

Condensed Consolidated Interim Financial Statements  
(In Canadian dollars)

# **CHARTWELL RETIREMENT RESIDENCES**

As at and for the three months and six months ended  
June 30, 2016 and 2015  
(Unaudited)

# CHARTWELL RETIREMENT RESIDENCES

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

	Note	June 30, 2016	December 31, 2015
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 4,251	\$ 3,002
Trade and other receivables		13,584	7,948
Capital funding receivable		5,511	5,243
Other assets	4	16,107	16,938
<b>Total current assets</b>		<b>39,453</b>	<b>33,131</b>
Non-current assets:			
Other assets	4	3,691	3,733
Loans receivable	5	9,747	15,764
Capital funding receivable		57,381	56,198
Investment in joint ventures	6	32,484	33,993
Intangible assets		57,591	57,202
Property, plant and equipment ("PP&E")	3	2,546,350	2,399,368
<b>Total non-current assets</b>		<b>2,707,244</b>	<b>2,566,258</b>
<b>Total assets</b>		<b>\$ 2,746,697</b>	<b>\$ 2,599,389</b>
<b>Liabilities and Unitholders' Equity</b>			
Current liabilities:			
Secured revolving operating credit facility ("Credit Facility")	7(b)	\$ –	\$ 32,000
Accounts payable and other liabilities	9	104,316	114,036
Distributions payable		9,013	8,243
Mortgages payable	7(a)	153,726	159,699
<b>Total current liabilities</b>		<b>267,055</b>	<b>313,978</b>
Non-current liabilities:			
Mortgages payable	7(a)	1,437,321	1,371,659
Secured revolving operating credit facility ("Credit Facilities")	7(b)	164,000	–
Deferred consideration on business combinations		1,591	1,535
Convertible debentures	8	–	161,754
Class B Units of Chartwell Master Care LP ("Class B Units")	11	25,732	20,943
Deferred tax liabilities	18	1,518	–
<b>Total non-current liabilities</b>		<b>1,630,162</b>	<b>1,555,891</b>
<b>Total liabilities</b>		<b>1,897,217</b>	<b>1,869,869</b>
Unitholders' equity	12	849,480	729,520
Subsequent events	19		
<b>Total liabilities and unitholders' equity</b>		<b>\$ 2,746,697</b>	<b>\$ 2,599,389</b>

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Trustees:

"Huw Thomas" \_\_\_\_\_ Trustee      "Sidney Robinson" \_\_\_\_\_ Trustee

# CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(In thousands of Canadian dollars)

(Unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2016	2015	2016	2015
<b>Revenue:</b>					
Resident		\$ 177,719	\$ 155,081	\$ 352,040	\$ 307,992
Management and other fees		2,156	1,989	4,073	3,913
Lease revenue from joint ventures	6	8,446	8,252	16,746	16,402
Interest on loans receivable		347	223	704	426
		<u>188,668</u>	<u>165,545</u>	<u>373,563</u>	<u>328,733</u>
<b>Expenses:</b>					
Direct operating		122,959	112,836	244,167	225,471
General, administrative and trust		9,126	7,519	17,347	16,187
		<u>132,085</u>	<u>120,355</u>	<u>261,514</u>	<u>241,658</u>
Income before the undernoted <sup>(1)</sup>		56,583	45,190	112,049	87,075
Finance costs	15	(17,440)	(18,510)	(35,566)	(36,623)
Other income	16	4,082	13,649	593	14,688
Depreciation of PP&E		(34,729)	(23,467)	(69,674)	(51,499)
Amortization of intangible assets		(292)	(154)	(592)	(358)
Changes in fair values of financial instruments and foreign exchange gains (losses)	17	(5,546)	12,840	(23,874)	5,023
Share of net income from joint ventures	6	931	197	1,103	293
Income (loss) before income taxes		3,589	29,745	(15,961)	18,599
<b>Income tax (expense) benefit:</b>					
Current		–	–	–	–
Deferred		–	(789)	–	(789)
		<u>–</u>	<u>(789)</u>	<u>–</u>	<u>(789)</u>
Net income (loss) from continuing operations		3,589	28,956	(15,961)	17,810
<b>Discontinued operations:</b>					
Net income (loss) from discontinued operations, net of income taxes	10	3,596	326,354	3,274	348,629
Net income (loss)		7,185	355,310	(12,687)	366,439
<b>Other comprehensive income (loss):</b>					
Items that may be reclassified subsequently to net income (loss):					
Unrealized foreign currency income (loss) on translation of foreign operations considered discontinued operations		–	(1,875)	–	5,945
Reclassification of foreign currency translation differences on disposition of US segment		–	(10,599)	–	(10,599)
<b>Total comprehensive income (loss)</b>		<b>\$ 7,185</b>	<b>\$ 342,836</b>	<b>\$ (12,687)</b>	<b>\$ 361,785</b>

<sup>(1)</sup> Refers to income before finance costs, other income (expense), depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and foreign exchange gains (losses), share of net income from joint ventures, income tax (expense) benefit and discontinued operations.

See accompanying notes to condensed consolidated interim financial statements.

# CHARTWELL RETIREMENT RESIDENCES

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

Six months ended June 30, 2016	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated losses	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2015	\$ 1,778,496	\$ 16,889	\$ (12,657)	\$ (159,304)	\$ (900,450)	\$ 6,546	\$ 729,520
Net loss	–	–	–	(12,687)	–	–	(12,687)
Distributions to unitholders	–	–	–	–	(51,022)	–	(51,022)
Issuance of Trust Units under the Distribution Reinvestment Program ("DRIP")	9,251	–	–	–	–	–	9,251
Trust Units issued on conversion of debt	173,194	–	–	–	–	–	173,194
Trust Units issued on exchange of Class B Units	151	–	–	–	–	–	151
Trust units issued under the Executive Unit Purchase Plan ("EUPP," formerly known as "LTIP"), net of cancellations and Trust Units released on settlement of EUPP receivable	903	347	(527)	–	–	(25)	698
Interest on EUPP receivable	–	–	(63)	–	–	–	(63)
Distributions applied against EUPP receivable	–	–	438	–	–	–	438
<b>Unitholders' equity, June 30, 2016</b>	<b>\$ 1,961,995</b>	<b>\$ 17,236</b>	<b>\$ (12,809)</b>	<b>\$ (171,991)</b>	<b>\$ (951,472)</b>	<b>\$ 6,521</b>	<b>\$ 849,480</b>

During the six months ended June 30, 2016, distributions were declared and paid at \$0.0459 per unit for the months of January and February and \$0.046818 per unit for the months of March to June. In July 2016, distributions were declared at \$0.046818 per unit totalling \$8,943.

# CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Unitholders' Equity (continued)

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

(Unaudited)

Six months ended June 30, 2015	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Discontinued operations - foreign currency translation reserve	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2014	\$ 1,743,786	\$ 17,873	\$ (13,950)	\$ (521,537)	\$ 4,654	\$ (803,897)	\$ 6,669	\$ 433,598
Net income	—	—	—	366,439	—	—	—	366,439
Other comprehensive income	—	—	—	—	(4,654)	—	—	(4,654)
Distributions to unitholders	—	—	—	—	—	(47,972)	—	(47,972)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	8,827	—	—	—	—	—	—	8,827
Trust Units issued on conversion of debt	107	—	—	—	—	—	—	107
Trust units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	715	(162)	(57)	—	—	—	19	515
Interest on EUPP receivable	—	—	(68)	—	—	—	—	(68)
Distributions applied against EUPP receivable	—	—	448	—	—	—	—	448
<b>Unitholders' equity, June 30, 2015</b>	<b>\$ 1,753,435</b>	<b>\$ 17,711</b>	<b>\$ (13,627)</b>	<b>\$ (155,098)</b>	<b>\$ —</b>	<b>\$ (851,869)</b>	<b>\$ 6,688</b>	<b>\$ 757,240</b>

During the six months ended June 30, 2015, distributions were declared and paid at \$0.045 per unit per month for the months of January and February, and \$0.0459 per unit for the months of March to June. In July 2015, distributions were declared at \$0.0459 per unit totalling \$8,158.

See accompanying notes to condensed consolidated interim financial statements.

# CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Cash provided by (used in):				
Operating activities:				
Net income (loss)	\$ 7,185	\$ 355,310	\$ (12,687)	\$ 366,439
Items not affecting cash:				
Depreciation and amortization	35,021	28,058	70,266	65,982
Finance costs	17,440	26,797	35,566	53,562
Other income	(4,060)	(455,713)	(726)	(445,814)
Transaction costs arising from business acquisitions and dispositions	(2,917)	(4,315)	(4,552)	(15,248)
Interest on loans receivable	(347)	(223)	(704)	(426)
Non-cash compensation expense	329	375	823	897
Changes in fair values of financial instruments and foreign exchange losses (gains)	5,546	(12,840)	23,874	21,804
Current income taxes	–	57,799	–	57,897
Deferred income taxes	–	66,033	–	789
Share of net income from joint ventures	(931)	(197)	(1,103)	(293)
Other	592	(70)	722	509
Change in trade and other receivables	(5,560)	8,664	(5,490)	8,852
Change in other assets	198	4,081	771	5,108
Change in accounts payable and other liabilities	1,690	(37,370)	(16,299)	(38,136)
	54,186	36,389	90,461	81,922
Interest and other income received	1248	851	2,180	1,734
Interest paid	(17,601)	(26,848)	(38,129)	(55,123)
Net cash provided by operating activities	37,833	10,392	54,512	28,533
Financing activities:				
Proceeds from mortgage financing	17,000	11,150	94,581	37,431
Mortgage maturity repayments	(48,485)	–	(74,351)	(25,381)
Changes to credit facility	115,000	48,000	132,000	68,500
Scheduled mortgage principal repayments	(13,186)	(15,235)	(26,140)	(30,581)
Net additions to finance costs	(276)	(865)	(1,711)	(1,392)
Distributions paid	(20,758)	(19,028)	(40,626)	(38,569)
Net cash provided by financing activities	49,295	24,022	83,753	10,008
Investing activities:				
Acquisition of assets under business combinations	(69,440)	(42,374)	(99,691)	(42,374)
Additions to PP&E and intangible assets	(29,334)	(21,315)	(49,760)	(31,176)
Proceeds from disposal of PP&E, net of related debt repayment	(424)	471,372	(39)	471,502
Change in restricted cash	(189)	6,836	274	7,469
Proceeds from capital funding receivable	1,495	1,249	3,572	2,482
Loans receivable collection	6,017	–	6,017	–
Distributions received from joint ventures	3,000	86	2,611	307
Taxes paid on disposal of discontinued operations	–	(47,602)	–	(47,602)
Net cash provided by (used in) investing activities	(88,875)	368,252	(137,016)	360,608
Increase (decrease) in cash	(1,747)	402,666	1,249	399,149
Foreign exchange gains on U.S. dollar-denominated cash	–	8,967	–	9,417
Cash, beginning of period	5,998	7,860	3,002	10,927
Cash, end of period	\$ 4,251	\$ 419,493	\$ 4,251	\$ 419,493

See accompanying notes to condensed consolidated interim financial statements.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

---

Chartwell Retirement Residences ("Chartwell") is an unincorporated open-ended 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 100 Milverton Drive, Suite 700, Mississauga, Ontario, L5R 4H1. Chartwell's main business is the ownership, operations and management of retirement and long-term care communities in Canada.

## 1. **Basis of preparation:**

Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on August 4, 2016.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2015.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 2. Acquisitions:

The following acquisitions are consistent with Chartwell's strategy to expand its core business in its Canadian markets, and are accounted for as business combinations under IFRS 3.

Date of acquisition	March 15, 2016	April 21, 2016	May 2, 2016	June 2, 2016			
Segment	Retirement Operations						
Location	Province of Ontario	Province of BC	Province of Ontario	Province of Ontario	Subtotal	Step accounting adjustments <sup>(1)</sup>	Total
Number of properties (suites)	1 (105 suites)	1 (97 suites)	1 (109 suites)	1 (127 suites)			
PP&E	\$ 66,166	\$ 11,841	\$ 37,405	\$ 70,324	\$ 185,736	\$ 11,841	\$ 197,577
Goodwill	–	1,017	–	–	1,017	–	1,017
Deferred tax liability	–	(1,518)	–	–	(1,518)	–	(1,518)
<b>Net assets acquired</b>	<b>\$ 66,166</b>	<b>\$ 11,340</b>	<b>\$ 37,405</b>	<b>\$ 70,324</b>	<b>\$ 185,235</b>	<b>\$ 11,841</b>	<b>\$ 197,076</b>
Cash consideration	\$ 30,251	\$ 5,925	\$ 17,252	\$ 46,263	\$ 99,691	\$ –	\$ 99,691
Mortgages assumed	35,915	5,415	20,153	24,061	85,544	5,416	90,960
Fair value of previously held interest	–	–	–	–	–	6,425	6,425
<b>Total consideration transferred</b>	<b>\$ 66,166</b>	<b>\$ 11,340</b>	<b>\$ 37,405</b>	<b>\$ 70,324</b>	<b>\$ 185,235</b>	<b>\$ 11,841</b>	<b>\$ 197,076</b>

(1) Chartwell acquired the remaining interest in one previously held investment in joint arrangement. These figures represent the fair value of the remaining interest acquired. Step acquisition adjustments are included under the heading "Step accounting adjustments".



# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

---

## 2. Acquisitions (continued):

On March 15, 2016, Chartwell acquired a 100% interest in a 105 unit retirement residence located in Ottawa, Ontario. The purchase price before closing costs and mortgage mark to market adjustment was \$63,650 and was settled by the assumption of a \$33,399 mortgage bearing interest at 4.41% and maturing on September 1, 2024 and cash. Chartwell recorded a mortgage mark to market adjustment of \$2,516 with respect to the assumed mortgage. The property has contributed revenue of \$1,954 and net loss of \$2,530 since the acquisition. Chartwell incurred acquisition related costs of \$1,870, which have been expensed in other income (expense) in the consolidated statements of comprehensive income (loss).

On April 21, 2016, Chartwell acquired from its partner all outstanding shares of a corporation that owns a 50% interest in a 97-suite Kamloops Retirement Residence (Kamloops). The purchase price was \$5,925, representing the agreed upon value of the 50% interest in Kamloops of \$11,150, net of the company's share of the mortgage debt of \$5,225 and was settled in cash. The assumed mortgage bears interest at 3.95% and matures on October 1, 2019. Chartwell recorded a mortgage mark to market adjustment of \$190 with respect to the assumed mortgage. Chartwell also recorded a deferred tax liability of \$1,518 and goodwill of \$1,017. Upon completion of this transaction, Chartwell owns 100% interest in the property.

As the Kamloops acquisition was completed in steps, Chartwell has remeasured its original 50% interest to fair value.

This re-measurement has resulted in an increase in value of \$5,187 which has been recognized as a gain in other expense (income) in profit or loss. The net book value of the original 50% interest prior to this acquisition was \$6,425.

Kamloops has contributed revenue of \$624 and net income of \$34 since the acquisition date. Chartwell incurred acquisition-related costs of \$101, which have been expensed in other income (expense) in the consolidated statements of comprehensive income (loss).

On May 2, 2016, Chartwell acquired a 100% interest in a 109 suite retirement residence located in Brockville, Ontario. The purchase price was \$37,100 and was settled by the assumption of a \$19,848 mortgage bearing interest at 4.29% and maturing on April 1, 2017 and cash. Chartwell recorded a mortgage mark to market adjustment of \$305 with respect to the assumed mortgage. The property has contributed revenue of \$943 and net loss of \$856 since acquisition. Chartwell incurred acquisition-related costs of \$709, which have been expensed in other income (expense) in the consolidated statements of comprehensive income (loss).

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

---

## 2. Acquisitions (continued):

On June 2, 2016, Chartwell acquired a 100% interest in a 127 unit retirement residence located in Ottawa, Ontario. The purchase price was \$68,350 and was settled by assumption of a \$22,087 mortgage bearing interest at 4.56% and maturing on March 1, 2020 and cash. Chartwell recorded a mortgage mark to market adjustment of \$1,974 with respect to the assumed mortgage. The property has contributed revenue of \$617 and net loss of \$1,605 since acquisition. Chartwell incurred acquisition-related costs of \$1,820, which have been expensed in other income (expense) in the consolidated statements of comprehensive income (loss).

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 3. Property, plant and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
<b>Cost</b>						
Balance, December 31, 2014	\$ 327,865	\$ 2,723,321	\$ 97,058	\$ 14,658	\$ 27,211	\$ 3,190,113
Additions	–	60,839	8,413	13,291	–	82,543
Additions through business combinations	34,212	509,674	11,105	–	1,000	555,991
Disposals	(90,973)	(749,075)	(33,541)	–	(9,839)	(883,428)
Derecognition	–	(29,423)	(997)	–	–	(30,420)
Transfers	547	10,268	628	(13,204)	–	(1,761)
Exchange differences on translation of United States Operations	5,206	42,331	1,864	–	504	49,905
Balance, December 31, 2015	276,857	2,567,935	84,530	14,745	18,876	2,962,943
Additions	–	16,423	4,710	20,335	8,620	50,088
Additions through business combinations	10,395	182,726	3,856	–	600	197,577
Disposals	(4,378)	(37,225)	(1,728)	–	–	(43,331)
Derecognition	–	(19,906)	(616)	–	–	(20,522)
Capital subsidy receivable	–	(5,023)	–	–	–	(5,023)
Transfers	426	939	–	321	(1,686)	–
Balance, June 30, 2016	\$ 283,300	\$ 2,705,869	\$ 90,752	\$ 35,401	\$ 26,410	\$ 3,141,732
<b>Accumulated depreciation and impairment losses</b>						
Balance, December 31, 2014	\$ –	\$ 632,621	\$ 64,366	\$ 2,422	\$ 1,103	\$ 700,512
Depreciation	–	114,687	12,939	–	–	127,626
Disposals	–	(223,734)	(25,746)	–	(1,103)	(250,583)
Derecognition	–	(29,423)	(997)	–	–	(30,420)
Impairment, net	–	3,755	–	–	–	3,755
Exchange differences on translation of United States Operations	–	11,320	1,365	–	–	12,685
Balance, December 31, 2015	–	509,226	51,927	2,422	–	563,575
Depreciation	–	63,620	6,054	–	–	69,674
Disposals	–	(18,924)	(1,421)	–	–	(20,345)
Derecognition	–	(19,906)	(616)	–	–	(20,522)
Impairment	–	3,000	–	–	–	3,000
Balance, June 30, 2016	\$ –	\$ 537,016	\$ 55,944	\$ 2,422	\$ –	\$ 595,382
<b>Carrying amounts</b>						
Balance, December 31, 2015	\$ 276,857	\$ 2,058,709	\$ 32,603	\$ 12,323	\$ 18,876	\$ 2,399,368
Balance, June 30, 2016	283,300	2,168,853	34,808	32,979	26,410	2,546,350

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

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

During the six months ended June 30, 2016, Chartwell capitalized \$298 (June 30, 2015 - \$114) of borrowing costs related to development projects under construction at an average capitalization rate of 4.0% (June 30, 2015 - 4.7%).

During the six months ended June 30, 2016, Chartwell acquired land for development in Gatineau, Quebec for \$8,500.

In the six months ended June 30, 2016, Chartwell received notices of increases in capital funding on three redeveloped long term care properties from \$15.48 per bed per day to \$18.83 per bed per day retroactive to the date of completion. Consequently, Chartwell recognized an additional capital funding receivable of \$5,023 with a corresponding reduction in the cost of property, plant and equipment.

