

Condensed Consolidated Interim Financial Statements  
(In Canadian dollars)

# **CHARTWELL RETIREMENT RESIDENCES**

As at and for the three months and six months ended  
June 30, 2015 and 2014  
(Unaudited)

# CHARTWELL RETIREMENT RESIDENCES

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

	Note	June 30, 2015	December 31, 2014
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 419,493	\$ 10,927
Trade and other receivables		10,139	18,940
Capital funding receivable		5,101	4,963
Other assets	4	17,531	24,641
Assets held for sale		-	5,306
<b>Total current assets</b>		<b>452,264</b>	<b>64,777</b>
Non-current assets:			
Other assets	4	2,737	7,008
Loans receivable		11,401	9,901
Capital funding receivable		58,886	61,506
Investment in joint ventures	5	16,827	23,431
Intangible assets		47,557	49,025
Property, plant and equipment ("PP&E")	3	1,970,252	2,489,601
<b>Total non-current assets</b>		<b>2,107,660</b>	<b>2,640,472</b>
<b>Total assets</b>		<b>\$ 2,559,924</b>	<b>\$ 2,705,249</b>
<b>Liabilities and Unitholders' Equity</b>			
Current liabilities:			
Secured revolving operating credit facilities ("Credit Facilities")	6(b)	\$ 114,000	\$ 45,500
Accounts payable and other liabilities	8	95,267	124,221
Distributions payable		8,150	7,954
Mortgages payable	6(a)	237,625	372,184
Liabilities related to assets held for sale		-	6,086
<b>Total current liabilities</b>		<b>455,042</b>	<b>555,945</b>
Non-current liabilities:			
Mortgages payable	6(a)	1,179,258	1,544,892
Convertible debentures	7	148,720	151,200
Class B Units of Chartwell Master Care LP ("Class B Units")	10	18,875	19,614
Deferred tax liability	17	789	-
<b>Total non-current liabilities</b>		<b>1,347,642</b>	<b>1,715,706</b>
<b>Total liabilities</b>		<b>1,802,684</b>	<b>2,271,651</b>
Unitholders' equity	11	757,240	433,598
Subsequent events	19		
<b>Total liabilities and unitholders' equity</b>		<b>\$ 2,559,924</b>	<b>\$ 2,705,249</b>

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,		Six months ended June 30,	
		2015	2014 (Restated - note 9)	2015	2014 (Restated - note 9)
<b>Revenue:</b>					
Resident		\$ 155,081	\$ 149,260	\$ 307,992	\$ 301,356
Management and other fees		1,989	1,860	3,913	3,708
Lease revenue from joint ventures	5	8,252	8,306	16,402	16,336
Interest on loans receivable		223	83	426	143
		<u>165,545</u>	<u>159,509</u>	<u>328,733</u>	<u>321,543</u>
<b>Expenses:</b>					
Direct operating		112,836	108,928	225,471	221,658
General, administrative and Trust		7,519	8,255	16,187	18,190
		<u>120,355</u>	<u>117,183</u>	<u>241,658</u>	<u>239,848</u>
Income before the undernoted <sup>(1)</sup>		45,190	42,326	87,075	81,695
Finance costs	15	(18,510)	(20,505)	(36,623)	(39,389)
Other income	14	13,649	2,064	14,688	4,303
Depreciation of PP&E		(23,467)	(28,456)	(51,499)	(57,229)
Amortization of intangible assets		(154)	(819)	(358)	(1,053)
Changes in fair values of financial instruments and unrealized foreign exchange (losses) gains	16	12,840	(3,790)	5,023	(7,426)
Share of net income from joint ventures	5	197	65	293	183
Income (loss) before income taxes		29,745	(9,115)	18,599	(18,916)
Income tax (expense) benefit:					
Current		-	(398)	-	1,820
Deferred		(789)	-	(789)	-
		<u>(789)</u>	<u>(398)</u>	<u>(789)</u>	<u>1,820</u>
Net income (loss) from continuing operations		28,956	(9,513)	17,810	(17,096)
<b>Discontinued operations:</b>					
Net income (loss) from discontinued operations, net of income taxes	9	326,354	2,538	348,629	(6,749)
Net income (loss)		<u>355,310</u>	<u>(6,975)</u>	<u>366,439</u>	<u>(23,845)</u>
<b>Other comprehensive income (loss):</b>					
Items that may be reclassified subsequently to net income (loss):					
Unrealized foreign currency income (loss) on translation of foreign operations considered discontinued operations					
		(1,875)	(1,971)	5,945	783
Reclassification of foreign currency translation differences on disposition of US segment					
		(10,599)	-	(10,599)	-
<b>Total comprehensive income (loss)</b>		<b>\$ 342,836</b>	<b>\$ (8,946)</b>	<b>\$ 361,785</b>	<b>\$ (23,062)</b>

<sup>(1)</sup> Refers to income before finance costs, other income, depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and unrealized foreign exchange (losses) gains, share of net income from joint ventures, income tax (expense) benefit and discontinued operations.

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, 2015	Trust Units issued in dollars, net	Trust Units issued under LTIP	LTIP receivable	Accumulated income (losses)	Discontinued Operations: Foreign currency translation reserve	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2014	\$ 1,743,786	\$ 17,873	\$ (13,950)	\$ (521,537)	\$ 4,654	\$ (803,897)	\$ 6,669	\$ 433,598
Net income	-	-	-	366,439	-	-	-	366,439
Other comprehensive income	-	-	-	-	(4,654)	-	-	(4,654)
Distributions to unitholders	-	-	-	-	-	(47,972)	-	(47,972)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	8,827	-	-	-	-	-	-	8,827
Trust Units issued on conversion of debt	107	-	-	-	-	-	-	107
Trust units issued under the Long-Term Incentive Plan ("LTIP"), net of cancellations and Trust Units released on settlement of LTIP receivable	715	(162)	(57)	-	-	-	19	515
Interest on LTIP receivable	-	-	(68)	-	-	-	-	(68)
Distributions applied against LTIP receivable	-	-	448	-	-	-	-	448
<b>Unitholders' equity, June 30, 2015</b>	<b>\$ 1,753,435</b>	<b>\$ 17,711</b>	<b>\$ (13,627)</b>	<b>\$ (155,098)</b>	<b>\$ -</b>	<b>\$ (851,869)</b>	<b>\$ 6,688</b>	<b>\$ 757,240</b>

During the six months ended June 30, 2015, distributions were declared and paid at \$0.045 per unit per month for the months of January and February, and \$0.0459 per unit per for the months of March to June. In July 2015, distributions were declared at \$0.0459 per unit totalling \$8,158.

See accompanying notes to condensed consolidated interim financial statements.

# CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Unitholders' Equity (continued)  
(In thousands of Canadian dollars, except per unit amounts)  
(Unaudited)

Six months ended June 30, 2014	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, 2013	\$ 1,724,564	\$ 21,294	\$ (17,143)	\$ (513,258)	\$ (2,373)	\$ (709,794)	\$ 5,944	\$ 509,234
Loss for the period	–	–	–	(23,845)	–	–	–	(23,845)
Other comprehensive income	–	–	–	–	783	–	–	783
Distributions to unitholders	–	–	–	–	–	(46,955)	–	(46,955)
Trust Units issued under the DRIP	9,439	–	–	–	–	–	–	9,439
Trust Units issued on vesting of deferred trust units ("DTU")	431	–	–	–	–	–	–	431
Trust Units issued on exchange of Class B Units	178	–	–	–	–	–	–	178
Trust units issued under the LTIP, net of cancellations and Trust Units released on settlement of LTIP receivable	605	356	(626)	–	–	–	55	390
Interest on LTIP receivable	–	–	(86)	–	–	–	–	(86)
Distributions applied against LTIP receivable	–	–	522	–	–	–	–	522
<b>Unitholders' equity, June 30, 2014</b>	<b>\$ 1,735,217</b>	<b>\$ 21,650</b>	<b>\$ (17,333)</b>	<b>\$ (537,103)</b>	<b>\$ (1,590)</b>	<b>\$ (756,749)</b>	<b>\$ 5,999</b>	<b>\$ 450,091</b>

During the six months ended June 30, 2014, distributions were declared and paid at \$0.045 per unit per month. In July 2014, distributions were declared at \$0.045 per unit totalling \$7,940.

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,		Six months ended June 30,	
	2015	2014	2015	2014
Cash provided by (used in):				
Operating activities:				
Net income (loss)	\$ 355,310	\$ (6,975)	\$ 366,439	\$ (23,845)
Items not affecting cash:				
Depreciation and amortization	28,058	42,174	65,982	84,220
Finance costs	26,797	29,804	53,562	58,271
Other expense (income)	(455,713)	(5,408)	(445,814)	(7,579)
Transaction costs arising from business acquisitions and dispositions	(4,315)	(830)	(15,248)	(1,729)
Interest on loans receivable	(223)	(83)	(426)	(143)
Non-cash compensation expense	375	77	897	977
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	(12,840)	3,811	21,804	6,235
Current income taxes	57,799	470	57,897	(1,670)
Deferred income taxes	66,033	(2,057)	789	(2,057)
Share of net income from joint ventures	(197)	(65)	(293)	(92)
Other	(70)	1,998	509	788
Change in trade and other receivables	8,664	(3,196)	8,852	(6,301)
Change in other assets	4,081	(2,744)	5,108	(3,022)
Change in accounts payable and other liabilities	(37,370)	(1,384)	(38,136)	(6,270)
	36,389	55,592	81,922	97,783
Interest and other income received	851	5,341	1,734	6,290
Interest paid	(26,848)	(29,050)	(55,123)	(58,600)
Net cash provided by (used in) operating activities	10,392	31,883	28,533	45,473
Financing activities:				
Proceeds from mortgage financing	11,150	138,062	37,431	155,441
Mortgage maturity repayments	—	(127,123)	(25,381)	(175,195)
Changes to credit facility	48,000	(25,677)	68,500	32,940
Scheduled mortgage principal repayments	(15,235)	(14,430)	(30,581)	(28,952)
Net additions to finance costs	(865)	(537)	(1,392)	(1,713)
Distributions paid	(19,028)	(18,780)	(38,569)	(36,945)
Deposits and repayments received under LTIP	—	44	—	86
Net cash provided by (used in) financing activities	24,022	(48,441)	10,008	(54,338)
Investing activities:				
Acquisition of assets under business combinations	(42,374)	—	(42,374)	(6,133)
Additions to PP&E and intangible assets	(21,315)	(11,432)	(31,176)	(30,797)
Proceeds from disposal of PP&E, net of related debt repayment	471,372	40,528	471,502	41,914
Change in restricted cash	6,836	2,367	7,469	5,610
Proceeds from capital funding receivable	1,249	1,167	2,482	2,317
Mezzanine loan collection	—	—	—	1,245
Distributions received from joint ventures	86	191	307	5,519
Taxes paid on gain on disposal of PP&E	(47,602)	—	(47,602)	—
Net cash provided by (used in) investing activities	368,252	32,821	360,608	19,675
Increase (decrease) in cash	402,666	16,263	399,149	10,810
Foreign exchange gains (losses) on				
U.S. dollar-denominated cash	8,967	(897)	9,417	140
Cash, beginning of period	7,860	4,185	10,927	8,601
Cash, end of period	\$ 419,493	\$ 19,551	\$ 419,493	\$ 19,551

See accompanying notes to condensed consolidated interim financial statements.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

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Chartwell Retirement Residences ("Chartwell") is an unincorporated open-ended trust governed by the laws of the Province of Ontario and created as of July 7, 2003 and subsisting under the Declaration of Trust. Chartwell's head office is located at 100 Milverton Drive, Suite 700, Mississauga, Ontario, L5R 4H1. Chartwell's main business is ownership, operations and management of retirement and long-term care communities in Canada.

## 1. Basis of preparation:

Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on August 6, 2015. 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, 2014, with the exception of the following:

Discontinued Operations:

The results of operations of Chartwell's U.S. segment are classified as discontinued operations in these financial statements (note 9). A discontinued operation is a component of Chartwell's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as discontinued operations occurs upon disposal or earlier, if the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income (loss) is re-presented as if the operations had been discontinued from the start of the comparative period.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 2. Acquisitions:

The following acquisitions are consistent with Chartwell's strategy to focus on its core business and expand its presence in existing Canadian markets, and are accounted for as business combinations under IFRS 3.

Date of acquisition	May 1, 2015	June 1, 2015	June 1, 2015				
Segment	Canadian Retirement Operations						
Location	Province of Ontario (94 suites)	Province of Ontario (117 suites)	Province of Ontario (151 suites)	Total	Step Acquisition Adjustments	Grand total	
PP&E	\$ 22,100	\$ 20,343	\$ 19,733	\$ 62,176	\$ 40,075	\$ 102,251	
Mortgages assumed	–	(7,262)	(12,540)	(19,802)	(19,801)	(39,603)	
<b>Net assets acquired</b>	<b>\$ 22,100</b>	<b>\$ 13,081</b>	<b>\$ 7,193</b>	<b>\$ 42,374</b>	<b>\$ 20,274</b>	<b>\$ 62,648</b>	
Cash consideration	\$ 22,100	\$ 13,081	\$ 7,193	\$ 42,374			
Mortgages assumed	–	7,262	12,540	19,802			
<b>Total consideration transferred</b>	<b>\$ 22,100</b>	<b>\$ 20,343</b>	<b>\$ 19,733</b>	<b>\$ 62,176</b>			



# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

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## 2. Acquisitions (continued):

On May 4, 2015, Chartwell acquired a 100% interest in a 94-unit retirement residence located in Thunder Bay, Ontario. The purchase price before closing costs was \$22,100. The property has contributed revenue of \$541 and net loss of \$536 since the acquisition date. Chartwell incurred acquisition-related costs of \$778, which have been expensed in other income in the consolidated statements of comprehensive income (loss).

