

Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

CHARTWELL RETIREMENT RESIDENCES

As at and for the three months ended March 31, 2017
and 2016
(Unaudited)

CHARTWELL RETIREMENT RESIDENCES

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

	Note	March 31, 2017	December 31, 2016
Assets			
Current assets:			
Cash and cash equivalents		\$ 47,558	\$ 30,050
Trade and other receivables		9,953	18,339
Capital funding receivable		5,741	5,663
Other assets	4	16,077	14,900
Assets held for sale	9	21,308	–
Total current assets		100,637	68,952
Non-current assets:			
Other assets	4	3,096	3,449
Loans receivable	5	9,071	10,528
Capital funding receivable		53,047	54,510
Investment in joint ventures	6	37,149	30,822
Intangible assets		57,102	57,598
Property, plant and equipment ("PP&E")	3	2,571,197	2,570,848
Total non-current assets		2,730,662	2,727,755
Total assets		\$ 2,831,299	\$ 2,796,707

Liabilities and Unitholders' Equity

Current liabilities:			
Accounts payable and other liabilities	8	\$ 104,205	\$ 121,870
Distributions payable		9,296	9,046
Mortgages payable	7(a)	163,206	143,695
Liabilities related to assets held for sale	9	312	–
Total current liabilities		277,019	274,611
Non-current liabilities:			
Mortgages payable	7(a)	1,504,758	1,498,077
Secured revolving operating credit facilities ("Credit Facilities")	7(b)	221,000	172,000
Deferred consideration on business combinations		1,666	1,647
Class B Units of Chartwell Master Care LP ("Class B Units")	10	25,871	23,871
Deferred tax liabilities	17	1,518	1,518
Total non-current liabilities		1,754,813	1,697,113
Total liabilities		2,031,832	1,971,724
Unitholders' equity	11	799,467	824,983
Subsequent event	18		
Total liabilities and unitholders' equity		\$ 2,831,299	\$ 2,796,707

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 Loss

(In thousands of Canadian dollars)

(Unaudited)

	Note	Three months ended March 31,	
		2017	2016
Revenue:			
Resident		\$ 180,279	\$ 174,321
Management and other fees		2,279	1,917
Lease revenue from joint ventures	6(b)	8,529	8,300
Interest on loans receivable		252	357
		<u>191,339</u>	<u>184,895</u>
Expenses (income):			
Direct property operating		125,943	121,208
Depreciation of PP&E	3	37,578	34,945
Amortization of intangible assets		497	300
Share of net income from joint ventures	6	(536)	(172)
General, administrative and trust		10,405	8,221
Other expense, net	15	534	3,489
Finance costs	14	16,584	18,126
Change in fair values of financial instruments and foreign exchange losses	16	4,501	18,328
		<u>195,506</u>	<u>204,445</u>
Loss before income taxes		(4,167)	(19,550)
Income tax benefit (expense):	17	—	—
Loss from continuing operations		(4,167)	(19,550)
Discontinued operations:			
Net loss from discontinued operations, net of income taxes		—	(322)
Net loss and other comprehensive loss		\$ (4,167)	\$ (19,872)

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)

Three months ended March 31, 2017	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated losses	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2016	\$ 1,973,499	\$ 16,588	\$ (12,004)	\$ (154,508)	\$ (1,005,151)	\$ 6,559	\$ 824,983
Net loss	–	–	–	(4,167)	–	–	(4,167)
Distributions to unitholders	–	–	–	–	(27,147)	–	(27,147)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	5,000	–	–	–	–	–	5,000
Trust Units issued on exchange of Class B Units	54	–	–	–	–	–	54
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	532	978	(1,018)	–	–	69	561
Interest on EUPP receivable	–	–	(29)	–	–	–	(29)
Distributions applied against EUPP receivable	–	–	212	–	–	–	212
Unitholders' equity, March 31, 2017	\$ 1,979,085	\$ 17,566	\$ (12,839)	\$ (158,675)	\$ (1,032,298)	\$ 6,628	\$ 799,467

During the three months ended March 31, 2017, distributions were declared and paid at \$0.046818 per unit per month for the months of January and February and \$0.0480 per unit per month for March. In April 2017, distributions were declared at \$0.0480 per unit totalling \$9,230.

