

Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

CHARTWELL RETIREMENT RESIDENCES

As at and for the three months and six months ended
June 30, 2019 and 2018
(Unaudited)

CHARTWELL RETIREMENT RESIDENCES

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

	Note	June 30, 2019	December 31, 2018
Assets			
Current assets:			
Cash and cash equivalents		\$ 14,502	\$ 29,779
Trade and other receivables		25,503	13,092
Capital funding receivable		6,492	6,317
Other assets	8	20,646	16,006
Loans receivable	6	494	494
Assets held for sale	14	18,197	–
Total current assets		85,834	65,688
Non-current assets:			
Other assets	8	2,365	2,417
Loans receivable	6	18,237	14,411
Capital funding receivable		38,924	42,214
Investment in joint ventures	9	19,879	34,865
Intangible assets	5	68,985	65,507
Property, plant and equipment ("PP&E")	4	3,196,990	3,093,746
Total non-current assets		3,345,380	3,253,160
Total assets		\$ 3,431,214	\$ 3,318,848
Liabilities and Unitholders' Equity			
Current liabilities:			
Lease obligations	7	\$ 1,001	\$ –
Accounts payable and other liabilities	13	155,958	177,752
Distributions payable		10,757	10,493
Mortgages payable	10	282,410	183,649
Liabilities related to assets held for sale	14	8,299	–
Total current liabilities		458,425	371,894
Non-current liabilities:			
Lease obligations	7	11,635	–
Mortgages payable	10	1,575,561	1,628,685
Credit facilities	11	80,000	–
Senior unsecured debentures	12	348,101	347,883
Class B Units of Chartwell Master Care LP ("Class B Units")	15	24,531	22,456
Deferred tax liabilities	23	34,871	14,410
Total non-current liabilities		2,074,699	2,013,434
Total liabilities		2,533,124	2,385,328
Unitholders' equity	16	898,090	933,520
Total liabilities and unitholders' equity		\$ 3,431,214	\$ 3,318,848

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Trustees:

"Ann Davis" _____ Trustee "Huw Thomas" _____ 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,	
		2019	2018	2019	2018
Revenue:					
Resident		\$ 213,848	\$ 201,675	\$ 423,732	\$ 395,280
Management and other fees		2,620	2,512	5,101	5,822
Lease revenue from joint ventures	9	9,861	9,447	19,722	18,111
Interest income		1,109	944	2,232	1,915
		<u>227,438</u>	<u>214,578</u>	<u>450,787</u>	<u>421,128</u>
Income (expenses):					
Direct property operating		(146,555)	(135,901)	(290,719)	(271,248)
Depreciation of PP&E	4	(45,749)	(40,783)	(90,582)	(81,146)
Amortization of intangible assets	5	(510)	(411)	(951)	(823)
Share of net income from joint ventures	9	309	353	701	654
General, administrative and trust		(12,459)	(12,052)	(25,208)	(24,582)
Other income	20	2,155	312	41,048	13,232
Finance costs	21	(21,597)	(19,572)	(42,123)	(37,105)
Change in fair values of financial instruments and foreign exchange gains (losses)	22	(2,976)	436	(9,124)	2,344
		<u>(227,382)</u>	<u>(207,618)</u>	<u>(416,958)</u>	<u>(398,674)</u>
Income before income taxes		56	6,960	33,829	22,454
Income tax benefit (expense):					
Current		–	(18)	–	(26)
Deferred	23	(1,639)	26	(20,461)	54
		<u>(1,639)</u>	<u>8</u>	<u>(20,461)</u>	<u>28</u>
Net income (loss) and comprehensive income (loss)		\$ (1,583)	\$ 6,968	\$ 13,368	\$ 22,482

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, 2019	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2018	\$ 2,285,736	\$ 17,519	\$ (12,053)	\$ (122,907)	\$ (1,241,182)	\$ 6,407	\$ 933,520
Net income	–	–	–	13,368	–	–	13,368
Distributions to unitholders	–	–	–	–	(63,442)	–	(63,442)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	12,675	–	–	–	–	–	12,675
Trust Units issued on exchange of Class B Units	457	–	–	–	–	–	457
Trust units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	1,281	1,050	(1,256)	–	–	39	1,114
Interest on EUPP receivable	–	–	(61)	–	–	–	(61)
Distributions applied against EUPP receivable	–	–	459	–	–	–	459
Unitholders' equity, June 30, 2019	\$ 2,300,149	\$ 18,569	\$ (12,911)	\$ (109,539)	\$ (1,304,624)	\$ 6,446	\$ 898,090

During the six months ended June 30, 2019, distributions were declared and paid at \$0.049 per unit per month for the months of January and February and \$0.050 per unit per month for the months of March to June. In July 2019, distributions were declared at \$0.050 per unit.

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, 2018	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2017	\$ 2,257,424	\$ 16,213	\$ (11,362)	\$ (141,426)	\$ (1,117,176)	\$ 6,494	\$ 1,010,167
Net income	–	–	–	22,482	–	–	22,482
Distributions to unitholders	–	–	–	–	(61,678)	–	(61,678)
Issue costs related to Trust Units pursuant to public offering	(267)	–	–	–	–	–	(267)
Trust Units issued under the Distribution Reinvestment Program	10,632	–	–	–	–	–	10,632
Trust Units issued on exchange of Class B Units	45	–	–	–	–	–	45
Trust units issued under the Executive Unit Purchase Plan, net of cancellations and Trust Units released on settlement of EUPP receivable	794	1,590	(1,631)	–	–	(71)	682
Interest on EUPP receivable	–	–	(59)	–	–	–	(59)
Distributions applied against EUPP receivable	–	–	438	–	–	–	438
Unitholders' equity, June 30, 2018	\$ 2,268,628	\$ 17,803	\$ (12,614)	\$ (118,944)	\$ (1,178,854)	\$ 6,423	\$ 982,442

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)

