Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

CHARTWELL RETIREMENT RESIDENCES

Three months and six months ended
June 30, 2013 and 2012
(Unaudited)

CHARTWELL RETIREMENT RESIDENCES

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

	Note	June 30, 2013	December 31, 2012 (Restated - note 18)
Assets			
Current assets:			
Cash and cash equivalents		$ 18,095	$ 25
Trade and other receivables		22,938	20,970
Capital funding receivable		4,572	4,396
Other assets	4	24,976	25,859
Assets held for sale	9	64,719	–
Total current assets		135,300	51,250
Non-current assets:			
Other assets	4	7,381	7,186
Capital funding receivable		66,060	56,661
Investment in Joint Ventures	5	32,850	33,498
Intangible assets		50,367	50,775
Property, plant and equipment ("PP&E")	3	2,617,158	2,685,431
Total non-current assets		2,773,816	2,833,551
Total assets		$ 2,909,116	$ 2,884,801
Liabilities and Unitholders' Equity			
Current liabilities:			
Secured revolving operating credit facility ("Credit Facility")	6(b)	$ 46,000	$ 77,000
Accounts payable and other liabilities	8	111,813	122,993
Distributions payable		7,836	7,800
Mortgages payable	6(a)	326,075	269,026
Deferred consideration on business combinations		–	520
Obligations to Joint Ventures	5	–	7,296
Liabilities related to assets held for sale	9	65,420	–
Total current liabilities		557,144	484,635
Non-current liabilities:			
Mortgages payable	6(a)	1,629,544	1,680,589
Convertible debentures	7	145,125	147,150
Class B Units of Chartwell Master Care LP ("Class B Units")	10	16,384	18,302
Total non-current liabilities		1,791,053	1,846,041
Total liabilities		2,348,197	2,330,676
Unitholders' equity	11	560,919	554,125
Total liabilities and unitholders' equity		$ 2,909,116	$ 2,884,801

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Trustees:

"Huw Thomas" Trustee "Sidney Robinson" Trustee

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(In thousands of Canadian dollars)
(Unaudited)

	Note	Three months ended June 30, 2013	Three months ended June 30, 2012 (Restated - note 18)	Six months ended June 30, 2013	Six months ended June 30, 2012 (Restated - note 18)
Revenue:					
Resident		$ 202,949	$ 193,949	$ 402,322	$ 386,395
Management and other fees		1,818	1,535	3,860	2,235
Lease revenue from Joint Ventures	5	7,916	4,984	15,391	4,984
Mezzanine loan interest		33	96	96	670
		212,716	200,564	421,669	394,284
Expenses:					
Direct operating		143,179	137,809	286,827	275,805
General, administrative and Trust		7,793	6,766	15,669	13,130
		150,972	144,575	302,496	288,935
Income before the undernoted[1]		61,744	55,989	119,173	105,349
Finance costs	15	27,800	31,200	55,620	62,201
Property lease expense		681	632	1,337	1,258
Other expense (income)	14	(527)	6,300	(113)	8,385
Depreciation of PP&E	3	37,009	47,919	75,884	88,949
Amortization of intangible assets		627	950	1,061	2,060
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	16	(7,437)	10,512	(6,873)	38,512
Share of Joint Venture loss (income)	5	(252)	(36)	(48,794)	1,151
		57,901	97,477	78,122	202,516
Income (loss) before income taxes		3,843	(41,488)	41,051	(97,167)
Income tax expense (benefit):	17				
Current		66	82	129	141
Deferred		–	(7,683)	–	(15,059)
		66	(7,601)	129	(14,918)
Net income (loss)		3,777	(33,887)	40,922	(82,249)
Other comprehensive income (loss):					
Items that may be reclassified subsequently to net income (loss):					
Unrealized foreign currency income (loss) on translation of foreign operations		1,283	666	2,719	(745)
Total comprehensive income (loss)		$ 5,060	$ (33,221)	$ 43,641	$ (82,994)

[1] Refers to income before finance costs, property lease expense, other expense (income), depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and unrealized foreign exchange losses (gains), share of joint venture loss (income) and income tax expense (benefit).

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, 2013	Trust Units issued in dollars, net	Trust Units issued under LTIP	LTIP receivable	Accumulated gains (losses)	Foreign currency translation reserve	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2012	$ 1,702,685	$ 25,425	$ (19,533)	$ (537,142)	$ (5,476)	$ (616,725)	$ 4,891	$ 554,125
Net income	–	–	–	40,922	–	–	–	40,922
Other comprehensive income	–	–	–	–	2,719	–	–	2,719
Distributions to unitholders	–	–	–	–	–	(46,414)	–	(46,414)
Issuance of Trust Units under the Distribution Reinvestment Program ("DRIP")	9,099	–	–	–	–	–	–	9,099
Trust Units issued on exchange of Class B Units	228	–	–	–	–	–	–	228
Trust units issued under the Long-Term Incentive Plan ("LTIP"), net of cancellations and Trust Units released on settlement of LTIP receivable	38	(1,643)	663	–	–	–	673	(269)
Interest on LTIP receivable	–	–	(99)	–	–	–	–	(99)
Distributions applied against LTIP receivable	–	–	608	–	–	–	–	608
Unitholders' equity, June 30, 2013	$ 1,712,050	$ 23,782	$ (18,361)	$ (496,220)	$ (2,757)	$ (663,139)	$ 5,564	$ 560,919

During the six months ended June 30, 2013, distributions were declared and paid at $0.045 per unit per month. In July 2013, distributions were declared at $0.045 per unit totalling $7,841.

Six months ended June 30, 2012	Trust Units issued in dollars, net	Trust Units issued under LTIP	LTIP receivable	Accumulated losses	Foreign currency translation reserve	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2011	$ 1,456,238	$ 25,476	$ (19,865)	$ (397,800)	$ (3,972)	$ (529,176)	$ 4,891	$ 535,792
Net loss	–	–	–	(82,249)	–	–	–	(82,249)
Other comprehensive loss	–	–	–	–	(745)	–	–	(745)
Issuance of Trust Units pursuant to public offering, net of tax and transaction costs	229,505	–	–	–	–	–	–	229,505
Distributions to unitholders	–	–	–	–	–	(41,409)	–	(41,409)
Issuance of Trust Units under the Distribution Reinvestment Program ("DRIP")	6,974	–	–	–	–	–	–	6,974
Trust units issued under the Long-Term Incentive Plan ("LTIP"), net of cancellations and Trust Units released on settlement of LTIP receivable	621	705	(998)	–	–	–	91	419
Interest on LTIP receivable	–	–	(99)	–	–	–	–	(99)
Distributions applied against LTIP receivable	–	–	597	–	–	–	–	597
Unitholders' equity, June 30, 2012	$ 1,693,338	$ 26,181	$ (20,365)	$ (480,049)	$ (4,717)	$ (570,585)	$ 4,982	$ 648,785

During the six months ended June 30, 2012, distributions were declared and paid at $0.045 per unit per month.

See accompanying notes to condensed consolidated interim financial statements.