### 4. Other assets:

	June 30, 2016	December 31, 2015
Prepaid expenses and deposits	\$ 12,019	\$ 11,130
Restricted cash	1,925	2,199
Other assets	5,854	7,342
	<u>\$ 19,798</u>	<u>\$ 20,671</u>
Current	\$ 16,107	\$ 16,938
Non-current	3,691	3,733
	<u>\$ 19,798</u>	<u>\$ 20,671</u>

Other assets include receivables of \$1,871 recorded at their fair value, related to estimated income guarantees provided by vendors of certain acquired properties to Chartwell (December 31, 2015 - \$3,264). Income guarantees are considered Level 3 in the fair value hierarchy.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 5. Loans receivable:

On June 23, 2016, Chartwell collected its vendor-take-back mortgages totalling \$6,000.

## 6. 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 June 30, 2016:

Joint arrangements	Number of properties	Location	Chartwell ownership	Consolidation type
Chartwell-Welltower Landlord <sup>(1)</sup>	38	Canada	50%	Joint operation
Chartwell-Welltower Operator <sup>(1)</sup>	38	Canada	50%	Joint venture <sup>(2)</sup>
Batimo	4	Canada	85%	Joint operation
Oakville	1	Canada	50%	Joint venture <sup>(2)</sup>
Constantia	1	Canada	50%	Joint venture <sup>(2)</sup>
Riverside	1	Canada	50%	Joint operation
Churchill	1	Canada	50%	Joint operation
Oak Ridges <sup>(3)</sup>	1	Canada	(3)	Joint venture <sup>(2)</sup>
Clair Hills <sup>(3)</sup>	1	Canada	(3)	Joint venture <sup>(2)</sup>
The Sumach	1	Canada	45%	Joint operation

<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> Chartwell owns 100% of Class C units in these limited partnerships which were formed on acquisition of two properties in 2015. Affiliates of the vendors of the properties hold Class R units in the limited partnerships.

During Q2 2016, Chartwell entered into a new joint arrangement with Welltower and Daniels Corporation ("Daniels") to develop The Sumach by Chartwell ("Sumach"), a 332-suite apartment building in Toronto, Ontario. Welltower and Chartwell each own a 45% interest and Daniels owns a 10% interest. The Sumach is accounted for on a line-by-line basis.

On April 21, 2016, Chartwell acquired the remaining 50% ownership in Kamloops and now owns 100% of the property. Previously Chartwell accounted for Kamloops as a joint operation.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 6. Joint arrangements (continued):

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

	Six months ended June 30,	
	2016	2015
Distributions received from joint ventures	\$ 3,000	\$ 307
Contributions to joint ventures	389	–

	June 30, 2016	December 31, 2015
Current assets	\$ 11,967	\$ 13,542
Non-current assets	102,732	105,948
<b>Total assets</b>	<b>\$ 114,699</b>	<b>\$ 119,490</b>
Current liabilities	\$ 17,103	\$ 20,269
Non-current liabilities	65,112	65,228
<b>Total liabilities</b>	<b>\$ 82,215</b>	<b>\$ 85,497</b>
<b>Net investment in joint ventures</b>	<b>\$ 32,484</b>	<b>\$ 33,993</b>

Included in current assets is \$3,782 of cash held by joint ventures (December 31, 2015 - \$5,852).

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenue	\$ 29,690	\$ 25,914	\$ 59,410	\$ 52,018
Expenses	(28,759)	(25,717)	(58,307)	(51,725)
<b>Chartwell's share of net income from joint ventures</b>	<b>\$ 931</b>	<b>\$ 197</b>	<b>\$ 1,103</b>	<b>\$ 293</b>

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

---

## 6. Joint arrangements (continued):

Related party transactions occur between Chartwell and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Except as disclosed elsewhere in these condensed consolidated interim financial statements, the related party balances are included in accounts payable and receivable, and in management fee revenue, as applicable. As of June 30, 2016, \$349 (December 31, 2015 - \$244) of Chartwell's accounts receivable and \$6,716 (December 31, 2015 - \$4,625) of Chartwell's accounts payable relate to entities in which it had investments in joint ventures. For the three and six months ended June 30, 2016, \$1,512 and \$2,955, respectively (three and six months ended June 30, 2015 - \$1,411 and \$2,747, respectively), of Chartwell's management fees related to its investment in joint ventures.

Chartwell and Welltower Inc. (formerly Health Care REIT 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 38 properties which under IFRS 11, Joint Arrangements ("IFRS 11"), are accounted for as joint operations. Chartwell's 50% interest in the operations of these properties is held through separate legal entities (collectively referred to as "Chartwell-Welltower operator") and, under IFRS 11 is accounted for as joint ventures using the equity method.

Chartwell-Welltower operators have leased the real estate from the landlords under their respective lease agreements. The terms of these leases are for three-year periods, with automatic renewal terms as long as the joint arrangement between Chartwell and Welltower is still in effect. Lease payments vary for each property and include annual adjustments based upon agreed financial ratios. As a result, Chartwell's 50% share of the landlords' lease receipts, \$8,446 and \$16,746 for the three and six months ended June 30, 2016 respectively (three and six months ended June 30, 2015 - \$8,252 and \$16,402 respectively), is reported as lease revenue and is included in lease revenue from joint ventures. Chartwell-Welltower operator lease expense is included in the share of net income (loss) from joint ventures in the consolidated statements of comprehensive income (loss).

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 7. Secured debt:

### (a) Mortgages payable:

Mortgages payable are secured by first and second charges on specific properties and are measured at amortized cost. The mortgages payable as at June 30, 2016 are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total debt
Remainder 2016	\$ 25,388	\$ 32,639	\$ 58,027	4
2017	48,610	89,335	137,945	9
2018	48,187	117,053	165,240	10
2019	47,320	224,147	271,467	17
2020	47,051	136,496	183,547	12
2021	45,389	72,347	117,736	7
2022	42,193	62,200	104,393	7
2023	38,211	52,760	90,971	6
2024	28,421	153,055	181,476	11
2025	21,366	44,335	65,701	4
2026	19,878	1,528	21,406	1
2027	20,503	–	20,503	1
2028	27,608	18,925	46,533	3
2029	18,580	–	18,580	1
2030	17,225	–	17,225	1
Thereafter	65,690	22,253	87,943	6
	<u>\$ 561,620</u>	<u>\$ 1,027,073</u>	\$ 1,588,693	100%
Mark-to-market adjustments on acquisition			22,085	
Financing costs			(19,731)	
			<u>\$ 1,591,047</u>	
Current			\$ 153,726	
Non-current			1,437,321	
			<u>\$ 1,591,047</u>	



# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 7. Secured debt (continued):

	June 30, 2016	December 31, 2015
Mortgages at fixed rates:		
Mortgages (principal)	\$ 1,541,664	\$ 1,365,860
Interest rates	1.79 to 8.51%	1.79 to 8.51%
Weighted average interest rate	4.05%	4.30%
Mortgages at variable rates:		
Mortgages (principal)	\$ 47,029	\$ 166,056
Interest rates	Bankers' Acceptance plus 1.50% to prime plus 2.00%	Bankers' Acceptance plus 1.50% to prime plus 2.00%
Weighted average interest rate	3.06%	3.01%
Blended weighted average rate	4.02%	4.16%