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Cash provided by (used in):					
Operating activities:					
Net income (loss)		\$ (1,583)	\$ 6,968	\$ 13,368	\$ 22,482
Items not affecting cash:					
Depreciation and amortization	4, 5	46,259	41,194	91,533	81,969
Finance costs	21	21,597	19,572	42,123	37,105
Transaction costs arising from business acquisitions and dispositions	20	(335)	(2,612)	(963)	(3,439)
Other expense (income)	20	(2,155)	(312)	(41,048)	(13,232)
Interest income	19	(1,109)	(944)	(2,232)	(1,915)
Change in fair values of financial instruments and foreign exchange losses (gains)	22	2,976	(436)	9,124	(2,344)
Deferred income tax expense (benefit)	23	1,639	(26)	20,461	(54)
Share of net income from joint ventures	9	(309)	(353)	(701)	(654)
Other		755	463	1,075	756
Change in trade and other receivables		(7,860)	(607)	(7,220)	(5,585)
Change in other assets		(2,973)	4,130	(4,562)	7,189
Change in accounts payable and other liabilities		(8,402)	8,927	(15,311)	(3,588)
		48,500	75,964	105,647	118,690
Interest income and other income received		1,142	1,105	2,173	2,139
Interest paid		(25,763)	(20,649)	(43,881)	(36,532)
		23,879	56,420	63,939	84,297
Financing activities:					
Costs of public offering		–	–	–	(267)
Proceeds from mortgage financing		50,234	54,251	64,049	65,250
Mortgage repayments		(31,364)	(24,671)	(31,364)	(43,008)
Scheduled mortgage principal repayments		(17,346)	(15,524)	(34,554)	(30,822)
Proceeds from issuance of senior unsecured debentures		–	150,000	–	150,000
Changes to credit facilities	11	37,000	47,555	80,000	82,555
Additions to finance costs		(3,020)	(3,681)	(3,947)	(4,355)
Distributions paid		(25,190)	(25,554)	(50,564)	(50,412)
		10,314	182,376	23,620	168,941
Investing activities:					
Acquisition of assets under business combinations	3	–	(216,724)	(9,519)	(216,724)
Additions to PP&E and intangible assets		(40,911)	(44,620)	(95,485)	(91,687)
Proceeds from disposal of PP&E		1,697	14,303	3,285	48,176
Proceeds from capital funding receivable		1,568	1,484	3,115	2,949
Advances of loans receivable	6	–	–	(3,826)	(3,969)
Change in restricted cash		52	50	(93)	(1,067)
Distributions received from joint ventures	9	10	–	10	–
Contributions to joint ventures	9	(323)	–	(323)	(27,022)
		(37,907)	(245,507)	(102,836)	(289,344)
Decrease in cash and cash equivalents		(3,714)	(6,711)	(15,277)	(36,106)
Cash and cash equivalents, beginning of period		18,216	15,356	29,779	44,751
Cash and cash equivalents, end of period		\$ 14,502	\$ 8,645	\$ 14,502	\$ 8,645

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, 2019 and 2018
(Unaudited)

1. Organization:

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.

2. 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, 2018, 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 8, 2019.

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, 2018 with the exception of the impact of adopting the following accounting standards:

(a) IFRS 16, Leases ("IFRS 16"):

Chartwell adopted IFRS 16, which replaced IAS 17, Leases ("IAS 17"), using the modified retrospective approach, beginning on January 1, 2019, the mandatory effective date. The new standard requires a lessee to recognize in the statement of financial position: a liability for future lease payments (the "lease liabilities") and an asset for the right to use the underlying leased asset during the lease term ("right-of-use assets").

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, 2019 and 2018
(Unaudited)

2. Basis of preparation (continued):

Chartwell recognized the initial effect of applying IFRS 16 as an adjustment to the balance sheet at January 1, 2019 (the date of initial application). There was no impact on unitholders' equity at the date of initial application. Comparative information has not been restated and continues to be reported in accordance with the standards and accounting policies in effect prior to January 1, 2019.

The adoption of IFRS 16 at January 1, 2019, resulted in the recognition of right-of-use assets of \$18,402 related to land leases, office leases, below market leases and capital leases and \$12,744 in lease liabilities. Included in the above are right-of-use assets of \$1,553 and lease liabilities of \$1,451 previously accounted for as capital leases, and right-of-use assets of \$5,661 previously accounted for as below market leases under IAS 17, which continue to be recorded at their carrying amounts immediately prior to the adoption of IFRS 16 as measured by applying IAS 17. Chartwell presents the right-of-use assets in property, plant and equipment and lease liabilities are recorded separately on the balance sheet as "lease obligations".

For leases previously classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted using Chartwell's incremental borrowing rate at January 1, 2019, which was a weighted average rate of 3.8%.

At the date of initial application, Chartwell did not reassess whether a contract contained a lease, instead applying IFRS 16 only to contracts that were previously identified as leases. Chartwell has elected not to recognize right-of-use assets and liabilities for short term leases that have a lease term of twelve months or shorter and low value leases with a value lower than five thousand dollars. Payments associated with these leases are recognized as expense on a straight-line basis over the term of the lease.

Chartwell relied on its assessment of whether leases were onerous as at January 1, 2019 and did not test right-of-use assets for impairment at the date of initial application and excluded initial direct costs when measuring right-of-use assets at January 1, 2019. Chartwell did not separate the non-lease components from the lease components for office leases and certain equipment leases.

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, 2019 and 2018
(Unaudited)

2. Basis of preparation (continued):

The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset and a lease liability, representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

Where Chartwell is the lessee it recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate is used. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined based on the same basis as those for property, plant and equipment. In addition the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(b) IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ("IFRIC 23"):

Chartwell adopted IFRIC 23, beginning on January 1, 2019, the mandatory effective date with no material impact to the financial statements.