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
		(Restated - note 18)		(Restated - note 18)
Cash provided by (used in):				
Operating activities:				
Net income (loss)	$ 3,777	$ (33,887)	$ 40,922	$ (82,249)
Items not affecting cash:				
Depreciation and amortization	37,636	48,869	76,945	91,009
Finance costs	27,800	31,200	55,620	62,201
Other expense (income)	(527)	6,300	(113)	8,385
Transaction costs arising from business acquisitions and dispositions	(507)	(7,614)	(1,887)	(10,748)
Mezzanine loan interest	(33)	(96)	(96)	(670)
Non-cash compensation expense	556	741	1,167	1,281
Changes in fair values of financial instruments and unrealized foreign exchange losses	(7,437)	10,512	(6,873)	38,512
Current income taxes	66	82	129	141
Deferred income taxes	–	(7,683)	–	(15,059)
Share of Joint Venture loss (income)	(252)	(36)	(48,794)	1,151
Change in trade and other receivables	(369)	(5,750)	(2,184)	(4,269)
Change in other assets	(478)	362	79	(1,629)
Change in accounts payable and other liabilities	(1,156)	(8,779)	(12,161)	(17,611)
	59,076	34,221	102,754	70,445
Interest received	1,040	1,139	2,000	2,769
Interest paid	(26,509)	(27,679)	(56,333)	(53,499)
Income taxes paid	(66)	(82)	(129)	(141)
Net cash provided by operating activities	33,541	7,599	48,292	19,574
Financing activities:				
Proceeds from mortgage financing, net of repayments on maturity	24,467	7,327	61,620	22,864
Changes to Credit Facility	8,500	31,000	(31,000)	7,000
Scheduled mortgage principal repayments	(12,987)	(9,930)	(26,522)	(19,665)
Net additions to finance costs	(100)	(1,126)	(2,053)	(2,129)
Trust Units issued pursuant to:				
Public offerings	–	204,287	–	204,287
Issue costs	–	(8,776)	–	(8,776)
Issue of convertible debentures	–	–	–	135,000
Redemption of convertible debentures	–	–	–	(75,000)
Convertible debenture issuance costs	–	–	–	(5,363)
Distributions paid	(19,521)	(17,035)	(36,671)	(32,774)
Deposits and repayments received under LTIP	6	200	32	419
Net cash provided by (used in) financing activities	365	205,947	(34,594)	225,863
Investing activities:				
Acquisition of assets under business combinations	(19,000)	(182,688)	(19,000)	(194,466)
Additions to PP&E and intangible assets	(14,666)	(12,929)	(23,403)	(36,250)
Proceeds from disposal of PP&E	–	547	–	547
Change in restricted cash	454	(2,061)	583	(2,477)
Proceeds from capital funding receivable	1,042	929	2,085	1,845
Contributions to Joint Ventures	–	(4,491)	–	(4,491)
Distributions received from Joint Ventures	1,768	197	42,068	1,344
Net cash provided by (used in) investing activities	(30,402)	(200,496)	2,333	(233,948)
Increase in cash and cash equivalents	3,504	13,050	16,031	11,489
Foreign exchange gains on U.S. dollar-denominated cash	1,331	236	2,039	96
Cash and cash equivalents, beginning of period	13,260	7,139	25	8,840
Cash and cash equivalents, end of period	$ 18,095	$ 20,425	$ 18,095	$ 20,425

See accompanying notes to condensed consolidated interim financial statements.

Chartwell Retirement Residences ("Chartwell"), previously Chartwell Seniors Housing REIT, 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 began operations on November 14, 2003. Chartwell's main business is ownership, operations and management of retirement and long term care communities in Canada and the United States.

1. Basis of preparation:

Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2012, 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 13, 2013. 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, 2012, with the exception of the impact of adopting the following accounting standards and amendments to standards:

IFRS 10, Consolidated Financial Statements ("IFRS 10"):

IFRS 10 replaces the guidance in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities ("SIC-12"). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12. This new standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed the new standard and determined there is no impact on its condensed consolidated interim financial statements.

1. Basis of preparation (continued):

IFRS 11, Joint Arrangements ("IFRS 11"):

IFRS 11 replaces the guidance in IAS 31, Interests in Joint Ventures, and requires interests in jointly controlled entities to be accounted for under the equity method. The standard provides guidance regarding joint arrangements, which are arrangements where two or more parties have joint control (before Chartwell transitioned to IFRS 11 all joint arrangements were referred to as joint ventures). A joint arrangement may be classified as a joint operation or a joint venture depending upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement, whereby the parties have the rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement, whereby the parties have rights to the net assets of the arrangement. This new standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell previously accounted for its interest in all joint arrangements using proportionate consolidation. Chartwell completed the assessment of joint arrangements under IFRS 11 and determined that certain entities are jointly controlled and, therefore, are required to be accounted for under the equity method. See accompanying notes 5 and 18 to these condensed consolidated interim financial statements.

IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"):

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for annual consolidated financial statements for the year ending December 31, 2013.

1. Basis of preparation (continued):

IFRS 13, Fair Value Measurement ("IFRS 13"):

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs. This new standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. This standard increased the quarterly disclosures for Chartwell fair value measurements. See the accompanying notes to condensed consolidated interim financial statements for the impact of this new standard.

Amendments to IAS 28, Investments in Associates and Joint Ventures ("IAS 28"):

IAS 28 requires any retained portion of an investment in an associate or joint venture that has been classified as held for sale to be measured using the equity method until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendment requires for it to be continued to be accounted for under the equity method. The amendment also disallows the remeasurement of any retained interest in an investment upon the cessation of significant influence or joint control. This amended standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and determined there is no impact on its condensed consolidated interim financial statements.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1"):

This amendment requires that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. This amended standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and provided additional disclosures in its condensed consolidated interim statements of comprehensive income (loss).

1. Basis of preparation (continued):

Amendments to IAS 19, Employee Benefits ("IAS 19"):

This amendment eliminated the use of the 'corridor' approach and mandates that all remeasurement impacts be recognized in other comprehensive income (loss). It also enhances the disclosure requirements, providing better information about the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. This amendment clarifies when a company should recognize a liability and an expense for termination benefits. This amended standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and determined there is no impact on its condensed consolidated interim financial statements.

Amendments to IFRS 7, Financial Instruments - Disclosures ("IFRS 7"):

The IASB amended IFRS 7 to include new disclosure requirements for financial assets and liabilities that are offset in the consolidated balance sheets or subject to master netting arrangements or similar arrangements. The amendments to IFRS 7 are effective for fiscal periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively. Chartwell has assessed this amendment and determined there is no impact on its condensed consolidated interim financial statements.

Annual Improvements to IFRSs 2009-2011 Cycle - various standards:

The IASB issued its Annual Improvements to IFRSs - 2009-2011 Cycle, part of the annual improvements process to make non-urgent but necessary amendments to IFRS. These amendments are effective for annual periods beginning on or after January 1, 2013, with retrospective application. The new cycle of improvements contains amendments to the several standards including: IAS 1, IAS 16, IAS 32, and IAS 34. The amendments to the standards are effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed these amendments and determined there is no impact on its condensed consolidated interim financial statements.

