

Condensed Consolidated Interim Financial Statements  
(In Canadian dollars)

# **CHARTWELL RETIREMENT RESIDENCES**

June 30, 2020  
(Unaudited)

# CHARTWELL RETIREMENT RESIDENCES

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

	Note	June 30, 2020	December 31, 2019
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 48,855	\$ 22,890
Trade and other receivables	8	27,977	20,384
Capital funding receivable		6,756	6,672
Other assets	9	28,208	20,451
Loans receivable	10	–	6,753
Assets held for sale	17	18,405	10,476
<b>Total current assets</b>		<b>130,201</b>	<b>87,626</b>
Non-current assets:			
Other assets	9	2,985	2,642
Loans receivable	10	11,978	11,978
Capital funding receivable		32,168	35,542
Investment in joint ventures	11	19,127	19,323
Intangible assets	6	79,362	75,103
Property, plant and equipment ("PP&E")	5	3,275,019	3,262,180
<b>Total non-current assets</b>		<b>3,420,639</b>	<b>3,406,768</b>
<b>Total assets</b>		<b>\$ 3,550,840</b>	<b>\$ 3,494,394</b>
<b>Liabilities and Unitholders' Equity</b>			
Current liabilities:			
Lease obligations	7	\$ 1,031	\$ 1,022
Accounts payable and other liabilities	16	159,532	170,355
Distributions payable		11,072	10,808
Mortgages payable	12	312,541	206,617
Liabilities related to assets held for sale	17	5,605	2,529
<b>Total current liabilities</b>		<b>489,781</b>	<b>391,331</b>
Non-current liabilities:			
Lease obligations	7	11,611	11,665
Other liabilities	16	7,179	–
Mortgages payable	12	1,655,731	1,734,061
Credit facilities	13	91,700	–
Unsecured term loan	14	124,698	124,697
Senior unsecured debentures	15	348,487	348,294
Class B Units of Chartwell Master Care LP ("Class B Units")	18	14,339	22,210
Deferred tax liabilities	26	15,938	24,569
<b>Total non-current liabilities</b>		<b>2,269,683</b>	<b>2,265,496</b>
<b>Total liabilities</b>		<b>2,759,464</b>	<b>2,656,827</b>
Unitholders' equity	19	791,376	837,567
<b>Total liabilities and unitholders' equity</b>		<b>\$ 3,550,840</b>	<b>\$ 3,494,394</b>

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,	
		2020	2019	2020	2019
Revenue:					
Resident		\$ 216,398	\$ 213,848	\$ 435,282	\$ 423,732
Management and other fees		2,727	2,620	5,714	5,101
Lease revenue from joint ventures	11	10,358	9,861	20,385	19,722
Interest income		1,170	1,109	2,227	2,232
	22	230,653	227,438	463,608	450,787
Income (expenses):					
Direct property operating		(154,917)	(146,555)	(305,636)	(290,719)
Depreciation of PP&E	5	(43,403)	(45,749)	(91,236)	(90,582)
Amortization of intangible assets	6	(1,944)	(510)	(2,361)	(951)
Share of net income (loss) from joint ventures	11	(588)	309	(1,786)	701
General, administrative and trust		(12,374)	(12,459)	(25,502)	(25,208)
Other income	23	4,395	2,155	1,708	41,048
Finance costs	24	(23,635)	(21,597)	(46,782)	(42,123)
Change in fair values of financial instruments and foreign exchange gains (losses)	25	(2,075)	(2,976)	8,819	(9,124)
		(234,541)	(227,382)	(462,776)	(416,958)
Income (loss) before income taxes		(3,888)	56	832	33,829
Income tax benefit (expense):					
Deferred	26	1,957	(1,639)	8,631	(20,461)
Net income (loss) and comprehensive income (loss)		\$ (1,931)	\$ (1,583)	\$ 9,463	\$ 13,368

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, 2020	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2019	\$ 2,316,036	\$ 17,924	\$ (12,251)	\$ (121,840)	\$ (1,368,799)	\$ 6,497	\$ 837,567
Net income	–	–	–	9,463	–	–	9,463
Distributions to unitholders	–	–	–	–	(65,360)	–	(65,360)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	8,518	–	–	–	–	–	8,518
Trust Units issued on exchange of Class B Units	553	–	–	–	–	–	553
Trust units issued under the Executive Unit Purchase Plan ("EUPP"), net of Trust Units released on settlement of EUPP receivable	177	2,642	(2,555)	–	–	(31)	233
Interest on EUPP receivable	–	–	(92)	–	–	–	(92)
Distributions applied against EUPP receivable	–	–	494	–	–	–	494
<b>Unitholders' equity, June 30, 2020</b>	<b>\$ 2,325,284</b>	<b>\$ 20,566</b>	<b>\$ (14,404)</b>	<b>\$ (112,377)</b>	<b>\$ (1,434,159)</b>	<b>\$ 6,466</b>	<b>\$ 791,376</b>

During the six months ended June 30, 2020, distributions were declared and paid at \$0.050 per unit per month for the months of January and February and \$0.051 per unit per month for the months of March to June. In July 2020, distributions were declared at \$0.051 per unit.

See accompanying notes to condensed consolidated interim financial statements.

# 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, 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 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
<b>Unitholders' equity, June 30, 2019</b>	<b>\$ 2,300,149</b>	<b>\$ 18,569</b>	<b>\$ (12,911)</b>	<b>\$ (109,539)</b>	<b>\$ (1,304,624)</b>	<b>\$ 6,446</b>	<b>\$ 898,090</b>

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.

