

Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

CHARTWELL RETIREMENT RESIDENCES

As at and for the three months ended March 31, 2015
and 2014
(Unaudited)

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)

(Unaudited)

	Note	March 31, 2015	December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents		\$ 280	\$ 10,927
Trade and other receivables		10,313	18,940
Capital funding receivable		5,031	4,963
Other assets	3	14,508	24,641
Assets held for sale	8	723,443	5,306
Total current assets		753,575	64,777
Non-current assets:			
Other assets	3	2,756	7,008
Loans receivable		9,901	9,901
Capital funding receivable		60,204	61,506
Investment in joint ventures	4	23,306	23,431
Intangible assets		46,000	49,025
Property, plant and equipment ("PP&E")	2	1,897,073	2,489,601
Total non-current assets		2,039,240	2,640,472
Total assets		\$ 2,792,815	\$ 2,705,249
Liabilities and Unitholders' Equity			
Current liabilities:			
Secured revolving operating credit facilities ("Credit Facilities")	5(b)	\$ 66,000	\$ 45,500
Accounts payable and other liabilities	7	79,760	124,221
Distributions payable		8,130	7,954
Mortgages payable	5(a)	201,597	372,184
Liabilities related to assets held for sale	8	228,555	6,086
Total current liabilities		584,042	555,945
Non-current liabilities:			
Mortgages payable	5(a)	1,191,124	1,544,892
Mortgages payable related to assets held for sale	8	409,229	—
Convertible debentures	6	155,075	151,200
Class B Units of Chartwell Master Care LP ("Class B Units")	9	20,352	19,614
Total non-current liabilities		1,775,780	1,715,706
Total liabilities		2,359,822	2,271,651
Unitholders' equity	10	432,993	433,598
Subsequent events	18		
Total liabilities and unitholders' equity		\$ 2,792,815	\$ 2,705,249

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 March 31,	
		2015	2014
			(restated - note 8)
Revenue:			
Resident		\$ 152,911	\$ 152,096
Management and other fees		1,924	1,848
Lease revenue from joint ventures	4	8,150	8,030
Interest on loans receivable		203	60
		163,188	162,034
Expenses:			
Direct operating		112,635	112,730
General, administrative and Trust		8,668	9,935
		121,303	122,665
Income before the undernoted ⁽¹⁾		41,885	39,369
Finance costs	14	18,118	18,884
Other income	13	(1,039)	(2,239)
Depreciation of PP&E		28,032	28,773
Amortization of intangible assets		204	234
Changes in fair values of financial instruments and unrealized foreign exchange losses	15	7,817	3,636
Share of net income from joint ventures	4	(96)	(118)
		53,036	49,170
Loss before income taxes		(11,151)	(9,801)
Income tax expense (benefit):			
Current		–	(2,218)
Net loss from continuing operations		(11,151)	(7,583)
Discontinued operations:			
Net income (loss) from discontinued operations, net of income taxes	8	22,279	(9,287)
Net income (loss)		11,128	(16,870)
Other comprehensive income (loss):			
Items that may be reclassified subsequently to net income (loss):			
Unrealized foreign currency income on translation of foreign operations considered discontinued operations		7,761	2,754
Total comprehensive income (loss)		\$ 18,889	\$ (14,116)

⁽¹⁾Refers to income before finance costs, 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 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)

Three months ended March 31, 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	–	–	–	11,128	–	–	–	11,128
Other comprehensive income	–	–	–	–	7,761	–	–	7,761
Distributions to unitholders	–	–	–	–	–	(23,799)	–	(23,799)
Issuance of Trust Units under the Distribution Reinvestment Program ("DRIP")	3,896	–	–	–	–	–	–	3,896
Trust Units issued on conversion of debt	82	–	–	–	–	–	–	82
Trust units issued under the Long-Term Incentive Plan ("LTIP"), net of cancellations and Trust Units released on settlement of LTIP receivable	433	423	(524)	–	–	–	(191)	141
Interest on LTIP receivable	–	–	(34)	–	–	–	–	(34)
Distributions applied against LTIP receivable	–	–	220	–	–	–	–	220
Unitholders' equity, March 31, 2015	\$ 1,748,197	\$ 18,296	\$ (14,288)	\$ (510,409)	\$ 12,415	\$ (827,696)	\$ 6,478	\$ 432,993

During the three months ended March 31, 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 month for March. In April 2015, distributions were declared at \$0.0459 per unit totalling \$8,137.