On June 1, 2015, Chartwell acquired the remaining 50% interest in Valley Vista Retirement Residence ("Valley Vista") (151 suites). Upon completion of this transaction, Chartwell owned 100% interest in the property. The purchase price for the remaining 50% was \$19,733. Since the Valley Vista acquisition was completed in steps, Chartwell remeasured its original 50% interest to fair value. This remeasurement has resulted in an increase in value of \$4,011, which has been recognized as a gain in other income in the consolidated statements of comprehensive income (loss). The net book value of the original 50% interest prior to this acquisition was \$15,722. Valley Vista has contributed revenue of \$414 and net loss of \$174 since the acquisition date. Chartwell incurred acquisition-related costs of \$303, which have been expensed in other income in the consolidated statements of comprehensive income (loss).

On June 1, 2015, Chartwell acquired the remaining 50% interest in Pickering City Centre Retirement Residence ("Pickering") (117 suites). Upon completion of this transaction, Chartwell owned 100% interest in the property. The purchase price for the remaining 50% was \$20,343. Pickering was considered a joint venture and therefore was accounted for by Chartwell as an equity investment prior to acquisition. Since the Pickering acquisition was completed in steps, Chartwell remeasured its original 50% interest to fair value. This remeasurement has resulted in an increase in value of \$6,441, which has been recognized as a gain in other income in the consolidated statements of comprehensive income (loss). The value of the original 50% investment prior to this acquisition was \$14,040. Pickering has contributed revenue of \$472 and net loss of \$966 since the acquisition date. Chartwell incurred acquisition-related costs of \$334, which have been expensed in other income in the consolidated 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)

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 3. Property, plant and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
<b>Cost</b>						
Balance, January 1, 2014	\$ 336,451	\$ 2,763,201	\$ 88,429	\$ 31,000	\$ 25,360	\$ 3,244,441
Additions	-	51,620	13,587	19,659	1,208	86,074
Additions through business combinations	11,066	84,186	1,876	-	-	97,128
Disposals	(26,901)	(216,086)	(4,932)	-	-	(247,919)
Derecognition	-	(43,477)	(7,102)	-	-	(50,579)
Transfers	1,875	30,363	3,097	(36,625)	-	(1,290)
Transfers to assets held for sale	(1,632)	(4,111)	(475)	-	-	(6,218)
Exchange differences on translation of United States Operations	7,006	57,625	2,578	624	643	68,476
Balance, December 31, 2014	327,865	2,723,321	97,058	14,658	27,211	3,190,113
Additions	-	21,291	4,039	5,846	-	31,176
Additions through business combinations	10,320	89,886	2,045	-	-	102,251
Disposals	(86,797)	(720,296)	(32,198)	-	(9,839)	(849,130)
Derecognition	-	(10,366)	-	-	-	(10,366)
Transfers	540	6,985	281	(9,567)	-	(1,761)
Exchange differences on translation of United States Operations	5,206	42,325	2,029	-	504	50,064
Balance, June 30, 2015	\$ 257,134	\$ 2,153,146	\$ 73,254	\$ 10,937	\$ 17,876	\$ 2,512,347
<b>Accumulated depreciation and impairment losses</b>						
Balance, January 1, 2014	\$ -	\$ 560,923	\$ 51,853	\$ 2,422	\$ 1,103	\$ 616,301
Depreciation	-	146,712	20,747	-	-	167,459
Disposals	-	(45,321)	(2,499)	-	-	(47,820)
Derecognition	-	(43,477)	(7,102)	-	-	(50,579)
Transfers to assets held for sale	-	(866)	(321)	-	-	(1,187)
Exchange differences on translation of United States Operations	-	14,650	1,688	-	-	16,338
Balance, December 31, 2014	-	632,621	64,366	2,422	1,103	700,512
Depreciation	-	58,419	6,950	-	-	65,369
Disposals	-	(200,433)	(24,608)	-	(1,103)	(226,144)
Derecognition	-	(10,366)	-	-	-	(10,366)
Exchange differences on translation of United States Operations	-	11,194	1,530	-	-	12,724
Balance, June 30, 2015	\$ -	\$ 491,435	\$ 48,238	\$ 2,422	\$ -	\$ 542,095
<b>Carrying amounts</b>						
Balance, December 31, 2014	\$ 327,865	\$ 2,090,700	\$ 32,692	\$ 12,236	\$ 26,108	\$ 2,489,601
Balance, June 30, 2015	\$ 257,134	\$ 1,661,711	\$ 25,016	\$ 8,515	\$ 17,876	\$ 1,970,252

(1) For the six months ended June 30, 2015 Chartwell transferred \$1,761 of software development costs 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)

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

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

During the six months ended June 30, 2015, Chartwell capitalized \$114 of borrowing costs related to development projects under construction at an average capitalization rate of 4.7%.

During the six months ended June 30, 2015, Chartwell transferred one property from properties under development to operating.

### 4. Other assets:

	June 30, 2015	December 31, 2014
Prepaid expenses and deposits	\$ 13,563	\$ 12,866
Restricted cash	2,787	10,256
Fair value of lease purchase options	-	4,232
Other assets	3,918	4,295
	<u>\$ 20,268</u>	<u>\$ 31,649</u>
Current	\$ 17,531	\$ 24,641
Non-current	2,737	7,008
	<u>\$ 20,268</u>	<u>\$ 31,649</u>

At June 30, 2015, non-current other assets relate to the unamortized value of below-market value leases.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 5. Joint arrangements:

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

Joint arrangements	Number of properties	Location	Chartwell ownership	Consolidation type
Chartwell-HCN Landlord <sup>(1)</sup>	38	Canada	50%	Joint operation
Chartwell-HCN Operator <sup>(1)</sup>	38	Canada	50%	Joint venture <sup>(2)</sup>
Batimo	3	Canada	85%	Joint operation
Oakville	1	Canada	50%	Joint venture <sup>(2)</sup>
Constantia	1	Canada	50%	Joint venture <sup>(2)</sup>
Riverside	1	Canada	50%	Joint operation
Churchill	1	Canada	50%	Joint operation
Kamloops	1	Canada	50%	Joint operation

<sup>(1)</sup>Chartwell directly holds its interest in real estate while its interest in operations is held through separate legal entities. On July 2, 2014, one property owned by Chartwell-HCN Landlord and operated by Chartwell-HCN Operator was sold.

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

On June 1, 2015, Chartwell acquired the remaining 50% ownership in Pickering and Valley Vista. Previously Chartwell accounted for Pickering as a joint venture and for Valley Vista as a joint operation.