IFRIC 23 requires (i) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (ii) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (iii) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

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, 2019 and 2018
(Unaudited)

3. Acquisitions:

Acquisitions during the period ended June 30, 2019:

On January 31, 2019, Chartwell acquired the remaining interest in Clair Hills Retirement Residence (120 suites), ("Clair Hills") for a purchase price of \$9,195. On February 1, 2019, Chartwell acquired the remaining interest in Oak Ridges Retirement Residence (129 suites), ("Oak Ridges") for a purchase price of \$324. Upon completion of these transactions, Chartwell owns a 100% interest in the properties. Since these acquisitions were completed in steps, immediately before the acquisition, Chartwell remeasured its original interests to fair value. The remeasurement has resulted in an increase in value of \$39,172 which has been recognized as a gain in other income in the condensed consolidated interim statements of comprehensive income. Chartwell incurred acquisition related costs of \$592 which have been expensed in the condensed consolidated interim statement of comprehensive income for the six months ended June 30, 2019. Clair Hills has contributed revenue of \$3,275 and net loss of \$325 since acquisition on January 31, 2019. Oak Ridges has contributed revenue of \$2,990 and net loss of \$702 since acquisition on January 31, 2019.

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

Date of acquisition	January 31, 2019	February 1, 2019			
Segment	Retirement Operations				
Location	Province of Ontario	Province of Ontario			
Number of properties (suites)	1 (120 suites)	1 (129 suites)	Subtotal	Step accounting adjustments	Total
PP&E	\$ 9,195	\$ 324	\$ 9,519	\$ 101,481	\$ 111,000
Net assets acquired	\$ 9,195	\$ 324	\$ 9,519	\$ 101,481	\$ 111,000
Cash consideration	\$ 9,195	\$ 324	\$ 9,519	\$ –	\$ 9,519
Mortgage assumed	–	–	–	56,104	56,104
Fair value of previously held interest	–	–	–	45,377	45,377
	\$ 9,195	\$ 324	\$ 9,519	\$ 101,481	\$ 111,000

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, 2019 and 2018
(Unaudited)

3. Acquisitions (continued):

Under Chartwell's agreements with Batimo Inc. ("Batimo"), upon achievement of certain conditions, Batimo may require Chartwell to acquire an 85% interest in their development properties in which Chartwell participates as the operations manager and, in some cases, as the mezzanine lender, at 99% of Fair Market Value ("FMV"), as defined in the agreements ("Batimo Option"). Batimo's Option is for a five-year period commencing on opening of the related property. Upon expiry of the Batimo Option, Chartwell has a two-year option to require Batimo to sell an 85% interest in the property at FMV, as defined in the agreements. Two of the Batimo projects with 508 suites are expected to achieve stabilized occupancy in 2019. The estimated FMV of these properties at 100% ownership interest is \$122,000. Welltower Inc. ("Welltower") may participate as Chartwell's equal partner in the acquisition of one of these projects.

4. Property, plant and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost						
Balance, December 31, 2018	\$ 310,390	\$ 3,082,413	\$ 142,968	\$ 193,548	\$ 20,027	\$ 3,749,346
Recognition of right-of-use assets upon adoption of IFRS16	7,840	898	–	–	2,450	11,188
Additions	–	39,688	5,500	46,903	–	92,091
Additions through business combinations	10,005	98,775	2,220	–	–	111,000
Disposals	(409)	(7,284)	(408)	–	–	(8,101)
Derecognition	–	(37,336)	(281)	–	–	(37,617)
Transfers	14,293	114,057	3,764	(132,114)	–	–
Transfers to assets held for sale	(2,951)	(17,114)	(2,647)	–	(253)	(22,965)
Balance, June 30, 2019	\$ 339,168	\$ 3,274,097	\$ 151,116	\$ 108,337	\$ 22,224	\$ 3,894,942
Accumulated depreciation and impairment losses						
Balance, December 31, 2018	\$ –	\$ 563,576	\$ 92,024	\$ –	\$ –	\$ 655,600
Depreciation of right-of-use assets	85	57	–	–	42	184
Depreciation	–	79,368	11,030	–	–	90,398
Disposals	–	(5,021)	(289)	–	–	(5,310)
Derecognition	–	(37,336)	(281)	–	–	(37,617)
Loss due to water damage	–	2,803	98	–	–	2,901
Transfers to assets held for sale	–	(6,281)	(1,923)	–	–	(8,204)
Balance, June 30, 2019	\$ 85	\$ 597,166	\$ 100,659	\$ –	\$ 42	\$ 697,952
Carrying amounts						
Balance, December 31, 2018	\$ 310,390	\$ 2,518,837	\$ 50,944	\$ 193,548	\$ 20,027	\$ 3,093,746
Balance, June 30, 2019	339,083	2,676,931	50,457	108,337	22,182	3,196,990

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, 2019 and 2018
(Unaudited)

4. Property, plant and equipment (continued):

Chartwell adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach resulting in the capitalization of land leases and office leases which are included under the components of PP&E. The adoption of IFRS 16 did not result in changes to the measurement of leases previously accounted for as capital leases and below-market leases under IAS 17. Capital leases are included in the furniture, fixtures and equipment component and below-market leases are included in the building component of PP&E.

The following table summarize the right-of-use assets included in PP&E at January 1, 2019 and at June 30, 2019:

Right-of-use assets	Land ⁽¹⁾	Buildings ⁽²⁾	Furniture, fixtures and equipment	Land held for development	Total
December 31, 2018 (note 2)	\$ –	\$ 5,661	\$ 1,553	\$ –	\$ 7,214
Newly recognized assets	7,840	898	–	2,450	11,188
Balance, January 1, 2019	7,840	6,559	1,553	2,450	18,402
Additions	–	–	331	–	331
Depreciation	(85)	(149)	(390)	(42)	(666)
Balance, June 30, 2019	\$ 7,755	\$ 6,410	\$ 1,494	\$ 2,408	\$ 18,067

⁽¹⁾ Relates to land leases

⁽²⁾ Relates to office leases

During the six months ended June 30, 2019, three properties were transferred from properties under development to other components of PP&E upon commencement of operations.