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,	
		2020	2019	2020	2019
Cash provided by (used in):					
Operating activities:					
Net income (loss)		\$ (1,931)	\$ (1,583)	\$ 9,463	\$ 13,368
Items not affecting cash:					
Depreciation and amortization	5, 6	45,347	46,259	93,597	91,533
Finance costs	24	23,635	21,597	46,782	42,123
Transaction costs arising from acquisitions and dispositions	23	(133)	(335)	(591)	(963)
Other income	23	(4,395)	(2,155)	(1,708)	(41,048)
Interest income	22	(1,170)	(1,109)	(2,227)	(2,232)
Change in fair values of financial instruments and foreign exchange losses (gains)	25	2,075	2,976	(8,819)	9,124
Deferred income tax expense (benefit)	26	(1,957)	1,639	(8,631)	20,461
Share of net loss (income) from joint ventures	11	588	(309)	1,786	(701)
Other		63	755	270	1,075
Change in trade and other receivables		4,914	(7,860)	(7,424)	(7,220)
Change in other assets		(4,272)	(2,973)	(7,915)	(4,562)
Change in accounts payable and other liabilities		(6,796)	(8,402)	(2,932)	(15,311)
		55,968	48,500	111,651	105,647
Interest income and other income received		1,201	1,142	2,129	2,173
Interest paid		(27,122)	(25,763)	(47,280)	(43,881)
		30,047	23,879	66,500	63,939
Financing activities:					
Proceeds from mortgage financing		49,830	50,234	68,464	64,049
Mortgage repayments		(6,214)	(31,364)	(41,173)	(31,364)
Scheduled mortgage principal repayments		(19,124)	(17,346)	(38,038)	(34,554)
Changes to credit facilities	13	(88,000)	37,000	95,000	80,000
Additions to finance costs		(734)	(3,020)	(1,631)	(3,947)
Distributions paid		(32,165)	(25,190)	(56,668)	(50,564)
		(96,407)	10,314	25,954	23,620
Investing activities:					
Acquisition of assets, net of cash acquired	4	(12,372)	–	(21,623)	(9,519)
Additions to PP&E and intangible assets		(27,765)	(40,911)	(69,402)	(95,485)
Proceeds from disposal of PP&E and assets held for sale		21,833	1,697	22,566	3,285
Proceeds from capital funding receivable		1,656	1,568	3,290	3,115
Advances of loans receivable	10	–	–	–	(3,826)
Change in restricted cash		222	52	270	(93)
Distributions received from joint ventures	11	–	10	–	10
Contributions to joint ventures	11	–	(323)	(1,590)	(323)
		(16,426)	(37,907)	(66,489)	(102,836)
Increase (decrease) in cash and cash equivalents		(82,786)	(3,714)	25,965	(15,277)
Cash and cash equivalents, beginning of period		131,641	18,216	22,890	29,779
Cash and cash equivalents, end of period		\$ 48,855	\$ 14,502	\$ 48,855	\$ 14,502

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, 2020 and 2019  
(Unaudited)

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## 1. Organization:

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

## 2. Basis of preparation:

Statement of compliance:

These condensed consolidated interim financial statements for the three and six months ended June 30, 2020 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, 2019, 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 6, 2020.

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, 2019 with the exception of the impact of adopting the following accounting standards:

- (i) On October 22, 2018, the IASB issued amendments to IFRS 3, Business Combinations ("IFRS 3"), that seek to clarify whether a transaction is to be accounted for as an asset acquisition or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

# 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, 2020 and 2019  
(Unaudited)

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## 2. Basis of preparation (continued):

Chartwell adopted the amendments to IFRS 3 beginning on January 1, 2020, the mandatory effective date, with no impact on the financial statements upon transition.

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

## 3. COVID-19 risks:

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on Chartwell is unknown at this time. During Q2 2020, the spread of the COVID-19 pandemic adversely affected Chartwell's business and it may continue to do so depending on the scope, severity and duration of the pandemic and the possibility of subsequent waves of the pandemic. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of Chartwell which could have a material adverse effect on Chartwell's business, results of operations, liquidity and financial condition.

Revenues and expenses:

Chartwell's revenue and operating results depend significantly on the occupancy levels at Chartwell's retirement residences and long term care ("LTC") residences. Restrictions have been implemented on visits by or on behalf of prospective residents during the pandemic as a precautionary measure to avoid the spread of COVID-19, and such restrictions have resulted in decreased occupancy levels due to reduced move-in activity. The COVID-19 pandemic could also result in decreases in the occupancy at the residences due to shorter lengths of stay; direct impacts at residences that experience an outbreak; delays in accepting new residents due to quarantine, negative perceptions of congregate living or otherwise; or government directives prohibiting or limiting admissions to the residences.

# 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, 2020 and 2019  
(Unaudited)

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### 3. COVID-19 risks (continued):

The COVID-19 pandemic has caused and may continue to cause a material increase in direct operating expenses and may cause an increase in general, administrative and trust expenses and/or development costs. Enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure of residents and staff to the virus or to address outbreaks at the retirement residences and LTC residences (including enhanced screening, personal protective equipment and other health and safety precautions) resulted in increased costs. Further, COVID-19 adversely impacted Chartwell's operations by causing staffing and supply shortages in the early stages of the pandemic and may continue to do so. In addition, management and residence staff are spending considerable time addressing the pandemic, which diverts attention from other business concerns. There is also an increased risk of litigation which, even if not meritorious, and even if covered by Chartwell's insurance, could result in increased operating costs to Chartwell to defend. As of August 6, 2020, Chartwell has been served as a defendant in litigation relating to the COVID-19 pandemic outbreak in one of Chartwell's LTC residences. Although various funding measures have been introduced and/or implemented and Chartwell has been and may continue to have access to the programs there is no certainty as to the extent to which these programs may mitigate adverse effects.

#### Financial risks:

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

The COVID-19 pandemic could result in some or all of these negative outcomes and could materially and adversely impact Chartwell's business, results from operations, liquidity, and financial condition. The extent to which COVID-19 will impact Chartwell's business and results of operations is uncertain and will depend on future developments that cannot be predicted with confidence, including the duration and severity of the outbreak, and the actions taken by governments and private sector participants to contain COVID-19 or address its impacts, among others.

# 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, 2020 and 2019  
(Unaudited)

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### 3. COVID-19 risks (continued):

#### Liquidity risks:

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

The available borrowing capacity of the secured credit facility as disclosed in note 13, credit facilities may be reduced due to the impact of COVID-19 on the business. The available capacity is determined in accordance with a formula defined in the Credit Agreement that considers the lending value of the properties included in the secured asset pool. The factors impacting the lending value formula include property valuations, the mortgageability amount determined on the basis of net operating income (as defined in the secured credit agreement) for the previous four quarters, the secured collateral, and the occupancy rate of the property.

The available borrowing capacity of the unsecured credit facility as disclosed in note 13, credit facilities may also be reduced due to COVID-19. The unsecured credit facility capacity may be reduced if the ratio of unencumbered property asset value to unsecured indebtedness (as defined in the unsecured credit agreement) falls below a threshold defined in the unsecured credit agreement.

# 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, 2020 and 2019  
(Unaudited)

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## 4. Acquisitions:

Acquisitions during the six months ended June 30, 2020:

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

The purchase price for Chartwell Le St-Gabriel Landlord was \$36,731, before transaction costs, and was settled through the assumption of a variable mortgage of \$23,907, settlement of a \$3,569 outstanding mezzanine loan with the balance, net of working capital adjustments, paid in cash. Chartwell applied the optional concentration test in accordance with IFRS 3 and accounted for the acquisition as an asset acquisition. Acquisition related costs of \$2,062 have been capitalized to the building in the condensed consolidated interim balance sheet. The net assets acquired and consideration transferred in relation to the purchase of the Chartwell Le St-Gabriel Operator was \$1,500 (note 11).