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Unitholders' Equity (continued)

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

(Unaudited)

Three months ended March 31, 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	–	–	–	(19,872)	–	–	(19,872)
Distributions to unitholders	–	–	–	–	(24,676)	–	(24,676)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	4,440	–	–	–	–	–	4,440
Trust Units issued on conversion of convertible debentures	145	–	–	–	–	–	145
Trust units issued under EUPP, net of cancellations and Trust Units released on settlement of EUPP receivable	237	761	(868)	–	–	15	145
Interest on EUPP receivable	–	–	(31)	–	–	–	(31)
Distributions applied against EUP receivable	–	–	214	–	–	–	214
Unitholders' equity, March 31, 2016	\$ 1,783,318	\$ 17,650	\$ (13,342)	\$ (179,176)	\$ (925,126)	\$ 6,561	\$ 689,885

During the three months ended March 31, 2016, distributions were declared and paid at \$0.0459 per unit per month for the months of January and February and \$0.046818 per unit per month for March. In April 2016, distributions were declared at \$0.046818 per unit totalling \$8,509.

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 March 31,	
	2017	2016
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (4,167)	\$ (19,872)
Items not affecting cash:		
Depreciation and amortization	38,075	35,245
Finance costs	16,584	18,126
Other expense	534	3,334
Transaction costs arising from business acquisitions and dispositions	(1,600)	(1,635)
Interest on loans receivable	(252)	(357)
Non-cash compensation expense	549	494
Change in fair values of financial instruments and foreign exchange losses	4,501	18,328
Share of net income from joint ventures	(536)	(172)
Other	491	130
Change in trade and other receivables	7,660	70
Change in other assets	(942)	573
Change in accounts payable and other liabilities	(20,734)	(17,989)
	40,163	36,275
Interest and other income received	1,181	932
Interest paid	(16,973)	(20,528)
	24,371	16,679
Financing activities:		
Proceeds from mortgage financing	56,571	77,581
Mortgage repayments	(14,589)	(25,866)
Change to Credit Facilities	49,000	17,000
Scheduled mortgage principal repayments	(13,931)	(12,954)
Net additions to finance costs	(1,653)	(1,435)
Distributions paid	(21,714)	(19,868)
	53,684	34,458
Investing activities:		
Acquisition of assets under business combinations	(28,950)	(30,251)
Additions to PP&E and intangible assets	(28,641)	(20,426)
Proceeds from disposal of PP&E	40	385
Proceeds from capital funding receivable	1,386	2,077
Proceeds from loans receivable	1,457	-
Change in restricted cash	(48)	463
Contributions to joint ventures	(5,791)	(389)
	(60,547)	(48,141)
Increase in cash	17,508	2,996
Cash and cash equivalents, beginning of period	30,050	3,002
Cash and cash equivalents, end of period	\$ 47,558	\$ 5,998

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 ended March 31, 2017 and 2016
(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 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, 2016, 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 May 4, 2017.

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, 2016 with the exception of the impact of adopting the following accounting standards and amendments to standard:

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12, Income Taxes ("IAS 12")):

On January 19, 2016, the IASB issued amendments to IAS 12. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. Chartwell has adopted the amendments to IAS 12 in its financial statements for the year beginning on January 1, 2017 and determined there is no material impact on its condensed consolidated interim financial statements.