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

During the six months ended June 30, 2019, Chartwell capitalized \$2,488 (June 30, 2018 - \$1,996) of borrowing costs related to development projects under construction at an average capitalization rate of 3.75% (June 30, 2018 - 3.84%).

During the first quarter of 2019, Chartwell completed the step acquisition of Clair Hills and Oak Ridges by purchasing the remaining interests in these properties (note 3). Previously, Chartwell accounted for its interests in these properties as investments in joint ventures (note 9). As required under IFRS, the fair value of the assets acquired is included in additions through business combinations.

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, 2019 and 2018
(Unaudited)

4. Property, plant and equipment (continued):

At June 30, 2019, Chartwell, transferred four long term care residences located in Ontario and one retirement home located in Quebec to assets held for sale (note 14). The sale of the retirement home classified as held for sale was completed on July 12, 2019 (note 25).

Since January 1, 2010, the cost and accumulated depreciation of PP&E has been reduced by \$235,025 (December 31, 2018 - \$218,624) to remove fully amortized value of resident contracts.

5. Intangibles:

	Goodwill	Licenses	Software ⁽¹⁾	Total
Cost				
Balance, December 31, 2018	\$ 9,233	\$ 44,334	\$ 23,111	\$ 76,678
Additions	–	–	7,430	7,430
Disposals	–	–	(15)	(15)
Transfers to assets held for sale	–	(2,990)	(104)	(3,094)
Balance, June 30, 2019	\$ 9,233	\$ 41,344	\$ 30,422	\$ 80,999
Accumulated amortization and impairment losses				
Balance, December 31, 2018	–	–	11,171	11,171
Disposals	–	–	(6)	(6)
Amortization	–	–	951	951
Transfers to assets held for sale	–	–	(102)	(102)
Balance, June 30, 2019	\$ –	\$ –	\$ 12,014	\$ 12,014
Carrying amounts				
Balance, December 31, 2018	\$ 9,233	\$ 44,334	\$ 11,940	\$ 65,507
Balance, June 30, 2019	9,233	41,344	18,408	68,985

⁽¹⁾ The June 30, 2019 balance includes \$14,677 (December 31, 2018 - \$8,385) in software under development.

6. Loans receivable:

On January 28, 2019, Chartwell advanced a mezzanine loan of \$3,826 for development of a 368-suite retirement residence in Longueuil, Quebec.

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)

7. Leases:

As at June 30, 2019, Chartwell has right-of-use assets in respect of leases totaling \$18,067 with lease terms ranging from 2 to 60 years. Lease obligations related to these right-of-use assets totalled \$12,636 of which \$1,001 was classified current and \$11,635 classified non-current as at June 30, 2019. Chartwell generally does not include purchase, extension or termination options in its leases, other than extension options for land leases that support properties with lengthy useful lives.

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

Less than one year	\$	1,010
One to five years		3,733
More than five years		22,601
Total⁽¹⁾	\$	27,344

⁽¹⁾Includes three land leases with cumulative required undiscounted cash payments of \$24,755 which mature between 2044 and 2079.

8. Other assets:

	June 30 2019	December 31, 2018
Prepaid expenses and deposits	\$ 14,787	\$ 7,672
Restricted cash	1,054	1,147
Other assets	7,170	9,604
	\$ 23,011	\$ 18,423
Current	\$ 20,646	\$ 16,006
Non-current	2,365	2,417
	\$ 23,011	\$ 18,423

Other assets include receivables of \$827 recorded at their fair value, related to estimated income guarantees provided by vendors of certain acquired properties (December 31, 2018 - \$2,619). Income guarantees are considered Level 3 in the fair value hierarchy. During the six months ended June 30, 2019, \$1,839 (June 30, 2018 - \$1,205) of income guarantees were collected.

CHARTWELL RETIREMENT RESIDENCES

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

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9. 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, 2019:

Joint arrangements	Number of properties	Location	Chartwell ownership	Consolidation type
Chartwell-Welltower Landlord ⁽¹⁾	37	Canada	50%	Joint operation
Chartwell-Welltower Operator ⁽¹⁾	37	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
The Sumach by Chartwell	1	Canada	45%	Joint operation
Kingsbridge Retirement Community ⁽³⁾	1	Canada	60%	Joint venture ⁽²⁾
Pickering Project ⁽³⁾	1	Canada	90%	Joint operation

⁽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⁾Properties under development.

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

	Six months ended June 30,	
	2019	2018
Contributions to joint ventures	\$ 323	\$ 27,022
Distributions received from joint ventures	(16,010)	—

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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9. Joint arrangements (continued):

	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 5,539	\$ 10,328
Trade and other receivables	12,139	8,830
Other assets	2,954	2,237
Current assets	20,632	21,395
PP&E and intangible assets	54,101	113,780
Total assets	\$ 74,733	\$ 135,175
Accounts payable and other liabilities	\$ 10,652	\$ 1,943
Mortgages payable - current	333	1,099
Current liabilities	10,985	3,042
Mortgages payable - non-current	43,869	97,268
Total liabilities	\$ 54,854	\$ 100,310
Net investment in joint ventures	\$ 19,879	\$ 34,865

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue	\$ 28,558	\$ 30,895	\$ 58,151	\$ 61,899
Direct property operating expense	(17,455)	(18,777)	(35,212)	(38,529)
Lease expense	(9,861)	(9,447)	(19,722)	(18,111)
Finance costs	(305)	(401)	(745)	(877)
Depreciation and amortization	(583)	(1,729)	(1,437)	(3,441)
Change in fair value of financial instruments and foreign exchange losses	(47)	(210)	(336)	(259)
Other income (expense)	2	22	2	(28)
Chartwell's share of net income from joint ventures	\$ 309	\$ 353	\$ 701	\$ 654

CHARTWELL RETIREMENT RESIDENCES

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

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9. Joint arrangements (continued):

During the first quarter of 2019, Chartwell acquired the remaining interest in Clair Hills and Oak Ridges and fully consolidated these properties in its condensed consolidated interim financial statements (note 3). Previously, Chartwell accounted for its interests in these properties as investments in joint ventures. As a result, assets and liabilities within Chartwell's joint ventures were reduced by \$72,751 and \$56,751, respectively with a corresponding reduction in net investments in joint ventures of \$16,000.