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Unitholders' Equity (continued)

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

(Unaudited)

Three months ended March 31, 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
Net loss	–	–	–	(16,870)	–	–	–	(16,870)
Other comprehensive income	–	–	–	–	2,754	–	–	2,754
Distributions to unitholders	–	–	–	–	–	(23,442)	–	(23,442)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	4,993	–	–	–	–	–	–	4,993
Trust Units issued on vesting of deferred trust units ("DTU")	431	–	–	–	–	–	–	431
Trust Units issued under the Long-Term Incentive Plan ("LTIP"), net of cancellations and Trust Units released on settlement of LTIP receivable	35	1,131	(1,141)	–	–	–	4	29
Interest on LTIP receivable	–	–	(42)	–	–	–	–	(42)
Distributions applied against LTIP receivable	–	–	256	–	–	–	–	256
Unitholders' equity, March 31, 2014	\$ 1,730,023	\$ 22,425	\$ (18,070)	\$ (530,128)	\$ 381	\$ (733,236)	\$ 5,948	\$ 477,343

During the three months ended March 31, 2014, distributions were declared and payable at \$0.045 per unit per month.

See accompanying notes to condensed consolidated interim financial statements.

CHARTWELL RETIREMENT RESIDENCES

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

	Three months ended March 31,	
	2015	2014
Cash provided by (used in):		
Operating activities:		
Net income (loss)	\$ 11,128	\$ (16,870)
Items not affecting cash:		
Depreciation and amortization	37,924	42,046
Finance costs	27,114	28,467
Other expense (income)	9,898	(2,171)
Transaction costs arising from business acquisitions and dispositions	(10,933)	(899)
Interest on loans receivable	(203)	(60)
Non-cash compensation expense	522	900
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	6,073	2,424
Change in carrying value of mortgages payable related to assets held for sale	28,690	-
Current income taxes	-	(2,140)
Deferred income taxes	(65,335)	-
Share of net income from joint ventures	(96)	(27)
Other	302	(1,210)
Change in trade and other receivables	188	(3,105)
Change in other assets	1,027	(278)
Change in accounts payable and other liabilities	(766)	(4,809)
	45,533	42,268
Interest and income received	883	872
Interest paid	(28,275)	(29,550)
Net cash provided by operating activities	18,141	13,590
Financing activities:		
Proceeds from mortgage financing	26,281	17,379
Mortgage maturity repayments	(25,381)	(48,072)
Changes to credit facilities	20,500	58,617
Scheduled mortgage principal repayments	(15,346)	(14,522)
Net additions to finance costs	(527)	(1,176)
Distributions paid	(19,541)	(18,165)
Deposits and repayments received under LTIP	-	42
Net cash used in financing activities	(14,014)	(5,897)
Investing activities:		
Acquisition of assets under business combinations	-	(6,133)
Additions to PP&E and intangible assets	(9,861)	(19,365)
Proceeds from disposal of PP&E	130	1,386
Change in restricted cash	633	3,243
Proceeds from capital funding receivable	1,233	1,150
Mezzanine loan collection	-	1,245
Distributions received from Joint Ventures	221	5,328
Net cash used in investing activities	(7,644)	(13,146)
Decrease in cash	(3,517)	(5,453)
Foreign exchange gain on U.S. dollar-denominated cash	450	1,037
Cash, beginning of period	10,927	8,601
Cash, end of period	7,860	4,185
Less: cash included in assets held for sale (note 8)	(7,580)	-
Cash, continuing operations	\$ 280	\$ 4,185

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 ended March 31, 2015 and 2014
(Unaudited)

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 and the United States.