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

The purchase price for Chartwell's 85% interest in Chartwell L'Unique III was \$32,566, before transaction costs, and was settled through the assumption of a variable rate mortgage of \$16,925, the settlement of a \$3,184 outstanding mezzanine loan with the balance, net of working capital adjustments, paid in cash. Chartwell applied the optional concentration test in accordance with IFRS 3 and accounted for the acquisition as an asset acquisition. Acquisition related costs of \$1,042 have been capitalized to the building in the condensed consolidated interim balance sheet.

# 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, 2020 and 2019  
(Unaudited)

## 4. Acquisitions (continued):

The following table summarizes the allocation of the purchase price to each major category of assets acquired and liabilities assumed at the date of acquisition for Chartwell Le St-Gabriel Landlord and Chartwell L'Unique III.

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

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2020 and 2019  
(Unaudited)

## 5. Property, plant and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
<b>Cost</b>						
Balance, December 31, 2018	\$ 310,390	\$ 3,082,413	\$ 142,968	\$ 193,548	\$ 20,027	\$ 3,749,346
Recognition of right-of-use assets upon adoption of IFRS 16	7,840	898	–	–	2,450	11,188
Additions	–	81,507	9,859	92,470	3,500	187,336
Additions through acquisitions	15,765	205,097	4,620	–	–	225,482
Disposals	(1,789)	(16,803)	(547)	–	–	(19,139)
Derecognition	–	(63,555)	(522)	–	–	(64,077)
Transfers	14,293	117,510	5,098	(133,401)	(3,500)	–
Transfers to assets held for sale	(2,951)	(17,249)	(2,737)	–	(253)	(23,190)
Balance, December 31, 2019	343,548	3,389,818	158,739	152,617	22,224	4,066,946
Additions	–	27,960	4,341	27,679	–	59,980
Additions through acquisitions	3,931	67,669	651	–	–	72,251
Disposals	(1,202)	(11,090)	(1,055)	–	–	(13,347)
Derecognition	–	(24,011)	(7,973)	–	–	(31,984)
Transfers	6,748	72,784	5,727	(85,259)	–	–
Transfers to assets held for sale	(1,829)	(19,806)	(724)	–	–	(22,359)
Balance, June 30, 2020	\$ 351,196	\$ 3,503,324	\$ 159,706	\$ 95,037	\$ 22,224	\$ 4,131,487
<b>Accumulated depreciation and impairment losses</b>						
Balance, December 31, 2018	\$ –	\$ 563,576	\$ 92,024	\$ –	\$ –	\$ 655,600
Depreciation of right-of-use assets	172	115	–	–	83	370
Depreciation	–	157,185	20,895	–	–	178,080
Disposals	–	(6,439)	(422)	–	–	(6,861)
Derecognition	–	(63,555)	(522)	–	–	(64,077)
Impairment	–	46,974	–	–	–	46,974
Loss due to water damage	–	2,803	98	–	–	2,901
Transfers to assets held for sale	–	(6,296)	(1,925)	–	–	(8,221)
Balance, December 31, 2019	172	694,363	110,148	–	83	804,766
Depreciation of right-of-use assets	85	171	419	–	42	717
Depreciation	–	80,093	10,426	–	–	90,519
Disposals	–	(5,722)	(883)	–	–	(6,605)
Derecognition	–	(24,011)	(7,973)	–	–	(31,984)
Impairment	–	3,200	–	–	–	3,200
Transfers to assets held for sale	–	(3,685)	(460)	–	–	(4,145)
Balance, June 30, 2020	\$ 257	\$ 744,409	\$ 111,677	\$ –	\$ 125	\$ 856,468
<b>Carrying amounts</b>						
Balance, December 31, 2019	\$ 343,376	\$ 2,695,455	\$ 48,591	\$ 152,617	\$ 22,141	\$ 3,262,180
Balance, June 30, 2020	350,939	2,758,915	48,029	95,037	22,099	3,275,019

# 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, 2020 and 2019  
(Unaudited)

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

The following table lists the balance of Chartwell's right-of-use assets included in the table above as at December 31, 2019 and June 30, 2020:

Right-of-use assets	Land <sup>(1)</sup>	Buildings <sup>(2)</sup>	Furniture, fixtures and equipment <sup>(3)</sup>	Land held for development	Total
Balance, December 31, 2019	\$ 7,668	\$ 6,472	\$ 1,416	\$ 2,367	\$ 17,923
Balance, June 30, 2020	\$ 7,583	\$ 6,301	\$ 1,443	\$ 2,325	\$ 17,652

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

<sup>(2)</sup> Relates to office leases

<sup>(3)</sup> Includes additions of \$446

During the six months ended June 30, 2020, Chartwell completed the construction of its head office and transferred the related costs from properties under development to other components of PP&E.

During the six months ended June 30, 2020, Chartwell capitalized \$1,670 (June 30, 2019 - \$2,488) of borrowing costs related to development projects under construction at an average capitalization rate of 3.63% (June 30, 2019 - 3.75%).

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

On April 24, 2020, Chartwell entered into an agreement relating to the sale of three retirement homes located in Alberta for an aggregate sale price of \$30,750 and is expected to close before December 31, 2020. The sale is subject to approvals from Alberta Health and Alberta Health Services. These properties are classified as Assets Held for Sale as at June 30, 2020.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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As at and for the three months and six months ended June 30, 2020 and 2019  
(Unaudited)

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

Since January 1, 2010, the cost and accumulated depreciation of PP&E has been reduced by \$234,816 (December 31, 2019 - \$234,009) to remove fully amortized value of resident contracts. During the three and six months ended June 30, 2020, Chartwell recorded impairment provisions of nil and \$3,200 (three and six months ended June 30, 2020 - nil) on five properties in Ontario as a result of temporary decline in estimated future cash flows due to the COVID-19 pandemic.