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 and other fees revenue, as applicable. As of June 30, 2019, \$1,130 (December 31, 2018 - \$221) of Chartwell's accounts receivable and \$12,579 (December 31, 2018 - \$8,926) of Chartwell's accounts payable relate to its investments in joint ventures. For the three and six months ended June 30, 2019, \$1,728 and \$3,323 (June 30, 2018 - \$1,647 and \$4,224), respectively, 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 37 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, \$9,861 and \$19,722 for the three and six months ended June 30, 2019 (June 30, 2018 - \$9,447 and \$18,111), 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 from joint ventures in the condensed consolidated interim statements of comprehensive income.

CHARTWELL RETIREMENT RESIDENCES

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

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10. 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, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Mortgages payable	\$ 1,887,268	\$ 1,836,904
Mark-to-market adjustments on assumed mortgages	10,800	12,460
Financing costs	(40,097)	(37,030)
	\$ 1,857,971	\$ 1,812,334
Current	\$ 282,410	\$ 183,649
Non-current	1,575,561	1,628,685
	\$ 1,857,971	\$ 1,812,334

Maturity for the mortgages payable as at June 30, 2019 are detailed below:

	Regular Principal payments	Principal due on maturity	Total debt	% of total debt
Remainder 2019	\$ 34,972	\$ 84,231	\$ 119,203	6
2020	69,406	162,343	231,749	12
2021	67,572	163,974	231,546	12
2022	62,970	227,943	290,913	16
2023	56,554	65,221	121,775	7
2024	47,012	146,289	193,301	10
2025	40,533	59,178	99,711	6
2026	38,764	37,235	75,999	4
2027	35,842	63,176	99,018	5
2028	38,287	180,955	219,242	12
2029	22,924	20,245	43,169	2
2030	20,694	-	20,694	1
2031	19,370	-	19,370	1
2032	18,235	9,654	27,889	1
2033	18,826	8,934	27,760	1
Thereafter	37,529	28,400	65,929	4
Total principal balance	\$ 629,490	\$ 1,257,778	\$ 1,887,268	100

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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10. Mortgages payable (continued):

	June 30, 2019	December 31, 2018
Mortgages at fixed rates:		
Mortgages (principal)	\$1,796,970	\$1,805,176
Interest rates	1.90% to 7.85%	1.90% to 7.85%
Weighted average interest rate	3.76%	3.80%
Mortgages at variable rates:		
Mortgages (principal)	\$90,298	\$31,728
Interest rates	Bankers' acceptance plus 1.55% to prime plus 1.35%	Bankers' acceptance plus 1.55% to prime plus 2.10%
Weighted average interest rate	3.87%	4.10%
Blended weighted average rate	3.76%	3.80%

Mortgages totalling \$151,626 (December 31, 2018 - \$166,432) have interest rates fixed through interest rate swap contracts with an equivalent notional value, maturing between 2019 and 2021. The swaps have a fair value liability of \$958 (December 31, 2018 - \$694) included in accounts payable and other accrued liabilities and fair value asset of \$588 (December 31, 2018 - \$1,483) included in trade and other receivables. The swaps are considered Level 2 in the fair value hierarchy.

11. Credit facilities:

The following tables summarize certain details of Chartwell's revolving credit facility as at June 30, 2019 and December 31, 2018:

June 30, 2019:

	Maximum capacity	Available capacity ⁽¹⁾	Principal amounts outstanding	Utilized for Letters of credit	Available to be drawn	Maturity date
Secured credit facility	\$ 300,000	\$ 300,000	\$ (80,000)	\$ (6,777)	\$ 213,223	May 29, 2024
Unsecured credit facility	100,000	100,000	-	-	100,000	May 29, 2024
Total	\$ 400,000	\$ 400,000	\$ (80,000)	\$ (6,777)	\$ 313,223	

⁽¹⁾Formula based calculation per the credit facility agreement.

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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11. Credit facilities (continued):

December 31, 2018:

	Maximum capacity	Available capacity ⁽¹⁾	Principal amounts outstanding	Utilized for Letters of credit	Available to be drawn	Maturity date
Secured credit facility	\$ 300,000	\$ 291,765	\$ –	\$ (5,998)	\$ 285,767	May 29, 2021
Unsecured credit facility	100,000	100,000	–	–	100,000	May 29, 2021
Total	\$ 400,000	\$ 391,765	\$ –	\$ (5,998)	\$ 385,767	

⁽¹⁾Formula based calculation per the credit facility agreement.

On May 9, 2019, Chartwell entered into an amending agreement with its syndicate lenders to extend maturity of the \$300,000 secured credit facility and \$100,000 unsecured credit facility to May 29, 2024.

The amounts outstanding on the secured credit facility bear interest at the bank's prime rate plus 0.65% or banker's acceptance rate plus 1.65% based on Chartwell's current credit rating. The secured credit facility is secured by second-ranked charges on specific properties and is subject to various financial covenants including among others, minimum equity requirements and limitations on entering into certain investments and on the amount of cash distributions that can be paid to unitholders.

The amounts outstanding on the unsecured credit facility bear interest at the bank's prime rate plus 0.70% or banker's acceptance rate plus 1.70% based on Chartwell's current credit rating. The unsecured credit facility is subject to various financial covenants including among others, minimum equity requirements, minimum unencumbered asset ratio, limitations on entering into certain investments and on the amount of cash distributions that can be paid to unitholders and limitation on the amount of secured indebtedness.