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

1. Basis of preparation (continued):

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and revenue and expenses during the period. Actual results may differ from those estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Chartwell's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2012.

2. Acquisitions:

On June 19, 2013, Chartwell acquired a 100% interest in a 65-unit long term care residence and a 171-unit independent supportive living residence located at the Cite-Jardin complex in Gatineau, Quebec. The purchase price before closing costs was $19,000 and fully financed with a two year mortgage loan. This acquisition is consistent with Chartwell's strategy to focus on its core business and expand its presence in existing Canadian markets. Chartwell incurred acquisition-related costs of $233, which have been expensed in other expense (income) in the condensed consolidated interim statements of comprehensive income (loss). The Cite-Jardin Residences have contributed revenue of $127 and net loss of $154 from the date of acquisition, and are included in the Canadian Retirement Operations Segment. The transaction was accounted for as a business combination under IFRS 3, Business Combinations ("IFRS 3").

PP&E	$ 19,000
Net assets acquired	19,000
Total consideration	$ 19,000

Chartwell continues to assess the initial valuation of the net assets acquired. Consequently, the allocation for accounting purposes may be adjusted in future periods.

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

2. Acquisitions (continued):

Acquisitions during the year ended December 31, 2012 (restated - note 18):

Chartwell completed three acquisitions for the year ended December 31, 2012. Purchases completed include the acquisition of 100% ownership interest in Georgian Traditions Retirement Residence on January 20, 2012, a 50% interest in Renaissance Retirement Residence on April 1, 2012 and a 50% ownership in Chartwell and Health Care REIT Inc. ("HCN") properties on May 1, 2012. 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 and the major categories of consideration transferred at Chartwell's ownership:

Date of acquisition	January 20, 2012	April 1, 2012	May 1, 2012	
Segment	Canadian Retirement Operations			
Location	Province of Ontario (70 suites)	Province of British Columbia (97 suites)	Various provinces (7,662 suites)	Total
PP&E	$ 15,500	$ 7,525	$ 425,871	$ 448,896
Other assets (liabilities)	(423)	(121)	3,490	2,946
Mortgages assumed	(11,435)	(4,691)	(235,175)	(251,301)
Investment in Joint Ventures	–	–	2,314	2,314
Net assets acquired	$ 3,642	$ 2,713	$ 196,500	$ 202,855
Discharge of mezzanine loan receivable	$ 938	$ 699	$ –	$ 1,637
Settlement of accounts receivable	926	826	–	1,752
Cash consideration	1,778	1,188	196,500	199,466
Total consideration transferred	$ 3,642	$ 2,713	$ 196,500	$ 202,855

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

3. Property, plant and equipment:

	Land	Building	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost or deemed cost						
Balance, January 1, 2012 (restated - note 18)	$ 279,337	$ 2,235,398	$ 60,951	$ 57,162	$ 18,540	$ 2,651,388
Additions	–	28,519	13,064	47,833	507	89,923
Additions through business combinations	45,966	394,233	3,559	–	5,138	448,896
Disposals	–	–	–	–	(268)	(268)
Derecognition	–	(7,453)	(2,967)	–	–	(10,420)
Transfers[1]	6,219	66,665	4,976	(78,873)	–	(1,013)
Exchange differences on translation of United States Operations	(1,920)	(16,344)	(535)	(46)	(143)	(18,988)
Balance, December 31, 2012	329,602	2,701,018	79,048	26,076	23,774	3,159,518
Additions	–	10,103	3,442	9,375	–	22,920
Additions through business combinations	1,900	16,620	480	–	–	19,000
Derecognition	–	(2,086)	(396)	–	–	(2,482)
Development costs allocable to capital funding receivable	–	–	–	(11,660)	–	(11,660)
Transfers to assets held for sale (note 9)	(5,690)	(75,725)	(2,017)	–	–	(83,432)
Exchange differences on translation of United States Operations	4,944	42,302	1,601	–	420	49,267
Balance, June 30, 2013	$ 330,756	$ 2,692,232	$ 82,158	$ 23,791	$ 24,194	$ 3,153,131
Accumulated depreciation and impairment losses						
Balance, January 1, 2012 (restated - note 18)	$ –	$ 245,595	$ 24,203	$ 1,880	$ –	$ 271,678
Depreciation	–	176,431	17,212	–	–	193,643
Derecognition	–	(7,446)	(2,974)	–	–	(10,420)
Impairment	–	20,661	–	542	–	21,203
Exchange differences on translation of United States Operations	–	(1,807)	(210)	–	–	(2,017)
Balance, December 31, 2012	–	433,434	38,231	2,422	–	474,087
Depreciation	–	67,627	8,257	–	–	75,884
Derecognition	–	(2,086)	(396)	–	–	(2,482)
Transfers to assets held for sale (note 9)	–	(18,978)	(1,300)	–	–	(20,278)
Exchange differences on translation of United States Operations	–	7,842	920	–	–	8,762
Balance, June 30, 2013	$ –	$ 487,839	$ 45,712	$ 2,422	$ –	$ 535,973
Carrying amounts						
Balance, December 31, 2012	$ 329,602	$ 2,267,584	$ 40,817	$ 23,654	$ 23,774	$ 2,685,431
Balance, June 30, 2013	330,756	2,204,393	36,446	21,369	24,194	2,617,158

[1]For the year ended December 31, 2012, Chartwell transferred $1,013 from properties under development to intangible assets.

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

3. Property, plant and equipment (continued):

During the six months ended June 30, 2013, Chartwell capitalized $481 of borrowing costs related to development projects under construction at an average capitalization rate of 5.20%. During the year ended December 31, 2012, Chartwell capitalized $1,843 of borrowing costs related to development projects under construction at an average capitalization rate of 5.33%.

4. Other assets:

	June 30, 2013	December 31, 2012
		(Restated - note 18)
Prepaid expenses and deposits	$ 10,670	$ 10,672
Restricted cash	13,369	13,952
Lease purchase option	4,496	4,253
Other assets	3,822	4,168
	$ 32,357	$ 33,045
Current	$ 24,976	$ 25,859
Non-current	7,381	7,186
	$ 32,357	$ 33,045

Restricted cash relates primarily to capital expenditure reserves required in the United States for certain mortgages and an operating income deposit related to the acquisition of a 39 properties portfolio that is co-owned by Chartwell and HCN. Included in non-current other assets are the lease purchase option and the unamortized value of below market value leases.

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

5. Investment in Joint Ventures:

Chartwell exercises significant influence over the following investments which have been accounted for using the equity method:

	June 30, 2013	December 31, 2012	June 30, 2012
Chartwell-HCN operator (Canadian)[1]	50%	50%	50%
Bristal Holdings LLC (U.S.)[2]	50%	50%	50%
Other Canadian Joint Ventures [3]	50%	50%	50%

[1] On May 1, 2012, Chartwell acquired a 50% interest in this Joint Venture, which represents the operations of 39 retirement properties in Canada.
[2] Chartwell owns a 50% interest in a Joint Venture that owned and operated five properties located in New York State. On February 13, 2013, the Joint Venture disposed of a majority of the properties' assets and liabilities.
[3] Includes interests in three separate Joint Ventures located in Ontario, Canada.