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 ended March 31, 2017 and 2016
(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, Business Combinations:

Date of acquisition	February 1, 2017	March 1, 2017	
Segment	Canadian Retirement Operations		
Location	Province of Ontario	Province of Ontario	
Number of properties (suites)	1 (107 suites)	1 (66 suites)	Total
Property, plant and equipment ("PP&E")	\$ 22,000	\$ 6,950	\$ 28,950
Net assets acquired	\$ 22,000	\$ 6,950	\$ 28,950
Cash consideration	\$ 22,000	\$ 6,950	\$ 28,950

On February 1, 2017, Chartwell acquired a 100% interest in a 107-suite retirement residence located in Vineland, Ontario. The purchase price before working capital adjustments and closing costs was \$22,000 and was settled in cash. The property has contributed revenue of \$702 and net loss of \$674 since acquisition. Chartwell incurred acquisition-related costs of \$878, which have been expensed in the condensed consolidated interim statements of comprehensive loss.

On March 1, 2017, Chartwell acquired a 100% interest in a 66-suite retirement residence located in Thunder Bay, Ontario. The purchase price before working capital adjustments and closing costs was \$6,950 and was settled in cash. The property has contributed revenue of \$153 and net loss of \$182 since acquisition. Chartwell incurred acquisition-related costs of \$180, which have been expensed in the condensed consolidated interim statements of comprehensive 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 ended March 31, 2017 and 2016
(Unaudited)

3. Property, plant and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost						
Balance, December 31, 2015	\$ 276,857	\$ 2,567,935	\$ 84,530	\$ 14,745	\$ 18,876	\$ 2,962,943
Additions	–	58,018	11,379	45,423	8,615	123,435
Additions through business combinations	12,155	211,812	4,511	–	600	229,078
Disposals	(4,378)	(37,823)	(1,729)	–	–	(43,930)
Derecognition	–	(218,664)	(1,221)	–	–	(219,885)
Capital subsidy receivable	–	(5,021)	–	–	–	(5,021)
Transfers	426	981	1,177	1,911	(5,034)	(539)
Balance, December 31, 2016	285,060	2,577,238	98,647	62,079	23,057	3,046,081
Additions	–	7,705	1,789	20,180	30	29,704
Additions through business combinations	2,280	26,091	579	–	–	28,950
Disposals	–	(2)	–	–	–	(2)
Derecognition	–	(9,788)	(125)	–	–	(9,913)
Transfers to assets held for sale (note 9)	(4,000)	(33,420)	(1,077)	–	–	(38,497)
Balance, March 31, 2017	\$ 283,340	\$ 2,567,824	\$ 99,813	\$ 82,259	\$ 23,087	\$ 3,056,323
Accumulated depreciation and impairment losses						
Balance, December 31, 2015	\$ –	\$ 509,226	\$ 51,927	\$ 2,422	\$ –	\$ 563,575
Depreciation	–	133,039	12,547	–	–	145,586
Disposals	–	(19,020)	(1,413)	–	–	(20,433)
Derecognition	–	(218,664)	(1,221)	–	–	(219,885)
Impairment	–	6,390	–	–	–	6,390
Balance, December 31, 2016	–	410,971	61,840	2,422	–	475,233
Depreciation	–	34,147	3,431	–	–	37,578
Disposals	–	–	–	–	–	–
Derecognition	–	(9,788)	(125)	–	–	(9,913)
Transfers to assets held for sale (note 9)	–	(16,821)	(951)	–	–	(17,772)
Balance, March 31, 2017	\$ –	\$ 418,509	\$ 64,195	\$ 2,422	\$ –	\$ 485,126
Carrying amounts						
Balance, December 31, 2016	\$ 285,060	\$ 2,166,267	\$ 36,807	\$ 59,657	\$ 23,057	\$ 2,570,848
Balance, March 31, 2017	283,340	2,149,315	35,618	79,837	23,087	2,571,197

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 ended March 31, 2017 and 2016
(Unaudited)

3. Property, plant and equipment (continued):

On February 28, 2017, Chartwell acquired vacant land in Mississauga, Ontario. The purchase price was \$6,571 before closing costs. The purchase price was settled by the issuance of \$500 of Class B Units and cash. This was included in properties under development.