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

Chartwell also expects COVID-19-related delays to development initiatives and to the commencement of construction for new projects. Chartwell expects near-term delays to on-going projects in terms of construction spending and expected completion dates, as well as delays to the commencement of construction for new development projects.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## 6. Intangibles:

	Goodwill	Licenses	Software <sup>(1)</sup>	Total
<b>Cost</b>				
Balance, December 31, 2018	\$ 9,233	\$ 44,334	\$ 23,111	\$ 76,678
Additions	–	–	14,720	14,720
Disposals	–	–	(15)	(15)
Derecognition	–	–	(149)	(149)
Transfers to assets held for sale	–	(2,990)	(114)	(3,104)
Balance, December 31, 2019	9,233	41,344	37,553	88,130
Additions	–	–	6,639	6,639
Disposals	–	–	(18)	(18)
Transfers to assets held for sale	–	–	(34)	(34)
Balance, June 30, 2020	\$ 9,233	\$ 41,344	\$ 44,140	\$ 94,717
<b>Accumulated amortization</b>				
Balance, December 31, 2018	\$ –	\$ –	\$ 11,171	\$ 11,171
Disposals	–	–	(6)	(6)
Derecognition	–	–	(149)	(149)
Amortization	–	–	2,072	2,072
Transfers to assets held for sale	–	–	(61)	(61)
Balance, December 31, 2019	–	–	13,027	13,027
Amortization	–	–	2,361	2,361
Disposals	–	–	(12)	(12)
Transfers to assets held for sale	–	–	(21)	(21)
Balance, June 30, 2020	\$ –	\$ –	\$ 15,355	\$ 15,355
<b>Carrying amounts</b>				
Balance, December 31, 2019	\$ 9,233	\$ 41,344	\$ 24,526	\$ 75,103
Balance, June 30, 2020	9,233	41,344	28,785	79,362

<sup>(1)</sup> The June 30, 2020 balance includes \$4,507 (December 31, 2019 - \$20,937) in software under development.

# 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, 2020, Chartwell has right-of-use assets in respect of leases totalling \$17,652 (December 31, 2019 - \$17,923) with remaining lease terms ranging from 2 to 59 years. Lease obligations related to these right-of-use assets totalled \$12,642 (December 31, 2019 - \$12,687) of which \$1,031 (December 31, 2019 - \$1,022) was classified current and \$11,611 (December 31, 2019 - \$11,665) was classified non-current as at June 30, 2020. Chartwell generally does not include purchase, extension or termination options in its leases, other than extension options for land leases that support properties with lengthy useful lives.

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

Less than one year	\$ 1,041
One to five years	3,988
More than five years	21,960
<b>Total<sup>(1)</sup></b>	<b>\$ 26,989</b>

<sup>(1)</sup> Includes three land leases with cumulative required undiscounted cash payments of \$24,379 (December 31, 2019 - \$24,567) which mature between 2044 and 2079.

## 8. Trade and other receivables:

	June 30, 2020	December 31, 2019
Residents <sup>(1)</sup>	\$ 1,758	\$ 1,785
Related party <sup>(2)</sup>	3,376	1,841
Insurance recoverables	3,967	4,866
Government funding (COVID-19) <sup>(3)</sup>	6,645	—
Other	12,231	11,892
	<b>\$ 27,977</b>	<b>\$ 20,384</b>

<sup>(1)</sup> Resident receivables balance at June 30, 2020 is net of an allowance for expected credit losses of \$1,531 (December 31, 2019 - \$1,229)

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

<sup>(3)</sup> Represents the amount funded but not received at June 30, 2020. Chartwell's direct operating expenses include government income funding of \$3,051 netted against related expenses of \$6,047 for the three and six months ended June 30, 2020.

# 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, 2020 and 2019  
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## 9. Other assets:

	June 30, 2020	December 31, 2019
Prepaid expenses and deposits	\$ 15,782	\$ 7,701
Restricted cash	1,438	1,168
Other assets	13,973	14,224
	<u>\$ 31,193</u>	<u>\$ 23,093</u>
Current	\$ 28,208	\$ 20,451
Non-current	2,985	2,642
	<u>\$ 31,193</u>	<u>\$ 23,093</u>

Other assets include receivables of \$7,026 recorded at their fair value, related to income guarantees provided by vendors of certain acquired properties (December 31, 2019 - \$7,184). Income guarantees are considered Level 3 in the fair value hierarchy. Fair value is determined by discounting the applicable expected future income from these properties. During the six months ended June 30, 2020, \$464 (June 30, 2019 - \$1,839) of income guarantees were collected.

## 10. Loans receivable:

Loans are due from Batimo, mature between 2023 and 2024, bear interest rate of 10%, and are secured by first and second charges on Batimo's interests in certain operating and development seniors' housing projects and vacant land, as well as by Batimo's corporate guarantee and contain certain cross-collateralization and cross-default provisions. Loans receivable are measured at FVTPL and are considered Level 3 in the fair value hierarchy.

Mezzanine loans of \$3,569 and \$3,184 were settled upon the acquisitions of Chartwell Le St-Gabriel Landlord on March 2, 2020 and Chartwell L'Unique III on May 1, 2020 respectively (note 4).

# 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, 2020 and 2019  
(Unaudited)

## 11. Joint arrangements:

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The following are Chartwell's joint arrangements as at June 30, 2020:

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

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

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

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

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

	Six months ended June 30,	
	2020	2019
Contributions to joint ventures	\$ 1,590	\$ 323
Distributions received from joint ventures <sup>(1)</sup>	–	(16,010)

<sup>(1)</sup> Non-cash distribution

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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(Unaudited)

## 11. Joint arrangements (continued):

The following table summarizes the allocation of the purchase price excluding transaction costs to each major category of assets acquired and liabilities assumed at the date of acquisition for Chartwell Le St-Gabriel Operator (note 4):

Date of acquisition	March 2, 2020	
Furniture, fixtures and equipment	\$	1,136
Acquired cash		527
Working capital adjustments		(163)
<b>Net assets acquired</b>	<b>\$</b>	<b>1,500</b>
Cash transferred to the seller	\$	1,500
<b>Total consideration</b>	<b>\$</b>	<b>1,500</b>
	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 7,469	\$ 4,964
Trade and other receivables	13,046	13,144
Other assets	2,640	2,230
<b>Current assets</b>	<b>23,155</b>	<b>20,338</b>
PP&E and intangible assets	59,153	58,500
<b>Total assets</b>	<b>\$ 82,308</b>	<b>\$ 78,838</b>
Accounts payable and other liabilities	\$ 11,439	\$ 10,761
Mortgages payable - current	25,385	341
<b>Current liabilities</b>	<b>36,824</b>	<b>11,102</b>
Mortgages payable - non-current	26,357	48,413
<b>Total liabilities</b>	<b>\$ 63,181</b>	<b>\$ 59,515</b>
Net investment in joint ventures	\$ 19,127	\$ 19,323

