

Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

CHARTWELL RETIREMENT RESIDENCES

Three months and nine months ended
September 30, 2013 and 2012
(Unaudited)

CHARTWELL RETIREMENT RESIDENCES

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

	Note	September 30, 2013	December 31, 2012
			(Restated - note 18)
Assets			
Current assets:			
Cash and cash equivalents		\$ 1,597	\$ 25
Trade and other receivables		20,268	20,970
Capital funding receivable		4,646	4,396
Other assets	4	29,725	25,859
Assets held for sale	9	63,555	–
Total current assets		119,791	51,250
Non-current assets:			
Other assets	4	7,272	7,186
Capital funding receivable		65,582	56,661
Investment in Joint Ventures	5	32,902	33,498
Intangible assets		49,972	50,775
Property, plant and equipment ("PP&E")	3	2,603,566	2,685,431
Total non-current assets		2,759,294	2,833,551
Total assets		\$ 2,879,085	\$ 2,884,801
Liabilities and Unitholders' Equity			
Current liabilities:			
Secured revolving operating credit facility ("Credit Facility")	6(b)	\$ 47,000	\$ 77,000
Accounts payable and other liabilities	8	114,511	122,993
Distributions payable		7,865	7,800
Mortgages payable	6(a)	380,560	269,026
Deferred consideration on business combinations		–	520
Obligations to Joint Ventures	5	–	7,296
Liabilities related to assets held for sale	9	63,797	–
Total current liabilities		613,733	484,635
Non-current liabilities:			
Mortgages payable	6(a)	1,568,512	1,680,589
Convertible debentures	7	140,400	147,150
Class B Units of Chartwell Master Care LP ("Class B Units")	10	16,766	18,302
Total non-current liabilities		1,725,678	1,846,041
Total liabilities		2,339,411	2,330,676
Unitholders' equity	11	539,674	554,125
Subsequent events	19		
Total liabilities and unitholders' equity		\$ 2,879,085	\$ 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 September 30,		Nine months ended September 30,	
		2013	2012	2013	2012
			(Restated - note 18)		(Restated - note 18)
Revenue:					
Resident		\$ 208,444	\$ 195,591	\$ 610,766	\$ 581,986
Management and other fees		2,164	1,962	6,024	4,196
Lease revenue from Joint Ventures	5	7,960	7,475	23,351	12,459
Mezzanine loan interest		32	31	128	701
		218,600	205,059	640,269	599,342
Expenses:					
Direct operating		148,740	137,936	435,567	413,741
General, administrative and Trust		6,800	5,847	22,469	18,976
		155,540	143,783	458,036	432,717
Income before the undernoted ⁽¹⁾		63,060	61,276	182,233	166,625
Finance costs	15	28,176	28,378	83,796	90,579
Property lease expense		682	620	2,019	1,879
Other expense (income)	14	(286)	714	(399)	9,099
Depreciation of PP&E	3	40,097	46,509	115,981	135,458
Amortization of intangible assets		514	807	1,575	2,866
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	16	(3,074)	9,262	(9,947)	47,775
Share of Joint Venture loss (income)	5	(333)	(1,058)	(49,127)	93
		65,776	85,232	143,898	287,749
Income (loss) before income taxes		(2,716)	(23,956)	38,335	(121,124)
Income tax expense (benefit):	17				
Current		65	77	194	218
Deferred		—	(5,495)	—	(20,554)
		65	(5,418)	194	(20,336)
Net income (loss)		(2,781)	(18,538)	38,141	(100,788)
Other comprehensive income (loss):					
Items that may be reclassified subsequently to net income (loss):					
Unrealized foreign currency income (loss) on translation of foreign operations					
		(1,148)	(1,377)	1,570	(2,122)
Total comprehensive income (loss)		\$ (3,929)	\$ (19,915)	\$ 39,711	\$ (102,910)

⁽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)

Nine months ended September 30, 2013	Trust Units issued in dollars, net	Trust Units issued under LTIP	LTIP receivable	Accumulated income (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	–	–	–	38,141	–	–	–	38,141
Other comprehensive income	–	–	–	–	1,570	–	–	1,570
Distributions to unitholders	–	–	–	–	–	(69,706)	–	(69,706)
Issuance of Trust Units under the Distribution Reinvestment Program ("DRIP")	14,776	–	–	–	–	–	–	14,776
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	68	(1,436)	449	–	–	–	707	(212)
Interest on LTIP receivable	–	–	(145)	–	–	–	–	(145)
Distributions applied against LTIP receivable	–	–	897	–	–	–	–	897
Unitholders' equity, September 30, 2013	\$ 1,717,757	\$ 23,989	\$ (18,332)	\$ (499,001)	\$ (3,906)	\$ (686,431)	\$ 5,598	\$ 539,674

During the nine months ended September 30, 2013, distributions were declared and paid at \$0.045 per unit per month. In October 2013, distributions were declared at \$0.045 per unit totalling \$7,874.