The following tables summarize the information about Chartwell's investment in Joint Ventures:

	June 30, 2013	December 31, 2012
Investment in Joint Ventures	$ 32,850	$ 33,498
Obligations to Joint Ventures	–	(7,296)

	June 30, 2013[1]	December 31, 2012[2]	June 30 2012[1]
Distributions received from Joint Ventures	$ 42,068	$ 2,987	$ 1,344
Contributions to Joint Ventures	–	4,491	4,491

[1] Six-month period ended
[2] Twelve-month period ended

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

5. Investment in Joint Ventures (continued):

The following is summarized financial information in respect of Chartwell's investments in Joint Ventures.

	June 30, 2013	December 31, 2012
Current assets	$ 14,280	$ 104,473
Non-current assets	48,034	49,512
Total assets	$ 62,314	$ 153,985
Current liabilities	$ 13,144	$ 111,245
Non-current liabilities	16,320	16,538
Total liabilities	$ 29,464	$ 127,783

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Revenue	$ 24,939	$ 23,159	$ 52,844	$ 31,089
Gain on disposal of assets	–	–	48,947	–
Expenses	(24,687)	(23,123)	(52,997)	(32,240)
Chartwell's share of net income (loss) as recognized through investment in Joint Ventures	$ 252	$ 36	$ 48,794	$ (1,151)

5. Investment in Joint Ventures (continued):

Related party transactions occur between Chartwell and its Joint Ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Except as disclosed elsewhere in these condensed consolidated interim financial statements, the related party balances are included in accounts payable and receivable, and in management fee income as applicable. As of June 30, 2013 $1,858 (December 31, 2012 - $1,205) of Chartwell's accounts receivable and $5,977 (December 31, 2012 - $4,249) of Chartwell's accounts payable relate to its investments in joint ventures. For the six months ended June 30, 2013, $2,887 (six months ended June 30, 2012 - $887), and for the three month ended June 30 2013, $1,670 (three months ended June 30, 2012 - $815), of Chartwell's management fees and other income related to its investment in joint ventures.

Chartwell and HCN (referred to as the "landlords") each own a 50% direct beneficial interest in the real estate assets, and are obligated for the related mortgages for a portfolio of 39 properties acquired on May 1, 2012 which under IFRS 11 are accounted for as joint operations. Chartwell's 50% interests in the operations of these properties are held through separate legal entities (collectively referred to as "Chartwell-HCN operator") and under IFRS 11 are accounted for as joint ventures using the equity method.

Chartwell-HCN 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 HCN is still in effect. Lease payments vary for each property and include annual adjustments based upon agreed financial ratios. As a result, Chartwell's 50% interest of the landlords' lease receipts, $15,391 for the six months ended June 30, 2013 (six months ended June 30, 2012 - $4,984), and for the three months ended June 30, 2013 $7,916 (three months ended June 30, 2012 - $4,984) is reported as lease revenue and is included in lease revenue from Joint Ventures. Chartwell-HCN operator lease expense is included in the share of joint venture income (loss) in the condensed consolidated interim statement of comprehensive income (loss).

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

5. Investment in Joint Ventures (continued):

On February 13, 2013, Chartwell's joint venture, Bristal Holdings LLC (U.S.), completed the previously announced sale of the five-property portfolio in the United States. The sale price for 100% interest was $290,580 (U.S. $290,000) and was satisfied by the purchasers assuming mortgages in the amount of $198,095 (U.S. $197,700), with the balance of the purchase price, subject to closing adjustments and escrow requirements paid in cash. Bristal Holdings LLC (U.S.) at June 30, 2013 had $4,575 (U.S. $4,350) in escrow relating to this sale, which is included in the summarized financial information for the joint ventures under current assets. As a result of this sale of assets, Chartwell's share of net income includes a gain of $48,947 (U.S. $48,460), before transaction costs. Chartwell received a distribution from Bristal Holdings LLC (U.S.) of $41,762 (U.S. $41,613) in the six months ended June 30, 2013.

6. Secured debt:

(a) Mortgages payable:

Mortgages payable are secured by first and second charges on specific properties and are measured at amortized cost. The mortgages payable as at June 30, 2013 are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total debt	Weighted average interest rate of maturing debt %
Remainder of 2013	$ 25,685	$ 126,624	$ 152,309	8%	4.37%
2014	48,751	245,061	293,812	15%	4.41%
2015	42,123	314,370	356,493	18%	4.83%
2016	36,536	312,275	348,811	18%	6.07%
2017	26,882	212,728	239,610	12%	5.64%
2018	28,039	36,754	64,793	3%	5.17%
2019	28,156	10,591	38,747	2%	4.53%
2020	28,281	48,899	77,180	4%	4.35%
2021	26,185	50,150	76,335	4%	4.59%
2022	22,508	62,200	84,708	4%	3.54%
2023	17,989	15,573	33,562	2%	5.79%
2024	13,304	18,042	31,346	2%	7.09%
Thereafter	130,391	25,131	155,522	8%	4.82%
	$ 474,830	$ 1,478,398	$ 1,953,228	100%	
Mark-to-market adjustments on acquisition			18,714		
Financing costs			(16,323)		
			$ 1,955,619		
Current			$ 326,075		
Non-current			1,629,544		
			$ 1,955,619		

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

6. Secured debt (continued):

	June 30, 2013	December 31, 2012
		(Restated - note 18)
Mortgages at fixed rates:		
Mortgages (principal)	$1,773,216	$1,790,673
Interest rates	1.96% - 10.00%	2.10% - 10.00%
Weighted average interest rate	5.22%	5.31%
Mortgages at variable rates:		
Mortgages (principal)	$180,012	$154,850
Interest rates	Lender COF plus 2.00% to prime plus 2.50%	Lender COF plus 2.00% to prime plus 2.50%
Weighted average interest rate	4.12%	4.35%
Blended weighted average rate	5.12%	5.23%

(b) Credit Facility:

On June 22, 2013 Chartwell renewed its credit facility for a two year term expiring on June 22, 2015 and increased the borrowing capacity to $95,000. Under the renewal terms, the credit facility bears interest at the bank's prime rate plus 0.95% or the applicable banker's acceptance rate plus 1.95%. Additional terms include minimum equity requirements and covenants requiring limitations on the amount of cash distributions that can be paid to unitholders. The credit facility is secured by charges on specific properties. At June 30, 2013, the maximum available borrowing capacity under the credit facility was $95,000 (December 31, 2012 - $85,000) based on the security provided. Of this capacity, $2,540 (December 31, 2012 - $2,807) has been allocated to support various letters of credit issued by Chartwell. As at June 30, 2013, $46,000 (December 31, 2012 - $77,000) was outstanding under the credit facility.