1. Basis of preparation:

Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 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 May 7, 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 8). 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 earnings 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 ended March 31, 2015 and 2014
(Unaudited)

2. Property, plant and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost						
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 (note 8)	(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	–	6,575	1,152	2,134	–	9,861
Disposals	–	(44)	(11)	–	–	(55)
Derecognition	–	(7,314)	(378)	–	–	(7,692)
Transfers	–	95	–	(95)	–	–
Transfers to assets held for sale (note 8)	(87,146)	(714,204)	(31,451)	(4)	(8,442)	(841,247)
Exchange differences on translation of United States Operations	7,328	60,245	2,653	–	710	70,936
Balance, March 31, 2015	\$ 248,047	\$ 2,068,674	\$ 69,023	\$ 16,693	\$ 19,479	\$ 2,421,916
Accumulated depreciation and impairment losses						
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 (note 8)	–	(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	–	34,019	3,428	–	–	37,447
Disposals	–	(22)	(11)	–	–	(33)
Derecognition	–	(7,314)	(378)	–	–	(7,692)
Transfers to assets held for sale (note 8)	–	(199,824)	(23,861)	–	–	(223,685)
Exchange differences on translation of United States Operations	–	16,342	1,952	–	–	18,294
Balance, March 31, 2015	\$ –	\$ 475,822	\$ 45,496	\$ 2,422	\$ 1,103	\$ 524,843
Carrying amounts						
Balance, December 31, 2014	\$ 327,865	\$ 2,090,700	\$ 32,692	\$ 12,236	\$ 26,108	\$ 2,489,601
Balance, March 31, 2015	248,047	1,592,852	23,527	14,271	18,376	1,897,073

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 ended March 31, 2015 and 2014
(Unaudited)

2. Property, plant and equipment (continued):

During the three months ended March 31, 2015, Chartwell capitalized \$80 of borrowing costs related to development projects under construction at an average capitalization rate of 4.85%.

3. Other assets:

	March 31, 2015	December 31, 2014
Prepaid expenses and deposits	\$ 10,501	\$ 12,866
Restricted cash	2,814	10,256
Fair value of lease purchase options	-	4,232
Other assets	3,949	4,295
	<hr/>	<hr/>
	\$ 17,264	\$ 31,649
	<hr/>	<hr/>
Current	\$ 14,508	\$ 24,641
Non-current	2,756	7,008
	<hr/>	<hr/>
	\$ 17,264	\$ 31,649

At March 31, 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 ended March 31, 2015 and 2014
(Unaudited)

4. 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 ⁽¹⁾	38	Canada	50%	Joint operation
Chartwell-HCN Operator ⁽¹⁾	38	Canada	50%	Joint venture ⁽²⁾
Batimo	3	Canada	85%	Joint operation
Oakville	1	Canada	50%	Joint venture ⁽²⁾
Constantia	1	Canada	50%	Joint venture ⁽²⁾
Pickering	1	Canada	50%	Joint venture ⁽²⁾
Valley Vista	1	Canada	50%	Joint operation
Riverside	1	Canada	50%	Joint operation
Churchill	1	Canada	50%	Joint operation
Kamloops	1	Canada	50%	Joint operation

⁽¹⁾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.

⁽²⁾These joint ventures have been structured through separate legal vehicles.

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

	March 31, 2015 ⁽¹⁾	December 31, 2014 ⁽²⁾	March 31, 2014 ⁽¹⁾
Distributions received from joint ventures	\$ 221	\$ 5,780	\$ 4,991

⁽¹⁾Three-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)

As at and for the three months ended March 31, 2015 and 2014
(Unaudited)

4. Joint arrangements (continued):

	March 31, 2015	December 31, 2014
Current assets	\$ 11,153	\$ 10,452
Non-current assets	45,080	45,613
Total assets	\$ 56,233	\$ 56,065
Current liabilities	\$ 4,963	\$ 4,560
Non-current liabilities	27,964	28,074
Total liabilities	\$ 32,927	\$ 32,634
Net investment in joint ventures	\$ 23,306	\$ 23,431

Included in current assets is \$4,876 of cash held by joint ventures (December 31, 2014 - \$3,705).