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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12. Senior unsecured debentures:

The following tables detail the outstanding principal amounts and the carrying value of Chartwell's senior unsecured debentures at June 30, 2019 and at December 31, 2018:

June 30, 2019:

	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date ⁽¹⁾	Due date
3.786% Series A	June 9, 2017	\$ 200,000	\$ (1,073)	\$ 198,927	October 11, 2023	December 11, 2023
4.211% Series B	April 27, 2018	150,000	(826)	149,174	February 25, 2025	April 28, 2025
Total		\$ 350,000	\$ (1,899)	\$ 348,101		

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

December 31, 2018:

	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date ⁽¹⁾	Due date
3.786% Series A	June 9, 2017	\$ 200,000	\$ (1,195)	\$ 198,805	October 11, 2023	December 11, 2023
4.211% Series B	April 27, 2018	150,000	(922)	149,078	February 25, 2025	April 28, 2025
Total		\$ 350,000	\$ (2,117)	\$ 347,883		

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

13. Accounts payable and other liabilities:

	Note	June 30, 2019	December 31, 2018
Accounts payable and accrued liabilities		\$ 118,441	\$ 144,281
Resident deposits		3,721	3,500
Deferred revenue		928	1,505
Deferred Trust Units ("DTU")	(a)	15,675	13,313
Restricted Trust Units ("RTU")	(b)	4,292	4,755
EUPP option component	(c)	12,901	10,398
		\$ 155,958	\$ 177,752

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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13. 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 June 30, 2019 was \$15.22 (December 31, 2018 - \$13.67).

	Units outstanding	Amount
Balance, December 31, 2017	872,599	\$ 14,186
Units granted	65,830	975
Change in fair value and distributions	35,634	(1,848)
Balance, December 31, 2018	974,063	13,313
Units granted	36,076	547
Change in fair value and distributions	19,907	1,815
Balance, June 30, 2019	1,030,046	\$ 15,675

(b) RTU:

During the six months ended June 30, 2019, 271,678 notional Trust Units were granted, 5,487 notional Trust Units were cancelled, 13,468 notional Trust Units were issued in regard to distributions, and 123,548 notional Trust Units vested and were paid out. At June 30, 2019, 732,296 notional Trust Units remained outstanding (December 31, 2018 - 576,185).

The liability is measured to fair value based on the market price for Trust Units at each reporting period until settlement.

(c) EUPP option component:

EUPP is considered a cash settled plan as Trust Units are considered to be liabilities under IFRS, and the fair value of the amounts payable is recognized as an expense with a corresponding increase in liability over the employee service period. The liability is remeasured at each reporting date and at settlement date. Any change in liability is recognized in profit and loss.

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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13. Accounts payable and other liabilities (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:

	June 30, 2019	December 31, 2018
Expected volatility	11.80% - 16.80%	20.23% - 25.23%
Risk-free rate	1.72% - 2.00%	2.32% - 2.60%
Distribution yield	4.21% - 4.81%	4.61% - 5.18%

14. Assets held for sale and related liabilities:

As at June 30, 2019, management is committed to a plan to sell four long term care residences located in Ontario and one retirement residence for \$25,000 located in Quebec. The sale of the retirement residence was completed on July 12, 2019 (note 25). The sale of four long term care residences is expected to be completed in early 2020.

The following table summarizes the assets held for sale and related liabilities on June 30, 2019:

Assets:	
Cash and cash equivalents	\$ 8
Trade and other receivables	291
Other assets	145
PP&E, net	14,761
Intangibles, net	2,992
	<hr/>
	\$ 18,197
Liabilities:	
Accounts payable and other liabilities	\$ 3,136
Mortgages payable	5,163
	<hr/>
	\$ 8,299

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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15. Class B Units:

Class B Units are exchangeable, at the option of the holder, into Trust Units. Such exchangeable instruments are presented as a liability and are measured at fair value. Fair value is determined by using the market price for listed Trust Units since there is a one-for-one exchange feature for each Class B Unit into a Trust Unit. Class B Units are considered Level 2 in the fair value hierarchy. The market price of Trust Units at June 28, 2019 was \$15.22 per unit (December 31, 2018 - \$13.67 per unit). At June 30, 2019, 1,611,738 Class B Units were outstanding (December 31, 2018 - 1,642,738).

16. Trust Units and EUPP:

The following Trust Units are issued and outstanding:

	Number of Trust Units	Amount
Balance, December 31, 2017	209,481,633	\$ 2,257,424
Trust Units issued under DRIP	1,460,800	21,253
Trust Units issued in exchange of Class B Units	6,000	87
Trust Units released on settlement of EUPP receivable	43,117	1,090
Issue costs related to Trust Units pursuant to public offering	—	(267)
Deferred tax asset recognized through equity	—	6,149
Balance, December 31, 2018	210,991,550	2,285,736
Trust Units issued under DRIP	882,928	12,675
Trust Units issued in exchange of Class B Units	31,000	457
Trust Units released on settlement of EUPP receivable	67,230	1,281
Balance, June 30, 2019	211,972,708	\$ 2,300,149

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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16. 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, 2017	1,452,089	\$ 16,213
Trust Units issued under EUPP	115,348	1,787
Trust Units surrendered for cancellation under EUPP	(838)	(12)
Trust Units released on settlement of EUPP receivable	(43,117)	(469)
Balance, December 31, 2018	1,523,482	17,519
Trust Units issued under EUPP	115,768	1,727
Trust Units released on settlement of EUPP receivable	(67,230)	(677)
Balance, June 30, 2019	1,572,020	\$ 18,569

17. Segmented information:

The accounting policies of each of the segments are the same as those for Chartwell, except these segments include Chartwell's proportionate share of its joint ventures. The "Reconciliation" column shows the adjustments to account for these joint ventures using the equity method, as applied in these condensed consolidated interim financial statements. Certain general, administrative and trust expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.

The measure of segment profit or loss is adjusted net operating income which is resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' revenue and direct property operating expenses, respectively.

