	–	49,531
Distributions to unitholders	–	–	–	–	(143,548)	–	(143,548)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	34,967	–	–	–	–	–	34,967
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	2,620	647	(1,497)	–	–	6	1,776
Interest on EUPP receivable	–	–	(185)	–	–	–	(185)
Distributions applied against EUPP receivable	–	–	1,150	–	–	–	1,150
Unitholders' equity, December 31, 2022	\$ 2,583,038	\$ 22,239	\$ (14,845)	\$ (47,298)	\$ (1,779,833)	\$ 6,501	\$ 769,802

Distributions were declared and paid at \$0.051 per unit per month for the months of January 2022 to December 2022. In the first two months of 2023, distributions were declared at \$0.051 per unit.

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31,	Note	2023	2022
Cash provided by (used in):			
Operating activities:			
Net income		\$ 128,273	\$ 49,531
Items not affecting cash:			
Depreciation and amortization	5, 6,17	156,695	158,154
Unit-based compensation	25	7,868	2,497
Finance costs	17, 27	97,705	93,239
Transaction costs arising from dispositions	26	1,665	1,992
Other income (expense)	17, 26	(179,849)	(71,872)
Interest income	17, 24	(2,907)	(2,358)
Change in fair values of financial instruments	28	21,964	(21,785)
Current income taxes	29	27,232	-
Deferred income tax (benefit) expense	29	(24,510)	14,131
Share of net loss from joint ventures	11(b)	1,812	3,309
Other		1,551	1,752
Change in trade and other receivables		18,235	(691)
Change in other assets		(4,043)	(2,167)
Change in accounts payable and other liabilities		(2,917)	(20)
		248,773	225,712
Interest income and other income received		2,812	2,358
Interest paid		(94,160)	(90,361)
		157,425	137,709
Financing activities:			
Proceeds from mortgage financing	18	127,816	147,817
Proceeds from debenture financing	18	250,000	-
Debenture repayment	18	(200,000)	-
Mortgage repayments	5,18	(102,871)	(180,006)
Scheduled mortgage principal repayments	18	(81,967)	(86,997)
Increase in term loans	14	-	13,600
Repayment of credit facilities	13	(114,000)	-
Draws on credit facilities	13	-	184,000
Net additions to finance costs	18	(9,212)	(8,944)
Distributions paid		(109,978)	(108,584)
		(240,212)	(39,114)
Investing activities:			
Acquisition of assets, net of cash acquired	4	-	(141,426)
Additions to PP&E and intangible assets	5	(129,249)	(111,361)
Proceeds from disposal of PP&E	5	208,087	87,732
Capital Funding Receivable		3,764	6,746
Issuance of loans receivable		(1,646)	-
Change in restricted cash	9	2,669	-
Contributions to joint ventures	11(b)	(8,540)	(8,453)
Distributions received from joint ventures	11(b)	3,852	1,150
		78,937	(165,612)
Decrease in cash and cash equivalents		(3,850)	(67,017)
Cash and cash equivalents, beginning of year		28,469	95,486
Cash and cash equivalents, end of year		\$ 24,619	\$ 28,469

See accompanying notes to consolidated financial statements.



**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

# Notes to Consolidated Financial Statements

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

## 1. Organization and nature of operations:

Chartwell Retirement Residences ("Chartwell") is an unincorporated open-ended real estate trust governed by the laws of the Province of Ontario and created as of July 7, 2003 and subsisting under the Declaration of Trust. Chartwell's head office is located at 7070 Derrycrest Drive, Mississauga, ON L5W 0G5. Chartwell's main business is ownership, operations, and management of retirement residences in Canada. On September 6, 2023, Chartwell completed the sale of sixteen long term care homes and one retirement residence in Ontario, thereby ceasing the operation of its long term care segment (note 17).

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

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

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

## 2. Basis of preparation:

### (a) Statement of compliance:

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

On March 7, 2024 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 in the future are included in the following notes:

- (i) notes 3(a)(iii) and 4 - The estimate of the fair value of assets and liabilities acquired in property acquisition
- (ii) notes 3(d) and 5 - Impairment of property, plant and equipment

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

- (i) note 3(a) - Determining whether an acquisition is a business combination or asset acquisition
- (ii) note 3(b) - Componentization of property, plant and equipment
- (iii) note 3(k)(ii) - Assessing the probability of a significant reversal in the amount of cumulative revenue recognized as variable consideration
- (iv) note 3(m) - Assessing whether a component of an entity comprises discontinued operations and
- (v) note 3(j) – Assessing the interpretation of tax legislation when recognizing current and deferred tax assets and liabilities.
- (vi) note 30(f) - Assessing the probability of settling an obligation based on the occurrence or non-occurrence of a future event.

### **3. Material accounting policies:**

#### (a) Basis of consolidation:

##### (i) Transactions eliminated on consolidation:

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

##### (ii) Joint arrangements:

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

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

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

##### (iii) Business combinations:

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. Chartwell also uses the optional fair value concentration test when determining whether a transaction is to be accounted for as an asset acquisition or a business combination.

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

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

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

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

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

---

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

---

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

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

Upon allocation of a purchase price of an asset acquisition, 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.

(c) Intangible assets:

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

(i) Licenses:

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

(ii) Software:

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

(iii) Goodwill:

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

(d) Impairment of non-financial assets:

The carrying amount of Chartwell's PP&E is assessed at each reporting date to determine if any events have occurred that would indicate the PP&E may be impaired. If any such indication exists, the asset's

recoverable amount is estimated and an impairment loss is recognized immediately in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined for the cash generating unit ("CGU") to which the 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.

(e) Government grants and government assistance:

(i) 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.

(f) Assets held for sale:

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

(g) Financial instruments:

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

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

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

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

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

Chartwell 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
Loans receivable – mezzanine loans	FVTPL
Loans receivable – vendor take-back mortgages	Amortized cost
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 ("swaps") from time to time in order to reduce the impact of fluctuating interest rates on long-term debt. These swap agreements require periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These swap arrangements are not designated as hedging instruments under IFRS.

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

Trust Units:

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

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

Class B Units:

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

(h) Fair value measurement:

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

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

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

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

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

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

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

(i) Employee benefits:

(i) Short-term benefits:

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

(ii) Employee health benefits:

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

(iii) Unit-based payment plans:

Chartwell maintains an EUPP, Deferred Trust Units ("DTU"), and Restricted Trust Unit Plans ("RTU") for its employees, directors and Trustees. The EUPP and DTU Plan require settlement in Trust Units. The RTU Plans are settled in cash and are accounted for as cash-settled awards, as Chartwell's Trust Units are puttable. The fair value of the amount payable is recognized as general, administrative and trust expenses and direct property operating expense in profit and loss, with a

corresponding increase in liabilities, over the relevant service periods. The liability is remeasured at each reporting date and at the settlement date. Any changes in the fair value of the liability for the DTU and EUPP plans are recognized in change in fair values of financial instruments in profit or loss. The changes in the fair value of the liability for the RTU Plans are recognized in general, administrative and trust expenses and direct property operating expenses.

(j) Income taxes:

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

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

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

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.

(k) Revenue recognition:

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

(i) Retirement residences resident revenue:

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

the services components are determined using both an adjusted market assessment approach and an expected cost plus a margin approach.

(a) Rental revenue:

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

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

(b) Services revenue:

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

(ii) Long-term care homes 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 nursing services, the provision of meals, housekeeping and laundry services, programs, amenities and the recovery of utilities and property maintenance costs.

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

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

(iii) Fee revenue:

Chartwell provides 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.

(l) Leases:

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

(i) As a lessee:

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

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

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

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

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

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

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

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

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

(iii) As a lessor:

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

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.

(m) Discontinued operations

The results of operations of Chartwell's long term care segment are classified as discontinued operations in these financial statements (note 18). This segment was sold on September 6, 2023. A discontinued operation is a component of Chartwell's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as discontinued operations occurs upon disposal or earlier, if the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of earnings is re-presented as if the operations had been discontinued from the start of the comparative period.

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

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

On January 23, 2020, the IASB issued amendments to IAS 1 to clarify the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued amendments 'Non-current liabilities with covenants' to IAS 1, 'Presentation of financial statements' in response to concerns raised on applying previous amendments. The amendments issued in October 2022 clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. The 2022 amendments also changed the effective date of the 2020 amendments for annual periods beginning on or after January 1, 2024. 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 when the standard becomes effective, on January 1, 2024. Chartwell is assessing the potential impact of the amendments, however, does not expect them to have a material impact on its consolidated financial statements.

(o) Recent accounting pronouncements adopted:

(i) Amendments to IAS 1, Disclosure Initiative

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

Management reviewed the accounting policies disclosed and did not have any material changes.

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

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

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

Chartwell adopted the amendments in its consolidated financial statements beginning on January 1, 2023, when the amendment became effective. There was no material impact of these amendments for the financial results as at December 31, 2023.

## 4. Acquisitions:

Acquisitions during the year ended December 31, 2022:

On April 1, 2022, Chartwell acquired three retirement residences in Ontario for a purchase price of \$228,000, including a deferred payment of \$3,000. The purchase price was settled by assumption of \$85,635 of mortgages on two of the acquired properties, bearing a weighted average interest rate of 3.7%. Chartwell applied the optional concentration test in accordance with IFRS 3 and accounted for the acquisition as an asset acquisition. Acquisition related costs of \$6,088 have been capitalized to the building in the consolidated balance sheet.