	Three months ended March 31,	
	2015	2014
Revenue	\$ 26,104	\$ 25,601
Expenses	(26,008)	(25,483)
Chartwell's share of net income from joint ventures	\$ 96	\$ 118

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 March 31, 2015, \$1,088 (December 31, 2014 - \$638) of Chartwell's accounts receivable and \$6,004 (December 31, 2014 - \$5,755) of Chartwell's accounts payable relate to entities in which it had investments in joint ventures. For the three months ended March 31, 2015, \$1,336 (three months ended March 31, 2014 - \$1,324), of Chartwell's management fees related to its investment in 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 ended March 31, 2015 and 2014
(Unaudited)

4. Joint arrangements (continued):

Chartwell and 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, \$8,150 for the three months ended March 31, 2015 (three months ended March 31, 2014 - \$8,030), 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 ended March 31, 2015 and 2014
(Unaudited)

5. 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 March 31, 2015 are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total debt
Remainder 2015	\$ 36,464	\$ 135,835	\$ 172,299	12
2016	46,041	110,702	156,743	11
2017	44,546	66,195	110,741	8
2018	43,741	70,073	113,814	8
2019	42,753	31,666	74,419	5
2020	43,223	53,562	96,785	7
2021	41,617	50,150	91,767	7
2022	38,488	62,200	100,688	7
2023	33,679	58,992	92,671	7
2024	24,198	127,725	151,923	11
2025	18,473	9,697	28,170	2
2026	18,849	1,528	20,377	1
Thereafter	140,565	45,282	185,847	14
	<u>\$ 572,637</u>	<u>\$ 823,607</u>	\$ 1,396,244	<u>100</u>
Mark-to-market adjustments on acquisition			13,656	
Financing costs			(17,179)	
			<u>\$ 1,392,721</u>	
Current			\$ 201,597	
Non-current			1,191,124	
			<u>\$ 1,392,721</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 ended March 31, 2015 and 2014
(Unaudited)

5. Secured debt (continued):

	March 31, 2015	December 31, 2014
Mortgages at fixed rates:		
Mortgages (principal)	\$ 1,242,022	\$ 1,780,444
Interest rates	1.79% - 8.51%	1.96% - 8.51%
Weighted average interest rate	4.52%	4.91%
Mortgages at variable rates:		
Mortgages (principal)	\$ 154,222	\$ 141,377
Interest rates	Bankers Acceptance plus 1.50% to prime plus 2.50%	Lender COF plus 2.00% to prime plus 2.50%
Weighted average interest rate	4.12%	4.23%
Blended weighted average rate	4.47%	4.86%

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 ended March 31, 2015 and 2014
(Unaudited)

5. Secured debt (continued):

(b) Credit facilities:

- (i) On June 22, 2013, Chartwell renewed its Canadian Credit Facility for a two-year term expiring on June 22, 2015. Under the renewal terms, the Canadian 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 Canadian Credit Facility is secured by charges on specific properties. At March 31, 2015, the maximum available borrowing capacity under the Canadian Credit Facility was \$105,000 (December 31, 2014 - \$105,000) based on the security provided. Of this capacity, \$4,951 (December 31, 2014 - \$4,869) has been allocated to support various letters of credit issued by Chartwell. As at March 31, 2015, \$66,000 (December 31, 2014 - \$45,500) was outstanding under the Canadian Credit Facility.
- (ii) On January 27, 2014, Chartwell entered into a U.S. Credit Facility expiring on December 31, 2015. The U.S. Credit Facility bears interest at one month London Interbank Offered Rate plus 3.25%. The credit facility is secured by charges on three specific properties located in the U.S. Additional terms include covenants requiring maintenance of specified debt service coverage, liquidity and fixed charge coverage ratios and minimum capital to be spent on specific properties. As at March 31, 2015, there was no outstanding balance under the U.S. 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 ended March 31, 2015 and 2014
(Unaudited)

6. 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 March 31, 2015 was \$114.94 (December 31, 2014 - \$112).