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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17. Segmented information (continued):

	Three months ended June 30, 2019							Total
	Retirement Operations	Long Term Care Operations	Segment Total	Other ⁽²⁾	Subtotal	Recon- ciliation		
Revenue:								
Resident	\$ 182,798	\$ 59,508	\$ 242,306	\$ –	\$ 242,306	\$ (28,458)	\$ 213,848	
Management and other fees	–	–	–	2,620	2,620	–	2,620	
Lease revenue from joint ventures	–	–	–	–	–	9,861	9,861	
Interest income	–	–	–	1,209	1,209	(100)	1,109	
	182,798	59,508	242,306	3,829	246,135	(18,697)	227,438	
Expenses:								
Direct property operating	(112,592)	(51,418)	(164,010)	–	(164,010)	17,455	(146,555)	
Adjusted net operating income ⁽¹⁾	70,206	8,090	78,296					
Depreciation of PP&E							(45,749)	
Amortization of intangible assets							(510)	
Share of net income from joint ventures							309	
General, administrative and trust Other income							(12,459)	
Finance costs							2,155	
Change in fair values of financial instruments and foreign exchange losses							(21,597)	
							(80,827)	
Income before income taxes							56	
Income tax benefit (expense):								
Current							–	
Deferred							(1,639)	
							(1,639)	
Net loss							\$ (1,583)	
Expenditures for non-current assets:								
Acquisition of properties	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	
Capital additions	37,146	3,339	40,485	10,231	50,716	(2,246)	48,470	

⁽¹⁾ Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expenses.

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

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, 2019 and 2018
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17. Segmented information (continued):

	Three months ended June 30, 2018						
	Retirement Operations	Long Term Care Operations	Segment Total	Other ⁽²⁾	Subtotal	Recon- ciliation	Total
Revenue:							
Resident	\$ 174,769	\$ 57,705	\$ 232,474	\$ –	\$ 232,474	\$ (30,799)	\$ 201,675
Management and other fees	–	–	–	2,512	2,512	–	2,512
Lease revenue from joint ventures	–	–	–	–	–	9,447	9,447
Interest income	–	–	–	1,040	1,040	(96)	944
	174,769	57,705	232,474	3,552	236,026	(21,448)	214,578
Expenses:							
Direct property operating	(105,465)	(49,213)	(154,678)	–	(154,678)	18,777	(135,901)
Adjusted net operating income ⁽¹⁾	69,304	8,492	77,796				
Depreciation of PP&E							(40,783)
Amortization of intangible assets							(411)
Share of net income from joint ventures							353
General, administrative and trust Other income							(12,052)
Finance costs							312
Change in fair values of financial instruments and foreign exchange gains (losses)							(19,572)
							436
							(71,717)
Income before income taxes							6,960
Income tax benefit (expense):							
Current							(18)
Deferred							26
							8
Net income							\$ 6,968
Expenditures for non-current assets:							
Acquisition of properties	\$ 315,776	\$ –	\$ 315,776	\$ –	\$ 315,776	\$ –	\$ 315,776
Capital additions	46,224	3,378	49,602	9,597	59,199	(2,134)	57,065

⁽¹⁾ Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expenses.

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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17. Segmented information (continued):

	Six months ended June 30, 2019						
	Retirement Operations	Long Term Care Operations	Segment Total	Other ⁽²⁾	Subtotal	Recon- ciliation	Total
Revenue:							
Resident	\$ 364,650	\$ 117,016	\$ 481,666	\$ –	\$ 481,666	\$ (57,934)	\$ 423,732
Management and other fees	–	–	–	5,101	5,101	–	5,101
Lease revenue from joint ventures	–	–	–	–	–	19,722	19,722
Interest income	–	–	–	2,449	2,449	(217)	2,232
	364,650	117,016	481,666	7,550	489,216	(38,429)	450,787
Expenses:							
Direct property operating	(224,489)	(101,442)	(325,931)	–	(325,931)	35,212	(290,719)
Adjusted net operating income ⁽¹⁾	140,161	15,574	155,735				
Depreciation of PP&E							(90,582)
Amortization of intangible assets							(951)
Share of net income from joint ventures							701
General, administrative and trust							(25,208)
Other income							41,048
Finance costs							(42,123)
Change in fair values of financial instruments and foreign exchange losses							(9,124)
							(126,239)
Income before income taxes							33,829
Income tax benefit (expense):							
Current							–
Deferred							(20,461)
							(20,461)
Net income							\$ 13,368
Expenditures for non-current assets:							
Acquisition of properties	\$ 111,000	\$ –	\$ 111,000	\$ –	\$ 111,000	\$ –	\$ 111,000
Capital additions	73,158	4,287	77,445	18,641	96,086	(3,995)	92,091

⁽¹⁾Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expenses.

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

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, 2019 and 2018
(Unaudited)

17. Segmented information (continued):

	Six months ended June 30, 2018							Total
	Retirement Operations	Long Term Care Operations	Segment Total	Other ⁽²⁾	Subtotal	Recon- ciliation		
Revenue:								
Resident	\$ 342,975	\$ 114,061	\$ 457,036	\$ –	\$ 457,036	\$ (61,756)	\$ 395,280	
Management and other fees	–	–	–	5,822	5,822	–	5,822	
Lease revenue from joint ventures	–	–	–	–	–	18,111	18,111	
Interest income	–	–	–	2,058	2,058	(143)	1,915	
	342,975	114,061	457,036	7,880	464,916	(43,788)	421,128	
Expenses:								
Direct property operating	(210,308)	(99,469)	(309,777)	–	(309,777)	38,529	(271,248)	
Adjusted net operating income ⁽¹⁾	132,667	14,592	147,259					
Depreciation of PP&E							(81,146)	
Amortization of intangible assets							(823)	
Share of net income from joint ventures							654	
General, administrative and trust							(24,582)	
Other income							13,232	
Finance costs							(37,105)	
Change in fair values of financial instruments and foreign exchange gains (losses)							2,344	
							(127,426)	
Income before income taxes							22,454	
Income tax benefit (expense):								
Current							(26)	
Deferred							54	
							28	
Net income							\$ 22,482	
Expenditures for non-current assets:								
Acquisition of properties	\$ 315,776	\$ –	\$ 315,776	\$ –	\$ 315,776	\$ –	\$ 315,776	
Capital additions	87,780	4,734	92,514	14,232	106,746	(4,948)	101,798	

⁽¹⁾ Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expenses.