Mortgages totalling \$316,123 (December 31, 2015 - \$124,978) have interest rates fixed through interest rate swap contracts with a fair value liability of \$920 (December 31, 2015 - \$803), included in accounts payable and other accrued liabilities.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

---

## 7. Secured debt (continued):

### (b) Credit facilities:

- (i) Chartwell has a revolving Credit Facility with a syndicate of Canadian banks. The amounts outstanding on the Credit Facility bear interest ranging from the bank's prime rate plus 0.65% to bank's prime rate plus 0.80% or banker's acceptance rate plus 1.65% to banker's acceptance rate plus 1.80%, depending on the ratio of Chartwell's debt to adjusted gross book value of assets ("D/GBV"), as defined in the Credit Agreement. The Credit Facility is secured by first ranked and second ranked charges on specific properties and includes minimum equity requirements and covenants which include limitations on the amount of cash distributions that can be paid to unitholders. The Credit Facility matures on June 1, 2018. At June 30, 2016, the maximum available borrowing capacity under the Credit Facility was \$200,000 (December 31, 2015 - \$199,134) based on the security provided. Of this capacity, \$5,766 (December 31, 2015 - \$4,002) has been allocated to support various letters of credit issued by Chartwell. As at June 30, 2016, \$164,000 (December 31, 2015 - \$32,000) was drawn under the Credit Facility.
  
- (ii) On June 17, 2016, Chartwell arranged an additional Credit Facility with a Canadian Chartered Bank maturing on June 1, 2018. The amounts outstanding on this Credit Facility bear interest ranging from bank's prime rate plus 0.60% to bank's prime rate plus 0.75% or banker's acceptance rate plus 1.60% to banker's acceptance rate plus 1.75 depending on the ratio of Chartwell's D/GBV, as defined in the Credit Agreement. Additional terms include minimum equity requirements and covenants requiring limitations on the amount of cash distributions that can be paid to unitholders. The Credit Facility is secured by second ranked charges on specific properties. At June 30, 2016, the maximum available borrowing capacity under the Credit Facility was \$43,702 based on the security provided. As at June 30, 2016, no amounts were drawn under the Credit Facility.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 8. Convertible debentures:

On April 12, 2016, Chartwell issued a notice to the holders of the 5.7% convertible debentures that it would redeem such debentures on May 16, 2016 ("Redemption Date"). The outstanding balance of Convertible Debentures on the notice date was \$131,907. Pursuant to the terms of 5.7% convertible debentures the holders had the right to convert their 5.7% convertible debentures into Trust Units, at a conversion price of \$11.00 per Trust Unit, being a rate of approximately 90.9091 Units per \$1,000 principal amount of 5.7% convertible debentures.

Chartwell elected to satisfy its redemption obligations for any unconverted debentures by issuing its Trust Units at the 95% of the current market price of the Trust Unit on the redemption date as provided for in the Trust Indenture.

Following Chartwell's notice of redemption to the holders of the 5.7% convertible debentures, on April 12 2016, pursuant to the terms of the debentures, holders of \$125,534 principal amount of debentures exercised the conversion option, resulting in the issuance of 11,412,171 Units, at a conversion price of \$11.00 per Trust Unit.

On May 16, 2016, the remaining \$6,373 of the unconverted 5.7% convertible debentures, were redeemed through the issuance of 477,975 Units at a conversion price of \$13.33 per Trust Unit.

## 9. Accounts payable and other liabilities:

	Note	June 30, 2016	December 31, 2015
Accounts payable and accrued liabilities		\$ 69,888	\$ 88,679
Resident deposits		2,758	2,846
Deferred revenue		463	528
Deferred Trust Units ("DTU")	(a)	13,863	10,501
Restricted Trust Units ("RTU")	(b)	4,524	3,118
EUPP option component	12	12,820	8,364
		\$ 104,316	\$ 114,036

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

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

### (a) DTU:

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 ask price of Trust Units as at June 30, 2016 was \$15.78 (December 31, 2015 - \$12.76).

	Units outstanding	Amount
Balance, December 31, 2014	692,049	\$ 8,269
Units granted	97,203	1,179
Change in fair value and distributions	33,914	1,053
Balance, December 31, 2015	823,166	10,501
Units granted	38,333	570
Change in fair value and distributions	17,168	2,792
Balance, June 30, 2016	878,667	\$ 13,863

### (b) RTU:

During the six months ended June 30, 2016, 207,943 RTUs were granted, 52,577 RTUs were cancelled and 11,010 RTUs were allocated related to reinvested distributions. At June 30, 2016, 600,150 RTUs remain outstanding (December 31, 2015 - 433,774).

RTU compensation expense and the corresponding liability are recognized over the three years vesting period. The liability is measured to fair value based on the market price for listed Trust Units at each reporting period until settlement.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

---

## 10. Discontinued operations:

On June 30, 2015, Chartwell completed the sale of 100% of its shares in CSH Master Care USA Inc. (the "U.S. Subsidiary"), through a series of transactions, to a newly-formed joint venture between HCP, Inc. ("HCP") and Brookdale Senior Living Inc. ("Brookdale") (collectively, the "Buyers").

The U.S. Subsidiary wholly owned Chartwell's entire U.S. portfolio, comprising 5,022 suites in 35 communities (the "U.S. Portfolio"). Brookdale was the manager of the U.S. Portfolio.

The gross sale price was U.S. \$847,449 (\$1,058,464). The related debt of U.S. \$477,939 (\$596,946) was settled on sale.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 10. Discontinued operations (continued):

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Resident revenue	\$ –	\$ 56,693	\$ –	\$ 114,110
Direct operating expenses	–	(36,636)	–	(80,819)
Finance costs	–	(8,287)	–	(16,939)
Other income (expense)	(22)	(714)	133	(1,371)
Gain on disposal of PP&E	–	442,778	–	432,497
Depreciation of PP&E	–	(4,437)	–	(13,870)
Amortization of intangible assets	–	–	–	(255)
Changes in fair values of financial instruments, unrealized foreign exchange, and adjustments on mortgages	–	–	–	(26,827)
Income (loss) before income taxes	(22)	449,397	133	406,526
Income tax benefit (expense) (note 18):				
Current	3,618	(57,799)	3,141	(57,897)
Deferred	–	(65,244)	–	–
Net income from discontinued operations	\$ 3,596	\$ 326,354	\$ 3,274	\$ 348,629
Cash flows from discontinued operations:				
Net cash used in operating activities	\$ –	\$ (14,569)	\$ –	\$ (22,336)
Net cash used in financing activities	–	(2,234)	–	(5,213)
Net cash provided by investing activities	–	430,787	–	427,045
Foreign exchange loss on cash	–	(733)	–	(7)
Effect on cash flows	\$ –	\$ 413,251	\$ –	\$ 399,489

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 11. 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 under IFRS. Chartwell has elected to designate Class B Units as FVTPL. 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 ask price of Chartwell Units as at June 30, 2016 was \$15.78 per unit (December 31, 2015 - \$12.76 per unit). At June 30, 2016, 1,630,673 Class B Units were outstanding (December 31, 2015 - 1,641,323).