# 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)

## 11. Joint arrangements (continued):

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 29,440	\$ 28,558	\$ 59,016	\$ 58,151
Direct property operating expense	(18,331)	(17,455)	(36,990)	(35,212)
Lease expense	(10,358)	(9,861)	(20,385)	(19,722)
Finance costs	(470)	(305)	(998)	(745)
Depreciation and amortization	(920)	(583)	(1,903)	(1,437)
Change in fair value of financial instruments and foreign exchange gains (losses)	52	(47)	(526)	(336)
Other income (expense)	(1)	2	—	2
Chartwell's share of net income (loss) from joint ventures	\$ (588)	\$ 309	\$ (1,786)	\$ 701

Related party transactions occur between Chartwell and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Except as disclosed elsewhere in these condensed consolidated interim financial statements, the related party balances are included in accounts payable and receivable, and in management fee revenue, as applicable. As of June 30, 2020, \$1,897 (December 31, 2019 - \$526) of Chartwell's accounts receivable and \$12,590 (December 31, 2019 - \$13,005) of Chartwell's accounts payable relate to its investments in joint ventures. For the three months and six months ended June 30, 2020, \$1,720 and \$3,306 (June 30, 2019 - \$1,728 and \$3,323) of Chartwell's management fees related to its investment in joint ventures.

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

# CHARTWELL RETIREMENT RESIDENCES

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

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(Unaudited)

## 11. Joint arrangements (continued):

Chartwell-Welltower Operator and Chartwell Le St-Gabriel Operator have leased the real estate from Chartwell-Welltower Landlord and Chartwell Le St-Gabriel Landlord respectively, 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 respective parties is still in effect. As a result, Chartwell's share of the landlords' lease receipts, \$10,358 and \$20,385 for the three months and six months ended June 30, 2020 (three months and six months ended June 30, 2019 - \$9,861 and \$19,722) is reported as lease revenue and is included in lease revenue from joint ventures. The lease expenses for Chartwell-Welltower Operator and Chartwell Le St-Gabriel Operator are included in the share of net income from joint ventures.

## 12. Mortgages payable:

	June 30, 2020	December 31, 2019
Mortgages principal balance	\$ 1,999,875	\$ 1,975,089
Mark-to-market adjustments on assumed mortgages	8,193	9,389
Financing costs <sup>(1)</sup>	(39,796)	(43,800)
	<u>\$ 1,968,272</u>	<u>\$ 1,940,678</u>
Current	\$ 312,541	\$ 206,617
Non-current	1,655,731	1,734,061
	<u>\$ 1,968,272</u>	<u>\$ 1,940,678</u>

<sup>(1)</sup> 2019 balance includes credit facility financing costs of \$3,251.

# 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, 2020 and 2019  
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## 12. Mortgages payable (continued):

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, 2020 are as follows:

	Regular Principal payments	Principal due on maturity	Total debt	% of total debt
Remainder 2020	\$ 38,248	\$ 82,866	\$ 121,114	6
2021	74,884	203,219	278,103	14
2022	73,010	271,430	344,440	17
2023	64,731	72,374	137,105	7
2024	55,235	160,801	216,036	11
2025	49,041	65,856	114,897	6
2026	47,317	37,235	84,552	4
2027	44,786	63,176	107,962	5
2028	47,636	180,955	228,591	11
2029	31,521	85,729	117,250	6
2030	25,016	40,333	65,349	3
2031	21,814	9,490	31,304	2
2032	20,657	14,978	35,635	2
2033	19,640	31,221	50,861	3
2034	10,157	1,621	11,778	1
Thereafter	29,921	24,977	54,898	2
<b>Total</b>	<b>\$ 653,614</b>	<b>\$ 1,346,261</b>	<b>\$ 1,999,875</b>	<b>100</b>

	June 30, 2020	December 31, 2019
Mortgages at fixed rates:		
Mortgages (principal)	\$1,909,498	\$1,920,778
Interest rates	1.48% to 7.85%	1.90% to 7.85%
Weighted average interest rate	3.67%	3.68%
Mortgages at variable rates:		
Mortgages (principal)	\$90,377	\$54,311
Interest rates	Bankers' acceptance plus 0.975% to prime plus 0.8%	Bankers' acceptance plus 0.975% to Bankers' acceptance plus 1.65%
Weighted average interest rate	2.33%	3.52%
<b>Blended weighted average rate</b>	<b>3.61%</b>	<b>3.68%</b>

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2020 and 2019  
(Unaudited)

## 12. Mortgages payable (continued):

Included in mortgages at fixed rates above, are mortgages totaling \$135,278 (December 31, 2019 - \$126,818) with interest rates fixed through interest rate swap contracts with an equivalent notional value, maturing in 2021 and 2022. The swaps have a fair value of \$1,246 (December 31, 2019 - \$509) included in accounts payable and other accrued liabilities and fair value asset of nil (December 31, 2019 - \$328) included in trade and other receivables. The swaps are considered level 2 in the fair value hierarchy.

## 13. Credit facilities:

Financing costs, which have been recorded as a reduction of the amounts outstanding under the credit facilities, as at June 30, 2020 were \$3,300 (December 31, 2019 - \$3,251).

The following tables summarize certain details of Chartwell's revolving credit facility as at June 30, 2020 and December 31, 2019:

June 30, 2020:

	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for Letters of credit	Available to be drawn	Maturity date
Secured credit facility <sup>(1)</sup>	\$ 300,000	\$ 300,000	\$ (95,000)	\$ (7,727)	\$ 197,273	May 29, 2024
Unsecured credit facility <sup>(2)</sup>	100,000	100,000	–	–	100,000	May 29, 2024
<b>Total</b>	<b>\$ 400,000</b>	<b>\$ 400,000</b>	<b>\$ (95,000)</b>	<b>\$ (7,727)</b>	<b>\$ 297,273</b>	

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

<sup>(2)</sup> Available capacity reduced if ratio of unencumbered property asset value to unsecured indebtedness (as defined in the credit agreement) falls below 1.3:1.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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(Unaudited)

## 13. Credit facilities (continued):

December 31, 2019:

	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for Letters of credit	Available to be drawn	Maturity date
Secured credit facility <sup>(1)</sup>	\$ 300,000	\$ 300,000	\$ –	\$ (8,219)	\$ 291,781	May 29, 2024
Unsecured credit facility <sup>(2)</sup>	100,000	100,000	–	–	100,000	May 29, 2024
<b>Total</b>	<b>\$ 400,000</b>	<b>\$ 400,000</b>	<b>\$ –</b>	<b>\$ (8,219)</b>	<b>\$ 391,781</b>	

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

<sup>(2)</sup> Available capacity reduced if ratio of unencumbered property asset value to unsecured indebtedness (as defined in the credit agreement) falls below 1.3:1.