Nine months ended September 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 for the period	–	–	–	(100,788)	–	–	–	(100,788)
Other comprehensive loss	–	–	–	–	(2,122)	–	–	(2,122)
Issuance of Trust Units on conversion of subscription receipts, net of tax and transaction costs (note 11)	229,505	–	–	–	–	–	–	229,505
Distributions to unitholders	–	–	–	–	–	(64,447)	–	(64,447)
Issuance of Trust Units under the Distribution Reinvestment Program ("DRIP")	10,977	–	–	–	–	–	–	10,977
Trust Units issued on exchange of Class B Units	24	–	–	–	–	–	–	24
Trust units issued under the Long-Term Incentive Plan ("LTIP"), net of cancellations and Trust Units released on settlement of LTIP receivable	904	527	(1,041)	–	–	–	248	638
Interest on LTIP receivable	–	–	(150)	–	–	–	–	(150)
Distributions applied against LTIP receivable	–	–	899	–	–	–	–	899
Unitholders' equity, September 30, 2012	\$ 1,697,648	\$ 26,003	\$ (20,157)	\$ (498,588)	\$ (6,094)	\$ (593,623)	\$ 5,139	\$ 610,328

During the nine months ended September 30, 2012, distributions were declared and paid at \$0.045 per unit per month. In October 2012, distributions were declared at \$0.045 per unit totalling \$7,711.

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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
		(Restated - note 18)		(Restated - note 18)
Cash provided by (used in):				
Operating activities:				
Net income (loss)	\$ (2,781)	\$ (18,538)	\$ 38,141	\$ (100,788)
Items not affecting cash:				
Depreciation and amortization	40,611	47,316	117,556	138,324
Finance costs	28,176	28,378	83,796	90,579
Other expense (income)	(286)	714	(399)	9,099
Transaction costs arising from business acquisitions and dispositions	(846)	(1,564)	(2,733)	(12,312)
Mezzanine loan interest	(32)	(31)	(128)	(701)
Non-cash compensation expense	690	594	1,857	1,875
Changes in fair values of financial instruments and unrealized foreign exchange losses	(3,074)	9,262	(9,947)	47,775
Current income taxes	65	77	194	218
Deferred income taxes	–	(5,495)	–	(20,554)
Share of Joint Venture loss (income)	(333)	(1,058)	(49,127)	93
Change in trade and other receivables	2,547	7,141	222	2,872
Change in other assets	(5,736)	(1,101)	(5,657)	(2,730)
Change in accounts payable and other liabilities	4,648	(653)	(3,599)	(18,264)
	63,649	65,042	170,176	135,486
Interest received	1,021	899	3,021	3,668
Interest paid	(30,042)	(31,633)	(86,001)	(85,132)
Income taxes paid	(65)	(77)	(194)	(218)
Net cash provided by operating activities	34,563	34,231	87,002	53,804
Financing activities:				
Proceeds from mortgage financing, net of repayments on maturity	20,184	3,031	81,804	25,895
Changes to Credit Facility	1,000	(1,000)	(30,000)	6,000
Scheduled mortgage principal repayments	(13,884)	(13,164)	(40,406)	(32,829)
Net additions to finance costs	(819)	(455)	(2,872)	(2,584)
Trust Units issued pursuant to:				
Public offerings	–	–	–	204,287
Issue costs	–	–	–	(8,776)
Issue of convertible debentures	–	–	–	135,000
Redemption of convertible debentures	–	–	–	(75,000)
Convertible debenture issuance costs	–	–	–	(5,363)
Distributions paid	(17,297)	(18,765)	(53,968)	(51,539)
Deposits and repayments received under LTIP	167	219	199	638
Net cash provided by (used in) financing activities	(10,649)	(30,134)	(45,243)	195,729
Investing activities:				
Acquisition of assets under business combinations	(21,309)	–	(40,309)	(194,466)
Additions to PP&E and intangible assets	(20,047)	(16,310)	(43,450)	(52,560)
Proceeds from disposal of PP&E	756	9	756	556
Mezzanine loan repayments	–	2,607	–	2,607
Change in restricted cash	115	(137)	698	(2,614)
Principal portion of capital funding receivable	1,106	942	3,191	2,787
Contributions to Joint Ventures	–	–	–	(4,491)
Distributions received from Joint Ventures	281	1,463	42,349	2,807
Other	(218)	(467)	(3,619)	(309)
Net cash used in investing activities	(39,316)	(11,893)	(40,384)	(245,683)
Increase (decrease) in cash and cash equivalents	(15,402)	(7,796)	1,375	3,850
Foreign exchange gains (loss) on U.S. dollar-denominated cash	(1,096)	(123)	197	(184)
Cash and cash equivalents, beginning of period	18,095	20,425	25	8,840
Cash and cash equivalents, end of period	\$ 1,597	\$ 12,506	\$ 1,597	\$ 12,506

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)

Three months and nine months ended September 30, 2013 and 2012
(Unaudited)

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 ("IAS 34"), 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 November 14, 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.

CHARTWELL RETIREMENT RESIDENCES

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

Three months and nine months ended September 30, 2013 and 2012
(Unaudited)

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.

CHARTWELL RETIREMENT RESIDENCES

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

Three months and nine months ended September 30, 2013 and 2012
(Unaudited)

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 these 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).