## 12. Trust Units and EUPP:

The following Trust Units are issued and outstanding:

	Number of voting Units	Amount
Balance, December 31, 2014	173,485,992	\$ 1,743,786
Trust Units issued under DRIP	1,595,951	18,574
Trust Units issued on conversion of debt	13,542	149
Trust Units issued in exchange of Class B Units	1,187,170	14,590
Trust Units released on settlement of EUPP receivable	118,546	1,397
Balance, December 31, 2015	176,401,201	1,778,496
Trust Units issued under DRIP	700,758	9,251
Trust Units issued on conversion of debt (note 8)	12,157,779	173,194
Trust Units issued on exchange of Class B Units	10,650	151
Trust Units released on settlement of EUPP receivable	48,396	903
Balance, June 30, 2016	189,318,784	\$ 1,961,995

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 12. Trust Units and EUPP (continued):

The following table summarizes Trust Units issued under the EUPP:

	Number of Trust Units issued under EUPP	Amount
Balance, December 31, 2014	1,640,764	\$ 17,873
Trust Units issued under EUPP	71,734	856
Trust Units surrendered for cancellation under EUPP	(40,318)	(443)
Trust Units released on settlement of EUPP receivable	(118,546)	(1,397)
Balance, December 31, 2015	1,553,634	16,889
Trust Units issued under EUPP	79,454	1,072
Trust Units surrendered for cancellation under EUPP	(6,645)	(76)
Trust Units released on settlement of EUPP receivable	(48,396)	(649)
Balance, June 30, 2016	1,578,047	\$ 17,236

(a) 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:

	June 30, 2016	December 31, 2015
Expected volatility	14.85% - 19.85%	15.32% - 20.32%
Risk-free rate	1.18% - 1.71%	1.78% - 2.41%
Distribution yield	4.64% - 5.52%	5.10% - 5.94%

## 13. Segmented information:

Chartwell monitors and operates its Canadian Retirement and Canadian Long-Term Care Operations separately. The accounting policies of each of the segments are the same as those for Chartwell. 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 RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 13. Segmented information (continued):

Three months ended June 30, 2016								
	Canadian Retirement Operations	Canadian Long-Term Care Operations	United States Operations	Segment total	Other	Subtotal	Reconciliation	Total
Continuing operations:								
Revenue:								
Resident Management and other fees	\$ 152,211	\$ 55,198	\$ –	\$ 207,409	\$ –	\$ 207,409	\$ (29,690)	\$ 177,719
Lease revenue from joint ventures	–	–	–	–	2,156	2,156	–	2,156
Interest on loans receivable	–	–	–	–	–	–	8,446	8,446
	–	–	–	–	347	347	–	347
	152,211	55,198	–	207,409	2,503	209,912	(21,244)	188,668
Expenses:								
Direct operating	93,404	47,686	–	141,090	–	141,090	(18,131)	122,959
General, administrative and trust	–	–	–	–	9,126	9,126	–	9,126
	93,404	47,686	–	141,090	9,126	150,216	(18,131)	132,085
Income (loss) before the undernoted <sup>(1)</sup>								
	58,807	7,512	–	66,319	(6,623)	59,696	(3,113)	56,583
Finance costs:								
Contractual interest	(13,882)	(2,635)	–	(16,517)	(1,701)	(18,218)	537	(17,681)
Other	279	265	–	544	(326)	218	23	241
Other income (expense):								
Interest	21	647	–	668	43	711	(22)	689
Other	3,680	(67)	–	3,613	(108)	3,505	(112)	3,393
Depreciation and amortization	(33,552)	(2,955)	–	(36,507)	(338)	(36,845)	1,824	(35,021)
Share of net income from joint ventures	–	–	–	–	–	–	931	931
Changes in fair values of financial instruments and foreign exchange gains (losses)	43	–	–	43	(5,521)	(5,478)	(68)	(5,546)
	(43,411)	(4,745)	–	(48,156)	(7,951)	(56,107)	3,113	(52,994)
Income (loss) from continuing operations								
	15,396	2,767	–	18,163	(14,574)	3,589	–	3,589
Net income from discontinued operations, net of income taxes								
	–	–	3,596	3,596	–	3,596	–	3,596
<b>Net income (loss)</b>								
	\$ 15,396	\$ 2,767	\$ 3,596	\$ 21,759	\$ (14,574)	\$ 7,185	\$ –	\$ 7,185
Expenditures for non-current assets:								
Acquisition of properties	\$ 132,428	\$ –	\$ –	\$ 132,428	\$ –	\$ 132,428	\$ –	\$ 132,428
Capital additions	26,724	1,693	–	28,417	1,701	30,118	(613)	29,505

<sup>(1)</sup> Refers to income before finance costs, other income (expense), depreciation and amortization, changes in fair values of financial instruments and foreign exchange gains (losses), share of net income from joint ventures, income tax (expense) benefit and discontinued operations.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 13. Segmented information (continued):