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.

## 14. Unsecured term loan:

On December 10, 2019, Chartwell entered into a \$125,000 unsecured term loan agreement with a Canadian chartered bank. The loan matures on May 31, 2024 and through an interest rate swap the interest rate was fixed at 3.523%. On June 26, 2020, Chartwell entered into a revised swap agreement. Terms of the revised agreement include a rate floor of zero percent with a fixed effective interest rate of 3.703% as at June 30, 2020.

# CHARTWELL RETIREMENT RESIDENCES

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

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## 14. Unsecured term loan (continued):

The interest rate on the unsecured term loan has been fixed through interest rate swap contracts with an equivalent notional value. The fair value of the swaps included in other liabilities at June 30, 2020 was \$6,863 (December 31, 2019 - fair value asset of \$332). The swap is considered Level 2 in the fair value hierarchy.

The following tables detail the outstanding principal amounts and the carrying value of Chartwell's unsecured term loan at June 30, 2020 and at December 31, 2019:

June 30, 2020:

	Outstanding principal	Financing costs, net	Carrying value	Maturity date
Unsecured term loan	\$ 125,000	\$ (302)	\$ 124,698	May 31, 2024

December 31, 2019:

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

## 15. Senior unsecured debentures:

The following tables detail the outstanding principal amounts and the carrying value of Chartwell's senior unsecured debentures at June 30, 2020 and at December 31, 2019:

June 30, 2020:

	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date <sup>(1)</sup>	Due date
3.786% Series A	June 9, 2017	\$ 200,000	\$ (831)	\$ 199,169	October 11, 2023	December 11, 2023
4.211% Series B	April 27, 2018	150,000	(682)	149,318	February 25, 2025	April 28, 2025
<b>Total</b>		<b>\$ 350,000</b>	<b>\$ (1,513)</b>	<b>\$ 348,487</b>		

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

# CHARTWELL RETIREMENT RESIDENCES

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

December 31, 2019:

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

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

## 16. Accounts payable and other liabilities:

	Note	June 30, 2020	December 31, 2019
Accounts payable and accrued liabilities		\$ 142,674	\$ 137,171
Resident deposits		3,729	3,751
Deferred revenue		1,376	693
Deferred Trust Units ("DTU")	(a)	10,812	15,038
Restricted Trust Units ("RTU")	(b)	2,163	3,710
EUPP option component	(c)	5,957	9,992
		<b>\$ 166,711</b>	<b>\$ 170,355</b>
Current		\$ 159,532	\$ 170,355
Non-current <sup>(1)</sup>		7,179	–
		<b>\$ 166,711</b>	<b>\$ 170,355</b>

<sup>(1)</sup>Non-current balance includes the non-current portion of swaps on mortgages and the swap on unsecured term loan.

# CHARTWELL RETIREMENT RESIDENCES

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

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

### (a) DTU Plan:

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, 2020 was \$9.37 (December 31, 2019 - \$13.90). DTU plan is considered Level 2 in the fair value hierarchy. The following table summarizes the DTU activity:

	Units outstanding	Amount
Balance, December 31, 2018	974,063	\$ 13,313
Units granted	66,632	986
Change in fair value and distributions	41,172	739
Balance, December 31, 2019	1,081,867	15,038
Units granted	40,299	365
Change in fair value and distributions	31,679	(4,591)
Balance, June 30, 2020	1,153,845	\$ 10,812

### (b) RTU Plan:

During the six months ended June 30, 2020, 274,490 notional Trust Units were granted (December 31, 2019 - 271,678), 1,058 notional Trust units were cancelled (December 31, 2019 - 14,961), 18,446 notional Trust units were issued in regard to distributions (December 31, 2019 - 28,366), and 289,637 notional Trust units vested and were paid out (December 31, 2019 - 206,618). At June 30, 2020, 656,891 notional Trust Units remained outstanding (December 31, 2019 - 654,650). The liability is measured to fair value based on the market price for Trust Units at each reporting period until settlement. RTU plan is considered Level 1 in the fair value hierarchy.

### (c) EUPP option component:

The fair value of the EUPP option component is recognized as an expense with a corresponding increase in liability over the employee service period. The liability is remeasured at each reporting date and at settlement date. Any change in liability is recognized in profit and loss.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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(Unaudited)

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

Fair value is measured using the Monte Carlo simulation method. EUPP is considered Level 2 in the fair value hierarchy. The following table summarizes the assumptions used to determine the fair value of the EUPP option component:

	June 30, 2020	December 31, 2019
Expected volatility	31.35% - 36.35%	13.53% - 18.53%
Risk-free rate	0.74% - 1.19%	2.05% - 2.25%
Distribution yield	7.66% - 13.31%	4.60% - 5.28%

## 17. Assets held for sale and related liabilities:

On April 1, 2020, Chartwell completed the sale of four LTC residences in Ontario that were classified as assets held for sale at March 31, 2020 for an aggregate sale price of \$13,593. Chartwell has retained the obligation to remediate the lands at one of these LTC residences. While the land is being remediated, Chartwell will retain the ownership of the land and will receive cash in the amount of \$707 in aggregate. The arrangement qualifies as a finance lease and the related lease receivable is recorded in accounts receivable.

At June 30, 2020, management is committed to a plan to sell three retirement homes located in Alberta. The sale is expected to be completed before December 31, 2020.

# 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, 2020 and 2019  
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## 17. Assets held for sale and related liabilities (continued):

The following table summarizes the significant assets held for sale at:

	June 30, 2020	December 31, 2019
<b>Assets:</b>		
Trade and other receivables	\$ 7	\$ 256
Other assets	171	80
PP&E and intangibles, net	18,227	10,140
	<b>\$ 18,405</b>	<b>\$ 10,476</b>
<b>Liabilities:</b>		
Accounts payable and other liabilities	\$ 503	\$ 2,529
Mortgages payable	5,102	–
	<b>\$ 5,605</b>	<b>\$ 2,529</b>

The movement of PP&E and intangibles classified as assets held for sale is as follows:

Balance, December 31, 2018	\$ –
Carrying value of assets transferred from PP&E and intangibles	17,754
Additions	258
Disposals	(7,872)
Balance, December 31, 2019	10,140
Additions	71
Land reclassified as lease receivable	(707)
Disposals	(9,504)
Carrying value of assets transferred from PP&E and intangibles	18,227
Balance, June 30, 2020	<b>\$ 18,227</b>

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## 18. 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. Distributions on Class B Units are reported as a finance cost on the statement of comprehensive income. Fair value is determined by using the market price for listed Trust Units since there is a one-for-one exchange feature for each Class B Unit into a Trust Unit. Class B Units are considered Level 2 in the fair value hierarchy. The market price of Trust Units at June 30, 2020 was \$9.37 per unit (December 31, 2019 - \$13.90 per unit). At June 30, 2020, 1,530,360 Class B Units were outstanding (December 31, 2019 - 1,597,860).