During the three months ended March 31, 2017, Chartwell capitalized \$564 (2016 - \$123) of borrowing costs related to development projects under construction at an average capitalization rate of 3.89% (2016 - 4.13%).

As of March 31, 2017, the cost and accumulated depreciation of PP&E was reduced by \$174,182 related to fully amortized value of resident contracts.

4. Other assets:

	March 31, 2017	December 31, 2016
Prepaid expenses and deposits	\$ 11,667	\$ 10,963
Restricted cash	2,221	2,173
Other assets	5,285	5,213
	<u>\$ 19,173</u>	<u>\$ 18,349</u>
Current	\$ 16,077	\$ 14,900
Non-current	3,096	3,449
	<u>\$ 19,173</u>	<u>\$ 18,349</u>

Other assets include receivables of \$850 recorded at their fair value, related to estimated income guarantees provided by vendors of certain acquired properties. (December 31, 2016 - \$1,245). Income guarantees are considered Level 3 in the fair value hierarchy. During the three months ended March 31, 2017, \$294 of income guarantees was collected.

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 ended March 31, 2017 and 2016
(Unaudited)

5. Loans receivable:

On February 22, 2017, a vendor take-back loan totalling \$1,457 was repaid.

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 March 31, 2017:

Joint arrangements	Number of properties	Location	Chartwell ownership	Consolidation type
Chartwell-Welltower Landlord ⁽¹⁾	38	Canada	50%	Joint operation
Chartwell-Welltower Operator ⁽¹⁾	38	Canada	50%	Joint venture ⁽²⁾
Batimo	4	Canada	85%	Joint operation
Chartwell Oakville Retirement Residence	1	Canada	50%	Joint venture ⁽²⁾
Chartwell Constantia Retirement Residence	1	Canada	50%	Joint venture ⁽²⁾
Chartwell Riverside Retirement Residence	1	Canada	50%	Joint operation
Chartwell Churchill Retirement Residence	1	Canada	50%	Joint operation
Oak Ridges Retirement Residence ⁽³⁾	1	Canada	(3)	Joint venture ⁽²⁾
Clair Hills Retirement Residence ⁽³⁾	1	Canada	(3)	Joint venture ⁽²⁾
The Sumach by Chartwell	1	Canada	45%	Joint operation
Kingston Project	1	Canada	60%	Joint venture ⁽²⁾

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

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

⁽³⁾ 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.

On January 10 2017, Chartwell entered into a new joint arrangement with Signature Living to develop a 165-suite retirement residence in Kingston, Ontario. Chartwell owns a 60% interest and Signature Living owns the remaining 40% interest.

On June 27, 2016, Chartwell entered into a new joint arrangement with Welltower Inc. ("Welltower") and Daniels Corporation ("Daniels") to develop The Sumach by Chartwell, a 332-suite apartment building in Toronto, Ontario. Welltower and Chartwell each owns a 45% interest and Daniels owns a 10% interest.

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 ended March 31, 2017 and 2016
(Unaudited)

6. Joint arrangements (continued):

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

	Three months ended March 31,	
	2017	2016
Contributions to joint ventures	\$ 5,791	\$ 389

	March 31, 2017	December 31, 2016
Current assets	\$ 17,433	\$ 16,887
Non-current assets	105,304	100,427
Total assets	\$ 122,737	\$ 117,314
Current liabilities	\$ 8,176	\$ 9,010
Non-current liabilities	77,412	77,482
Total liabilities	\$ 85,588	\$ 86,492
Net investment in joint ventures	\$ 37,149	\$ 30,822

Included in current assets is \$8,592 of cash held by joint ventures (December 31, 2016 - \$8,238).