	Three months ended June 30, 2015							
	Canadian Retirement Operations	Canadian Long-Term Care Operations	United States Operations	Segment total	Other	Subtotal	Reconciliation	Total
Continuing operations:								
Revenue:								
Resident	\$ 127,174	\$ 53,821	\$ –	\$ 180,995	\$ –	\$ 180,995	\$ (25,914)	\$ 155,081
Management and other fees	–	–	–	–	1,989	1,989	–	1,989
Lease revenue from joint ventures	–	–	–	–	–	–	8,252	8,252
Interest on loans receivable	–	–	–	–	223	223	–	223
	127,174	53,821	–	180,995	2,212	183,207	(17,662)	165,545
Expenses:								
Direct operating	82,722	46,546	–	129,268	–	129,268	(16,432)	112,836
General, administrative and trust	–	–	–	–	7,519	7,519	–	7,519
	82,722	46,546	–	129,268	7,519	136,787	(16,432)	120,355
Income (loss) before the undernoted <sup>(1)</sup>	44,452	7,275	–	51,727	(5,307)	46,420	(1,230)	45,190
Finance costs:								
Contractual interest	(13,053)	(2,755)	–	(15,808)	(2,727)	(18,535)	296	(18,239)
Other	(154)	250	–	96	(385)	(289)	18	(271)
Other (expense) income:								
Interest	37	892	–	929	14	943	(93)	850
Other	12,990	(134)	–	12,856	(125)	12,731	68	12,799
Depreciation and amortization	(21,907)	(2,138)	–	(24,045)	(346)	(24,391)	770	(23,621)
Share of net income from joint ventures	–	–	–	–	–	–	197	197
Changes in fair values of financial instruments and foreign exchange gains (losses)	52	–	–	52	12,814	12,866	(26)	12,840
	(22,035)	(3,885)	–	(25,920)	9,245	(16,675)	1,230	(15,445)
Income before income taxes	22,417	3,390	–	25,807	3,938	29,745	–	29,745
Income tax expense	–	–	–	–	(789)	(789)	–	(789)
Net income from continuing operations	22,417	3,390	–	25,807	3,149	28,956	–	28,956
Net income from discontinued operations, net of income taxes	–	–	326,354	326,354	–	326,354	–	326,354
<b>Net income</b>	<b>\$ 22,417</b>	<b>\$ 3,390</b>	<b>\$ 326,354</b>	<b>\$ 352,161</b>	<b>\$ 3,149</b>	<b>\$ 355,310</b>	<b>\$ –</b>	<b>\$ 355,310</b>
Expenditures for non-current assets:								
Acquisition of properties	\$ 62,176	\$ –	\$ –	\$ 62,176	\$ –	\$ 62,176	\$ 40,076	\$ 102,252
Capital additions	11,627	965	8,396	20,988	782	21,770	(455)	21,315

<sup>(1)</sup> Refers to income before finance costs, other expense (income), depreciation and amortization, changes in fair values of financial instruments and foreign exchange gains (losses), share of net income from joint ventures, income tax expense and discontinued operations.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 13. Segmented information (continued):

	Six months ended June 30, 2016							
	Canadian Retirement Operations	Canadian Long-Term Care Operations	United States Operations	Segment total	Other	Subtotal	Reconciliation	Total
Continuing operations:								
Revenue:								
Resident Management and other fees	\$ 301,503	\$ 109,947	\$ -	\$ 411,450	\$ -	\$ 411,450	\$ (59,410)	\$ 352,040
Lease revenue from joint ventures	-	-	-	-	4,073	4,073	-	4,073
Interest on loans receivable	-	-	-	-	-	-	16,746	16,746
	-	-	-	-	704	704	-	704
	301,503	109,947	-	411,450	4,777	416,227	(42,664)	373,563
Expenses:								
Direct operating	184,961	95,904	-	280,865	-	280,865	(36,698)	244,167
General, administrative and trust	-	-	-	-	17,347	17,347	-	17,347
	184,961	95,904	-	280,865	17,347	298,212	(36,698)	261,514
Income (loss) before the undernoted <sup>(1)</sup>								
	116,542	14,043	-	130,585	(12,570)	118,015	(5,966)	112,049
Finance costs:								
Contractual interest	(28,035)	(5,269)	-	(33,304)	(3,893)	(37,197)	1,231	(35,966)
Other	467	526	-	993	(638)	355	45	400
Other income (expense):								
Interest	50	1,545	-	1,595	73	1,668	(46)	1,622
Other	2,232	(3,122)	-	(890)	(21)	(911)	(118)	(1,029)
Depreciation and amortization	(68,150)	(5,262)	-	(73,412)	(726)	(74,138)	3,872	(70,266)
Share of net income from joint ventures	-	-	-	-	-	-	1,103	1,103
Changes in fair values of financial instruments and foreign exchange losses	(79)	-	-	(79)	(23,674)	(23,753)	(121)	(23,874)
	(93,515)	(11,582)	-	(105,097)	(28,879)	(133,976)	5,966	(128,010)
Income (loss) from continuing operations								
	23,027	2,461	-	25,488	(41,449)	(15,961)	-	(15,961)
Net income from discontinued operations, net of income taxes								
	-	-	3,274	3,274	-	3,274	-	3,274
<b>Net income (loss)</b>								
	\$ 23,027	\$ 2,461	\$ 3,274	\$ 28,762	\$ (41,449)	\$ (12,687)	\$ -	\$ (12,687)
Expenditures for non-current assets:								
Acquisition of properties	\$ 198,594	\$ -	\$ -	\$ 198,594	\$ -	\$ 198,594	\$ -	\$ 198,594
Capital additions	45,830	2,311	-	48,141	2,658	50,799	(745)	50,054

<sup>(1)</sup> Refers to income before finance costs, other income (expense), depreciation and amortization, changes in fair values of financial instruments and foreign exchange gains (losses), share of net income from joint ventures, income tax (expense) benefit and discontinued operations.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 13. Segmented information (continued):

	Six months ended June 30, 2015							
	Canadian Retirement Operations	Canadian Long-Term Care Operations	United States Operations	Segment total	Other	Subtotal	Reconciliation	Total
Continuing operations:								
Revenue:								
Resident Management and other fees	\$ 253,211	\$ 106,799	\$ –	\$ 360,010	\$ –	\$ 360,010	\$ (52,018)	\$ 307,992
Lease revenue from joint ventures	–	–	–	–	3,913	3,913	–	3,913
Interest on loans receivable	–	–	–	–	–	–	16,402	16,402
	–	–	–	–	426	426	–	426
	253,211	106,799	–	360,010	4,339	364,349	(35,616)	328,733
Expenses:								
Direct operating General, administrative and trust	165,379	93,080	–	258,459	–	258,459	(32,988)	225,471
	–	–	–	–	16,187	16,187	–	16,187
	165,379	93,080	–	258,459	16,187	274,646	(32,988)	241,658
Income (loss) before the undernoted <sup>(1)</sup>	87,832	13,719	–	101,551	(11,848)	89,703	(2,628)	87,075
Finance costs:								
Contractual interest	(26,082)	(5,630)	–	(31,712)	(5,117)	(36,829)	633	(36,196)
Other	(255)	508	–	253	(709)	(456)	29	(427)
Other expense (income):								
Interest	73	1,669	–	1,742	43	1,785	(53)	1,732
Other	13,116	(134)	–	12,982	(40)	12,942	14	12,956
Depreciation and amortization	(49,169)	(3,663)	–	(52,832)	(650)	(53,482)	1,625	(51,857)
Share of net income from joint ventures	–	–	–	–	–	–	293	293
Changes in fair values of financial instruments and foreign exchange gains (losses)	(188)	–	–	(188)	5,124	4,936	87	5,023
	(62,505)	(7,250)	–	(69,755)	(1,349)	(71,104)	2,628	(68,476)
Income (loss) before income taxes	25,327	6,469	–	31,796	(13,197)	18,599	–	18,599
Income tax expense	–	–	–	–	(789)	(789)	–	(789)
Net income (loss) from continuing operations	25,327	6,469	–	31,796	(13,986)	17,810	–	17,810
Net income from discontinued operations, net of income taxes	–	–	348,629	348,629	–	348,629	–	348,629
Net income (loss)	\$ 25,327	\$ 6,469	\$ 348,629	\$ 380,425	\$ (13,986)	\$ 366,439	\$ –	\$ 366,439
Expenditures for non-current assets:								
Acquisition of properties	\$ 62,176	\$ –	\$ –	\$ 62,176	\$ –	\$ 62,176	\$ 40,076	\$ 102,252
Capital additions	17,882	1,303	11,417	30,602	1,352	31,954	(778)	31,176