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

7. Convertible debentures:

Chartwell has the following series of convertible debentures outstanding:

	June 30, 2013	December 31, 2012
5.7% convertible debentures:		
Principal	$ 135,000	$ 135,000
Fair value	145,125	147,150

Chartwell has elected to account for its convertible debentures at fair value through profit or loss. These convertible debentures are included in Level 1 of the fair value hierarchy, and fair value is determined using the quoted market prices. The market ask price of the 5.7% convertible debentures at June 30, 2013 was $107.50.

8. Accounts payable and other liabilities:

	Note	June 30, 2013	December 31, 2012
			(Restated - note 18)
Accounts payable and accrued liabilities		$ 86,553	$ 97,049
Resident deposits		3,597	3,688
Deferred revenue		9,230	9,753
Deferred Trust Units	(a)	5,438	5,292
Restricted Trust Units	(b)	1,041	732
Fair value of LTIP option component	(c)	5,954	6,479
		$ 111,813	$ 122,993

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

8. Accounts payable and other liabilities (continued):

(a) Deferred unit plan:

The deferred unit plan is considered a cash-settled plan with the value of issued units recorded as a liability on the condensed consolidated interim balance sheets. Deferred Trust Unit values are initially calculated based on the grant date fair value. Fair value is determined using the market prices for listed Trust Units. The liability is remeasured to fair value at each reporting date until the liability is settled. The liability is released to equity after retirement of the director. The market ask price of the Trust Units as at June 30, 2013 was $9.88 (December 31, 2012 - $10.90). The following table summarizes the Deferred Trust Unit activity since January 1, 2012:

	Units outstanding	Amount
Balance, January 1, 2012	354,550	$ 3,013
Units granted	107,668	1,040
Reinvested distributions	23,287	221
Change in fair value	–	1,018
Balance, December 31, 2012	485,505	5,292
Units granted	52,430	541
Reinvested distributions	12,464	133
Change in fair value	–	(528)
Balance, June 30, 2013	550,399	$ 5,438

(b) Restricted unit plan:

During the six months ended June 30, 2013, 79,880 Restricted Trust Units ("RTU's") were issued, 11,415 RTU's were cancelled, and 5,076 RTU's were issued related to reinvested distributions. At June 30, 2013, 227,887 RTU’s remained outstanding (December 31, 2012 - 154,346).

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

8. Accounts payable and other liabilities (continued):

(c) LTIP (note 11):

Chartwell's recourse on the LTIP receivable is limited to Chartwell Units it holds as security. The limited recourse nature of the LTIP receivable effectively provides a participant with a put option as the participant may elect to surrender the LTIP Units in full satisfaction of the LTIP receivable. The fair value of this option is measured using the Monte Carlo simulation method. The following table summarizes the assumptions used to determine the fair value of the LTIP option component:

	June 30, 2013	December 31, 2012
Expected volatility	17.65 - 22.07%	13.70 - 17.10%
Risk free rate	1.33 - 2.89%	1.50 - 2.20%
Distribution yield	4.25 - 5.36%	4.00 - 4.90%

9. Assets and related liabilities held for sale:

On May 15, 2013, Chartwell entered into an agreement to sell a portfolio of seven seniors living communities comprised of 613 suites located in the United States, to an affiliate of Brookdale Senior Living Inc. ("Brookdale"). Brookdale is responsible for the management of 45 Chartwell communities in the United States. The purchase price for the Portfolio will be $85,091 (U.S. $80,900) and will be partially settled through the assumption by Brookdale of mortgage principle debt of $63,577 (U.S. $60,446) as of June 30, 2013. The transaction is expected to close at the end of August 2013 with the balance of the purchase price, subject to closing adjustments, to be paid in cash.

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

9. Assets and related liabilities held for sale (continued):

The following table summarizes the significant assets held for sale and related liabilities on June 30, 2013:

Assets:		
Trade and other receivables	$	663
Other assets		902
PP&E, net		63,154
	$	64,719
Liabilities:		
Accounts payable and other liabilities	$	2,281
Mortgages payable		63,139
	$	65,420

10. Class B Units:

Class B Units are exchangeable, at the option of the holder, into Trust Units. Such exchangeable instruments are presented as a liability under IFRS. Chartwell has elected to account for Class B Units at fair value through profit or loss. Class B Units are classified as Level 1 within the fair value hierarchy and fair value is determined by using market prices for listed Trust Units since there is a one-for-one exchange feature for each Class B Unit into a Trust Unit. The market ask price of the Trust Units as at June 30, 2013 was $9.88 (December 31, 2012 - $10.90). During the six months ended June 30, 2013, 20,816 (December 31, 2012 - 2,397) Class B Units were exchanged for Trust Units. At June 30, 2013 1,658,312 Class B Units were outstanding (December 31, 2012 - 1,679,128).

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

11. Trust Units and LTIP:

The following Trust Units are issued and outstanding:

	Number of voting Units	Amount
Balance, January 1, 2012	142,691,626	$ 1,456,238
Trust Units issued under DRIP	1,703,174	15,791
Trust Units issued in exchange of Class B Units	2,397	24
Trust Units released on settlement of LTIP receivable	131,533	1,127
Trust Units issued in exchange of subscription receipts, net of tax and transaction costs	24,913,125	229,505
Balance, December 31, 2012	169,441,855	1,702,685
Trust Units issued under DRIP	867,123	9,099
Units issued in exchange of Class B Units	20,816	228
Trust Units released on settlement of LTIP receivable	6,268	38
Balance, June 30, 2013	170,336,062	$ 1,712,050

The following table summarizes Trust Units issued under the LTIP:

	Number of Trust Units issued under LTIP	Amount
Balance, January 1, 2012	2,192,845	$ 25,476
Trust Units issued under LTIP	293,042	2,740
Trust Units surrendered for cancellation under LTIP	(146,890)	(1,664)
Trust Units released on settlement of LTIP receivable	(131,533)	(1,127)
Balance, December 31, 2012	2,207,464	25,425
Trust Units issued under LTIP	271,917	2,978
Trust Units surrendered for cancellation under LTIP	(329,321)	(4,583)
Trust Units released on settlement of LTIP receivable	(6,268)	(38)
Balance, June 30, 2013	2,143,792	$ 23,782

11. Trust Units and LTIP (continued):

DRIP:

Chartwell has established a DRIP for its unitholders, which allows participants to reinvest their monthly cash distributions in additional Trust Units at an effective discount of 3%.

Subscription receipts:

In March 2012, Chartwell completed a bought deal offering of 24,913,125 subscription receipts at a price of $8.20 per subscription receipt for gross cash proceeds of $204,287. On May 1, 2012, each outstanding subscription receipt was exchanged for one unit of Chartwell. Immediately prior to conversion to Trust Units, the subscription receipts were adjusted to fair value and $229,505, net of tax and transaction costs, was recorded in unitholders' equity. Chartwell incurred transaction-related costs of $8,776, before tax effect, recorded in unitholders' equity.

12. Segmented information:

Chartwell monitors and operates its Canadian Retirement, Canadian Long Term Care and United States Operations separately. The accounting policies of each of the segments are the same as those for Chartwell. These segments include Chartwell's proportionate share of its joint ventures. The "Reconciliation" column adjusts the segmented results to account for these joint ventures using the equity method of accounting 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.