The following table summarizes the allocation of the purchase price to each major category of assets acquired and liabilities assumed at the date of acquisition for three retirement residences.

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

## 5. Property, plant and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
<b>Cost</b>						
Balance, December 31, 2021	\$ 346,097	\$ 3,521,135	\$ 174,915	\$ 64,546	\$ 21,324	\$ 4,128,017
Additions	–	70,945	10,461	32,326	192	113,924
Additions through acquisitions (note 4)	16,600	207,891	4,652	–	4,292	233,435
Disposals	(4,160)	(47,645)	(5,275)	–	–	(57,080)
Derecognition	–	(45,706)	–	–	–	(45,706)
Reclassification to assets held for sale (note 17)	(30,051)	(144,322)	(24,887)	(457)	(2,743)	(202,460)
Balance, December 31, 2022	328,486	3,562,298	159,866	96,415	23,065	4,170,130
Additions	–	79,329	12,829	31,164	–	123,322
Disposals	(6,865)	(53,268)	(2,218)	–	–	(62,351)
Derecognition	–	(45,721)	(57)	–	–	(45,778)
Transfer In / out	1,600	24,715	749	(27,064)	–	0
Reclassification to assets held for sale (note 17)	(25,102)	(318,039)	(4,275)	(2,124)	(1,447)	(350,987)
Balance, December 31, 2023	\$ 298,119	\$ 3,249,314	\$ 166,894	\$ 98,391	\$ 21,618	\$ 3,834,336
<b>Accumulated depreciation and impairment losses</b>						
Balance, December 31, 2021	\$ 516	\$ 834,600	\$ 136,621	\$ –	\$ 249	\$ 971,986
Depreciation	115	138,541	16,126	–	22	154,804
Disposals	–	(12,773)	(5,026)	–	–	(17,799)
Derecognition	–	(45,706)	–	–	–	(45,706)
Reclassification to assets held for sale (note 17)	(237)	(48,713)	(19,979)	–	(271)	(69,200)
Balance, December 31, 2022	394	865,949	127,742	–	–	994,085
Depreciation	99	139,556	14,350	–	–	154,005
Disposal	–	(33,386)	(2,306)	–	–	(35,692)
Derecognition	–	(45,721)	(57)	–	–	(45,778)
Impairment	526	10,245	127	–	–	10,898
Reclassification to assets held for sale (note 17)	–	(80,664)	(3,529)	–	–	(84,193)
Balance, December 31, 2023	\$ 1,019	\$ 855,979	\$ 136,327	\$ –	\$ –	\$ 993,325
<b>Carrying amounts</b>						
Balance, December 31, 2022	\$ 328,092	\$ 2,696,349	\$ 32,124	\$ 96,415	\$ 23,065	\$ 3,176,045
Balance, December 31, 2023	297,100	2,393,335	30,567	98,391	21,618	2,841,011

The following table summarizes the balance of Chartwell's right-of-use assets included in the table above as at December 31, 2022 and December 31, 2023:

Right-of-use assets	Land <sup>(1)</sup>	Buildings	Furniture, fixtures and equipment	Land held for development	Total
Balance, December 31, 2021	\$ 7,324	\$ 5,662	\$ 1,521	\$ 2,201	\$ 16,708
Additions	–	–	910	–	910
Depreciation	(115)	(233)	(749)	(22)	(1,119)
Disposals	–	–	(24)	–	(24)
Reclassification to assets held for sale (note 17)	(1,631)	(1,813)	(298)	(2,179)	(5,921)
Balance, December 31, 2022	5,578	3,616	1,360	–	10,554
Additions	–	–	679	–	679
Depreciation	(99)	(212)	(657)	–	(968)
Disposal	–	–	(94)	–	(94)
Reclassification to assets held for sale (note 17)	–	–	(31)	–	(31)
Balance, December 31, 2023	\$ 5,479	\$ 3,404	\$ 1,257	\$ –	\$ 10,140

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

On December 11, 2023, Chartwell completed the sale of one property for a sale price of \$13,889. The purchase price was paid in cash.

On November 27, 2023, Chartwell entered into a definitive agreement to sell one property for a sale price \$3,750 (note 17). The transaction closed on February 1, 2024. A vendor take-back mortgage was extended to the purchaser in the amount of \$2,750, bearing an interest rate of 8.0% per annum for the first two years and 10.0% per annum for the third year with a three-year term.

On November 9, 2023, Chartwell entered into a definitive agreement with Welltower to windup its existing joint arrangements (note 11 and 17). The transaction is expected to close in Q2 2024, subject to regulatory and lender approval.

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

On September 6, 2023, Chartwell completed the sale of sixteen long term care homes and one retirement residence in Ontario for an aggregate selling price of \$378,667, thereby ceasing the operation of its long term care segment (note 17).

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

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

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

#### Other PP&E information:

On March 31, 2022, Chartwell entered into an agreement to sell one long term care home currently under redevelopment for a sale price of \$64,500 with net proceeds, after transaction costs and taxes and excluding working capital adjustments to be determined on closing, are estimated at \$62,900. Either party may terminate the forward purchase agreement if the development is not completed by April 1, 2024. We do not expect to complete construction by that date and as such, may sell the property on different terms.

During the year ended December 31, 2023, one property under development was transferred to other components of PP&E upon becoming available for use (2022 – no properties were transferred).

During the year ended December 31, 2023, Chartwell capitalized \$2,735 (2022 - \$2,276) of borrowing costs related to development projects under construction at an average capitalization rate of 3.66% (2022 – 3.59%).

Since January 1, 2010, \$249,512 of fully amortized resident contracts have been removed from the cost and accumulated depreciation of PP&E in respect of residences which were held by Chartwell as at December 31, 2023 (December 31, 2022 – \$276,058 in respect of residences which were held by Chartwell as at December 31, 2022).

Chartwell completes regular assessments of PP&E to determine if any events have occurred that would indicate possible impairment of PP&E. For the year ended December 31, 2023, Chartwell had recorded an impairment loss of \$10,898 on three properties (2022 - \$nil). This impairment loss included \$10,273 for two properties located in Quebec and \$625 for one property in Ontario that was subsequently sold in the

year. The impairment losses resulted from a decline in the operating performance of these properties due to competitive pressures in certain markets.

## 6. Intangibles assets:

	Goodwill	Licenses	Software	Total
<b>Cost</b>				
Balance, December 31, 2021	\$ 9,233	\$ 41,344	\$ 44,301	\$ 94,878
Additions	–	–	1,090	1,090
Disposals	–	(1,310)	(63)	(1,373)
Reclassification to assets held for sale (note 17)	–	(35,194)	(9,095)	(44,289)
Balance, December 31, 2022	9,233	4,840	36,233	50,306
Additions	–	–	104	104
Disposals	–	–	(786)	(786)
Reclassification to assets held for sale (note 17)	–	–	(252)	(252)
Balance, December 31, 2023	\$ 9,233	\$ 4,840	\$ 35,299	\$ 49,372
<b>Accumulated amortization</b>				
Balance, December 31, 2021	\$ –	\$ –	\$ 22,375	\$ 22,375
Disposals	–	–	(50)	(50)
Amortization	–	–	3,350	3,350
Reclassification to assets held for sale (note 17)	–	–	(3,504)	(3,504)
Balance, December 31, 2022	–	–	22,171	22,171
Disposals	–	–	(356)	(356)
Amortization	–	–	2,690	2,690
Reclassification to assets held for sale (note 17)	–	–	(151)	(151)
Balance, December 31, 2023	\$ –	\$ –	\$ 24,354	\$ 24,354
<b>Carrying amounts</b>				
Balance, December 31, 2022	\$ 9,233	\$ 4,840	\$ 14,062	\$ 28,135
Balance, December 31, 2023	9,233	4,840	10,945	25,018

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, 2023 and 2022. These intangible assets do not generate cash inflows that are largely independent of those of other assets and Chartwell completed the assessment of the recoverable amount of these intangible assets by comparing the fair value less costs of disposal of the related CGUs containing these intangible assets determined using the higher value in use (through either the direct capitalization method or appraised values), to their carrying values. The direct capitalization method divides the estimated stabilized net operating income by an appropriate market capitalization rate. The key assumptions used in the impairment assessment include range of capitalization rate between 6.25% to 6.50% (2022 – 6.50%) for goodwill. The capitalization rates used were derived from a combination of third-party information and the observation of industry trends. The licenses were valued higher by appraisals which indicated the value of the license in excess of their carrying value. Chartwell determined that the fair value less costs of disposal exceeded the carrying value of the CGUs for the years ended December 31, 2023 and 2022.

## 7. Leases:

As at December 31, 2023, Chartwell has right-of-use assets in respect of land, office space and equipment leases totalling \$10,140 (2022 - \$10,554) with remaining lease terms ranging from less than 1 year to 56 years (note 5). Lease obligations related to these right-of-use assets totalled \$8,073 (2022 - \$8,316) of which \$788 (2022 - \$843) was classified current and \$7,285 (2022 - \$7,473) was classified non-current as at December 31, 2023. Chartwell generally does not include purchase, extension or termination options in its leases, other than extension options for land leases that support properties with lengthy useful lives.