CHARTWELL RETIREMENT RESIDENCES

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

Three months and nine months ended September 30, 2013 and 2012
(Unaudited)

1. Basis of preparation (continued):

Amendments to IAS 19, Employee Benefits:

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.

CHARTWELL RETIREMENT RESIDENCES

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

Three months and nine months ended September 30, 2013 and 2012
(Unaudited)

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 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 newly acquired Cite-Jardin Residences have contributed revenue of \$1,449 and net loss of \$468 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").

CHARTWELL RETIREMENT RESIDENCES

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

Three months and nine months ended September 30, 2013 and 2012
(Unaudited)

2. Acquisitions (continued):

On August 14, 2013, Chartwell acquired a 100% interest in a 109-unit independent supportive living residence located in Ridgepointe, Kamloops, British Columbia ("Ridgepointe"). The purchase price before closing costs was \$21,500. The transaction was partially financed by a new five-year, \$11,825 mortgage, with the remaining portion of the purchase price settled in cash. 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 \$634, which have been expensed in other expense (income) in the condensed consolidated interim statements of comprehensive income (loss). Ridgepointe has contributed revenue of \$236 and net loss of \$818 from the date of acquisition, and is included in the Canadian Retirement Operations Segment. The transaction was accounted for as a business combination under IFRS 3.

Date of acquisition Segment	June 19, 2013 Canadian Retirement Operations	August 14, 2013 Province of British Columbia	Total
Location	Province of Quebec (236 suites)	(109 suites)	
PP&E	\$ 19,000	\$ 21,500	\$ 40,500
Other liabilities	–	(191)	(191)
Net assets acquired	\$ 19,000	\$ 21,309	\$ 40,309
Cash consideration	\$ 19,000	\$ 21,309	\$ 40,309
Total consideration transferred	\$ 19,000	\$ 21,309	\$ 40,309

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

CHARTWELL RETIREMENT RESIDENCES

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

Three months and nine months ended September 30, 2013 and 2012
(Unaudited)

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 Segment	January 20, 2012	April 1, 2012	May 1, 2012	
	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

CHARTWELL RETIREMENT RESIDENCES

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

Three months and nine months ended September 30, 2013 and 2012
(Unaudited)

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	–	21,252	6,417	15,152	–	42,821
Additions through business combinations	3,976	34,012	912	–	1,600	40,500
Disposals	–	(848)	–	–	–	(848)
Derecognition	–	(6,791)	(984)	–	–	(7,775)
Development costs allocable to capital funding receivable	–	–	–	(12,361)	–	(12,361)
Transfers	–	3,982	227	(4,209)	–	–
Transfers to assets held for sale (note 9)	(5,574)	(74,286)	(2,064)	–	–	(81,924)
Exchange differences on translation of United States Operations	3,076	26,321	977	–	287	30,661
Balance, September 30, 2013	\$ 331,080	\$ 2,704,660	\$ 84,533	\$ 24,658	\$ 25,661	\$ 3,170,592
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	–	(7,453)	(2,967)	–	–	(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	–	433,427	38,238	2,422	–	474,087
Depreciation	–	104,049	11,932	–	–	115,981
Disposals	–	(92)	–	–	–	(92)
Derecognition	–	(6,791)	(984)	–	–	(7,775)
Transfers to assets held for sale (note 9)	–	(18,590)	(1,274)	–	–	(19,864)
Exchange differences on translation of United States Operations	–	4,144	545	–	–	4,689
Balance, September 30, 2013	\$ –	\$ 516,147	\$ 48,457	\$ 2,422	\$ –	\$ 567,026
Carrying amounts						
Balance, December 31, 2012	\$ 329,602	\$ 2,267,591	\$ 40,810	\$ 23,654	\$ 23,774	\$ 2,685,431
Balance, September 30, 2013	331,080	2,188,513	36,076	22,236	25,661	2,603,566

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

CHARTWELL RETIREMENT RESIDENCES

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

Three months and nine months ended September 30, 2013 and 2012
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3. Property, plant and equipment (continued):

During the nine months ended September 30, 2013, Chartwell capitalized \$1,045 of borrowing costs related to development projects under construction at an average capitalization rate of 5.16%. 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:

	September 30, 2013	December 31, 2012 (Restated - note 18)
Prepaid expenses and deposits	\$ 15,504	\$ 10,672
Restricted cash	13,254	13,952
Lease purchase option	4,404	4,253
Other assets	3,835	4,168
	<u>\$ 36,997</u>	<u>\$ 33,045</u>
Current	\$ 29,725	\$ 25,859
Non-current	7,272	7,186
	<u>\$ 36,997</u>	<u>\$ 33,045</u>

Restricted cash relates primarily to capital expenditure reserves required in the United States for certain mortgages. Prepaid expenses and deposits at September 30, 2013 include \$3,100 in deposits related to potential acquisitions. Included in non-current other assets are the lease purchase option and the unamortized value of below market value leases.