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

	June 30, 2015 <sup>(1)</sup>	December 31, 2014 <sup>(2)</sup>	June 30, 2014 <sup>(1)</sup>
Distributions received from joint ventures in cash	\$ 307	\$ 6,118	\$ 5,519

<sup>(1)</sup>Six-month period ended

<sup>(2)</sup>Twelve-month period ended

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 5. Joint arrangements (continued):

	June 30, 2015	December 31, 2014
Current assets	\$ 10,762	\$ 10,452
Non-current assets	31,183	45,613
<b>Total assets</b>	<b>\$ 41,945</b>	<b>\$ 56,065</b>
Current liabilities	\$ 4,049	\$ 4,560
Non-current liabilities	21,069	28,074
<b>Total liabilities</b>	<b>\$ 25,118</b>	<b>\$ 32,634</b>
Net investment in joint ventures	\$ 16,827	\$ 23,431

As a result of the step acquisition (note 2) of the remaining 50% interest in Pickering, Chartwell's net investment in joint ventures decreased by \$13,031.

Included in current assets is \$4,254 of cash held by joint ventures (December 31, 2014 - \$3,705).

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenue	\$ 25,914	\$ 25,462	\$ 52,018	\$ 51,063
Expenses	(25,717)	(25,397)	(51,725)	(50,880)
<b>Chartwell's share of net income from joint ventures</b>	<b>\$ 197</b>	<b>\$ 65</b>	<b>\$ 293</b>	<b>\$ 183</b>

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

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## 5. Joint arrangements (continued):

Related party transactions occur between Chartwell and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Except as disclosed elsewhere in these condensed consolidated interim financial statements, the related party balances are included in accounts payable and receivable, and in management fee income, as applicable. As of June 30, 2015, \$1,422 (December 31, 2014 - \$638) of Chartwell's accounts receivable and \$6,539 (December 31, 2014 - \$5,755) of Chartwell's accounts payable relate to entities in which it had investments in joint ventures. For the three and six months ended June 30, 2015, \$1,411 and \$2,747, respectively (three and six months ended June 30, 2014 - \$1,411 and \$2,821, respectively), of Chartwell's management fees related to its investment in joint ventures.

Chartwell and Health Care REIT, Inc, ("HCN") (referred to as the "landlords") each owns a 50% direct beneficial interest in the real estate assets and are obligated for the related mortgages for a portfolio of 39 properties (of which one property was sold on July 2, 2014) which under IFRS 11, Joint Arrangements ("IFRS 11"), are accounted for as joint operations. Chartwell's 50% interest in the operations of these properties is held through separate legal entities (collectively referred to as "Chartwell-HCN operator") and under IFRS 11 is 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% share of the landlords' lease receipts, \$8,252 and \$16,402 for the three and six months ended June 30, 2015, respectively (three and six months ended June 30, 2014 - \$8,306 and \$16,336, respectively), 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 net income from joint ventures in the 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)

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 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, 2015 are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total debt
Remainder 2015	\$ 25,217	\$ 148,975	\$ 174,192	12
2016	46,752	110,701	157,453	11
2017	45,223	66,195	111,418	8
2018	44,506	70,073	114,579	8
2019	43,549	31,525	75,074	5
2020	44,050	53,562	97,612	7
2021	42,478	50,150	92,628	7
2022	39,388	62,200	101,588	7
2023	34,611	58,992	93,603	7
2024	25,167	127,725	152,892	11
2025	19,208	16,335	35,543	2
2026	19,527	1,528	21,055	1
2027	20,140	-	20,140	2
2028	27,234	18,925	46,159	3
2029	18,191	-	18,191	1
2030	17,762	3,996	21,758	2
Thereafter	65,511	22,429	87,940	6
	<u>\$578,514</u>	<u>\$ 843,311</u>	\$ 1,421,825	<u>100</u>
Mark-to-market adjustments on acquisition			13,067	
Financing costs			(18,009)	
			<u>\$ 1,416,883</u>	
Current			\$ 237,625	
Non-current			1,179,258	
			<u>\$ 1,416,883</u>	

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 6. Secured debt (continued):

	June 30, 2015	December 31, 2014
Mortgages at fixed rates:		
Mortgages (principal)	\$ 1,254,590	\$ 1,780,444
Interest rates	1.79% - 8.51%	1.96% - 8.51%
Weighted average interest rate	4.51%	4.91%
Mortgages at variable rates:		
Mortgages (principal)	\$ 167,235	\$ 141,377
Interest rates	Bankers Acceptance plus 1.50% to prime plus 2.50%	Lender COF <sup>1</sup> plus 2.00% to prime plus 2.50%
Weighted average interest rate	3.94%	4.23%
Blended weighted average rate	4.44%	4.86%

<sup>1</sup>Cost of Funds ("COF")



# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

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## 6. Secured debt (continued):

### (b) Credit facility:

On June 1, 2015, Chartwell arranged a new Credit Facility for a three-year term expiring on June 1, 2018. Under the new terms, the Credit Facility bears interest ranging from bank's prime rate plus 0.65% to bank's prime rate plus 0.80% or banker's acceptance rate plus 1.65% to banker's acceptance rate plus 1.80 depending on the ratio of Chartwell's debt to adjusted gross book value of assets ("D/GBV"), as defined in the Credit Agreement. 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, 2015, the maximum available borrowing capacity under the Credit Facility was \$150,000 based on the security provided. Of this capacity, \$4,934 has been allocated to support various letters of credit issued by Chartwell. As at June 30, 2015, \$114,000 (December 31, 2014 - \$45,500) 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)

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 7. Convertible debentures:

Chartwell has elected to designate convertible debentures as fair value through profit and loss ("FVTPL"). Fair value is determined using the market prices for these listed convertible debentures. Since inputs are unadjusted quoted prices of identical instruments in active markets, convertible debentures are considered Level 1 in the fair value hierarchy. The market ask price of the convertible debentures at June 30, 2015 was \$110.25 (December 31, 2014 - \$112).

Chartwell has the following series of convertible debentures outstanding:

	June 30, 2015	December 31, 2014
5.7% convertible debentures:		
Principal	\$ 134,893	\$ 135,000
Fair value	148,720	151,200

The 5.7% convertible debentures bear interest at an annual rate of 5.7%, payable semi-annually in arrears on March 31 and September 30 in each year, and mature on March 31, 2018. Each 5.7% convertible debenture is convertible into freely-tradable Trust Units of Chartwell at the option of the holder at any time prior to the earlier of March 31, 2018, and the last business day immediately preceding the date specified by Chartwell for redemption of the 5.7% convertible debentures, at a conversion price of \$11.00 per Trust Unit. Holders converting their 5.7% convertible debentures will be entitled to receive, in addition to the applicable number of Trust Units, accrued and unpaid interest thereon for the period from the last interest payment date on their 5.7% convertible debentures up to and including the last record date set by Chartwell prior to the date of conversion for determining the unitholders entitled to receive a distribution on Chartwell Units. In the event Chartwell has suspended regular distributions, then the 5.7% convertible debentures holders, in addition to the applicable number of Trust Units to be received on conversion, will be entitled to receive accrued and unpaid interest for the period from the last payment date prior to the date of conversion.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 7. Convertible debentures (continued):

Prior to March 31, 2017, the 5.7% convertible debentures may be redeemed by Chartwell in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest provided that the volume-weighted average trading price, as defined in Chartwell Indenture, is not less than 125% of the conversion price. On or after March 31, 2017, the 5.7% convertible debentures may be redeemed by Chartwell in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest.