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

Less than one year	\$ 967
One to five years	2,043
More than five years	15,908
Total <sup>(1)</sup>	\$ 18,918

<sup>(1)</sup>Includes one land lease with cumulative required undiscounted cash payments of \$17,228 (2022 - \$17,366) which matures in 2079.

## 8. Trade and other receivables:

	2023	2022
Residents	\$ 1,415	\$ 1,987
Related party	1,258	3,555
Insurance recoverables	558	1,474
Government grants receivable	2,288	1,951
Other receivables	8,659	11,498
	\$ 14,178	\$ 20,465

Resident receivables balance at December 31, 2023 is net of an allowance for expected credit losses of \$1,965 (December 31, 2022 - \$2,006).

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

During the year ended December 31, 2023, there were no government grants netted against direct operating expenses for eligible expenditures (2022 – \$3,975).

## 9. Other assets:

	2023	2022
Prepaid expenses and deposits	\$ 16,933	\$ 16,035
Interest rate swaps <sup>(1)</sup>	3,813	8,973
Related party lease receivable	1,379	5,707
Other assets	2,815	4,160
Restricted cash <sup>(2)</sup>	3,641	972
Inventory	1,151	955
	<u>\$ 29,732</u>	<u>\$ 36,802</u>
Current	\$ 27,900	\$ 27,829
Non-current	1,832	8,973
	<u>\$ 29,732</u>	<u>\$ 36,802</u>

<sup>(1)</sup>This includes fair value of interest rate swaps related to mortgages payable of \$2,243 (December 31, 2022 - \$4,827) and term loans of \$1,570 (December 31, 2022 - \$4,146) (note 12 and 14).

<sup>(2)</sup>This includes cash held in trust for temporary transition services provisioned to the purchase of the long term care segment (note 17).

## 10. Loans receivable:

The following table summarizes Chartwell's loan receivables as at December 31, 2023:

	2023	2022
Mezzanine loans - Batimo	\$ 8,009	\$ 8,009
Mezzanine loans – other	1,646	-
Vendor take-back loans	5,650	-
	<u>\$ 15,305</u>	<u>\$ 8,009</u>
Current	\$ 8,009	\$ 4,183
Non-current	7,296	3,826
	<u>\$ 15,305</u>	<u>\$ 8,009</u>

Mezzanine loans - Batimo are due from Batimo, mature in 2024, bear interest at a rate of 10.55% - 10.75%, 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. On November 1, 2023, Chartwell advanced a \$10,000 loan to Batimo, bearing interest at 15% maturing on October 31, 2024. On December 15, 2023, the loan was repaid in full by Batimo.

Mezzanine loans – other mature in 2025, bear interest at a rate of 12% and are secured by second charges on strata lots including a general assignment of rents and leases.

Vendor take-back loans mature in 2026, bear interest at a rate of 6% - 10% and the security varies depending on the terms of the agreements.

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

## 11. Joint arrangements:

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The following are Chartwell's joint arrangements as at December 31, 2023:

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

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

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

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

<sup>(4)</sup> These joint arrangements will be subject to the windup agreement with Welltower as noted below.

On November 9, 2023, Chartwell entered into a definitive agreement with Welltower to windup its existing joint arrangements (note 17).

Subsequent to December 31, 2023, Welltower extended two loans for \$33,323 and \$40,665 respectively to Chartwell at an interest rate of 6.71% and 6.85% respectively as bridge financing for two properties with mortgages that matured in Q1 2024. One of these properties will be sold to Welltower and the associated loan of \$33,323 related to this property will be settled on the earlier of the completion of the windup or February 14, 2025. The second loan balance of \$40,665 will be settled on its maturity date, February 15, 2025.

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

(a) Joint operations:

At December 31, 2023, Chartwell has an interest in a number of joint operations, which have been accounted for under the proportionate consolidation method. The following is the summarized financial information in respect of the interests in these joint operations, which have been accounted for under the proportionate consolidation method. This financial information is included line by line in the consolidated financial statements at Chartwell's share:

	2023	2022
Current assets	\$ 43,381	\$ 49,506
Assets held for sale	264,608	-
Non-current assets	265,637	536,283
Total assets	\$ 573,626	\$ 585,789
Current liabilities	\$ 121,435	\$ 65,681
Liabilities related to assets held for sale	191,317	-
Non-current liabilities	129,049	394,618
Total liabilities	\$ 441,801	\$ 460,299
Total revenue	\$ 62,125	\$ 59,054
Total expenses	\$ (60,152)	\$ (54,355)

(b) Joint ventures:

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

	2023	2022
Contributions to joint ventures	\$ 8,540	\$ 8,453
Distributions received from joint ventures	\$ (3,852)	\$ (1,150)

	2023	2022
Cash and cash equivalents	\$ 12,556	\$ 8,175
Trade and other receivables	12,271	14,119
Other assets	3,469	6,037
Assets held for sale	4,436	-
Current assets	32,732	28,331
PP&E and intangible assets	50,890	55,485
Total assets	\$ 83,622	\$ 83,816
Accounts payable and other liabilities	\$ 8,938	\$ 18,746
Mortgages payable – current	268	228
Liabilities held for sale	6,967	-
Current liabilities	16,173	18,974
Mortgages payable – non-current	51,626	51,895
Total liabilities	\$ 67,799	\$ 70,869
Net investment in joint ventures held for sale	\$ 842	\$ -
Net investment in joint ventures	\$ 14,981	\$ 12,947

	2023	2022
Revenue	\$ 127,849	\$ 116,207
Direct property operating expense	(87,219)	(82,534)
Lease expense	(35,408)	(35,408)
Finance costs	(1,788)	(1,818)
Depreciation and amortization	(3,916)	(2,808)
Change in fair value of financial instruments	(1,248)	3,031
Other income	(82)	21
Chartwell's share of net loss from joint ventures	\$ (1,812)	\$ (3,309)

Related party transactions occur between Chartwell and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Except as disclosed elsewhere in these financial statements, the related party balances are included in accounts receivable and payable, lease revenue from joint ventures, lease expense and in management fee revenue, as applicable. As of December 31, 2023, \$1,692 (2022 - \$2,791) of Chartwell's accounts receivable and \$11,904 (2022 - \$12,617) of Chartwell's accounts payable relate to its investments in joint ventures. For the year ended December 31, 2023, \$7,597 (2022 - \$5,945) of Chartwell's management fees related to its investment in joint ventures.

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

Chartwell-Welltower Operator and Chartwell Le St-Gabriel Operator have leased the real estate from Chartwell-Welltower Landlord and Chartwell Le St-Gabriel Landlord, respectively. The terms of these leases are for three-year periods, with automatic renewal terms as long as the joint arrangement between respective parties is still in effect. As a result, Chartwell's share of the landlords' lease receipts, \$35,408 for the year ended December 31, 2023 (2022 - \$35,408) is reported as lease revenue and is included in lease revenue from joint ventures. The lease expenses for Chartwell-Welltower Operator and Chartwell Le St-Gabriel Operator are included in the share of net income/(loss) from joint ventures.

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

## 12. Mortgages payable:

	2023	2022
Mortgages principal balance	\$ 1,469,304	\$ 1,701,668
Mark-to-market adjustments on assumed mortgages	1,134	2,265
Financing costs	(44,953)	(46,552)
	\$ 1,425,485	\$ 1,657,381
Current	\$ 246,293	\$ 191,357
Non-current	1,179,192	1,466,024
	\$ 1,425,485	\$ 1,657,381

Mortgages payable are secured by first and second charges on specific properties and are measured at amortized cost. For more information about Chartwell's exposure to interest rates and liquidity risks, see note 22. The mortgages payable as at December 31, 2023 are as follows:

	Regular principal payments	Principal due on maturity	Total debt
2024	\$ 62,194	\$ 181,637	\$ 243,831
2025	56,818	61,849	118,667
2026	53,977	84,713	138,690
2027	50,380	59,468	109,848
2028	46,226	169,463	215,689
2029	36,810	90,583	127,393
2030	30,374	61,206	91,580
2031	24,760	80,334	105,094
2032	18,930	65,133	84,063
2033	13,543	135,482	149,025
2034	9,536	20,984	30,520
2035	9,755	-	9,755
2036	9,044	6,172	15,216
2037	7,744	-	7,744
Thereafter	3,376	18,813	22,189
	\$ 433,467	\$ 1,035,837	\$ 1,469,304

	2023	2022
Mortgages at fixed rates:		
Mortgages (principal)	\$1,469,304	\$1,668,444
Interest rates	1.31% to 5.50%	1.31% to 5.68%
Weighted average interest rate	3.26%	3.16%
Mortgages at variable rates:		
Mortgages (principal)	\$ -	\$33,224
Interest rates	N/A	Bankers acceptance plus 0.975% to the higher of Prime plus 0.55% or 3.25%
Weighted average interest rate	-	5.68%
Blended weighted average rate	3.26%	3.21%

Liabilities related to assets held for sale includes \$33,224 (2022 - \$nil) mortgages at variable rates.