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

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, 2019 and 2018
(Unaudited)

17. Segmented information (continued):

June 30, 2019	Retirement Operations	Long Term Care Operations	Segment Total	Other	Subtotal	Recon- ciliation	Total
Total assets	\$ 3,132,222	\$ 250,768	\$ 3,382,990	\$ 122,957	\$ 3,505,947	\$ (74,733)	\$ 3,431,214
Total liabilities	\$ 1,891,344	\$ 153,573	\$ 2,044,917	\$ 543,061	\$ 2,587,978	\$ (54,854)	\$ 2,533,124

December 31, 2018	Retirement Operations	Long Term Care Operations	Segment Total	Other	Subtotal	Recon- ciliation	Total
Total assets	\$ 3,091,127	\$ 250,564	\$ 3,341,691	\$ 112,332	\$ 3,454,023	\$ (135,175)	\$ 3,318,848
Total liabilities	\$ 1,881,179	\$ 155,051	\$ 2,036,230	\$ 449,408	\$ 2,485,638	\$ (100,310)	\$ 2,385,328

18. Financial instruments:

The carrying amounts and fair values of financial instruments, excluding loans receivable, interest rate swaps, liabilities related to Class B Units and income guarantees, are shown in the table below. The table below excludes cash and cash equivalents, restricted cash, trade and other receivables, accounts payable and other liabilities, and distributions payable, as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value.

	June 30, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	\$ 1,857,971	\$ 1,971,062	\$ 1,812,334	\$ 1,882,491
Credit facilities	80,000	80,000	—	—
Senior unsecured debentures	348,101	356,988	347,883	349,198

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.

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, 2019 and 2018
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18. Financial instruments (continued):

The following summarizes the significant methods and assumptions used in estimating the fair values of financial instruments:

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, 2019, the mortgages payable were discounted using rates between 2.47% and 3.88% (December 31, 2018 - 2.86% and 4.38%). 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.

The fair value of senior unsecured debentures is estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. At June 30, 2019, senior unsecured debentures were discounted using a rate of 3.54% (December 31, 2018 - 4.03%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of senior unsecured debentures is Level 2 in the fair value hierarchy.

19. Revenue:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Lease revenue ⁽¹⁾	\$ 88,066	\$ 80,314	\$ 173,534	\$ 156,805
Services revenue ⁽²⁾	135,643	130,808	269,920	256,586
Interest income	1,109	944	2,232	1,915
Management and other fees	2,620	2,512	5,101	5,822
Total revenue	\$ 227,438	\$ 214,578	\$ 450,787	\$ 421,128

⁽¹⁾Operating lease revenue which includes resident lease revenue and lease revenue from joint ventures.

⁽²⁾Includes property services element in accordance with IFRS 15, Revenue from Contracts with Customers and long term care services revenue.

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, 2019 and 2018
(Unaudited)

20. Other income:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Property lease expense	\$ –	\$ (98)	\$ –	\$ (197)
Transaction costs arising on business acquisitions and dispositions	(335)	(2,612)	(963)	(3,439)
Other expense	(335)	(2,710)	(963)	(3,636)
Other income	179	134	395	268
Remeasurement gain	–	–	39,172	–
Gain on disposal of assets	2,311	2,888	2,444	16,600
Other income	2,490	3,022	42,011	16,868
Other income	\$ 2,155	\$ 312	\$ 41,048	\$ 13,232

21. Finance costs:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Contractual interest expense on mortgages	\$ (17,631)	\$ (16,341)	\$ (35,164)	\$ (31,834)
Interest expense on senior unsecured debentures	(3,462)	(3,013)	(6,887)	(4,880)
Credit facility and other interest expense	(841)	(1,005)	(1,348)	(1,450)
	(21,934)	(20,359)	(43,399)	(38,164)
Interest capitalized to properties under development	934	1,131	2,488	1,996
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	(355)	(102)	(730)	(456)
Distributions on Class B Units recorded as interest expense	(242)	(242)	(482)	(481)
Total finance costs	\$ (21,597)	\$ (19,572)	\$ (42,123)	\$ (37,105)

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, 2019 and 2018
(Unaudited)

22. Change in fair values of financial instruments and foreign exchange losses (gains):

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Change in fair value of interest rate swaps	\$ (372)	\$ (263)	\$ (1,385)	\$ (351)
Foreign exchange gains (losses)	(92)	99	(180)	207
Change in fair value of EUPP option component	(1,328)	138	(2,854)	509
Change in fair value of Class B Units	(387)	529	(2,532)	1,535
Change in fair value of DTU	(392)	149	(1,815)	554
Change in fair value - other	(405)	(56)	(405)	(56)
Change in fair value of net operating income guarantees	–	(160)	47	(54)
Change in fair values of financial instruments and foreign exchange gains (losses)	\$ (2,976)	\$ 436	\$ (9,124)	\$ 2,344

23. Income taxes:

For the three and six months ended June 30, 2019, Chartwell recorded a deferred tax expense of \$1,639 and \$20,461 (June 30, 2018 - deferred tax benefit of \$26 and \$54), respectively. The deferred tax expense relates to step accounting adjustments on the acquisition of the remaining interests in Clair Hills and Oak Ridges Retirement Residences accounted for as business combinations, as well as the reversal of temporary differences on the accounting and tax basis of PP&E.

24. Comparative statements:

Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2019 condensed consolidated interim financial statements.

25. Subsequent event:

On July 12, 2019, Chartwell completed the sale of one retirement residences located in Quebec for \$10,500. The mortgage related to this property for \$5,165 was paid off on closing. This retirement residence was classified as asset held for sale at June 30, 2019.