Subject to regulatory approval and provided no event of default has occurred, Chartwell may, at its option, elect to satisfy its obligation to pay the principal amount of the 5.7% convertible debentures on redemption or maturity through, in whole or in part, the issuance of freely-tradable Trust Units. The number of Trust Units to be issued in respect of each debenture will be determined by dividing the principal amount of the debenture by 95% of the volume-weighted average trading price, as defined in Chartwell Indenture, relating to the debenture. In addition, subject to regulatory approval and provided no event of default has occurred, Trust Units may be issued with the proceeds used by the 5.7% convertible debentures trustee to satisfy the obligations to pay interest on the 5.7% convertible debentures.

## 8. Accounts payable and other liabilities:

	Note	June 30, 2015	December 31, 2014
Accounts payable and accrued liabilities		\$ 73,978	\$ 95,413
Resident deposits		2,431	2,662
Deferred revenue		1,082	9,614
Deferred Trust Units ("DTUs")	(a)	8,757	8,269
Restricted Trust Units ("RTUs")	(b)	2,258	1,406
Long-term Incentive Plan option component	(c)	6,761	6,857
		\$ 95,267	\$ 124,221

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

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

### (a) Deferred unit plan:

The deferred unit plan fair value is determined using the market price for listed Trust Units since there is a one-for-one conversion feature. The market ask price of Trust Units as at June 30, 2015 was \$11.50 (December 31, 2014 - \$11.95).

	Units outstanding	Amount
Balance, December 31, 2013	607,986	\$ 6,080
Units granted	93,955	1,032
DTU exchange for Trust Units on vesting	(40,942)	(431)
Change in fair value and distributions	31,050	1,588
Balance, December 31, 2014	692,049	8,269
Units granted	53,337	631
Change in fair value and distributions	16,052	(143)
Balance, June 30, 2015	761,438	\$ 8,757

### (b) Restricted unit plan:

During the six months ended June 30, 2015, 198,894 RTUs were granted, 7,058 RTUs were cancelled and 9,234 RTUs were allocated related to reinvested distributions. At June 30, 2015, 470,888 RTUs remain outstanding (December 31, 2014 - 269,818).

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

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

(c) LTIP (note 11):

LTIP fair value 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, 2015	December 31, 2014
Expected volatility	15.42% - 20.42%	10.68% - 15.68%
Risk-free rate	2.12% - 2.67%	2.32% - 2.69%
Distribution yield	5.80% - 7.00%	5.30%

## 9. Discontinued Operations:

Chartwell announced on March 17, 2015 that it had entered into a definitive agreement to sell 100% of its shares in CSH Master Care USA Inc. (the "U.S. Subsidiary"), through a series of transactions, to a newly-formed joint venture between HCP, Inc. ("HCP") and Brookdale Senior Living Inc. ("Brookdale") (collectively, the "Buyers"). The transaction closed on June 30, 2015.

The U.S. Subsidiary wholly owned Chartwell's entire U.S. portfolio, comprising 5,022 suites in 35 communities (the "U.S. Portfolio"). Brookdale was the manager of the U.S. Portfolio.

The gross sale price was US\$847.4 million (\$1,058.4 million). The related debt of US\$477.9 million (\$596.9 million) has been settled on sale.

Chartwell recorded a gain on the sale of the U.S. Portfolio of \$432.5 million, net of transaction costs.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 9. Discontinued Operations (continued):

The following is a summary of the results of discontinued operations:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Resident revenue	\$ 56,693	\$ 55,275	\$ 114,110	\$ 110,854
Direct operating expenses	(36,636)	(35,155)	(80,819)	(77,710)
Finance costs	(8,287)	(9,299)	(16,939)	(18,882)
Other (expense) income	(714)	2,783	(1,371)	2,134
Gain (loss) on disposal of PP&E	442,778	(136)	432,497	(305)
Depreciation of PP&E	(4,437)	(12,675)	(13,870)	(25,487)
Amortization of intangible assets	-	(224)	(255)	(451)
Changes in fair values of financial instruments, unrealized foreign exchange, and adjustments on mortgages	-	(21)	(26,827)	1,191
Income (loss) before income taxes	449,397	548	406,526	(8,656)
Income tax expense (benefit) (note 17):				
Current	57,799	67	57,897	150
Deferred	65,244	(2,057)	-	(2,057)
Net income (loss) from discontinued operations	326,354	2,538	348,629	(6,749)
Cash flows from discontinued operations:				
Net cash provided by (used in) operating activities	(14,569)	5,677	(22,336)	17,264
Net cash used in financing activities	(2,234)	(6,240)	(5,213)	(16,382)
Net cash provided by (used) in investing activities	430,787	514	427,045	(1,384)
Foreign exchange (loss) gain on cash	(733)	(407)	(7)	466
Effect on cash flows	\$ 413,251	\$ (456)	\$ 399,489	\$ (36)

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 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 designate Class B Units as FVTPL. Fair value is determined by using the market price for listed Trust Units since there is a one-for-one exchange feature for each Class B Unit into a Trust Unit. Since inputs are unadjusted quoted prices of identical instruments in active markets, Class B Units are considered Level 1 in the fair value hierarchy. The market ask price of Chartwell Units as at June 30, 2015 was \$11.50 (December 31, 2014 - \$11.95). At June 30, 2015, 1,641,323 Class B Units were outstanding (December 31, 2014 - 1,641,323).

## 11. Trust Units and LTIP:

The following Trust Units are issued and outstanding:

	Number of voting Units	Amount
Balance, December 31, 2013	171,643,982	\$ 1,724,564
Trust Units issued under DRIP	1,670,021	17,408
Trust Units issued on vesting of DTU	40,942	431
Trust Units issued in exchange of Class B Units	16,989	178
Trust Units released on settlement of LTIP receivable	114,058	1,205
Balance, December 31, 2014	173,485,992	1,743,786
Trust Units issued under DRIP	766,875	8,827
Trust Units issued in exchange of convertible debentures	9,725	107
Trust Units released on settlement of LTIP receivable	56,483	715
Balance, June 30, 2015	174,319,075	\$ 1,753,435

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 11. Trust Units and LTIP (continued):

The following table summarizes Trust Units issued under the LTIP:

	Number of Trust Units issued under LTIP	Amount
Balance, December 31, 2013	1,893,074	\$ 21,294
Trust Units issued under LTIP	114,027	1,166
Trust Units surrendered for cancellation under LTIP	(252,279)	(3,382)
Trust Units released on settlement of LTIP receivable	(114,058)	(1,205)
Balance, December 31, 2014	1,640,764	17,873
Trust Units issued under LTIP	71,734	856
Trust Units surrendered for cancellation under LTIP	(27,096)	(303)
Trust Units released on settlement of LTIP receivable	(56,483)	(715)
Balance, June 30, 2015	1,628,919	\$ 17,711

Chartwell received final acceptance from the Toronto Stock Exchange ("TSX") of Chartwell's notice of intention to make a normal course issuer bid ("NCIB"). Under the NCIB Chartwell will have the ability to purchase for cancellation up to a maximum of 17,379,338 units on the open market, representing approximately 10% of the public float (determined in accordance with the applicable rules of the TSX). The NCIB commenced on June 8, 2015 and remains in effect until the earlier of June 7, 2016 and the date on which Chartwell has purchased the maximum number of units permitted under the NCIB. Purchases of units under the NCIB will be made in accordance with TSX by-laws, rules and policies through open market transactions on the TSX or other exchanges and alternative trading systems in Canada. The price paid for any repurchased units will be the market price of such units at the time of acquisition. No units have been repurchased under the NCIB as at June 30, 2015.