Included in mortgages at fixed rates above, are mortgages totaling \$82,088 (2022 - \$83,330) with interest rates fixed through interest rate swap contracts with an equivalent notional value and maturity between 2024 and 2027. The swaps have a fair value asset of \$2,243 (2022 - \$4,827) included in other assets (note 9). The swaps are considered level 2 in the fair value hierarchy.

Under the terms of the mortgages payable, Chartwell is required to meet certain financial covenants. These covenants among others include debt service coverage ratios and in certain cases limitations on the amounts of unitholder distributions that can be paid. Chartwell was in compliance with these financial covenants as at December 31, 2023.

On December 5, 2015, Chartwell entered into a large borrower agreement ("LBA") with CMHC. The LBA provides among other things, the cross-collateralization of mortgage loans for Chartwell's largest CMHC-insured lenders and contains certain financial and operating covenants. Chartwell was in compliance with these covenants as at December 31, 2023.

During the year ended December 31, 2021, the debt service coverage ratio covenants in respect of certain mortgages were amended to be reduced from 1.4x to 1.2x for the periods from the earlier of December 31, 2022 and the maturity date of the respective credit agreement. During the year ended December 31, 2022, these amendments were extended for the period ending at the earlier of December 31, 2024 and the maturity date of the respective credit agreement.

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

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

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

### 13. Credit facilities:

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

December 31, 2023	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for letters of credit	Available to be drawn	Maturity date
Secured credit facility	\$ 300,000	\$ 300,000	\$ (70,000)	\$ (5,988)	\$ 224,012	May 29, 2025
Unsecured credit facility	100,000	100,000	-	-	100,000	May 29, 2025
<b>Total</b>	<b>\$ 400,000</b>	<b>\$ 400,000</b>	<b>\$ (70,000)</b>	<b>\$ (5,988)</b>	<b>\$ 324,012</b>	

December 31, 2022	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for letters of credit	Available to be drawn	Maturity date
Secured credit facility	\$ 300,000	\$ 226,698	\$ (184,000)	\$ (6,273)	\$ 36,425	May 29, 2024
Unsecured credit facility	100,000	100,000	-	-	100,000	May 29, 2024
<b>Total</b>	<b>\$ 400,000</b>	<b>\$ 326,698</b>	<b>\$ (184,000)</b>	<b>\$ (6,273)</b>	<b>\$ 136,425</b>	

On August 4, 2023, Chartwell entered into an unsecured delay draw credit facility (the "Facility") with a syndicate of Canadian financial institutions. The Facility had a maximum capacity of \$200,000 with a maturity date of May 29, 2025. The Facility was available any time prior to December 11, 2023, subject to customary representations and warranties, as required to repay Chartwell's Series A debentures (note 15), with any undrawn portion to be cancelled. The Facility was not used and has been cancelled in full.

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

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

Available capacity for the unsecured credit facility is constrained by a minimum ratio of the unencumbered property asset value to unsecured indebtedness (as defined in the credit agreement) of 1.3:1. The value of the unencumbered assets is based on third party appraisals that are dated no longer than two years from the applicable determination date. At December 31, 2023 the full committed capacity of the unsecured credit facility was available to Chartwell.

Financing costs, which have been recorded as a reduction of the amounts outstanding under the credit facilities, as at December 31, 2023 were \$1,314 (2022 - \$2,766).

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

The secured and unsecured credit facilities are subject to various financial covenants including among others, debt service coverage ratio, secured indebtedness percentage ratio, minimum equity requirements and limitations on entering into certain investments and on the amount of cash distributions that can be paid to unitholders. In addition, the unsecured credit facility is subject to the minimum unencumbered asset ratio covenant. Chartwell was in compliance with these financial covenants as at December 31, 2023.

During the year ended December 31, 2022, the debt service coverage ratio covenants of the secured and unsecured credit facilities were amended to be reduced from 1.4x to 1.2x until May 29, 2024. During the year ended December 31, 2023, with the extension of our Credit Facilities to May 29, 2025, these amendments were further extended for the periods ending on or before June 29, 2024. During the year ended December 31, 2022, Chartwell entered into additional amending agreements to exclude incremental direct operating expenses directly related to the COVID-19 pandemic from January 1, 2022 to March 31, 2023 and net reimbursement of such expenses (if any) from the definition of EBITDA or AFFO for the purpose of the calculation of our debt service coverage and AFFO payout ratios for the periods ending on or before December 31, 2023.

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

## 14. Term loans:

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

December 31, 2023	Outstanding principal	Financing costs, net	Carrying value	Interest rate	Maturity date
Unsecured term loan	\$ 125,000	\$ (76)	\$ 124,924	3.95 %	May 31, 2024
Total	125,000	(76)	124,924		
					Carrying Value
					Current
					Non-current
					\$ 124,924
					-
					\$ 124,924

December 31, 2022	Outstanding principal	Financing costs, net	Carrying value	Interest rate	Maturity date
Unsecured term loan	\$ 125,000	\$ (286)	\$ 124,714	3.95%	May 31, 2024
Secured term loan	13,600	\$ (79)	\$ 13,521	4.44%	May 19, 2027
Total	138,600	(365)	138,235		
					Carrying Value
					Current
					Non-current
					\$ -
					138,235
					\$ 138,235

Liabilities related to assets held for sale includes \$13,600 (2022 - \$nil) term loans.

The term loans held through Canadian chartered banks, are fixed through interest rate swap contracts. The swaps have a fair value asset of \$1,570 (2022 - \$4,146) included in other assets (note 9). The swaps are considered Level 2 in the fair value hierarchy.

The covenants applicable to the unsecured term loan agreement include, among others, debt service coverage ratio, secured indebtedness percentage ratio, minimum equity requirements, minimum unencumbered asset ratio, limitations on entering into certain investments and on the amount of cash distributions that can be paid to unitholders. During the year ended December 31, 2022, the debt service coverage ratio covenant of the unsecured term loan was amended to be reduced from 1.4x to 1.2x for the periods ending before May 31, 2024, the maturity date.

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

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

The covenants applicable to the secured term loan are generally consistent with the secured credit facility (note 13).

Chartwell was in compliance with these covenants as at December 31, 2023.

## 15. Senior unsecured debentures:

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

December 31, 2023	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date <sup>(1)</sup>	Due date
4.211% Series B	April 27, 2018	\$ 150,000	\$ (192)	\$ 149,808	February 25, 2025	April 28, 2025
6.000% Series C	December 8, 2023	250,000	(827)	249,173	-	December 8, 2026
<b>Total</b>		<b>\$ 400,000</b>	<b>\$ (1,019)</b>	<b>\$ 398,981</b>		
						Carrying value
						Current
						Non-current
						\$ -
						398,981
						<b>\$ 398,981</b>

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

December 31, 2022	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date <sup>(1)</sup>	Due date
3.786% Series A	June 9, 2017	\$ 200,000	\$ (223)	\$ 199,777	October 11, 2023	December 11, 2023
4.211% Series B	April 27, 2018	150,000	(323)	149,677	February 25, 2025	April 28, 2025
<b>Total</b>		<b>\$ 350,000</b>	<b>\$ (546)</b>	<b>\$ 349,454</b>		
						Carrying value
						Current
						Non-current
						\$ 199,777
						149,677
						<b>\$ 349,454</b>

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

On December 11, 2023, Chartwell repaid its maturing \$200,000 of 3.786% Series A senior unsecured debentures.

On December 8, 2023, Chartwell issued \$250,000 of 6.000% Series C senior unsecured debentures due on December 8, 2026, with semi-annual interest payments due on June 8 and December 8 of each year. Debt financing costs of \$827 were incurred and are being amortized using the effective interest method.

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, 2023.

## 16. Accounts payable and other liabilities:

	Note	2023	2022
Accounts payable and accrued liabilities		\$ 119,743	\$ 177,187
Resident deposits		5,203	4,651
Deferred Trust Units ("DTU")	(a)	15,858	10,525
Restricted Trust Units ("RTU")	(b)	6,796	3,495
EUPP option component	(c)	10,893	5,336
		<b>\$ 158,493</b>	<b>\$ 201,194</b>
Current		\$ 155,191	\$ 199,818
Non-current		3,302	1,376
		<b>\$ 158,493</b>	<b>\$ 201,194</b>

(a) DTU Plan:

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

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

The DTU fair value is determined using the market price for listed Trust Units since there is a one-for-one conversion feature. The market price of Trust Units as at December 31, 2023 was \$11.72 (2022 - \$8.44). DTU plan is considered Level 2 in the fair value hierarchy. The non-cash compensation expense attributable to DTUs granted is included in general, administrative and trust expense and subsequent fair value changes are included in fair value of financial instruments.