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

12. Segmented information (continued):

	Three months ended June 30, 2013							
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Recon-ciliation	Total
Revenue:								
Resident	$ 120,379	$ 51,068	$ 56,440	$ 227,887	$ –	$ 227,887	$ (24,938)	$ 202,949
Management and other fees	–	–	–	–	1,818	1,818	–	1,818
Lease revenue from joint ventures	–	–	–	–	–	–	7,916	7,916
Mezzanine loan interest	–	–	–	–	33	33	–	33
	120,379	51,068	56,440	227,887	1,851	229,738	(17,022)	212,716
Expenses:								
Direct operating	76,974	43,816	37,809	158,599	–	158,599	(15,420)	143,179
General, administrative and trust	–	–	–	–	7,793	7,793	–	7,793
	76,974	43,816	37,809	158,599	7,793	166,392	(15,420)	150,972
Income (loss) before the undernoted[1]	43,405	7,252	18,631	69,288	(5,942)	63,346	(1,602)	61,744
Finance costs (recovery):								
Contractual interest	13,047	3,282	10,093	26,422	1,723	28,145	(397)	27,748
Other	(105)	(300)	233	(172)	238	66	(14)	52
Property lease expense	32	67	582	681	–	681	–	681
Other expense (income):								
Interest	(66)	(969)	(3)	(1,038)	(14)	(1,052)	18	(1,034)
Other	(29)	–	295	266	244	510	(3)	507
Depreciation and amortization	23,890	2,396	11,543	37,829	761	38,590	(954)	37,636
Share of Joint Venture income	–	–	–	–	–	–	(252)	(252)
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	(27)	(104)	–	(131)	(7,306)	(7,437)	–	(7,437)
	36,742	4,372	22,743	63,857	(4,354)	59,503	(1,602)	57,901
Income (loss) before income taxes	6,663	2,880	(4,112)	5,431	(1,588)	3,843	–	3,843
Income tax expense	–	–	66	66	–	66	–	66
Net income (loss)	$ 6,663	$ 2,880	$ (4,178)	$ 5,365	$ (1,588)	$ 3,777	$ –	$ 3,777
Expenditures for non-current assets:								
Acquisition properties	$ 19,000	$ –	$ –	$ 19,000	$ –	$ 19,000	$ –	$ 19,000
Capital additions	7,944	2,807	2,797	13,548	1,409	14,957	(291)	14,666

[1] Refers to income before finance costs, property lease expense, other expense (income), depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and unrealized foreign exchange losses (gains), share of joint venture loss (income) and income tax expense (benefit).

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

12. Segmented information (continued):

	Six months ended June 30, 2013							
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Recon-ciliation	Total
Revenue:								
Resident	$ 238,436	$ 101,694	$ 115,036	$ 455,166	$ –	$ 455,166	$ (52,844)	$ 402,322
Management and other fees	–	–	–	–	3,860	3,860	–	3,860
Lease revenue from joint ventures	–	–	–	–	–	–	15,391	15,391
Mezzanine loan interest	–	–	–	–	96	96	–	96
	238,436	101,694	115,036	455,166	3,956	459,122	(37,453)	421,669
Expenses:								
Direct operating	155,587	88,067	76,575	320,229	–	320,229	(33,402)	286,827
General, administrative and trust	–	–	–	–	15,669	15,669	–	15,669
	155,587	88,067	76,575	320,229	15,669	335,898	(33,402)	302,496
Income (loss) before the undernoted[(1)]	82,849	13,627	38,461	134,937	(11,713)	123,224	(4,051)	119,173
Finance costs (recovery):								
Contractual interest	26,303	6,607	21,456	54,366	2,831	57,197	(1,651)	55,546
Other	(308)	(711)	592	(427)	548	121	(47)	74
Property lease expense	63	134	1,140	1,337	–	1,337	–	1,337
Other expense (income):								
Interest	(99)	(1,894)	(2)	(1,995)	(39)	(2,034)	34	(2,000)
Other	1	–	(46,607)	(46,606)	257	(46,349)	48,236	1,887
Depreciation and amortization	47,639	4,817	24,978	77,434	1,340	78,774	(1,829)	76,945
Share of Joint Venture income	–	–	–	–	–	–	(48,794)	(48,794)
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	21	(197)	–	(176)	(6,697)	(6,873)	–	(6,873)
	73,620	8,756	1,557	83,933	(1,760)	82,173	(4,051)	78,122
Income (loss) before income taxes	9,229	4,871	36,904	51,004	(9,953)	41,051	–	41,051
Income tax expense	–	–	129	129	–	129	–	129
Net income (loss)	$ 9,229	$ 4,871	$ 36,775	$ 50,875	$ (9,953)	$ 40,922	$ –	$ 40,922
Expenditures for non-current assets:								
Acquisition properties	$ 19,000	$ –	$ –	$ 19,000	$ –	$ 19,000	$ –	$ 19,000
Capital additions	12,120	3,888	4,969	20,977	2,780	23,757	(354)	23,403

(1) Refers to income before finance costs, property lease expense, other expense (income), depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and unrealized foreign exchange losses (gains), share of joint venture loss (income) and income tax expense (benefit).

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

12. Segmented information (continued):

Three months ended June 30, 2012 (Restated - note 18)	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Revenue:								
Resident	$ 106,344	$ 50,991	$ 59,773	$ 217,108	$ –	$ 217,108	$ (23,159)	$ 193,949
Management and other fees	–	–	–	–	1,535	1,535	–	1,535
Lease revenue from joint ventures	–	–	–	–	–	–	4,984	4,984
Mezzanine loan interest	–	–	–	–	96	96	–	96
	106,344	50,991	59,773	217,108	1,631	218,739	(18,175)	200,564
Expenses:								
Direct operating	68,084	44,284	39,230	151,598	–	151,598	(13,789)	137,809
General, administrative and trust	–	–	–	–	6,766	6,766	–	6,766
	68,084	44,284	39,230	151,598	6,766	158,364	(13,789)	144,575
Income (loss) before the undernoted[1]	38,260	6,707	20,543	65,510	(5,135)	60,375	(4,386)	55,989
Finance costs (recovery):								
Contractual interest	12,816	3,336	11,318	27,470	2,459	29,929	(2,202)	27,727
Other	640	(448)	525	717	2,590	3,307	166	3,473
Property lease expense	32	67	533	632	–	632	–	632
Other expense (income):								
Interest	(4)	(825)	(2)	(831)	(212)	(1,043)	7	(1,036)
Other	5,425	–	723	6,148	1,389	7,537	(201)	7,336
Depreciation and amortization	29,650	2,262	18,875	50,787	202	50,989	(2,120)	48,869
Share of Joint Venture income	–	–	–	–	–	–	(36)	(36)
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	–	(81)	–	(81)	10,593	10,512	–	10,512
	48,559	4,311	31,972	84,842	17,021	101,863	(4,386)	97,477
Income (loss) before income taxes	(10,299)	2,396	(11,429)	(19,332)	(22,156)	(41,488)	–	(41,488)
Income tax expense (benefit)	–	–	82	82	(7,683)	(7,601)	–	(7,601)
Net income (loss)	$ (10,299)	$ 2,396	$ (11,511)	$ (19,414)	$(14,473)	$ (33,887)	$ –	$ (33,887)
Expenditures for non-current assets:								
Acquisition properties, land held for development, limited life intangible assets, licenses, investment in joint ventures, and other assets	$ 439,703	$ –	$ –	$ 439,703	$ –	$ 439,703	$ –	$ 439,703
Capital additions	5,816	3,990	2,135	11,941	1,078	13,019	(90)	12,929

[1] Refers to income before finance costs, property lease expense, other expense (income), depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and unrealized foreign exchange losses (gains), share of joint venture loss (income) and income tax expense (benefit).