	Three months ended March 31,	
	2017	2016
Revenue	\$ 30,834	\$ 29,720
Expenses	(30,298)	(29,548)
Chartwell's share of net income from joint ventures	\$ 536	\$ 172

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 ended March 31, 2017 and 2016
(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 March 31, 2017, \$380 (December 31, 2016 - \$787) of Chartwell's accounts receivable and \$4,547 (December 31, 2016 - \$4,642) of Chartwell's accounts payable relate to its investments in joint ventures. For the three months ended March 31, 2017, \$1,491 (three months ended March 31, 2016 - \$1,443) of Chartwell's management fees related to its investment in joint ventures.

Chartwell and Welltower (referred to as the "landlords") each owns a 50% direct beneficial interest in the real estate assets and are obligated for the related mortgages for a portfolio of 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"), which under IFRS 11 are accounted for as joint ventures using the equity method.

Chartwell-Welltower operator has 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. As a result, Chartwell's 50% share of the landlords' lease receipts, \$8,529 for the three months ended March 31, 2017 (three months ended March 31, 2016 - \$8,300) 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 condensed consolidated interim statements of comprehensive 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 ended March 31, 2017 and 2016
(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 March 31, 2017 are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total debt
Remainder 2017	\$ 40,345	\$ 72,548	\$ 112,893	7
2018	53,811	133,498	187,309	11
2019	52,776	223,375	276,151	17
2020	52,302	153,994	206,296	12
2021	50,292	97,663	147,955	9
2022	47,019	66,075	113,094	7
2023	42,906	60,419	103,325	6
2024	32,861	156,797	189,658	11
2025	25,826	44,335	70,161	4
2026	24,013	33,830	57,843	4
2027	22,144	2,561	24,705	1
2028	29,241	18,925	48,166	3
2029	20,267	–	20,267	1
2030	18,835	–	18,835	1
2031	17,335	–	17,335	1
Thereafter	52,385	26,382	78,767	5
	<u>\$ 582,358</u>	<u>\$ 1,090,402</u>	1,672,760	<u>100%</u>
Mark-to-market adjustments on acquisition			18,860	
Financing costs			(23,656)	
			<u>\$ 1,667,964</u>	
Current			\$ 163,206	
Non-current			1,504,758	
			<u>\$ 1,667,964</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 ended March 31, 2017 and 2016
(Unaudited)

7. Secured debt (continued):

	March 31, 2017	December 31, 2016
Mortgages at fixed rates:		
Mortgages (principal)	\$ 1,629,917	\$ 1,612,233
Interest rates	2.01% - 7.85%	1.79 - 8.51%
Weighted average interest rate	3.88%	3.91%
Mortgages at variable rates:		
Mortgages (principal)	\$ 42,843	\$ 32,475
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	2.87%	2.89%
Blended weighted average rate	3.85%	3.89%

Mortgages totalling \$309,206 (2016 - \$287,305) have interest rates fixed through interest rate swap contracts with an equivalent notional value, maturing between 2018 and 2021. The swaps have a fair value liability of \$311 (2016 - \$135) included in accounts payable and other accrued liabilities and fair value asset of \$1,324 (2016 - 1,624) included in trade and other receivables.

(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 March 31, 2017, the maximum available borrowing capacity under the Credit Facility was \$ 200,000 (December 31, 2016 - \$ 200,000) based on the security provided. Of this capacity, \$4,236 (December 31, 2016 - \$4,241) has been allocated to support various letters of credit issued by Chartwell and \$179,000 (December 31, 2016 - \$ 130,000) was 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 ended March 31, 2017 and 2016
(Unaudited)

7. Secured debt (continued):

(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 the 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 March 31, 2017, the maximum available borrowing capacity under the Credit Facility was \$50,000 (December 31, 2016 - \$50,000) based on the security provided. As at March 31, 2017, \$ 42,000 (December 31, 2016 - \$42,000) was drawn under the Credit Facility.