The following table summarizes the DTU activity:

	Units outstanding	Amount
Balance, December 31, 2021	1,094,679	\$ 12,939
Units granted	86,043	859
Change in fair value and distributions	66,487	(3,273)
Balance, December 31, 2022	1,247,209	10,525
Units granted	89,604	871
Change in fair value and distributions	84,195	5,193
DTU settled by the issuance of Trust units	(67,727)	(731)
Balance, December 31, 2023	1,353,281	\$ 15,858

(b) RTU Plan:

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

During the year ended December 31, 2023, 642,344 notional Trust Units were granted (2022 - 379,985), 97,060 notional Trust Units were cancelled (2022 - 94,414), 76,185 notional Trust Units were issued in regard to distributions (2022 - 54,586), and 357,796 notional Trust Units vested and were paid out (2022 - 169,841). At December 31, 2023, the closing weighted average fair value per unit was \$10.67 (2022 - \$8.38) and the weighted average fair value per unit for notional trust units granted during the year was \$9.06 (2022 - \$11.90). At December 31, 2023, 1,152,432 notional Trust Units remained outstanding (2022 - 888,758). The liability is measured at fair value based on the market price for Trust Units at each reporting period until settlement. RTU plan is considered Level 2 in the fair value

hierarchy. The compensation expense attributable to the RTU plan is included in direct property operating expense and general, administrative and trust expenses.

(c) EUPP option component:

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

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

	December 31, 2023	December 31, 2022
Expected volatility	21.77% - 26.77%	23.84% - 28.84%
Risk-free rate	3.36% - 5.38%	3.66% - 4.36%
Distribution yield	5.26% - 5.84%	7.49% - 9.72%

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

On November 9, 2023, Chartwell entered into a definitive agreement with Welltower to windup its existing joint arrangements. Under the terms of the agreement, Chartwell will convey its ownership interest in 23 retirement residences (the "Welltower Assets") to Welltower for consideration of: (i) Welltower's ownership interest in 16 retirement residences (the "Chartwell Assets") and (ii) \$97,200 in cash. Closing of the transaction, subject to the required regulatory and lender approvals, is expected in Q2 2024. We expect to incur transaction costs of approximately \$12,200 in relation to this transaction and estimate taxes payable of \$6,800. Chartwell will assume approximately \$140,300 in debt on the Chartwell Assets, bearing a weighted average interest at 2.8% and having a weighted average term to maturity of 4.4 years. The net change to total debt for Chartwell's balance sheet will be a reduction of approximately \$51,000, before any impact of the cash consideration.

On September 6, 2023, Chartwell completed the sale of sixteen long term care homes and one retirement residence in Ontario for an aggregate selling price of \$378,667 thereby ceasing the operation of its long term care segment. The proceeds were reduced through the assumption of \$120,966 mortgage debt as at September 6, 2023 by the purchaser. The purchaser paid the remaining balance, net of working capital adjustments in cash, a portion of which was used to repay the remaining mortgage debt of \$13,898 not assumed by the purchaser. Cash net proceeds, after property-specific debt and working capital adjustments was \$177,944. In addition, contingent liabilities associated with these long term care homes remained with Chartwell upon sale (note 26). This transaction resulted in estimated \$27,231 in SIFT tax payable, which was recognized at closing.

On November 27, 2023, Chartwell entered into a definitive agreement to sell one property for a sale price \$3,750. The transaction closed on February 1, 2024.

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

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

			2023	2022
	Welltower Assets	Other	Total	Total
Other assets	\$ 1,392	\$ 104	\$ 1,496	-
Intangible assets	-	100	100	-
PP&E	263,216	3,578	266,794	-
Investments in Joint Ventures	842	-	842	-
<b>Total assets held for sale</b>	<b>\$ 265,450</b>	<b>\$ 3,782</b>	<b>\$ 269,232</b>	<b>-</b>
Other liabilities related to assets held for sale	\$ 2,028	\$ -	\$ 2,028	-
Term loan	13,600	-	13,600	-
Current mortgages payable related to assets held for sale	175,384	2,967	178,351	-
<b>Liabilities related to assets held for sale</b>	<b>191,012</b>	<b>2,967</b>	<b>193,979</b>	<b>-</b>
<b>Total liabilities and mortgages related to assets held for sale</b>	<b>\$ 191,012</b>	<b>\$ 2,967</b>	<b>\$ 193,979</b>	<b>-</b>

The assets and liabilities related to discontinued operations are as follows:

	2023	2022
Other assets	\$ -	\$ 3,264
Capital funding receivable	-	22,161
Intangible assets	-	40,785
PP&E	-	133,260
<b>Total assets held for sale</b>	<b>\$ -</b>	<b>\$ 199,470</b>
Other liabilities related to assets held for sale	\$ -	\$ 4,228
Term loan	-	-
Current mortgages payable related to assets held for sale	-	136,464
<b>Liabilities related to assets held for sale</b>	<b>-</b>	<b>140,692</b>
<b>Mortgages payable related to assets held for sale</b>	<b>-</b>	<b>7,939</b>
<b>Total liabilities and mortgages related to assets held for sale</b>	<b>\$ -</b>	<b>\$ 148,631</b>

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

	Year Ended December 31	
	2023	2022
Resident Revenue	\$ 167,326	\$ 252,614
Interest income	588	1,167
Direct operating expenses	(151,671)	(220,729)
Finance costs	(5,204)	(8,148)
Other income (expense) <sup>(1)</sup>	178,175	(743)
Depreciation of PP&E	-	(1,816)
Amortization of intangible assets	-	(202)
<b>Net Income (loss) from discontinued operations</b>	<b>\$ 189,214</b>	<b>\$ 22,143</b>

<sup>(1)</sup>Other income (expense) includes gain on sale of \$178,673 and transaction costs related to the sale of the long-term care operations.

	2023	2022
Cash flows from discontinued operations:		
Net cash from operating activities	\$ 29,088	\$ 24,253
Net cash used in financing activities	(7,445)	(3,623)
Net cash from investing activities	218,410	402

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

	Mortgage Payable	Credit facilities	Term loans	Senior unsecured debentures	Total
Balance, December 31, 2021	1,861,200	–	124,709	349,067	2,334,976
Reclassifications to liabilities held for sale	(144,403)	–	–	–	(144,403)
Proceeds from financing	147,817	181,234	13,600	–	342,651
Repayments	(164,244)	–	–	–	(164,244)
Mortgage assumed by purchaser on dispositions (note 17)	(26,102)	–	–	–	(26,102)
Mortgages repaid on dispositions (note 17)	(15,762)	–	–	–	(15,762)
Scheduled principal payments	(86,997)	–	–	–	(86,997)
Financing costs paid	(8,870)	–	(74)	387	(8,557)
Assumed on acquisition (note 4)	86,218	–	–	–	86,218
Amortization of financing costs and mark to market adjustments on assumed mortgages	7,063	–	–	–	7,063
Other	1,461	–	–	–	1,461
Balance, December 31, 2022	\$ 1,657,381	\$ 181,234	\$ 138,235	\$ 349,454	2,326,304
Reclassifications to liabilities held for sale	(178,351)	–	(13,600)	–	(191,951)
Proceeds from financing	127,816	–	–	250,000	377,816
Repayments	(102,871)	(114,000)	–	(200,000)	(416,871)
Scheduled principal payments	(72,194)	–	–	–	(72,194)
Financing costs paid	(7,129)	(1,346)	90	(827)	(9,212)
Amortization of financing costs and mark to market adjustments on assumed mortgages	3,160	2,798	193	354	6,505
Other	(2,327)	–	6	–	(2,321)
Balance, December 31, 2023	\$ 1,425,485	\$ 68,686	\$ 124,924	\$ 398,981	\$ 2,018,076

## 19. Class B Units:

Class B Units are exchangeable, at the option of the holder, into Trust Units. Such exchangeable instruments are presented as a liability and are measured at fair value. Holders of the Class B Units are entitled to receive distributions equal to those provided to holders of Trust Units. Distributions on Class B Units are reported as a finance cost on the statement of comprehensive income. Fair value is determined by using the market price for listed Trust Units since there is a one-for-one exchange feature for each Class B Unit into a Trust Unit. Class B Units are considered Level 2 in the fair value hierarchy. The market price of Trust Units at December 31, 2023 was \$11.72 per unit (2022 - \$8.44 per unit). At December 31, 2023, 1,525,360 Class B Units were outstanding (2022 - 1,530,360).

	Units outstanding	Amount
Balance, December 31, 2021	1,530,360	\$ 18,089
Change in fair value	–	(5,173)
Balance, December 31, 2022	1,530,360	12,916
Exchange of class B units into trust units	(5,000)	(58)
Change in fair value	–	5,019
Balance, December 31, 2023	1,525,360	\$ 17,877

## 20. Trust Units and EUPP:

### (a) Trust Units:

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

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

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

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

The following Trust Units are issued and outstanding:

	Number of Trust Units	Amount
Balance, December 31, 2021	231,226,547	\$ 2,545,451
Trust Units issued under DRIP	3,388,122	34,967
Trust Units released on settlement of EUPP receivable	137,940	2,620
Balance, December 31, 2022	234,752,609	2,583,038
Trust Units issued under DRIP	3,867,229	36,086
Trust Units issued on vesting of DTU	67,727	731
Trust Units issued in exchange of Class B units	5,000	58
Trust Units released on settlement of EUPP receivable	145,091	2,461
Balance, December 31, 2023	238,837,656	\$ 2,622,374

### (b) Trust Units issued under EUPP:

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

period for payment for the exercise of terms of the EUPP awards was extended from 10 to 20 years, for EUPP awards issued before April 1, 2014. Subsequent EUPP awards are limited to senior executives, continue to have 10-year terms and vest immediately.

An aggregate of 5,900,890 Trust Units are reserved for issuance pursuant to the EUPP, of which 1,633,971 were available to be issued at December 31, 2023 (2022 – 1,967,348).