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

12. Segmented information (continued):

	Six months ended June 30, 2012 (Restated - note 18)							
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Revenue:								
Resident	$ 196,728	$ 101,478	$ 119,278	$ 417,484	$ –	$ 417,484	$ (31,089)	$ 386,395
Management and other fees	–	–	–	–	2,235	2,235	–	2,235
Lease revenue from joint ventures	–	–	–	–	–	–	4,984	4,984
Mezzanine loan interest	–	–	–	–	670	670	–	670
	196,728	101,478	119,278	417,484	2,905	420,389	(26,105)	394,284
Expenses:								
Direct operating	126,747	88,626	78,794	294,167	–	294,167	(18,362)	275,805
General, administrative and trust	–	–	–	–	13,130	13,130	–	13,130
	126,747	88,626	78,794	294,167	13,130	307,297	(18,362)	288,935
Income (loss) before the undernoted[1]	69,981	12,852	40,484	123,317	(10,225)	113,092	(7,743)	105,349
Finance costs (recovery):								
Contractual interest	23,706	6,758	22,550	53,014	4,558	57,572	(3,983)	53,589
Other	752	(830)	583	505	8,180	8,685	(73)	8,612
Property lease expense	63	134	1,061	1,258	–	1,258	–	1,258
Other expense (income):								
Interest	(10)	(1,682)	(4)	(1,696)	(403)	(2,099)	15	(2,084)
Other	8,461	–	920	9,381	1,389	10,770	(301)	10,469
Depreciation and amortization	52,872	4,614	37,682	95,168	393	95,561	(4,552)	91,009
Share of Joint Venture income	–	–	–	–	–	–	1,151	1,151
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	–	(235)	–	(235)	38,747	38,512	–	38,512
	85,844	8,759	62,792	157,395	52,864	210,259	(7,743)	202,516
Income (loss) before income taxes	(15,863)	4,093	(22,308)	(34,078)	(63,089)	(97,167)	–	(97,167)
Income tax expense (benefit)	–	–	141	141	(15,059)	(14,918)	–	(14,918)
Net income (loss)	$ (15,863)	$ 4,093	$ (22,449)	$ (34,219)	$(48,030)	$ (82,249)	$ –	$ (82,249)
Expenditures for non-current assets:								
Acquisition properties, land held for development, limited life intangible assets, licenses, investment in joint ventures, and other assets	$ 455,203	$ –	$ –	$ 455,203	$ –	$ 455,203	$ –	$ 455,203
Capital additions	24,484	6,618	4,108	35,210	1,334	36,544	(294)	36,250

[1] Refers to income before finance costs, property lease expense, other expense (income), depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and unrealized foreign exchange losses (gains), share of joint venture loss (income) and income tax expense (benefit).

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

12. Segmented information (continued):

June 30, 2013	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 1,846,049	$ 290,016	$ 776,289	$ 2,912,354	$ 23,091	$ 2,935,445	$ (26,329)	$ 2,909,116
Total liabilities	$ 1,212,603	$ 237,283	$ 694,252	$ 2,144,138	$ 230,388	$ 2,374,526	$ (26,329)	$ 2,348,197

December 31, 2012 (Restated - note 18)	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 1,859,174	$ 293,810	$ 844,878	$ 2,997,862	$ 7,426	$ 3,005,288	$ (120,487)	$ 2,884,801
Total liabilities	$ 1,183,718	$ 236,905	$ 763,281	$ 2,183,904	$ 267,259	$ 2,451,163	$ (120,487)	$ 2,330,676

13. Financial instruments and financial risk management:

Classification, carrying values and fair values of financial instruments:

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

		June 30, 2013		December 31, 2012	
	Note	Carrying value	Fair value	Carrying value	Fair value
					(Restated - note 18)
Financial liabilities:					
Financial liabilities recorded at amortized cost					
Mortgages payable	6(a)	$ 1,955,619	$ 2,045,331	$ 1,949,615	$ 2,065,551
Credit Facility		46,000	46,000	77,000	77,000

13. Financial instruments and financial risk management (continued):

Fair value represents management's estimates of the market value at a given point in time, which may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. The above table excludes cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, and distributions payable as the carrying amount of these assets and liabilities are a reasonable approximation of fair value and are disclosed elsewhere in these condensed consolidated interim financial statements.

Basis for determining fair values:

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

The fair value of mortgages payable is estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. At June 30, 2013, the mortgages payable were discounted using rates between 2.12% and 5.14% (December 31, 2012 1.94% and 4.86%).

The fair value of the credit facility approximates its carrying value as the facility was renewed on June 22, 2013.

Fair value hierarchy:

The table below analyzes financial instruments carried at fair value categorized into one of the three hierarchy levels. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

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

13. Financial instruments and financial risk management (continued):

June 30, 2013	Fair value	Level 1	Level 2	Level 3
Financial liabilities:				
Financial liabilities recorded at FVTPL	$ 161,509	$ 161,509	$ –	$ –
Derivatives	285	–	285	–
	$ 161,794	$ 161,509	$ 285	$ –

December 31, 2012 (Restated - note 18)	Fair value	Level 1	Level 2	Level 3
Financial liabilities:				
Financial liabilities recorded at FVTPL	$ 165,452	$ 165,452	$ –	$ –
Derivatives	461	–	461	–
	$ 165,913	$ 165,452	$ 461	$ –

14. Other expense (income):

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
		(Restated - note 18)		(Restated - note 18)
Interest income on loans and receivables	$ (1,034)	$ (1,035)	$ (2,000)	$ (2,084)
Gain on sale of assets	–	(279)	–	(279)
Transaction costs arising on business acquisitions and dispositions	507	7,614	1,887	10,748
Other expense (income)	$ (527)	$ 6,300	$ (113)	$ 8,385

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

15. Finance costs:

	Three months ended June 30, 2013	Three months ended June 30, 2012 (Restated - note 18)	Six months ended June 30, 2013	Six months ended June 30, 2012 (Restated - note 18)
Contractual mortgage interest expense	$ 25,437	$ 25,268	$ 50,825	$ 49,030
Interest expense on convertible debentures	1,919	1,924	3,816	3,298
Credit Facility interest expense	392	535	906	1,260
	27,748	27,727	55,547	53,588
Interest capitalized to properties under development	(197)	(403)	(481)	(1,046)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	60	1,407	106	1,600
Distributions on Class B Units recorded as interest expense	189	227	448	454
Distributions on subscription receipts	–	2,242	–	2,242
Convertible debenture issuance costs	–	–	–	5,363
Total finance costs	$ 27,800	$ 31,200	$ 55,620	$ 62,201