8. Accounts payable and other liabilities:

	Note	March 31, 2017	December 31, 2016
Accounts payable and accrued liabilities		\$ 69,192	\$ 89,099
Resident deposits		2,558	2,596
Deferred revenue		407	115
Deferred Trust Units ("DTU")	(a)	14,885	13,620
Restricted Trust Units ("RTU")	(b)	4,288	4,935
EUPP option component	11	12,875	11,505
		\$ 104,205	\$ 121,870

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 ended March 31, 2017 and 2016
(Unaudited)

8. 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 price of Trust Units as at March 31, 2017 was \$15.63 (December 31, 2016 - \$14.67).

	Units outstanding	Amount
Balance, December 31, 2015	823,166	\$ 10,501
Units granted	71,573	1,068
Change in fair value and distributions	33,879	2,051
Balance, December 31, 2016	928,618	13,620
Units granted	15,265	236
Change in fair value and distributions	8,615	1,029
Balance, March 31, 2017	952,498	\$ 14,885

(b) RTU:

During the three months ended March 31, 2017, 208,503 notional Trust Units were granted, 2,988 notional Trust units were cancelled, 5,173 notional Trust units were issued in regard to distributions, and 94,746 notional Trust units vested and were paid out. At March 31, 2017, 612,488 notional Trust Units remained outstanding (2016 - 496,546).

The liability is measured to fair value based on the market price for 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 ended March 31, 2017 and 2016
(Unaudited)

9. Assets held for sale:

On January 11, 2017, Chartwell entered into an agreement to sell a property located in Quebec, included in the Canadian Retirement Segment. The sale price for the property is \$23,500, of which \$2,500 will be held in escrow to support purchaser's rental income and certain renovation costs. This transaction closed on May 3, 2017. The net purchase price, subject to customary closing adjustments, was settled in cash.

The following table summarizes the significant assets held for sale and related liabilities on March 31, 2017:

Assets:		
Trade and other receivables	\$	453
Other assets		130
PP&E, net		20,725
		<hr/>
	\$	21,308
		<hr/>
Liabilities:		
Accounts payable and other liabilities	\$	312
		<hr/>
	\$	312
		<hr/>

10. 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. Chartwell has elected to designate Class B Units as fair value through profit or loss. 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 as at March 31, 2017 was \$15.63 per unit (December 31, 2016 - \$14.67 per unit). On March 1, 2017, Chartwell issued 31,565 Class B units for purchase of vacant land in Mississauga, Ontario (note 3). At March 31, 2017, 1,655,238 Class B Units were outstanding (December 31, 2016 - 1,627,173).

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 ended March 31, 2017 and 2016
(Unaudited)

11. Trust Units and EUPP:

The following Trust Units are issued and outstanding:

	Number of voting Units	Amount
Balance, December 31, 2015	176,401,201	\$ 1,778,496
Trust Units issued under DRIP	1,418,778	19,725
Trust Units issued on conversion and redemption of debt	12,157,779	173,194
Trust Units issued in exchange of Class B Units	14,150	202
Trust Units released on settlement of EUPP receivable	103,566	1,882
Balance, December 31, 2016	190,095,474	1,973,499
Trust Units issued under DRIP	339,299	5,000
Trust Units issued on exchange of Class B Units	3,500	54
Trust Units released on settlement of EUPP receivable	28,024	532
Balance, March 31, 2017	190,466,297	\$ 1,979,085

The following table summarizes Trust Units issued under the EUPP:

	Number of Trust Units issued under EUPP	Amount
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	(14,134)	(151)
Trust Units released on settlement of EUPP receivable	(103,566)	(1,222)
Balance, December 31, 2016	1,515,388	16,588
Trust Units issued under EUPP	89,778	1,369
Trust Units surrendered for cancellation under EUPP	(4,784)	(50)
Trust Units released on settlement of EUPP receivable	(28,024)	(341)
Balance, March 31, 2017	1,572,358	\$ 17,566

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 ended March 31, 2017 and 2016
(Unaudited)

11. Trust Units and EUPP (continued):

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:

	March 31, 2017	December 31, 2016
Expected volatility	14.73% - 19.73%	18.42% - 23.42%
Risk-free rate	1.72% - 2.29%	1.76% - 2.32%
Distribution yield	4.08% - 4.48%	4.28% - 4.75%

12. Segmented information:

Chartwell monitors and operates its Canadian Retirement and Canadian Long Term Care properties separately. The Canadian Retirement Operations segment includes 157 communities that Chartwell owns and operates in Canada. The retirement communities provide services to age-qualified residents at rates set by Chartwell based on the services provided and market conditions. The Canadian Long Term Care Operations segment represents the 24 long term care communities in Ontario. Admission and funding for the long term care communities is overseen by local government agencies in each province. 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 ended March 31, 2017 and 2016
(Unaudited)

12. Segmented information (continued):

	Three months ended March 31, 2017						
	Canadian Retirement Operations	Canadian Long Term Care Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Continuing Operations							
Revenue:							
Resident Management and other fees	\$ 156,628	\$ 54,485	\$ 211,113	\$ –	\$ 211,113	\$ (30,834)	\$ 180,279
Lease revenue from joint ventures	–	–	–	2,279	2,279	–	2,279
Interest on loans receivable	–	–	–	–	–	8,529	8,529
	–	–	–	252	252	–	252
	156,628	54,485	211,113	2,531	213,644	(22,305)	191,339
Expenses:							
Direct operating	96,554	48,194	144,748	–	144,748	(18,805)	125,943
General, administrative and trust	–	–	–	10,405	10,405	–	10,405
	96,554	48,194	144,748	10,405	155,153	(18,805)	136,348
Income (loss) before the undernoted ⁽¹⁾	60,074	6,291	66,365	(7,874)	58,491	(3,500)	54,991
Finance costs:							
Contractual interest							(17,111)
Other							527
Other income (expense):							
Interest							1,127
Other							(1,661)
Depreciation and amortization							(38,075)
Share of net income from joint ventures							536
Changes in fair values of financial instruments and foreign exchange losses							(4,501)
Net loss	\$	\$	\$	\$	\$	\$	\$ (4,167)
Expenditures for non-current assets:							
Acquisition of properties	\$ 28,950	\$ –	\$ 28,950	\$ –	\$ 28,950	\$ –	\$ 28,950
Capital additions	27,435	928	28,363	8,276	36,639	(6,935)	29,704

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

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 ended March 31, 2017 and 2016
(Unaudited)

12. Segmented information (continued):

	Three months ended March 31, 2016							Total
	Canadian Retirement Operations	Canadian Long Term Care Operations	Segment Total	Other	Subtotal	Reconciliation		
Continuing Operations								
Revenue:								
Resident Management and other fees	\$ 149,292	\$ 54,749	\$ 204,041	\$ –	\$ 204,041	\$ (29,720)	\$ 174,321	
Lease revenue from joint ventures	–	–	–	1,917	1,917	–	1,917	
Interest on loans receivable	–	–	–	–	–	8,300	8,300	
	–	–	–	357	357	–	357	
	149,292	54,749	204,041	2,274	206,315	(21,420)	184,895	
Expenses:								
Direct operating	91,557	48,218	139,775	–	139,775	(18,567)	121,208	
General, administrative and trust	–	–	–	8,221	8,221	–	8,221	
	91,557	48,218	139,775	8,221	147,996	(18,567)	129,429	
Income (loss) before the undernoted ⁽¹⁾	57,735	6,531	64,266	(5,947)	58,319	(2,853)	55,466	
Finance costs:								
Contractual interest							(18,285)	
Other							159	
Other income (expense):								
Interest							932	
Other							(4,421)	
Depreciation and amortization							(35,245)	
Share of net income from joint ventures							172	
Changes in fair values of financial instruments and foreign exchange losses							(18,328)	
Income (loss) from continuing operations							(19,550)	
Net income (loss) from discontinued operations, net of income taxes							(322)	
Net loss							\$ (19,872)	
Expenditures for non-current assets:								
Acquisition of properties	\$ 66,166	\$ –	\$ 66,166	\$ –	\$ 66,166	\$ –	\$ 66,166	
Capital additions	19,106	618	19,724	957	20,681	(132)	20,549	