## 19. Trust Units and EUPP:

The following Trust Units are issued and outstanding:

	Number of Trust Units	Amount
Balance, December 31, 2018	210,991,550	\$ 2,285,736
Trust Units issued under DRIP	1,880,295	26,937
Trust Units issued in exchange of Class B Units	44,878	671
Trust Units released on settlement of EUPP receivable	138,305	2,736
Other equity related costs	—	(94)
Deferred tax asset	—	50
Balance, December 31, 2019	213,055,028	2,316,036
Trust Units issued under DRIP	684,812	8,518
Trust Units issued in exchange of Class B Units	67,500	553
Trust Units released on settlement of EUPP receivable	9,647	177
<b>Balance, June 30, 2020</b>	<b>213,816,987</b>	<b>\$ 2,325,284</b>

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## 19. 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, 2019	1,523,482	\$ 17,519
Trust Units issued under EUPP	115,768	1,727
Trust Units released on settlement of EUPP receivable	(138,305)	(1,322)
Balance, December 31, 2019	1,500,945	17,924
Trust Units issued under EUPP	266,685	2,770
Trust Units released on settlement of EUPP receivable	(9,647)	(128)
Balance, June 30, 2020	1,757,983	\$ 20,566

On March 16, 2020, Chartwell announced temporary suspension of its DRIP program commencing after the distribution payable to unit holders of record at March 31, 2020.

## 20. 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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(Unaudited)

## 20. Segmented information (continued):

	Three months ended June 30, 2020						Recon- ciliation	Total
	Retirement Operations	Long Term Care Operations	Segment Total	Other <sup>(2)</sup>	Subtotal			
Revenue:								
Resident	\$ 184,337	\$ 61,425	\$ 245,762	\$ –	\$ 245,762	\$ (29,364)	\$ 216,398	
Management and other fees	–	–	–	2,727	2,727	–	2,727	
Lease revenue from joint ventures	–	–	–	–	–	10,358	10,358	
Interest income	–	–	–	1,246	1,246	(76)	1,170	
	184,337	61,425	245,762	3,973	249,735	(19,082)	230,653	
Expenses:								
Direct property operating	(117,137)	(56,111)	(173,248)	–	(173,248)	18,331	(154,917)	
Adjusted net operating income <sup>(1)</sup>	67,200	5,314	72,514					
Depreciation of PP&E							(43,403)	
Amortization of intangible assets							(1,944)	
Share of net income from joint ventures							(588)	
General, administrative and trust Other income							(12,374)	
Finance costs							4,395	
Change in fair values of financial instruments and foreign exchange gains (losses)							(23,635)	
							(2,075)	
							(79,624)	
Income before income taxes							(3,888)	
Income tax benefit (expense):							–	
Current							–	
Deferred							1,957	
							1,957	
<b>Net loss</b>							<b>\$ (1,931)</b>	
Expenditures for non-current assets:								
Acquisition of properties	\$ 33,564	\$ –	\$ 33,564	\$ –	\$ 33,564	\$ –	\$ 33,564	
Capital additions	24,804	1,299	26,103	6,274	32,377	(95)	32,282	

<sup>(1)</sup>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.

<sup>(2)</sup>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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As at and for the three months and six months ended June 30, 2020 and 2019  
(Unaudited)

## 20. Segmented information (continued):

	Three months ended June 30, 2019						
	Retirement Operations	Long Term Care Operations	Segment Total	Other <sup>(2)</sup>	Subtotal	Recon- ciliation	Total
<b>Revenue:</b>							
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
<b>Expenses:</b>							
Direct property operating	(112,592)	(51,418)	(164,010)	–	(164,010)	17,455	(146,555)
Adjusted net operating income <sup>(1)</sup>	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)
<b>Net loss</b>							<b>\$ (1,583)</b>
<b>Expenditures for non-current assets:</b>							
Acquisition of properties	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Capital additions	37,201	3,339	40,540	12,844	53,384	(2,246)	51,138

<sup>(1)</sup> 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.

<sup>(2)</sup> 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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(Unaudited)

## 20. Segmented information (continued):

	Six months ended June 30, 2020						Recon- ciliation	Total
	Retirement Operations	Long Term Care Operations	Segment Total	Other <sup>(2)</sup>	Subtotal			
Revenue:								
Resident	\$ 373,402	\$ 120,713	\$ 494,115	\$ –	\$ 494,115	\$ (58,833)	\$ 435,282	
Management and other fees	–	–	–	5,714	5,714	–	5,714	
Lease revenue from joint ventures	–	–	–	–	–	20,385	20,385	
Interest income	–	–	–	2,410	2,410	(183)	2,227	
	373,402	120,713	494,115	8,124	502,239	(38,631)	463,608	
Expenses:								
Direct property operating	(234,968)	(107,658)	(342,626)	–	(342,626)	36,990	(305,636)	
Adjusted net operating income <sup>(1)</sup>	138,434	13,055	151,489					
Depreciation of PP&E							(91,236)	
Amortization of intangible assets							(2,361)	
Share of net income from joint ventures							(1,786)	
General, administrative and trust							(25,502)	
Other income							1,708	
Finance costs							(46,782)	
Change in fair values of financial instruments and foreign exchange losses							8,819	
							(157,140)	
Income before income taxes							832	
Income tax benefit (expense):								
Current							–	
Deferred							8,631	
							8,631	
Net income							\$ 9,463	
Expenditures for non-current assets:								
Acquisition of properties	\$ 73,387	\$ –	\$ 73,387	\$ –	\$ 73,387	\$ (1,136)	\$ 72,251	
Capital additions	51,727	2,494	54,221	13,781	68,002	(1,383)	66,619	

<sup>(1)</sup> 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.

<sup>(2)</sup> 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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(Unaudited)

## 20. Segmented information (continued):

	Six months ended June 30, 2019						Recon- ciliation	Total
	Retirement Operations	Long Term Care Operations	Segment Total	Other <sup>(2)</sup>	Subtotal			
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 <sup>(1)</sup>	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	73,279	4,287	77,566	25,950	103,516	(3,995)	99,521	

<sup>(1)</sup> 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.