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

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

	Three months ended June 30, 2013	Three months ended June 30, 2012 (Restated - note 18)	Six months ended June 30, 2013	Six months ended June 30, 2012 (Restated - note 18)
Changes in fair value of convertible debentures	$ (3,375)	$ 945	$ (2,025)	$ 4,920
Changes in fair value of interest rate swap	(131)	(81)	(176)	(235)
Unrealized foreign exchange gains	(1,050)	(1,518)	(1,928)	(90)
Changes in fair value of LTIP option component	(274)	1,179	(525)	1,666
Changes in fair value of Class B Units	(1,990)	1,009	(1,691)	2,102
Changes in fair value of Deferred Trust Units	(617)	258	(528)	502
Changes in fair value of subscription receipts	–	8,720	–	29,647
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	$ (7,437)	$ 10,512	$ (6,873)	$ 38,512

17. Income taxes:

For the six months ended June 30, 2013, Chartwell recorded a current income tax expense of $129 (2012 - $141) and a deferred income tax benefit of nil (2012 - $15,059).

The average effective tax rate for the six months ended June 30, 2013 was lower than the average effective tax rate for the six months ended June 30, 2012 primarily due to the benefit of deferred tax assets not currently recognized.

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

17. Income taxes (continued):

With the adoption of IFRS 11 for the interim and annual consolidated financial statements commencing January 1, 2013, certain jointly controlled properties are reported under the equity method. The following table reflects the adjustments as a result of the application of IFRS 11 to the prior period disclosure in the condensed consolidated interim financial statements relating to the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities for the year ended December 31, 2012:

	Pre IFRS 11	Post IFRS 11
Deferred tax assets:		
Mortgages payable	$ 7,825	$ 7,885
Issue costs	7,585	7,585
PP&E	18,360	21,905
Other	4,367	4,310
	38,137	41,685
Deferred tax liabilities:		
Capital funding receivable	(23,531)	(23,531)
Intangible assets	(13,129)	(13,129)
Investment in Joint Ventures	–	(3,548)
Other	(1,477)	(1,477)
	(38,137)	(41,685)
	$ –	$ –

Chartwell has temporary differences associated with its outside investment in these jointly controlled properties. No deferred taxes have been provided with respect to such temporary differences since Chartwell is able to control the timing of the reversal of these temporary differences, and such reversal is not probable in the foreseeable future.

18. IFRS 11 impact on the condensed consolidated interim financial statements:

Chartwell adopted IFRS 11 for the interim and annual consolidated financial statements commencing January 1, 2013 (refer to notes 1 and 5). The impact of the transition to IFRS 11 as of January 1, 2011, the transition date, and its effect on the reported financial position of Chartwell as of December 31, 2012, is provided in the condensed consolidated interim financial statements for the three-month period ended March 31, 2013. The following tables detail the impact of the adoption of IFRS 11 on the condensed consolidated interim statement of comprehensive income (loss) for the three months and six months ended June 30, 2012:

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

18. IFRS 11 impact on the condensed consolidated interim financial statements (continued):

Condensed consolidated interim statement of comprehensive loss information for the three months ended June 30, 2012	As previously reported (Pre IFRS 11)	Remove proportionately consolidated Joint Ventures	Investment in Joint Ventures under IFRS	As restated (Post IFRS 11)
Revenue:				
Resident	$ 217,108	$ (23,159)	$ –	$ 193,949
Management and other fees	1,535	–	–	1,535
Lease revenue from joint ventures	–	4,984	–	4,984
Mezzanine loan interest	96	–	–	96
	218,739	(18,175)	–	200,564
Expenses:				
Direct operating	151,598	(13,789)	–	137,809
General, administrative and Trust	6,766	–	–	6,766
	158,364	(13,789)	–	144,575
Income before the undernoted[1]	60,375	(4,386)	–	55,989
Finance costs	33,236	(2,036)	–	31,200
Property lease expense	632	–	–	632
Other expense	6,494	(194)	–	6,300
Depreciation of PP&E	50,039	(2,120)	–	47,919
Amortization of intangible assets	950	–	–	950
Changes in fair values of financial instruments and unrealized foreign exchange losses	10,512	–	–	10,512
Share of Joint Venture income	–	–	(36)	(36)
Loss before income taxes	(41,488)	(36)	36	(41,488)
Income tax expense (benefit):				
Current	82	–	–	82
Deferred	(7,683)	–	–	(7,683)
	(7,601)	–	–	(7,601)
Loss for the period	(33,887)	(36)	36	(33,887)
Other comprehensive gain:				
Unrealized foreign currency gain on translation of foreign operations	666	–	–	666
Total comprehensive loss	$ (33,221)	$ (36)	$ 36	$ (33,221)

[1] Refers to income before finance costs, property lease expense, other expense, depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments, unrealized foreign exchange losses, share of joint venture and associates loss and income tax expense (benefit).

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

18. IFRS 11 impact on the condensed consolidated interim financial statements (continued):

Condensed consolidated interim statement of comprehensive loss information for the six months ended June 30, 2012	As previously reported (Pre IFRS 11)	Remove proportionately consolidated Joint Ventures	Investment in Joint Ventures under IFRS	As restated (Post IFRS 11)
Revenue:				
Resident	$ 417,484	$ (31,089)	$ –	$ 386,395
Management and other fees	2,235	–	–	2,235
Lease revenue from joint ventures	–	4,984	–	4,984
Mezzanine loan interest	670	–	–	670
	420,389	(26,105)	–	394,284
Expenses:				
Direct operating	294,167	(18,362)	–	275,805
General, administrative and Trust	13,130	–	–	13,130
	307,297	(18,362)	–	288,935
Income before the undernoted[(1)]	113,092	(7,743)	–	105,349
Finance costs	66,257	(4,056)	–	62,201
Property lease expense	1,258		–	1,258
Other expense	8,671	(286)	–	8,385
Depreciation of PP&E	93,501	(4,552)	–	88,949
Amortization of intangible assets	2,060	–	–	2,060
Changes in fair values of financial instruments and unrealized foreign exchange losses	38,512	–	–	38,512
Share of Joint Venture loss	–	–	1,151	1,151
Loss before income taxes	(97,167)	1,151	(1,151)	(97,167)
Income tax expense (benefit):				
Current	141	–	–	141
Deferred	(15,059)	–	–	(15,059)
	(14,918)	–	–	(14,918)
Loss for the period	(82,249)	1,151	(1,151)	(82,249)
Other comprehensive loss:				
Unrealized foreign currency loss on translation of foreign operations	(745)	–	–	(745)
Total comprehensive loss	$ (82,994)	$ 1,151	$ (1,151)	$ (82,994)

[(1)] Refers to income before finance costs, property lease expense, other expense, depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments, unrealized foreign exchange losses, share of joint venture and associates loss and income tax expense (benefit).