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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5. Investment in Joint Ventures:

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

	September 30, 2013	December 31, 2012	September 30, 2012
Chartwell-HCN operator (Canadian) ⁽¹⁾	50%	50%	50%
Bristol 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:

	September 30, 2013	December 31, 2012
Investment in Joint Ventures	\$ 32,902	\$ 33,498
Obligations to Joint Ventures	–	(7,296)

	September 30, 2013 ⁽¹⁾	December 31, 2012 ⁽²⁾	September 30, 2012 ⁽¹⁾
Distributions received from Joint Ventures	\$ 42,349	\$ 2,987	\$ 2,807
Contributions to Joint Ventures	–	4,491	4,491

⁽¹⁾Nine-month period ended

⁽²⁾Twelve-month period ended

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)

5. Investment in Joint Ventures (continued):

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

	September 30, 2013	December 31, 2012
Current assets	\$ 16,144	\$ 104,473
Non-current assets	47,318	49,512
Total assets	\$ 63,462	\$ 153,985
Current liabilities	\$ 14,351	\$ 111,245
Non-current liabilities	16,209	16,538
Total liabilities	\$ 30,560	\$ 127,783

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Revenue	\$ 25,170	\$ 31,036	\$ 78,014	\$ 62,124
Gain on disposal of assets	–	–	48,947	–
Expenses	24,837	29,978	77,834	62,217
Chartwell's share of net income (loss) as recognized through investment in Joint Ventures	\$ 333	\$ 1,058	\$ 49,127	\$ (93)

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)

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 September 30, 2013 \$1,549 (December 31, 2012 - \$1,205) of Chartwell's accounts receivable and \$4,779 (December 31, 2012 - \$4,249) of Chartwell's accounts payable relate to its investments in joint ventures. For the nine months ended September 30, 2013, \$3,876 (nine months ended September 30, 2012 - \$2,107), and for the three months ended September 30 2013, \$989 (three months ended September 30, 2012 - \$1,220), 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, \$23,351 for the nine months ended September 30, 2013 (nine months ended September 30, 2012 - \$12,459), and for the three months ended September 30, 2013, \$7,960 (three months ended September 30, 2012 - \$7,475) 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).

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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5. Investment in Joint Ventures (continued):

On February 13, 2013, Chartwell's joint venture, Bristol 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. Bristol Holdings LLC (U.S.) at September 30, 2013 had \$4,481 (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 Bristol Holdings LLC (U.S.) of \$41,864 (U.S. \$41,613) in the nine months ended September 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 September 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	\$ 12,702	\$ 104,865	\$ 117,567	6	4.40
2014	57,245	239,587	296,832	15	4.41
2015	42,826	311,504	354,330	18	4.83
2016	37,278	309,243	346,521	18	6.06
2017	27,777	209,447	237,224	12	5.64
2018	28,873	46,973	75,846	4	4.89
2019	28,785	10,591	39,376	2	4.53
2020	28,933	48,899	77,832	4	4.35
2021	26,863	50,150	77,013	4	4.59
2022	23,211	62,200	85,411	4	3.54
2023	18,539	34,088	52,627	3	4.71
2024	13,304	18,042	31,346	2	7.09
Thereafter	130,394	25,132	155,526	8	4.82
	<u>\$ 476,730</u>	<u>\$ 1,470,721</u>	\$ 1,947,451	100	
Mark-to-market adjustments on acquisition			17,891		
Financing costs			(16,270)		
			<u>\$ 1,949,072</u>		
Current			\$ 380,560		
Non-current			1,568,512		
			<u>\$ 1,949,072</u>		

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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6. Secured debt (continued):

	September 30, 2013	December 31, 2012
		(Restated - note 18)
Mortgages at fixed rates:		
Mortgages (principal)	\$1,782,982	\$1,790,673
Interest rates	1.96% - 10.00%	2.10% - 10.00%
Weighted average interest rate	5.19%	5.31%
Mortgages at variable rates:		
Mortgages (principal)	\$164,469	\$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	4.08%	4.35%
Blended weighted average rate	5.09%	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 September 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, \$2,661 (December 31, 2012 - \$2,807) has been allocated to support various letters of credit issued by Chartwell. As at September 30, 2013, \$47,000 (December 31, 2012 - \$77,000) was outstanding under the credit facility.

CHARTWELL RETIREMENT RESIDENCES

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

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7. Convertible debentures:

Chartwell has the following series of convertible debentures outstanding:

	September 30, 2013	December 31, 2012
5.7% convertible debentures:		
Principal	\$ 135,000	\$ 135,000
Fair value	140,400	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 September 30, 2013 was \$104.0.

8. Accounts payable and other liabilities:

	Note	September 30, 2013	December 31, 2012
			(Restated - note 18)
Accounts payable and accrued liabilities		\$ 87,189	\$ 97,049
Resident deposits		3,701	3,688
Deferred revenue		9,871	9,753
Deferred Trust Units	(a)	5,847	5,292
Restricted Trust Units	(b)	1,284	732
Fair value of LTIP option component	(c)	6,619	6,479
		\$ 114,511	\$ 122,993

CHARTWELL RETIREMENT RESIDENCES

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

Three months and nine months ended September 30, 2013 and 2012
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8. Accounts payable and other liabilities (continued):

(a) Deferred unit plan:

The deferred unit plan is considered for accounting purposes a cash-settled plan under IFRS 2, 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 September 30, 2013 was \$10.11 (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	72,669	744
Reinvested distributions	20,198	208
Change in fair value	–	(397)
Balance, September 30, 2013	578,372	\$ 5,847

(b) Restricted unit plan:

During the nine months ended September 30, 2013, 79,880 Restricted Trust Units ("RTU's") were granted, 11,415 RTU's were cancelled, and 8,278 RTU's were issued related to reinvested distributions. At September 30, 2013, 231,088 RTU's remained outstanding (December 31, 2012 - 154,346).