The following table summarizes Trust Units issued under the EUPP:

	Number of Trust Units issued under EUPP	Amount
Balance, December 31, 2021	1,845,284	\$ 21,592
Trust Units issued under EUPP	180,789	2,200
Trust Units released on settlement of EUPP receivable	(137,940)	(1,553)
Balance, December 31, 2022	1,888,133	22,239
Trust Units issued under EUPP	333,377	3,033
Trust Units released on settlement of EUPP receivable	(145,091)	(1,606)
Balance, December 31, 2023	2,076,419	\$ 23,666

The non-cash compensation expense attributable to the EUPP of \$798 for the year ended December 31, 2023 (2022 - \$541) is included in general, administrative and trust expenses with a corresponding amount included in accounts payable and other liabilities (note 16). 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%.

## 21. Segmented information:

The Retirement Operations segment includes an interest in 160 retirement residences (2022 - 160) that Chartwell owns and operates in Canada. The retirement residences provide services to residents at rates set by Chartwell based on the services provided and market conditions. Where a retirement residence 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 condensed consolidated interim financial statements. Certain general, administrative and trust expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.

Chartwell has completed the sale of the long term care homes on September 6, 2023 and is no longer a segment. The measure of segment profit or loss is adjusted net operating income which is resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' revenue and direct property operating expenses, respectively.

December 31, 2023								
	Retirement Operations	Long Term <sup>(3)(4)</sup> Care Operations	Segment Total	Other <sup>(2)</sup>	Subtotal	Recon- ciliation	Elimination of discontinued operations	Total
<b>Revenue:</b>								
Resident Management and other fees	\$ 814,089	\$ 167,326	\$ 981,415	\$ -	\$ 981,415	\$ (126,765)	\$ (167,326)	\$ 687,324
Lease revenue from joint ventures	-	-	-	13,503	13,503	-	-	13,503
Interest income	-	-	-	-	-	35,408	-	35,408
	-	-	-	3,993	3,993	(1,086)	(588)	2,319
	814,089	167,326	981,415	17,496	998,911	(92,443)	(167,914)	738,554
<b>Expenses:</b>								
Direct property operating	(550,580)	(151,671)	(702,251)	-	(702,251)	87,219	151,671	(463,361)
<b>Adjusted net operating income<sup>(1)</sup></b>								
	263,509	15,655	279,164	-				
Depreciation of PP&E								(154,005)
Amortization of intangible assets								(2,690)
Share of net loss from joint ventures								(1,812)
General, administrative and trust								(60,450)
Other income								9
Finance costs								(92,501)
Change in fair values of financial instruments								(21,964)
								(333,413)
Loss before income taxes								(58,220)
Current tax expense								(27,232)
Deferred income tax expense								24,511
Net loss from continuing operations								(60,941)
Net income from discontinued operations, net of income taxes								189,214
Net income								\$ 128,273
<b>Expenditures for non-current assets:</b>								
Acquisitions	-	-	-	-	-	-	-	-
Capital additions	\$ 124,665	\$ -	\$ 124,665	\$ (49)	\$ 124,616	\$ (1,190)	\$ -	\$ 123,426

(1) Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expenses and the results of the Long Term Care Operations segment which has been sold on September 6, 2023.

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

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

(4) Chartwell continues to own three long-term care homes which are not considered significant for the purposes of reporting as a separate operating segment. One of these homes is subject to the future sale agreement outlined in note 5. These properties are now included as part of the retirement operations segment (note 17).

December 31, 2022								
	Retirement Operations	Long Term Care Operations <sup>(3)(4)</sup>	Segment Total	Other <sup>(2)</sup>	Subtotal	Reconciliation	Elimination of discontinued operations	Total
<b>Revenue:</b>								
Resident Management and other fees	\$ 776,893	\$ 252,614	\$ 1,029,507	\$ –	\$ 1,029,507	\$ (115,864)	\$ (252,614)	\$ 661,029
Lease revenue from joint ventures	–	–	–	10,364	10,364	–	–	10,364
Interest income	–	–	–	–	–	35,408	–	35,408
	–	–	–	2,702	2,702	(344)	(1,167)	1,191
	776,893	252,614	1,029,507	13,066	1,042,573	(80,800)	(253,781)	707,992
<b>Expenses:</b>								
Direct property operating	(547,237)	(220,730)	(767,967)	–	(767,967)	82,534	220,729	(464,704)
Adjusted net operating income <sup>(1)</sup>	229,656	31,884	261,540					
Depreciation of PP&E								(152,988)
Amortization of intangible assets								(3,148)
Share of net loss from joint ventures								(3,309)
General, administrative and trust								(49,641)
Other income								70,623
Finance costs								(85,091)
Change in fair values of financial instruments								21,785
								(201,769)
Profit before income taxes								41,519
Deferred income tax expense								(14,131)
Net loss from continuing operations								27,388
Net income from discontinued operations, net of income taxes								22,143
<b>Net Profit</b>								<b>\$ 49,531</b>
<b>Expenditures for non-current assets:</b>								
Acquisitions	\$ 233,433	\$ 2	\$ 233,435	\$ –	\$ 233,435	\$ –	\$ –	\$ 233,435
Capital additions	90,974	23,483	114,457	914	115,371	(1,535)	(6,201)	107,635

(1) Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expenses and the results of the Long Term Care Operations segment which is discontinued.

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

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

(4) Chartwell continues to own three long-term care homes which are not considered significant for the purposes of reporting as a separate operating segment. One of these homes is subject to the future sale agreement outlined in note 5. These properties are now included as part of the retirement operations segment (note 17).

	Retirement Operations	Long Term Care Operations	Segment Total	Other	Subtotal	Reconciliation	Discontinued operations	Total, net of discontinued operations
<b>2023</b>								
Total assets	\$ 3,153,093	\$ –	\$ 3,153,093	\$ 149,625	\$ 3,302,718	\$ (68,642)	\$ –	\$ 3,234,076
Total liabilities	\$ 1,758,452	\$ –	\$ 1,758,452	\$ 751,962	\$ 2,510,414	\$ (67,799)	\$ –	\$ 2,442,615
<b>2022</b>								
Total assets	\$ 3,207,508	\$ 241,467	\$ 3,448,975	\$ 145,183	\$ 3,594,158	\$ (83,816)	\$ (199,470)	\$ 3,510,342
Total liabilities	\$ 1,815,843	\$ 204,869	\$ 2,020,712	\$ 790,696	\$ 2,811,408	\$ (70,868)	\$ (148,631)	\$ 2,740,540

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

2023	Ontario	Western Canada	Quebec	Total Retirement Operations
Resident revenue	\$ 448,022	\$ 194,319	\$ 171,748	\$ 814,089
Direct property operating expenses	(304,160)	(122,583)	(123,837)	(550,580)
Adjusted net operating income	\$ 143,862	\$ 71,736	\$ 47,911	\$ 263,509

2022	Ontario	Western Canada	Quebec	Total Retirement Operations
Resident revenue	\$ 420,402	\$ 198,301	\$ 158,190	\$ 776,893
Direct property operating expenses	(296,513)	(129,931)	(120,793)	(547,237)
Adjusted net operating income	\$ 123,889	\$ 68,370	\$ 37,397	\$ 229,656

## 22. Financial instruments:

### (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 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.

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	\$ 1,469,304	\$ 1,483,152	\$ 1,657,381	\$ 1,622,776
Term loans	124,924	124,029	138,235	135,258
Senior unsecured debentures	398,981	399,081	349,454	341,278
Credit facilities	68,686	70,000	181,234	184,000

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

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, 2023, the mortgages payable were discounted using rates between 4.07% and 5.88% (2022 - 4.27% and 5.86%).

The fair value of term loans are estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. At December 31, 2023, the outstanding term loan was discounted using a weighted average rate of 5.88% (2022 - 5.71%).

The fair value of senior unsecured debentures is estimated by discounting the expected future cash outflows using the rates currently prevailing for similar instruments of similar maturities. At December

31, 2023, senior unsecured debentures were discounted using a weighted average rate of 5.75% (2022 - 5.86%).

The fair value of the credit facility is estimated to be the amount drawn at December 31, 2023 as Chartwell has the ability to repay the outstanding balance any time.

As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair values of mortgages payable, term loans, senior unsecured debentures and credit facility are Level 2 in the fair value hierarchy.

(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.

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, 2023, outstanding residents receivables were \$1,415 (2022 - \$1,987), net of ECL of \$1,965 (2022 - \$2,006).

(ii) Liquidity risk:

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

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

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

As at December 31, 2023, current liabilities totalled \$760,770, exceeding current assets of \$343,938, resulting in a working capital deficiency of \$416,832. Current liabilities includes \$243,831 of current mortgages payable, comprised of \$181,637 related to maturing balances which are expected to be renewed on maturity, \$62,194 related to regular principal payments and the balance of unamortized mark-to-market adjustments net of unamortized financing costs. In addition, as at December 31, 2023, current liabilities included \$124,924 of term loans maturing in May 2024. 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 \$324,012 was available and undrawn at December 31, 2023 (note 13).