## 12. Segmented information:

Chartwell monitors and operates its Canadian Retirement and Canadian Long-Term Care 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 shows the adjustments to account for these joint ventures using the equity method as applied in these condensed consolidated interim financial statements. Certain general, administrative and trust expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.



# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 12. Segmented information (continued):

	Three months ended June 30, 2015							
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Continuing Operations								
Revenue:								
Resident Management and other fees	\$ 127,174	\$ 53,821	\$ -	\$ 180,995	\$ -	\$ 180,995	\$ (25,914)	\$ 155,081
Lease revenue from joint ventures	-	-	-	-	1,989	1,989	-	1,989
Interest on loans receivable	-	-	-	-	-	-	8,252	8,252
	-	-	-	-	223	223	-	223
	127,174	53,821	-	180,995	2,212	183,207	(17,662)	165,545
Expenses:								
Direct operating	82,722	46,546	-	129,268	-	129,268	(16,432)	112,836
General, administrative and trust	-	-	-	-	7,519	7,519	-	7,519
	82,722	46,546	-	129,268	7,519	136,787	(16,432)	120,355
Income (loss) before the undernoted <sup>(1)</sup>	44,452	7,275	-	51,727	(5,307)	46,420	(1,230)	45,190
Finance costs:								
Contractual interest	(13,053)	(2,755)	-	(15,808)	(2,727)	(18,535)	296	(18,239)
Other	(154)	250	-	96	(385)	(289)	18	(271)
Other (expense) income:								
Interest	37	892	-	929	14	943	(93)	850
Other	12,990	(134)	-	12,856	(125)	12,731	68	12,799
Depreciation and amortization	(21,907)	(2,138)	-	(24,045)	(346)	(24,391)	770	(23,621)
Share of net income from joint ventures	-	-	-	-	-	-	197	197
Changes in fair values of financial instruments and unrealized foreign exchange losses	52	-	-	52	12,814	12,866	(26)	12,840
	(22,035)	(3,885)	-	(25,920)	9,245	(16,675)	1,230	(15,445)
Income (loss) before income taxes	22,417	3,390	-	25,807	3,938	29,745	-	29,745
Income tax (expense) benefit	-	-	-	-	(789)	(789)	-	(789)
Net income (loss) from continuing operations	22,417	3,390	-	25,807	3,149	28,956	-	28,956
Net income (loss) from discontinued operations, net of income taxes	-	-	326,354	326,354	-	326,354	-	326,354
Net income (loss)	\$ 22,417	\$ 3,390	\$ 326,354	\$ 352,161	\$ 3,149	\$ 355,310	\$ -	\$ 355,310
Expenditures for non-current assets:								
Acquisition properties	\$ 62,176	\$ -	\$ -	\$ 62,176	\$ -	\$ 62,176	\$ 40,076	\$ 102,251
Capital additions	\$ 11,627	\$ 965	\$ 8,396	\$ 20,988	\$ 782	\$ 21,770	\$ (455)	\$ 21,315

<sup>(1)</sup> Refers to income before finance costs (recovery), other expense (income), depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and unrealized foreign exchange losses, share of net income from joint ventures, and discontinued operations.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

## 12. Segmented information (continued):

	Three months ended June 30, 2014							
	Canadian Retirement Operations	Canadian Long-Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Revenue:								
Resident Management and other fees	\$ 121,620	\$ 53,103	\$ -	\$ 174,723	\$ -	\$ 174,723	\$ (25,463)	\$ 149,260
Lease revenue from joint ventures	-	-	-	-	1,860	1,860	-	1,860
Interest on loans receivable	-	-	-	-	-	-	8,306	8,306
	-	-	-	-	83	83	-	83
	121,620	53,103	-	174,723	1,943	176,666	(17,157)	159,509
Expenses:								
Direct operating General, administrative and trust	79,426	45,755	-	125,181	-	125,181	(16,253)	108,928
	-	-	-	-	8,255	8,255	-	8,255
	79,426	45,755	-	125,181	8,255	133,436	(16,253)	117,183
Income (loss) before the undernoted <sup>(1)</sup>	42,194	7,348	-	49,542	(6,312)	43,230	(904)	42,326
Finance costs:								
Contractual interest	(15,717)	(2,977)	-	(18,694)	(2,313)	(21,007)	386	(20,621)
Other	162	211	-	373	(264)	109	7	116
Other (expense) income:								
Interest	33	904	-	937	955	1,892	(16)	1,876
Other	323	(67)	-	256	(63)	193	(5)	188
Depreciation and amortization	(26,296)	(2,418)	-	(28,714)	(1,028)	(29,742)	467	(29,275)
Share of net income from joint ventures	-	-	-	-	-	-	65	65
Changes in fair values of financial instruments and unrealized foreign exchange losses	(40)	-	-	(40)	(3,750)	(3,790)	-	(3,790)
	(41,535)	(4,347)	-	(45,882)	(6,463)	(52,345)	904	(51,441)
Income (loss) before income taxes	659	3,001	-	3,660	(12,774)	(9,115)	-	(9,115)
Income tax (expense) benefit	-	-	-	-	(398)	(398)	-	(398)
Net income (loss) from continuing operations	659	3,001	-	3,660	(13,172)	(9,513)	-	(9,513)
Net income (loss) from discontinued operations, net of income taxes	-	-	2,538	2,538	-	2,538	-	2,538
Net income (loss)	\$ 659	\$ 3,001	\$ 2,538	\$ 6,198	\$ (13,172)	\$ (6,975)	\$ -	\$ (6,975)
Expenditures for non-current assets:								
Capital additions	\$ 6,334	\$ (376)	\$ 4,605	\$ 10,563	\$ 1,066	\$ 11,629	\$ (197)	\$ 11,432

<sup>(1)</sup> Refers to income before finance costs (recovery), 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 (gains) losses, share of net income from joint ventures.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
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## 12. Segmented information (continued):