⁽¹⁾Refers to income before finance costs, other income (expense), depreciation and amortization, changes in fair values of financial instruments and foreign exchange 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 ended March 31, 2017 and 2016
(Unaudited)

12. Segmented information (continued):

March 31, 2017	Canadian Retirement Operations	Canadian Long Term Care Operations	Segment Total	Other	Subtotal	Recon- ciliation	Total
Total assets	\$ 2,560,100	\$ 261,396	\$ 2,821,496	\$ 90,915	\$ 2,912,411	\$ (81,112)	\$ 2,831,299
Total liabilities	\$ 1,626,202	\$ 193,301	\$ 1,819,503	\$ 293,441	\$ 2,112,944	\$ (81,112)	\$ 2,031,832

13. 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:

	March 31, 2017		December 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Financial assets recorded at amortized cost:				
Loans receivable	\$ 9,071	\$ 9,071	\$ 10,528	\$ 10,528
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	1,667,964	1,723,772	1,641,772	1,688,374
Credit facilities	221,000	221,000	172,000	172,000

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 ended March 31, 2017 and 2016
(Unaudited)

13. 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 March 31, 2017, the mortgages payable were discounted using rates between 1.80% and 4.56% (December 31, 2016 - 1.89% and 4.56%). 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 loans receivable and Credit Facilities approximates its carrying value and is considered Level 2 in the fair value hierarchy as inputs are observable directly or indirectly.

14. Finance costs:

	Three months ended March 31,	
	2017	2016
Contractual interest expense on mortgages	\$ 15,764	\$ 16,095
Interest expense on convertible debentures	–	1,910
Credit Facility and other interest expense	1,347	280
	17,111	18,285
Interest capitalized to properties under development	(564)	(123)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	(206)	(264)
Distributions on Class B Units recorded as interest expense	243	228
Total finance costs	\$ 16,584	\$ 18,126

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 ended March 31, 2017 and 2016
(Unaudited)

15. Other expense:

	Three months ended March 31,	
	2017	2016
Property lease expense	\$ 99	\$ 99
Impairment of PP&E	–	3,000
Transaction costs arising on acquisitions and dispositions	1,600	1,635
Other expense	1,699	4,734
Gain on disposal of assets	(38)	(312)
Interest and other income	(1,127)	(933)
Other income	(1,165)	(1,245)
Other expense, net	\$ 534	\$ 3,489

For the three months ended March 31, 2016, Chartwell recorded an impairment provision of \$3,000 on one long term care property located in Ontario.

16. Change in fair values of financial instruments and foreign exchange losses:

	Three months ended March 31,	
	2017	2016
Change in fair value of convertible debentures	\$ –	\$ 12,418
Change in fair value of interest rate swaps	475	147
Foreign exchange losses	75	102
Change in fair value of EUPP option component	1,248	2,153
Change in fair value of Class B Units	1,555	2,232
Change in fair value of DTUs	1,028	1,248
Change in fair value of deferred purchase consideration	19	28
Change in fair value of net operating income guarantees	101	–
Change in fair values of financial instruments and foreign exchange losses	\$ 4,501	\$ 18,328

CHARTWELL RETIREMENT RESIDENCES

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

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(Unaudited)

17. Income taxes:

Chartwell recorded a current tax expense of \$477 for the three months ended March 31, 2016 in discontinued operations related to the sale of its U.S. subsidiary included in the results from discontinued operations.

18. Subsequent event:

On May 3, 2017, Chartwell sold a property located in Quebec. The sale price for the property is \$23,500, of which \$2,500 will be held in escrow to support purchaser's rental income and certain renovation costs with the balance settled in cash.