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

There is a risk that due to negative changes in economic or operating conditions that lenders will not finance maturing mortgages payable debt on terms and conditions acceptable to Chartwell or on any terms at all. Negative changes in economic or operating conditions may also impact Chartwell's available borrowing capacity on its secured and unsecured credit facilities as disclosed in note 13. Management mitigates this risk by staggering debt maturities and through the use of programs, such as Canadian Mortgage and Housing Corporations ("CMHC") insured mortgages.

These and other contractual obligations and contingencies, including those related to agreements with Batimo, are disclosed in note 31.

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

Chartwell, in its continuing operations, holds licenses related to each of its retained long-term care homes and in certain cases, retirement residences. Holders of these licenses receive funding from the relevant provincial government. During the year ended December 31, 2023, Chartwell received \$60,236 (2022 - \$58,732) in funding in respect of these licenses excluding incremental COVID-19 funding, which has been recorded as resident revenue, interest income and capital funding receivable, as applicable.

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

(iii) Market risk:

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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Chartwell is exposed to interest rate risk on its floating-rate debt on an ongoing basis and its fixed-rate debt upon renewal. To mitigate interest rate risk, Chartwell fixes or otherwise limits the interest rate on its long-term debt to the extent possible on renewal. Further, Chartwell is exposed to higher interest rates on its secured and unsecured credit facilities with a negative change in its credit rating. 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, 2023, Chartwell's interest-bearing financial instruments were as follows:

	Carrying amount	
	2023	2022
Fixed-rate financial liabilities <sup>(1)</sup>	\$ 1,994,304	\$ 2,157,044
Variable-rate financial liabilities	\$ 70,000	\$ 217,224

<sup>(1)</sup>Included in the fixed-rate financial liabilities are mortgages totalling \$82,088 (2022 - \$83,330) with interest rate fixed through interest rate swap contracts.

An increase of 100-basis-points in interest rates at December 31, 2023 for the variable-rate financial instruments would decrease income before income taxes on an annualized basis by \$700 (2022 - \$2,172).

An increase of 100-basis-points in interest rates for the fixed rate mortgages maturing in 2024 would decrease income before income taxes by \$683 based on renewal dates and \$1,816 on an annualized basis for the year.

## 23. Capital structure financial policies:

Chartwell's primary objectives in managing capital are:

- 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
- 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
- to provide over the long term, growing distributions to unitholders.

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

Management defines capital as Chartwell's total unitholders' equity, Class B Units, current and non-current mortgage 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 proportionate share of its joint ventures, (ii) plus the amount of accumulated depreciation and amortization shown thereon or in the notes thereto less the carrying value of any deferred consideration in respect of any property acquired or to be acquired, (iii) plus the difference between the GBV of assets under Canadian generally accepted accounting principles and IFRS at January 1, 2010, Chartwell's effective IFRS transition date, and (iv) plus the related acquisition costs in respect of completed property acquisitions that were expensed in the period incurred.

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

The following are the Indebtedness Ratios at December 31, 2023 and 2022:

	2023	2022	Increase (decrease)
Indebtedness Ratio	46.7%	49.0%	(2.3%)

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

## 24. Revenue:

	2023	2022
Lease revenue <sup>(1)</sup>	\$ 343,634	\$ 329,839
Services revenue <sup>(2)</sup>	379,098	366,598
Management and other fees	13,503	10,364
Interest income	2,319	1,191
<b>Total revenue</b>	<b>\$ 738,554</b>	<b>\$ 707,992</b>

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

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

## 25. Personnel expenses:

The analysis of employee benefits expense for the years ended December 31, 2023 and 2022, included in profit or loss under direct property operating expenses and general, administrative and trust expenses, is as follows:

	2023	2022
Salaries and wages	\$ (353,788)	\$ (357,651)
Post-employment benefits (defined contribution plans)	(4,813)	(4,447)
Unit-based compensation	(7,868)	(2,497)
	<u>\$ (366,469)</u>	<u>\$ (364,595)</u>

## 26. Other income (expense):

	2023	2022
Transaction costs arising on dispositions	\$ (1,167)	\$ (1,992)
Impairment losses	(10,898)	-
Other expense	(12,065)	(1,992)
Net gain on disposal of assets <sup>(1)</sup>	12,074	71,751
Other income	-	864
	<u>12,074</u>	<u>72,615</u>
Other income	<u>\$ 9</u>	<u>\$ 70,623</u>

<sup>(1)</sup>Net gain on disposal of assets relates primarily to sale of properties (note 5).

On December 11, 2023, Chartwell completed the sale of one property (note 5) in Ontario and recognized a gain on sale of assets totaling \$6,011.

On November 1, 2023, Chartwell completed the sale of one property in Ontario (note 5) and recognized no gain or loss on sale.

On August 23, 2023, Chartwell completed the sale of one property in Ontario (note 5) and recognized a gain on sale of assets totaling \$2,338.

On March 24, 2023, Chartwell completed the sale of one property in Ontario (note 5) and recognized a gain on sale of assets totaling \$2,378.

On December 7, 2022, Chartwell completed the sale of two long term care homes in British Columbia (note 5) and recognized a gain on sale of assets totaling \$69,889.

Chartwell has determined that each of its properties are CGUs for purposes of impairment assessments as each property independently generates cash flows. The recoverable amount for each property was recorded on a valuation based on fair value less costs of disposal. Fair value is measured using either the present value of future cash flows or the direct capitalization method and is categorized within Level 3 of the fair value hierarchy. In calculating fair value, management estimates future stabilized cash flows which include assumptions about rental rates and occupancy rates. Such assumptions can be significantly impacted by current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. Management also applies adjustments to reflect the expectations of market participants. The discount rates, capitalization rates and terminal capitalization rates applied to cash flows to determine the recoverable amount are based on recent transactions of similar assets within the market. Chartwell completes regular assessments of PP&E to determine if any events

have occurred that would indicate possible impairment of PP&E. For the year ended December 31, 2023, Chartwell had recorded an impairment loss of \$10,898 on three properties (2022 - \$nil). The impairment loss included \$10,273 for two properties located in Quebec and \$625 related to one property in Ontario which was subsequently sold in the year. The impairment losses resulted from a decline in the operating performance of these properties due to competitive pressures in certain markets.

## 27. Finance costs:

	2023	2022
Contractual interest expense on mortgages	\$ (55,873)	\$ (55,031)
Interest expense on senior unsecured debentures	(14,392)	(13,888)
Interest expense on credit facility	(12,023)	(7,731)
Contractual interest expense on term loans	(5,524)	(4,992)
	(87,812)	(81,642)
Interest capitalized to properties under development	2,735	2,276
Amortization of financing costs and mark-to-market adjustment on assumed mortgages, credit facilities and senior unsecured debentures	(6,488)	(4,788)
Distributions on Class B Units recorded as interest expense	(936)	(937)
<b>Total finance costs</b>	<b>\$ (92,501)</b>	<b>\$ (85,091)</b>

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

	2023	2022
Change in fair value of interest rate swaps	\$ (4,967)	\$ 10,512
Change in fair value of EUPP option component	(5,614)	4,053
Change in fair value of Class B Units	(5,019)	5,172
Change in fair value of DTUs	(5,193)	3,263
Change in fair value – other	(1,171)	(1,215)
<b>Change in fair values of financial instruments</b>	<b>\$ (21,964)</b>	<b>\$ 21,785</b>

## 29. Income taxes:

For the year ended December 31, 2023, Chartwell recorded a current tax expense of \$27,231 (2022 – nil). The current tax expense is primarily attributable to SIFT taxes payable on the disposition of its long term care segment (note 17).

Chartwell recorded a deferred tax benefit of \$24,510 (2022 - deferred tax expense of \$14,131). The 2023 deferred tax benefit was primarily with respect to the temporary difference between the accounting carrying amount and tax cost base of the investment in the long term care segment, which reversed upon its sale. The 2022 deferred tax expense primarily relates to reversal of temporary differences on the accounting and tax basis of PP&E and fair value adjustments, partially offset by utilization of non-capital loss carry forwards against taxable capital gains on dispositions (note 5).

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% (2022 - 53.53%). The current SIFT tax rate payable is 26.5%. The differences for the years ended December 31 are as follows:

	2023	2022
Income before income taxes from continuing operations	\$ (58,220)	\$ 41,519
Net Income from discontinued operations	189,214	22,143
<b>Net income before income taxes</b>	<b>130,994</b>	<b>63,662</b>
Income tax expense at Canadian tax rate	\$ (70,121)	\$ (34,078)
Non-taxable capital gain	37,995	15,577
Fair value changes	(9,070)	5,982
Differential between current SIFT rate and undistributed income tax rate	27,685	–
Reversal of deferred tax liability of subsidiary partnership	11,171	–
Non-deductible and non-taxable items	(411)	(1,743)
Other	30	131
<b>Income tax (expense) / recovery</b>	<b>\$ (2,721)</b>	<b>\$ (14,131)</b>
Current tax (expense) / recovery	\$ (27,231)	\$ –
Deferred tax (expense) / recovery	24,510	(14,131)
<b>Income tax (expense) / recovery</b>	<b>(2,721)</b>	<b>(14,131)</b>

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

	Balance, January 1, 2023	Recognized in net income (loss)	Recognized in unitholders' equity	Balance, December 31, 2023
Property, plant and equipment	\$ (7,731)	\$ 10,007	\$ –	\$ 2,276
Intangible assets	(16,899)	15,738	–	(1,161)
Losses available for carryforward	3,502	(1,861)	–	1,641
Other	(9,770)	626	–	(9,144)
Deferred tax asset (liability)	(30,898)	24,510	–	(6,388)
Deferred tax assets not recognized	(134)	–	–	(134)
<b>Net deferred tax asset (liability)</b>	<b>\$ (31,032)</b>	<b>\$ 24,510</b>	<b>\$ –</b>	<b>\$ (6,522)</b>

As at December 31, 2023, Chartwell had non-capital losses carried forward of \$5,354.