<sup>(2)</sup> 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, 2020 and 2019  
(Unaudited)

## 20. Segmented information (continued):

June 30, 2020	Retirement Operations	Long Term Care Operations	Segment Total	Other	Subtotal	Recon- ciliation	Total
Total assets	\$ 3,202,410	\$ 230,625	\$ 3,433,035	\$ 200,113	\$ 3,633,148	\$ (82,308)	\$ 3,550,840
Total liabilities	\$ 1,916,467	\$ 214,323	\$ 2,130,790	\$ 691,855	\$ 2,822,645	\$ (63,181)	\$ 2,759,464

December 31, 2019	Retirement Operations	Long Term Care Operations	Segment Total	Other	Subtotal	Recon- ciliation	Total
Total assets	\$ 3,163,095	\$ 247,388	\$ 3,410,483	\$ 162,749	\$ 3,573,232	\$ (78,838)	\$ 3,494,394
Total liabilities	\$ 1,928,290	\$ 215,406	\$ 2,143,696	\$ 572,646	\$ 2,716,342	\$ (59,515)	\$ 2,656,827

## 21. Financial instruments:

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

	June 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	\$ 1,968,272	\$ 2,117,753	\$ 1,940,678	\$ 2,037,840
Credit facilities	91,700	95,000	—	—
Unsecured term loan	124,698	125,000	124,697	125,000
Senior unsecured debentures	348,487	367,920	348,294	353,787

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

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## 21. 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 outflows using the rates currently prevailing for similar instruments of similar maturities. At June 30, 2020, the mortgages payable were discounted using rates between 1.53% and 3.99% (December 31, 2019 - 2.58% and 3.86%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of mortgages is Level 2 in the fair value hierarchy.

The fair values of the credit facilities and term loan approximate the principal amount outstanding and are 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 outflows using the rates currently prevailing for similar instruments of similar maturities. At June 30, 2020, senior unsecured debentures were discounted using a rate of 2.61% (December 31, 2019 - 3.72%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of senior unsecured debentures is Level 2 in the fair value hierarchy.

## 22. Revenue:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Lease revenue <sup>(1)</sup>	\$ 90,212	\$ 88,066	\$ 181,324	\$ 173,534
Services revenue <sup>(2)</sup>	136,544	135,643	274,343	269,920
Interest income	1,170	1,109	2,227	2,232
Management and other fees	2,727	2,620	5,714	5,101
<b>Total revenue</b>	<b>\$ 230,653</b>	<b>\$ 227,438</b>	<b>\$ 463,608</b>	<b>\$ 450,787</b>

<sup>(1)</sup> Includes resident lease revenue from retirement home residents and lease revenue from the joint venture partners.

<sup>(2)</sup> Includes property services element from retirement home residents in accordance with IFRS 15 and long-term care services revenue.

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## 23. Other income (expense):

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Transaction costs arising on acquisitions and dispositions	\$ (133)	\$ (335)	\$ (591)	\$ (963)
Impairment losses	–	–	(3,200)	–
Other expense	(133)	(335)	(3,791)	(963)
Remeasurement gain	–	–	–	39,172
Gain on disposal of assets	4,361	2,311	5,172	2,444
Other income	167	179	327	395
Other income	4,528	2,490	5,499	42,011
Other income	\$ 4,395	\$ 2,155	\$ 1,708	\$ 41,048

During the three and six months ended June 30, 2020, Chartwell recorded impairment provisions of nil and \$3,200 (three and six months ended June 30, 2019 - nil) on five of its properties in Ontario as a result of temporary decline in estimated future cash flows due to the COVID-19 pandemic. Chartwell has determined that each of its properties are Cash Generating Units ("CGU") for purposes of impairment assessments as each property independently generates cash flows. The impairment for each property was recorded on a valuation based on fair value less costs of disposal.

Fair value is measured using either the present value of future cash flows or using bona fide offers from market participants and are categorized within Level 3 of the fair value hierarchy. In calculating fair value, management estimates future cash flows using historical experience, budgets and forecasts for the following fiscal year, considers future opportunities and risks in determining growth rates for future periods. Management also applies adjustments to reflect the expectations of market participants. The discount rates applied to cash flows to determine the recoverable amount are based on recent transactions of similar assets within the market.

# CHARTWELL RETIREMENT RESIDENCES

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

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## 24. Finance costs:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Contractual interest expense on mortgages	\$ (17,699)	\$ (17,631)	\$ (35,527)	\$ (35,164)
Interest expense on senior unsecured debentures	(3,462)	(3,462)	(6,925)	(6,887)
Interest expense on credit facility	(1,337)	(841)	(2,242)	(1,348)
Interest expense on unsecured term loan	(1,072)	–	(2,156)	–
	(23,570)	(21,934)	(46,850)	(43,399)
Interest capitalized to properties under development	825	934	1,670	2,488
Amortization of financing costs and mark-to-market adjustment on assumed mortgages	(656)	(355)	(1,127)	(730)
Distributions on Class B Units recorded as interest expense	(234)	(242)	(475)	(482)
<b>Total finance costs</b>	<b>\$ (23,635)</b>	<b>\$ (21,597)</b>	<b>\$ (46,782)</b>	<b>\$ (42,123)</b>

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Change in fair value of interest rate swaps	\$ (901)	\$ (372)	\$ (8,260)	\$ (1,385)
Change in fair value of EUPP option component	(186)	(1,328)	4,549	(2,854)
Change in fair value of Class B Units	(591)	(387)	7,318	(2,532)
Change in fair value of DTUs	(651)	(392)	4,591	(1,815)
Change in fair value - other	250	(405)	271	(405)
Change in fair value of income guarantees	156	–	156	47
Foreign exchange gains (losses)	(152)	(92)	194	(180)
<b>Change in fair values of financial instruments and foreign exchange gains (losses)</b>	<b>\$ (2,075)</b>	<b>\$ (2,976)</b>	<b>\$ 8,819</b>	<b>\$ (9,124)</b>

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## **26. Income taxes:**

For the three and six months ended June 30, 2020, Chartwell recorded deferred tax benefit of \$1,957 and \$8,631 (June 30, 2019 - deferred tax expense of \$1,639 and \$20,461). The deferred income tax benefit for the three months ended June 30, 2020 primarily relates to the fair value adjustments on interest rate swaps, and the deferred tax benefit for the six months ended June 30, 2020 primarily relates to the impairment losses and fair value adjustment on interest rate swaps.

## **27. Comparative statements:**

Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2020 condensed consolidated interim financial statements.