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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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 Trust Units issued under LTIP in full satisfaction of the LTIP receivable. Trust Units issued under LTIP after June 30, 2013 vest immediately. 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:

	September 30, 2013	December 31, 2012
Expected volatility	17.65% - 22.07%	13.70% - 17.10%
Risk free rate	1.23% - 3.01%	1.50% - 2.20%
Distribution yield	3.61% - 5.17%	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 the manager of Chartwell communities in the United States. This transaction closed on October 1, 2013 (note 19).

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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9. Assets and related liabilities held for sale (continued):

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

Assets:	
Trade and other receivables	\$ 485
Other assets	1,010
PP&E, net	62,060
	<hr/>
	\$ 63,555
Liabilities:	
Accounts payable and other liabilities	\$ 2,144
Mortgages payable	61,653
	<hr/>
	\$ 63,797

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 September 30, 2013 was \$10.11 (December 31, 2012 - \$10.90). During the nine months ended September 30, 2013, 20,816 (December 31, 2012 - 2,397) Class B Units were exchanged for Trust Units. At September 30, 2013, 1,658,312 Class B Units were outstanding (December 31, 2012 - 1,679,128).

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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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	1,475,034	14,776
Units issued in exchange of Class B Units	20,816	228
Trust Units released on settlement of LTIP receivable	8,768	68
Balance, September 30, 2013	170,946,473	\$ 1,717,757

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	296,023	3,215
Trust Units surrendered for cancellation under LTIP	(329,321)	(4,583)
Trust Units released on settlement of LTIP receivable	(8,768)	(68)
Balance, September 30, 2013	2,165,398	\$ 23,989

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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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.

CHARTWELL RETIREMENT RESIDENCES

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

Three months ended September 30, 2013								
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Revenue:								
Resident	\$ 122,920	\$ 52,889	\$ 57,805	\$ 233,614	\$ –	\$ 233,614	\$ (25,170)	\$ 208,444
Management and other fees	–	–	–	–	2,164	2,164	–	2,164
Lease revenue from joint ventures	–	–	–	–	–	–	7,960	7,960
Mezzanine loan interest	–	–	–	–	32	32	–	32
	122,920	52,889	57,805	233,614	2,196	235,810	(17,210)	218,600
Expenses:								
Direct operating	78,915	45,864	39,440	164,219	–	164,219	(15,479)	148,740
General, administrative and trust	–	–	–	–	6,800	6,800	–	6,800
	78,915	45,864	39,440	164,219	6,800	171,019	(15,479)	155,540
Income (loss) before the undernoted ⁽¹⁾	44,005	7,025	18,365	69,395	(4,604)	64,791	(1,731)	63,060
Finance costs (recovery):								
Contractual interest	13,422	3,285	10,219	26,926	1,828	28,754	(328)	28,426
Other	(48)	(683)	230	(501)	257	(244)	(6)	(250)
Property lease expense	32	68	582	682	–	682	–	682
Other expense (income):								
Interest	(96)	(927)	(7)	(1,030)	(19)	(1,049)	28	(1,021)
Other	457	–	327	784	14	798	(63)	735
Depreciation and amortization	26,481	4,078	10,378	40,937	703	41,640	(1,029)	40,611
Share of Joint Venture income	–	–	–	–	–	–	(333)	(333)
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	13	(100)	–	(87)	(2,987)	(3,074)	–	(3,074)
	40,261	5,721	21,729	67,711	(204)	67,507	(1,731)	65,776
Income (loss) before income taxes	3,744	1,304	(3,364)	1,684	(4,400)	(2,716)	–	(2,716)
Income tax expense	–	–	65	65	–	65	–	65
Net income (loss)	\$ 3,744	\$ 1,304	\$ (3,429)	\$ 1,619	\$ (4,400)	\$ (2,781)	\$ –	\$ (2,781)
Expenditures for non-current assets:								
Acquisition properties	\$ 21,500	\$ –	\$ –	\$ 21,500	\$ –	\$ 21,500	\$ –	\$ 21,500
Capital additions	12,203	3,360	3,891	19,454	953	20,407	(360)	20,047

⁽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).