	Six months ended June 30, 2015							
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Continuing Operations								
Revenue:								
Resident Management and other fees	\$ 253,211	\$ 106,799	\$ -	\$ 360,010	\$ -	\$ 360,010	\$ (52,018)	\$ 307,992
Lease revenue from joint ventures	-	-	-	-	3,913	3,913	-	3,913
Interest on loans receivable	-	-	-	-	-	-	16,402	16,402
	-	-	-	-	426	426	-	426
	253,211	106,799	-	360,010	4,339	364,349	(35,616)	328,733
Expenses:								
Direct operating	165,379	93,080	-	258,459	-	258,459	(32,988)	225,471
General, administrative and trust	-	-	-	-	16,187	16,187	-	16,187
	165,379	93,080	-	258,459	16,187	274,646	(32,988)	241,658
Income (loss) before the undernoted <sup>(1)</sup>	87,832	13,719	-	101,551	(11,848)	89,703	(2,628)	87,075
Finance costs:								
Contractual interest	(26,082)	(5,630)	-	(31,712)	(5,117)	(36,829)	633	(36,196)
Other	(255)	508	-	253	(709)	(456)	29	(427)
Other expense (income):								
Interest	73	1,669	-	1,742	43	1,785	(53)	1,732
Other	13,116	(134)	-	12,982	(40)	12,942	14	12,956
Depreciation and amortization	(49,169)	(3,663)	-	(52,832)	(650)	(53,482)	1,625	(51,857)
Share of net income from joint ventures	-	-	-	-	-	-	293	293
Changes in fair values of financial instruments and unrealized foreign exchange losses	(188)	-	-	(188)	5,124	4,936	87	5,023
	(62,505)	(7,250)	-	(69,755)	(1,349)	(71,104)	2,628	(68,476)
Income (loss) before income taxes	25,327	6,469	-	31,796	(13,197)	18,599	-	18,599
Income tax (expense) benefit	-	-	-	-	(789)	(789)	-	(789)
Net income (loss) from continuing operations	25,327	6,469	-	31,796	(13,986)	17,810	-	17,810
Net income (loss) from discontinued operations, net of income taxes	-	-	348,629	348,629	-	348,629	-	348,629
Net income (loss)	\$ 25,327	\$ 6,469	\$ 348,629	\$ 380,425	\$ (13,986)	\$ 366,439	\$ -	\$ 366,439
Expenditures for non-current assets:								
Acquisition properties	\$ 62,176	\$ -	\$ -	\$ 62,176	\$ -	\$ 62,176	\$ 40,076	\$ 102,251
Capital additions	\$ 17,882	\$ 1,303	\$ 11,417	\$ 30,602	\$ 1,352	\$ 31,954	\$ (778)	\$ 31,176

<sup>(1)</sup> Refers to income before finance costs (recovery), other expense (income), depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and unrealized foreign exchange losses, share of net income from joint ventures, and discontinued operations.

# CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and six months ended June 30, 2015 and 2014  
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## 12. Segmented information (continued):

	Six months ended June 30, 2014							
	Canadian Retirement Operations	Canadian Long-Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Revenue:								
Resident Management and other fees	\$ 246,860	\$ 105,560	\$ –	\$ 352,420	\$ –	\$ 352,420	\$ (51,064)	\$ 301,356
Lease revenue from joint ventures	–	–	–	–	3,708	3,708	–	3,708
Interest on loans receivable	–	–	–	–	–	–	16,336	16,336
	–	–	–	–	143	143	–	143
	246,860	105,560	–	352,420	3,851	356,271	(34,728)	321,543
Expenses:								
Direct operating General, administrative and trust	162,484	91,662	–	254,146	–	254,146	(32,488)	221,658
	–	–	–	–	18,190	18,190	–	18,190
	162,484	91,662	–	254,146	18,190	272,336	(32,488)	239,848
Income (loss) before the undernoted <sup>(1)</sup>	84,376	13,898	–	98,274	(14,339)	83,935	(2,240)	81,695
Finance costs:								
Contractual interest	(29,438)	(6,207)	–	(35,645)	(4,621)	(40,266)	774	(39,492)
Other	156	459	–	615	(524)	91	12	103
Other (expense) income:								
Interest	100	1,826	–	1,926	982	2,908	(86)	2,822
Other	839	(129)	–	710	776	1,486	(5)	1,481
Depreciation and amortization	(52,865)	(5,231)	–	(58,096)	(1,548)	(59,644)	1,362	(58,282)
Share of net income from joint ventures	–	–	–	–	–	–	183	183
Changes in fair values of financial instruments and unrealized foreign exchange (losses) gains	(30)	–	–	(30)	(7,396)	(7,426)	–	(7,426)
	(81,238)	(9,282)	–	(90,520)	(12,331)	(102,851)	2,240	(100,611)
Income (loss) before income taxes	3,138	4,616	–	7,754	(26,670)	(18,916)	–	(18,916)
Income tax benefit	–	–	–	–	1,820	1,820	–	1,820
Net income (loss) from continuing operations	3,138	4,616	–	7,754	(24,850)	(17,096)	–	(17,096)
Net income (loss) from discontinued operations, net of income taxes	–	–	(6,749)	(6,749)	–	(6,749)	–	(6,749)
Net income (loss)	\$ 3,138	\$ 4,616	\$ (6,749)	\$ 1,005	\$ (24,850)	\$ (23,845)	\$ –	\$ (23,845)
Expenditures for non-current assets:								
Acquisition properties	\$ 32,000	\$ –	\$ –	\$ 32,000	\$ –	\$ 32,000	\$ –	\$ 32,000
Capital additions	18,655	3,787	7,211	29,653	1,493	31,146	(349)	30,797

<sup>(1)</sup> Refers to income before finance costs (recovery), 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), and share of net income from joint ventures.

# 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)

## 12. Segmented information (continued):

June 30, 2015	Canadian Retirement Operations	Canadian Long Term Care Operations	Segment Total	Other	United States Operations	Subtotal	Reconciliation	Total
Total assets	\$ 1,869,299	\$ 278,169	\$2,147,468	\$ 433,450	\$ -	\$ 2,580,918	\$ (20,994)	\$ 2,559,924
Total liabilities	\$ 1,284,671	\$ 217,223	\$1,501,894	\$ 321,784	\$ -	\$ 1,823,678	\$ (20,994)	\$ 1,802,684

## 13. Financial instruments:

Classification, carrying values and fair values of financial instruments:

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

	June 30, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Financial assets recorded at amortized cost:				
Loans receivable	\$ 11,401	\$ 11,401	\$ 9,901	\$ 9,901
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	1,416,884	1,513,529	1,917,076	2,017,753
Credit Facility	114,000	114,000	45,500	45,500

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

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## 13. Financial instruments (continued):

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

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, 2015, the mortgages payable were discounted using rates between 1.64% and 4.51% (December 31, 2014 - 2.01% and 4.58%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of mortgages is Level 2 in the fair value hierarchy.

The fair value of the credit facility approximates its carrying value and is considered Level 2 in the fair value hierarchy as inputs are observable directly or indirectly.