	Balance, January 1, 2022	Recognized in net income (loss)	Recognized in unitholders' equity	Balance, December 31, 2022
Property, plant and equipment	\$ (12,728)	\$ 4,997	\$ –	\$ (7,731)
Intangible assets	(17,261)	362	–	(16,899)
Losses available for carryforward	15,610	(12,108)	–	3,502
Other	(2,388)	(7,382)	–	(9,770)
Deferred tax asset (liability)	(16,767)	(14,131)	–	(30,898)
Deferred tax assets not recognized	(134)	–	–	(134)
Net deferred tax asset (liability)	\$ (16,901)	\$ (14,131)	\$ –	\$ (31,032)

Deferred tax assets have not been recognized for the deductible temporary differences of \$217 in 2023 (2022 - \$217). The deductible temporary differences do not expire under current legislation. Deferred tax assets have not been recognized in respect of these temporary differences as it is not probable that future taxable income will be available against which these tax benefits will be utilized.

### 30. Commitments and contingencies:

Chartwell's maturities on major financial liabilities as at December 31, 2023, excluding future interest payments, are detailed in the following table:

	Note	Contractual value	2024	2025	2026	2027	2028	Thereafter
Mortgages payable	12	\$ 1,469,304	\$ 243,831	\$ 118,667	\$ 138,690	\$ 109,848	\$ 215,689	\$ 642,579
Credit Facilities	13	70,000	-	70,000	-	-	-	-
Term loans	14	125,000	125,000	-	-	-	-	-
Senior unsecured debentures	15	400,000	-	150,000	250,000	-	-	-
Accounts payable and accrued liabilities	16	119,743	119,743	-	-	-	-	-
Income tax payable	29	27,231	27,231	-	-	-	-	-
Distributions payable		12,364	12,364	-	-	-	-	-
Resident deposits	16	5,203	5,203	-	-	-	-	-
Lease obligations	7	8,073	751	737	128	-	-	6,457
<b>Total maturities<sup>(1)</sup></b>		<b>\$ 2,236,918</b>	<b>\$ 534,123</b>	<b>\$ 339,404</b>	<b>\$ 388,818</b>	<b>\$ 109,848</b>	<b>\$ 215,689</b>	<b>\$ 649,036</b>

<sup>(1)</sup>In addition to Total Maturities, obligations include contractual commitments outlined in note 30(c) related to acquisition of certain properties.

(a) Lease obligations:

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

(b) Purchase contracts:

Chartwell has entered into various construction contracts related to its development projects. As at December 31, 2023, the remaining commitments under these contracts amounted to approximately \$3,356 (2022 - \$23,794).

(c) Other:

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

Four properties have achieved the occupancy threshold giving effect to the Batimo put rights. During 2023, Batimo executed the put option on two of these properties. Based on negotiations and appraisals completed to date, We expect to pay approximately \$85.0 million for an 85% interest in the property and expect to close on the acquisition in Q2 2024. For the second property exercised under the put we estimate the current value at 100% ownership is \$85.0 million. We estimate the current value of the third and fourth properties at 100% ownership is approximately \$150.0 million.

(d) Letters of credit:

As at December 31, 2023, Chartwell was contingently liable for letters of credit in the amount of \$5,988 (2022 - \$6,273).

(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, 2023, the outstanding balance on this mortgage was \$563 (2022 - \$881). 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 \$565,379. As at December 31, 2023, outstanding balances on these mortgages totalled \$449,932 (\$218,604 of which represents the partners' share).

(f) Litigation and claims:

Chartwell was named in three proposed class action lawsuits related to our handling of the COVID-19 pandemic in our Ontario Long Term Care homes which were subsequently consolidated into one proceeding (the "Consolidated Claim"). The Consolidated Claim was certified on March 7, 2024. Chartwell's insurer has assigned defense counsel and is responding to the claims through the appropriate court process. On November 20, 2020, Bill 218, Supporting Ontario's Recovery and Municipal Elections Act, 2020 (the "Recovery Act") received Royal Assent and came into effect. The Recovery Act, which applies retroactively to March 17, 2020, provides protections from liability to businesses that make good faith efforts to comply with public health guidelines and laws regarding exposure to COVID-19, provided the business was not grossly negligent. Chartwell did not record a provision with respect to the Consolidated Claim as at December 31, 2023.

In 1995, certain participating Ontario LTC homes and their respective unions agreed to a framework using the proxy method for a new pay equity plan that resulted in pay equity being achieved by 2005 under the Pay Equity Act. The Ontario Government directly funded these pay equity obligations. Litigation commenced in 2010, when two unions asserted that the participating LTC homes were required to make further pay equity adjustments. The Ontario Pay Equity Tribunal (the "Tribunal") found generally in favour of the participating LTC homes and also confirmed that there is an on-going

obligation to maintain pay equity. The appellate courts, on the appeal of the Tribunal decision, found in favour of the unions and referred the matter back to the Tribunal to determine the procedure to be used to provide bargaining unit members access to male comparators in order to maintain pay equity. The Ontario government and the participating LTC homes appealed the appellate court decision.

On October 14, 2021, the application for leave to appeal from the judgment of the Court of Appeal for Ontario in Attorney General of Ontario et al. v. Ontario Nurses' Association, et al. was dismissed by the Supreme Court of Canada, thus upholding the appellate decision. The Court of Appeal decision held that LTC homes that used proxy comparators to develop pay equity plans have not met their maintenance requirements. Notwithstanding the closing of the sale of the long-term segment (note 17) in 2023, Chartwell continues to work with the unions, the other participating LTC homes and the Ontario Government to reach a pay equity maintenance framework appropriate for the sector.

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

### 31. Key management personnel compensation:

The remuneration of key management personnel of Chartwell during the years ended December 31, 2023 and 2022 was as follows:

	2023	2022
Officers' and directors' compensation	\$ (5,135)	\$ (4,578)
Post-employment benefits	(128)	(117)
Other long-term benefits	(3,269)	(518)
Unit-based payments	(798)	(221)
Termination benefits	(1,323)	-
	<b>\$ (10,654)</b>	<b>\$ (5,434)</b>

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

## 32. Expenses by nature:

	2023	2022
Wages and benefits	\$ (366,469)	\$ (364,595)
Food and supplies	(49,968)	(49,499)
Realty taxes	(27,876)	(26,593)
Utilities	(28,062)	(27,927)
Other	(51,436)	(45,731)
	<u>\$ (523,811)</u>	<u>\$ (514,345)</u>
Included in the consolidated statements of net income and comprehensive income:		
Direct property operating	\$ (463,361)	\$ (464,704)
General, administrative and trust	(60,450)	(49,641)
	<u>\$ (523,811)</u>	<u>\$ (514,345)</u>

# Corporate and Unitholder Information

---

## TRUSTEES AND/OR DIRECTORS

**Huw Thomas, Chair**

**Sharon Sallows** <sup>(1)</sup> <sup>(2)</sup>

**Ann Davis** <sup>(1)</sup> <sup>(3)</sup>

**Brent Binions** <sup>(2)</sup>

**James Scarlett** <sup>(1)</sup> <sup>(3)</sup>

**Valérie Pisano** <sup>(1)</sup> <sup>(2)</sup>

**Gary Whitelaw** <sup>(2)</sup> <sup>(3)</sup>

**Vlad Volodarski**

<sup>(1)</sup> Compensation, Governance and Nominating Committee

<sup>(2)</sup> Investment Committee

<sup>(3)</sup> Audit Committee

## OFFICERS AND SENIOR MANAGEMENT

**Vlad Volodarski**

Chief Executive Officer

**Karen Sullivan**

President and Chief Operating Officer

**Jeffrey Brown**

Chief Financial Officer

**Jonathan Boulakia**

Chief Investment Officer and

Chief Legal Officer and Secretary

## UNITHOLDER INFORMATION

Chartwell Retirement Residences

7070 Derrycrest Drive

Mississauga, Ontario L5W 0G5

Telephone: (905) 501-9219

Toll free: (888) 584-2386

chartwell.com

### Unitholder and Investor Contact

Vlad Volodarski,

Chief Executive Officer

Email: [investorrelations@chartwell.com](mailto: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

Telephone: (800) 564-6253

Facsimile: (866) 249-7775

Email: [service@computershare.com](mailto:service@computershare.com)

### Annual Meeting of Unitholders

5:00pm ET - Tuesday, June 4, 2024

In-person at:

7070 Derrycrest Drive,

Mississauga, Ontario

and Live audio webcast online at

<https://meetnow.global/M2QLUNK>

making people's  
lives **BETTER**<sup>®</sup>