CHARTWELL RETIREMENT RESIDENCES

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

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12. Segmented information (continued):

Nine months ended September 30, 2013								
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Revenue:								
Resident	\$ 361,356	\$ 154,583	\$ 172,841	\$ 688,780	\$ –	\$ 688,780	\$ (78,014)	\$ 610,766
Management and other fees	–	–	–	–	6,024	6,024	–	6,024
Lease revenue from joint ventures	–	–	–	–	–	–	23,351	23,351
Mezzanine loan interest	–	–	–	–	128	128	–	128
	361,356	154,583	172,841	688,780	6,152	694,932	(54,663)	640,269
Expenses:								
Direct operating	234,502	133,931	116,015	484,448	–	484,448	(48,881)	435,567
General, administrative and trust	–	–	–	–	22,469	22,469	–	22,469
	234,502	133,931	116,015	484,448	22,469	506,917	(48,881)	458,036
Income (loss) before the undernoted ⁽¹⁾	126,854	20,652	56,826	204,332	(16,317)	188,015	(5,782)	182,233
Finance costs (recovery):								
Contractual interest	39,725	9,892	31,675	81,292	4,659	85,951	(1,978)	83,973
Other	(356)	(1,394)	822	(928)	805	(123)	(54)	(177)
Property lease expense	95	202	1,722	2,019	–	2,019	–	2,019
Other expense (income):								
Interest	(195)	(2,821)	(9)	(3,025)	(58)	(3,083)	62	(3,021)
Other	458	–	(46,280)	(45,822)	271	(45,551)	48,173	2,622
Depreciation and amortization	74,120	8,895	35,356	118,371	2,043	120,414	(2,858)	117,556
Share of Joint Venture income	–	–	–	–	–	–	(49,127)	(49,127)
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	34	(297)	–	(263)	(9,684)	(9,947)	–	(9,947)
	113,881	14,477	23,286	151,644	(1,964)	149,680	(5,782)	143,898
Income (loss) before income taxes	12,973	6,175	33,540	52,688	(14,353)	38,335	–	38,335
Income tax expense	–	–	194	194	–	194	–	194
Net income (loss)	\$ 12,973	\$ 6,175	\$ 33,346	\$ 52,494	\$ (14,353)	\$ 38,141	\$ –	\$ 38,141
Expenditures for non-current assets:								
Acquisition properties	\$ 40,500	\$ –	\$ –	\$ 40,500	\$ –	\$ 40,500	\$ –	\$ 40,500
Capital additions	24,323	7,248	8,860	40,431	3,733	44,164	(714)	43,450

⁽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).

CHARTWELL RETIREMENT RESIDENCES

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

Three months ended September 30, 2012 (Restated - note 18)								
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Revenue:								
Resident Management and other fees	\$ 115,596	\$ 51,549	\$ 59,482	\$ 226,627	\$ –	\$ 226,627	\$ (31,036)	\$ 195,591
Lease revenue from joint ventures	–	–	–	–	1,962	1,962	–	1,962
Mezzanine loan interest	–	–	–	–	–	–	7,475	7,475
	–	–	–	–	31	31	–	31
	115,596	51,549	59,482	226,627	1,993	228,620	(23,561)	205,059
Expenses:								
Direct operating General, administrative and trust	72,499	44,497	40,207	157,203	–	157,203	(19,267)	137,936
	–	–	–	–	5,847	5,847	–	5,847
	72,499	44,497	40,207	157,203	5,847	163,050	(19,267)	143,783
Income (loss) before the undernoted ⁽¹⁾	43,097	7,052	19,275	69,424	(3,854)	65,570	(4,294)	61,276
Finance costs (recovery):								
Contractual interest	13,881	3,330	11,216	28,427	2,448	30,875	(1,974)	28,901
Other	(684)	(433)	240	(877)	395	(482)	(41)	(523)
Property lease expense	31	67	522	620	–	620	–	620
Other expense (income):								
Interest	(34)	(811)	(2)	(847)	(21)	(868)	18	(850)
Other	1,163	–	239	1,402	210	1,612	(48)	1,564
Depreciation and amortization	32,729	2,321	13,132	48,182	325	48,507	(1,191)	47,316
Share of Joint Venture income	–	–	–	–	–	–	(1,058)	(1,058)
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	–	(111)	–	(111)	9,373	9,262	–	9,262
	47,086	4,363	25,347	76,796	12,730	89,526	(4,294)	85,232
Income (loss) before income taxes	(3,989)	2,689	(6,072)	(7,372)	(16,584)	(23,956)	–	(23,956)
Income tax expense (benefit)	–	–	77	77	(5,495)	(5,418)	–	(5,418)
Net income (loss)	\$ (3,989)	\$ 2,689	\$ (6,149)	\$ (7,449)	\$ (11,089)	\$ (18,538)	\$ –	\$ (18,538)
Expenditures for non-current assets:								
Acquisition properties, land held for development, limited life intangible assets, licenses, investment in joint ventures, and other assets	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Capital additions	8,261	5,975	2,448	16,684	2,181	18,865	(2,555)	16,310

(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).