To reduce the foreign exchange cash flow risk on the U.S. disposal proceeds (note 9), Chartwell has entered into foreign exchange swap arrangements with a current notional principal amount of \$180,000 that entitles Chartwell to receive Canadian dollars ("CAD") in exchange for U.S. dollars ("USD") at a rate of \$1.26 CAD/USD if the rate on the settlement date is below \$1.26 CAD/USD. If the rate is above \$1.26 but below \$1.34 CAD/USD then Chartwell will receive the prevailing market rate, and if the rate is above \$1.34 CAD/USD then Chartwell will receive \$1.2775 CAD/USD. The net receivable or payable under the contracts are settled on the contracts' end date with the counterparty, which is a Canadian chartered bank. One US\$90 million contract was settled on August 5, 2015 at the exchange rate of \$1.3102. The second contract matures in September, 2015. The fair value of the foreign exchange swap arrangement, as at June 30, 2015, is a gain position of \$3,412, which is included in other receivables on the condensed consolidated interim balance sheet. As inputs are observable, either directly or indirectly through prevailing rates in the market, the fair value of the foreign exchange swaps is Level 2 in the fair value hierarchy.

# 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)

## 14. Other income (expense):

	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Interest and other income	\$ 850	\$ 1,877	\$ 1,732	\$ 2,822
Property lease expense	(99)	(99)	(197)	(197)
Reversal of previously recorded provision for impairment of mezzanine loans and accounts receivable	–	–	–	1,245
Gain on sale of assets	4,454	1,010	4,664	1,500
Gain recorded on remeasurement of previously held interest on acquisition (note 2)	10,452	–	10,452	435
Transaction costs arising on business acquisitions and dispositions	(2,008)	(724)	(1,963)	(1,502)
<b>Other income</b>	<b>\$ 13,649</b>	<b>\$ 2,064</b>	<b>\$ 14,688</b>	<b>\$ 4,303</b>

On December 15, 2014, Chartwell entered into an agreement to sell a property located in Quebec, included in the Canadian Retirement Segment. The sale was closed on June 2, 2015. The sale price was \$8,000 and was settled through the purchaser's assumption of mortgage and a \$1,500 vendor take-back mortgage provided by Chartwell with the balance of the purchase price paid in cash. Chartwell recorded a gain on sale of assets of \$3,321.

For the three and six months ended June 30, 2015, Chartwell completed other disposals of assets and recorded a gain of \$1,133 and \$1,343, respectively. (Three and six months ended June 30, 2014 – \$659 and \$1,159 respectively)

On March 31, 2014, MacLean Homes Limited completed the sale of a retirement residence to a third party and repaid its \$1,245 mezzanine loan to Chartwell. As a result, in the three-month period ended March 31, 2014, Chartwell recorded a reversal of previously recorded impairment provision for mezzanine loan of \$1,245.

On May 1, 2014, Chartwell completed the previously announced sale of a 14 property (945 suites) portfolio in Ontario. The sale price was \$65,950 and was satisfied in part by the Purchaser assuming mortgages in the amount of \$19,303 and by Chartwell providing the purchaser with vendor take back mortgages totalling \$6,000. The balance of the purchase price, net of closing costs, was received in cash. Chartwell recorded a gain on sale of assets of \$351.

# 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)

## 15. Finance costs:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Contractual interest expense on mortgages	\$ 15,749	\$ 15,910	\$ 31,084	\$ 32,476
Interest expense on convertible debentures	1,917	1,919	3,814	3,816
Credit facility and other interest expense	567	2,792	1,298	3,200
	18,233	20,621	36,196	39,492
Interest capitalized to properties under development	(34)	(26)	(114)	(131)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	84	(312)	92	(418)
Distributions on Class B Units recorded as interest expense	227	222	449	446
<b>Total finance costs</b>	<b>\$ 18,510</b>	<b>\$ 20,505</b>	<b>\$ 36,623</b>	<b>\$ 39,389</b>



# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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As at and for the three months and six months ended June 30, 2015 and 2014  
(Unaudited)

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Changes in fair value of convertible debentures	\$ 6,318	\$ (1,715)	\$ 2,361	\$ (4,347)
Changes in fair value of interest rate swaps	(273)	(40)	(401)	(30)
Unrealized foreign exchange gains (losses)	1,131	(120)	(1,594)	(68)
Changes in fair value of LTIP option component	1,122	(817)	362	(924)
Changes in fair value of Class B Units	1,477	(691)	739	(1,387)
Changes in fair value of DTU	550	(407)	144	(670)
Changes in fair value of foreign exchange swaps	2,515	-	3,412	-
Changes in fair values of financial instruments and unrealized foreign exchange gains( losses)	\$ 12,840	\$ (3,790)	\$ 5,023	\$ (7,426)

## 17. Income taxes:

As a result of the sale of the U.S. Subsidiary, Chartwell recorded a current tax expense of \$57,897 in discontinued operations for the six months ended June 30, 2015. This current expense is primarily attributable to US taxes payable on the disposition of the shares of the U.S. Subsidiary.

For the three months ended June 30, 2015, Chartwell also reversed the previously recognized deferred tax recovery of \$65,244. The deferred tax recovery was with respect to the temporary difference between the accounting carrying amount and tax cost base of the investment in the U.S. Subsidiary, which reversed upon its sale.

In addition, Chartwell recorded a deferred tax expense of \$789 in continuing operations for the six months ended June 30, 2015 related to the fair value fluctuation on the foreign exchange swap arrangement.

# CHARTWELL RETIREMENT RESIDENCES

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

## 18. Commitments and contingencies:

Chartwell's major contractual obligations as at June 30, 2015 are detailed in the following table:

	Note	Total	2015	2016	2017	2018	2019	Thereafter
Mortgages payable	6(a)	\$ 1,421,825	\$ 174,192	\$ 157,453	\$ 111,418	\$ 114,579	\$ 75,074	\$ 789,109
Accounts payable and other liabilities	8	95,267	95,267	-	-	-	-	-
Distributions payable		8,150	8,150	-	-	-	-	-
Convertible debentures	7	134,893	-	-	-	134,893	-	-
Credit Facility	6(b)	114,000	114,000	-	-	-	-	-
Purchase obligations		1,320	1,320	-	-	-	-	-
Other operating leases		8,122	653	1,164	1,129	1,129	1,129	2,918
Land leases		14,678	198	395	395	395	395	12,900
<b>Total contractual obligations</b>		<b>\$ 1,798,255</b>	<b>\$ 393,780</b>	<b>\$ 159,012</b>	<b>\$ 112,942</b>	<b>\$ 250,996</b>	<b>\$ 76,598</b>	<b>\$ 804,927</b>

# CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## 19. Subsequent events:

Chartwell completed the transaction to acquire the Grenadier Retirement Residence ("The Grenadier") in Toronto, Ontario, on July 31, 2015. The purchase price before transaction costs is \$85,000 and was settled in cash.

In July 2015, Chartwell repaid mortgages totalling \$120,962 on six properties.

On August 5, 2015, Chartwell completed the acquisition of an 85% interest in L'Unique Phase II in Ste. Eustache, Quebec, for \$15,385. The purchase price was settled through the assumption of a construction loan of \$9,244, settlement of a mezzanine loan of \$1,454 and cash. The vendor, Batimo Inc, retained a 15% interest in the property.

On July 13, 2015, Chartwell advanced a \$5,857 mezzanine loan to Batimo Inc. for the development of a retirement residence in Quebec.