<sup>(1)</sup> Refers to income before finance costs, other expense (income), depreciation and amortization, changes in fair values of financial instruments and foreign exchange gains (losses), share of net income from joint ventures, income tax expense and discontinued operations.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 13. Segmented information (continued):

June 30, 2016	Canadian Retirement Operations	Canadian Long-Term Care Operations	Segment total	Other	Subtotal	Reconciliation	Total
Total assets	\$ 2,538,550	\$ 268,062	\$ 2,806,612	\$ 17,509	\$ 2,824,121	\$ (77,424)	\$ 2,746,697
Total liabilities	\$ 1,538,677	\$ 200,943	\$ 1,739,620	\$ 235,021	\$ 1,974,641	\$ (77,424)	\$ 1,897,217

## 14. Financial instruments:

Classification, carrying values and fair values of financial instruments:

The classification of financial instruments, not otherwise disclosed in these condensed consolidated interim financial statements, as well as their carrying amounts and fair values, as shown in the condensed consolidated interim balance sheets, are shown in the table below:

	June 30, 2016		December 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Financial assets recorded at amortized cost:				
Loans receivable	\$ 9,747	\$ 9,747	\$ 15,764	\$ 15,764
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	1,591,047	1,660,848	1,531,358	1,610,416
Credit Facility	164,000	164,000	32,000	32,000

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

---

## 14. Financial instruments (continued):

Fair value represents management's estimate of the 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 above table excludes cash and cash equivalents, 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.

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 flows using the rates currently prevailing for similar instruments of similar maturities. At June 30, 2016, the mortgages payable were discounted using rates between 1.67% and 3.97% (December 31, 2015 - 1.63% and 4.30%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of mortgages is Level 2 in the fair value hierarchy.

The fair value of the credit facility approximates its carrying value and is considered Level 2 in the fair value hierarchy as inputs are observable directly or indirectly.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 15. Finance costs:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Contractual interest expense on mortgages	\$ 15,980	\$ 15,749	\$ 32,075	\$ 31,084
Interest expense on convertible debentures	701	1,917	2,611	3,814
Credit facility and other interest expense	1,000	567	1,280	1,298
	17,681	18,233	35,966	36,196
Interest capitalized to properties under development	(175)	(34)	(298)	(114)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	(284)	84	(548)	92
Distributions on Class B Units recorded as interest expense	218	227	446	449
<b>Total finance costs</b>	<b>\$ 17,440</b>	<b>\$ 18,510</b>	<b>\$ 35,566</b>	<b>\$ 36,623</b>

## 16. Other income (expense):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Interest and other income	\$ 689	\$ 850	\$ 1,622	\$ 1,732
Property lease expense	(98)	(99)	(197)	(197)
Impairment of PP&E	—	—	(3,000)	—
Gain on sale of assets	1,221	4,454	1,533	4,664
Gain recorded on remeasurement of previously held interest on acquisition (note 2)	5,187	10,452	5,187	10,452
Transaction costs arising on business acquisitions and dispositions	(2,917)	(2,008)	(4,552)	(1,963)
<b>Other income</b>	<b>\$ 4,082</b>	<b>\$ 13,649</b>	<b>\$ 593</b>	<b>\$ 14,688</b>

In the six months ended June 30, 2016, Chartwell recorded an impairment provision of \$3,000 on one long term care property located in Ontario.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

## 16. Other income (expense) (continued):

On June 27, 2016, Chartwell sold three non-core retirement residences in Quebec. On closing, the purchaser assumed mortgages encumbering these properties in the amount of \$17,872 bearing interest of 3.99%. Under the terms of the transaction an amount of \$1,721 will be paid to the purchaser upon satisfaction of certain conditions subsequent to closing. It is included in accounts payable and other liabilities in the consolidated balance sheet. Chartwell recorded a gain on sale of these assets of \$686.

For the six months ended June 30, 2016, Chartwell completed other disposals of assets and recorded a gain of \$847.

## 17. Changes in fair values of financial instruments and foreign exchange gains (losses):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Changes in fair value of convertible debentures	\$ 977	\$ 6,318	\$ (11,441)	\$ 2,361
Changes in fair value of interest rate swaps	4	(273)	(143)	(401)
Foreign exchange gains (losses)	55	1,131	(47)	(1,594)
Changes in fair value of EUPP option component	(2,303)	1,122	(4,456)	362
Changes in fair value of Class B Units	(2,708)	1,477	(4,940)	739
Changes in fair value of DTU	(1,543)	550	(2,791)	144
Changes in fair value of foreign exchange swaps	–	2,515	–	3,412
Changes in fair value of deferred purchase consideration	(28)	–	(56)	–
Changes in fair values of financial instruments and foreign exchange gains (losses)	\$ (5,546)	\$ 12,840	\$ (23,874)	\$ 5,023



# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2016 and 2015  
(Unaudited)

---

## **18. Income taxes:**

As a result of the acquisition of a Canadian corporate subsidiary, Chartwell recorded a deferred tax liability of \$1,518 for the six months ended June 30, 2016. This deferred tax liability is primarily attributable to the temporary differences between the accounting and tax basis of the assets held by the subsidiary.

Chartwell recorded a current tax recovery of \$3,141 for the six months ended June 30, 2016 in discontinued operations related to the prior year sale of its U.S. subsidiary. This current tax recovery is primarily attributable to a change in estimate of the U.S. taxes payable on the disposition of the shares of the U.S. subsidiary.

Chartwell recorded a current tax expense of \$57,897 for the six months ended June 30, 2015 related to the U.S. taxes payable on the disposition of the shares of the U.S. subsidiary. In addition, Chartwell recorded a deferred tax expense of \$789 in continuing operations for the six months ended June 30, 2015 related to the fair value fluctuation on the foreign exchange swap arrangement in a Canadian corporate subsidiary.

## **19. Subsequent events:**

The following event occurred subsequent to June 30, 2016 that has not been disclosed elsewhere in these financial statements:

On July 28, 2016, Chartwell announced a definitive agreement to acquire the 121-suite Tiffin House Retirement Residence located in Midland, Ontario. The purchase price before closing costs is \$31.5 million and is expected to be settled in cash. The closing of this transaction is expected to take place on September 1, 2016.