CHARTWELL RETIREMENT RESIDENCES

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

Nine months ended September 30, 2012 (Restated - note 18)								
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Revenue:								
Resident Management and other fees	\$ 312,323	\$ 153,027	\$ 178,760	\$ 644,110	\$ -	\$ 644,110	\$ (62,124)	\$ 581,986
Lease revenue from joint ventures	-	-	-	-	4,196	4,196	-	4,196
Mezzanine loan interest	-	-	-	-	-	-	12,459	12,459
	-	-	-	-	701	701	-	701
	312,323	153,027	178,760	644,110	4,897	649,007	(49,665)	599,342
Expenses:								
Direct operating General, administrative and trust	199,246	133,123	119,001	451,370	-	451,370	(37,629)	413,741
	-	-	-	-	18,976	18,976	-	18,976
	199,246	133,123	119,001	451,370	18,976	470,346	(37,629)	432,717
Income (loss) before the undernoted ⁽¹⁾	113,077	19,904	59,759	192,740	(14,079)	178,661	(12,036)	166,625
Finance costs (recovery):								
Contractual interest	37,587	10,088	33,766	81,441	7,006	88,447	(5,958)	82,489
Other	67	(1,263)	823	(373)	8,575	8,202	(112)	8,090
Property lease expense	94	201	1,584	1,879	-	1,879	-	1,879
Other expense (income):								
Interest	(44)	(2,493)	(6)	(2,543)	(424)	(2,967)	(246)	(3,213)
Other	8,708	-	1,159	9,867	2,515	12,382	(70)	12,312
Depreciation and amortization	85,601	6,935	50,814	143,350	717	144,067	(5,743)	138,324
Share of Joint Venture income	-	-	-	-	-	-	93	93
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	-	(346)	-	(346)	48,121	47,775	-	47,775
	132,013	13,122	88,140	233,275	66,510	299,785	(12,036)	287,749
Income (loss) before income taxes	(18,936)	6,782	(28,381)	(40,535)	(80,589)	(121,124)	-	(121,124)
Income tax expense (benefit)	-	-	218	218	(20,554)	(20,336)	-	(20,336)
Net income (loss)	\$ (18,936)	\$ 6,782	\$ (28,599)	\$ (40,753)	\$ (60,035)	\$ (100,788)	\$ -	\$ (100,788)
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	32,745	12,593	6,556	51,894	3,515	55,409	(2,849)	52,560

⁽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).

CHARTWELL RETIREMENT RESIDENCES

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12. Segmented information (continued):

September 30, 2013	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Recon- ciliation	Total
Total assets	\$ 1,856,256	\$ 289,356	\$ 752,606	\$ 2,898,218	\$ 8,293	\$ 2,906,511	\$ (27,426)	\$ 2,879,085
Total liabilities	\$ 1,223,842	\$ 236,174	\$ 671,251	\$ 2,131,267	\$ 235,570	\$ 2,366,837	\$ (27,426)	\$ 2,339,411

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:

	Note	September 30, 2013		December 31, 2012	
		Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:					
Financial liabilities recorded at amortized cost					
Mortgages payable	6(a)	\$ 1,949,072	\$ 2,009,776	\$ 1,949,615	\$ 2,065,551
Credit Facility		47,000	47,000	77,000	77,000

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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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 September 30, 2013, the mortgages payable were discounted using rates between 2.09% and 5.27% (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.

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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13. Financial instruments and financial risk management (continued):

September 30, 2013	Fair value	Level 1	Level 2	Level 3
Financial liabilities:				
Financial liabilities recorded at FVTPL	\$ 157,166	\$ 157,166	\$ –	\$ –
Derivatives	198	–	198	–
	\$ 157,364	\$ 157,166	\$ 198	\$ –

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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
		(Restated - note 18)		(Restated - note 18)
Interest income on loans and receivables	\$ (1,021)	\$ (841)	\$ (3,021)	\$ (2,925)
Gain on sale of assets	(111)	(9)	(111)	(288)
Transaction costs arising on business acquisitions and dispositions	846	1,564	2,733	12,312
Other expense (income)	\$ (286)	\$ 714	\$ (399)	\$ 9,099

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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15. Finance costs:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
		(Restated - note 18)		(Restated - note 18)
Contractual mortgage interest expense	\$ 25,953	\$ 26,036	\$ 76,778	\$ 75,066
Interest expense on convertible debentures	1,939	1,934	5,755	5,232
Credit Facility interest expense	534	931	1,440	2,191
	28,426	28,901	83,973	82,489
Interest capitalized to properties under development	(564)	(431)	(1,045)	(1,477)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	90	(320)	196	1,280
Distributions on Class B Units recorded as interest expense	224	228	672	682
Distributions on subscription receipts	–	–	–	2,242
Convertible debenture issuance costs	–	–	–	5,363
Total finance costs	\$ 28,176	\$ 28,378	\$ 83,796	\$ 90,579

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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16. Changes in fair values of financial instruments and unrealized foreign exchange losses (gains):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
		(Restated - note 18)		(Restated - note 18)
Changes in fair value of convertible debentures	\$ (4,725)	\$ 5,805	\$ (6,750)	\$ 10,725
Changes in fair value of interest rate swap	(87)	(111)	(263)	(346)
Unrealized foreign exchange gains	629	2,557	(1,299)	2,467
Changes in fair value of LTIP option component	597	94	72	1,760
Changes in fair value of Class B Units	382	732	(1,309)	2,835
Changes in fair value of Deferred Trust Units	130	185	(398)	687
Changes in fair value of subscription receipts	–	–	–	29,647
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	\$ (3,074)	\$ 9,262	\$ (9,947)	\$ 47,775

17. Income taxes:

For the nine months ended September 30, 2013, Chartwell recorded a current income tax expense of \$194 (nine months ended September 30, 2012 - \$218) and a deferred income tax benefit of nil (nine months ended September 30, 2012 - \$20,554).

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

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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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
	<u>38,137</u>	<u>41,685</u>
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)
	<u>(38,137)</u>	<u>(41,685)</u>
	<u>\$ –</u>	<u>\$ –</u>

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 months ended March 31, 2013.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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18. IFRS 11 impact on the condensed consolidated interim financial statements (continued):

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 nine months ended September 30, 2012:

Condensed consolidated interim statement of comprehensive loss information for the three months ended September 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	\$ 226,627	\$ (31,036)	\$ –	\$ 195,591
Management and other fees	1,962	–	–	1,962
Lease revenue from joint ventures	–	7,475	–	7,475
Mezzanine loan interest	31	–	–	31
	228,620	(23,561)	–	205,059
Expenses:				
Direct operating	157,203	(19,267)	–	137,936
General, administrative and Trust	5,847	–	–	5,847
	163,050	(19,267)	–	143,783
Income before the undernoted ⁽¹⁾	65,570	(4,294)	–	61,276
Finance costs	30,393	(2,015)	–	28,378
Property lease expense	620	–	–	620
Other expense	744	(30)	–	714
Depreciation of PP&E	47,700	(1,191)	–	46,509
Amortization of intangible assets	807	–	–	807
Changes in fair values of financial instruments and unrealized foreign exchange losses	9,262	–	–	9,262
Share of Joint Venture income	–	–	(1,058)	(1,058)
Loss before income taxes	(23,956)	(1,058)	1,058	(23,956)
Income tax expense (benefit):				
Current	77	–	–	77
Deferred	(5,495)	–	–	(5,495)
	(5,418)	–	–	(5,418)
Loss for the period	(18,538)	(1,058)	1,058	(18,538)
Other comprehensive gain:				
Unrealized foreign currency gain on translation of foreign operations	(1,377)	–	–	(1,377)
Total comprehensive loss	\$ (19,915)	\$ (1,058)	\$ 1,058	\$ (19,915)

⁽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).

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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18. IFRS 11 impact on the condensed consolidated interim financial statements (continued):

Condensed consolidated interim statement of comprehensive loss information for the nine months ended September 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	\$ 644,110	\$ (62,124)	\$ –	\$ 581,986
Management and other fees	4,196	–	–	4,196
Lease revenue from joint ventures	–	12,459	–	12,459
Mezzanine loan interest	701	–	–	701
	649,007	(49,665)	–	599,342
Expenses:				
Direct operating	451,370	(37,629)	–	413,741
General, administrative and Trust	18,976	–	–	18,976
	470,346	(37,629)	–	432,717
Income before the undernoted ⁽¹⁾	178,661	(12,036)	–	166,625
Finance costs	96,649	(6,070)	–	90,579
Property lease expense	1,879	–	–	1,879
Other expense	9,415	(316)	–	9,099
Depreciation of PP&E	141,201	(5,743)	–	135,458
Amortization of intangible assets	2,866	–	–	2,866
Changes in fair values of financial instruments and unrealized foreign exchange losses	47,775	–	–	47,775
Share of Joint Venture loss	–	–	93	93
Loss before income taxes	(121,124)	93	(93)	(121,124)
Income tax expense (benefit):				
Current	218	–	–	218
Deferred	(20,554)	–	–	(20,554)
	(20,336)	–	–	(20,336)
Loss for the period	(100,788)	93	(93)	(100,788)
Other comprehensive loss:				
Unrealized foreign currency loss on translation of foreign operations	(2,122)	–	–	(2,122)
Total comprehensive loss	\$ (102,910)	\$ 93	\$ (93)	\$ (102,910)

⁽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).

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19. Subsequent events:

On October 1, 2013, Chartwell completed the previously announced sale of a 7 property portfolio 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 sale price was \$83,570 (U.S. \$80,900) and was satisfied in part by the purchasers assuming mortgages in the amount of \$54,486 (U.S. \$52,745), with \$7,798 (U.S. \$7,549) of the proceeds used by Chartwell to repay the mortgage debt on one of the sold properties. The balance of the purchase price, net of closing costs, was received in cash.

On October 25, 2013, Chartwell completed the acquisition of Cedarbrooke Chateau, a 138 unit independent living residence located in Mission, British Columbia. The purchase price before closing costs was \$27,000 and was partially financed by a \$15,250 five-year mortgage, bearing interest at 4.35%, with the remaining portion of the purchase price settled in cash.

In October 2013, Chartwell completed the arrangement for mortgage refinancing on 15 properties for \$142,520, with a weighted average interest rate of 3.86% and weighted average term to maturity of 13.0 years. Prior to the mortgage refinancing, these properties had mortgages of \$142,520, with a weighted average interest rate of 4.36% and average term to maturity of 0.7 years.