Chartwell has the following series of convertible debentures outstanding:

	March 31, 2015	December 31, 2014
5.7% convertible debentures:		
Principal	\$ 134,918	\$ 135,000
Fair value	155,075	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. 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 ended March 31, 2015 and 2014
(Unaudited)

6. Convertible debentures (continued):

On or after March 31, 2015, but 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.

7. Accounts payable and other liabilities:

	Note	March 31, 2015	December 31, 2014
Accounts payable and accrued liabilities		\$ 57,560	\$ 95,413
Resident deposits		2,116	2,662
Deferred revenue		1,336	9,614
Deferred Trust Units	(a)	8,965	8,269
Restricted Trust Units ("RTUs")	(b)	1,932	1,406
Long-term Incentive Plan option component	(c)	7,851	6,857
		\$ 79,760	\$ 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 ended March 31, 2015 and 2014
(Unaudited)

7. 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 March 31, 2015 was \$12.40 (December 31, 2014 - \$11.95).

	Units outstanding	Amount
Balance, December 31, 2013	607,986	\$ 6,080
Units granted	93,955	1,032
Deferred Trust Units 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	23,395	289
Change in fair value and distributions	7,597	407
Balance, March 31, 2015	723,041	\$ 8,965

(b) Restricted unit plan:

During the three months ended March 31, 2015, 198,894 Restricted Trust Units ("RTUs") were granted, 5,763 RTUs were cancelled and 3,666 RTUs were allocated related to reinvested distributions. At March 31, 2015, 466,615 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 ended March 31, 2015 and 2014
(Unaudited)

7. Accounts payable and other liabilities (continued):

(c) LTIP (note 10):

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:

	March 31, 2015	December 31, 2014
Expected volatility	15.10% - 20.10%	10.68% - 15.68%
Risk-free rate	1.86% - 2.33%	2.32% - 2.69%
Distribution yield	5.27% - 6.35%	5.30%

8. Assets held for sale and related liabilities:

Segment:	United States Operations	Canadian Retirement Operations	Total
Cash and cash equivalents	\$ 7,580	\$ -	\$ 7,580
Trade and other receivables	9,524	64	9,588
Other assets	15,758	164	15,922
Deferred tax asset (note 16)	65,297	-	65,297
Intangible assets	2,866	-	2,866
PP&E	617,562	4,628	622,190
Total assets held for sale	718,587	4,856	723,443
Accounts payable and other liabilities	46,060	616	46,676
Current mortgages payable	176,572	5,307	181,879
Liabilities related to assets held for sale	222,632	5,923	228,555
Mortgages payable related to assets held for sale	409,229	-	409,229
Total liabilities and mortgages related to assets held for sale	\$ 631,861	\$ 5,923	\$ 637,784

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 ended March 31, 2015 and 2014
(Unaudited)

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

On December 15, 2014, Chartwell entered into an agreement to sell a property located in Quebec, included in the Canadian Retirement Segment. The sale price for the property is \$8,000 and will be partially settled through the purchaser's assumption of mortgages with an outstanding balance on March 31, 2015 of \$5,307, and a \$1,500 vendor take-back mortgage provided by Chartwell. The balance of the purchase price, subject to customary closing adjustments, will be paid in cash. This transaction subject to regulatory approval is expected to close in the second quarter of 2015.

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 U.S. Subsidiary wholly owns Chartwell's entire U.S. portfolio, comprising 5,025 suites in 35 communities (the "U.S. Portfolio"). Brookdale is the current manager of the U.S. Portfolio.

The gross sale price is U.S. \$849,000. The closing of the sale is anticipated on June 30, 2015, subject to receipt of regulatory approvals and other customary closing conditions. The U.S. Portfolio is encumbered by mortgage debt with the expected principal outstanding, as of June 30, 2015, of U.S. \$439,000, bearing interest at a weighted average rate of 5.85% per annum. Part of the proceeds from the sale will be used to repay the mortgage debt, including estimated prepayment costs of U.S. \$24,000. The estimated pre-tax gain on the sale of the U.S. Portfolio is approximately \$390,000.

CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months ended March 31, 2015 and 2014
(Unaudited)

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

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

	Three months ended March 31,	
	2015	2014
Resident revenue	\$ 57,417	\$ 55,579
Direct operating expenses	(44,183)	(42,555)
Finance costs	(8,652)	(9,583)
Other expense (a)	(10,938)	(818)
Depreciation of PP&E	(9,433)	(12,812)
Amortization of intangible assets	(255)	(227)
Changes in fair values of financial instruments, unrealized foreign exchange, and adjustments on mortgages (b)	(26,823)	1,212
Loss before income taxes	(42,867)	(9,204)
Income tax expense (benefit) (note 16):		
Current	98	83
Deferred	(65,244)	—
Net income (loss) from discontinued operations	22,279	(9,287)
Cash flows from discontinued operations:		
Net cash from operating activities	7,767	11,587
Net cash used in financing activities	(2,979)	(10,142)
Net cash used in investing activities	(3,742)	(1,898)
Foreign exchange gain on cash	726	873
Effect on cash flows	\$ 1,772	\$ 420

(a) Included in other expenses for the three months ended March 31, 2015 are transaction costs of \$10,176 related to the expected sale of the U.S. Subsidiary incurred by Chartwell.

(b) Included in changes in fair values of financial instruments, unrealized foreign exchange, and adjustments on mortgages for the three months ended March 31, 2015 is a charge of \$28,564 related to the re-measurement of the mortgages payable of the U.S. Portfolio to adjust the carrying value of the mortgages to reflect the expected change in timing of future cash flows required for the early repayment on the disposal of the segment.

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 ended March 31, 2015 and 2014
(Unaudited)

9. 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 March 31, 2015 was \$12.40 (December 31, 2014 - \$11.95). At March 31, 2015, 1,641,323 Class B Units were outstanding (December 31, 2014 - 1,641,323).

10. 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	325,984	3,896
Trust Units issued in exchange of convertible debentures	7,453	82
Trust Units released on settlement of LTIP receivable	33,217	433
Balance, March 31, 2015	173,852,646	\$ 1,748,197

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 ended March 31, 2015 and 2014
(Unaudited)

10. 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 released on settlement of LTIP receivable	(33,217)	(433)
Balance, March 31, 2015	1,679,281	\$ 18,296

11. 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 ended March 31, 2015 and 2014
(Unaudited)

11. Segmented information (continued):

	Three months ended March 31, 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	\$ 126,037	\$ 52,978	\$ –	\$ 179,015	\$ –	\$ 179,015	\$ (26,104)	\$ 152,911
Lease revenue from joint ventures	–	–	–	–	1,924	1,924	–	1,924
Interest on loans receivable	–	–	–	–	–	–	8,150	8,150
	–	–	–	–	203	203	–	203
	126,037	52,978	–	179,015	2,127	181,142	(17,954)	163,188
Expenses:								
Direct operating	82,657	46,534	–	129,191	–	129,191	(16,556)	112,635
General, administrative and trust	–	–	–	–	8,668	8,668	–	8,668
	82,657	46,534	–	129,191	8,668	137,859	(16,556)	121,303
Income (loss) before the undernoted ⁽¹⁾	43,380	6,444	–	49,824	(6,541)	43,283	(1,398)	41,885
Finance costs (recovery):								
Contractual interest	13,029	2,875	–	15,904	2,390	18,294	(331)	17,963
Other	101	(258)	–	(157)	329	172	(17)	155
Other expense (income):								
Interest	(36)	(777)	–	(813)	(29)	(842)	(40)	(882)
Other	(126)	–	–	(126)	(85)	(211)	54	(157)
Depreciation and amortization	27,262	1,525	–	28,787	304	29,091	(855)	28,236
Share of net income from joint ventures	–	–	–	–	–	–	(96)	(96)
Changes in fair values of financial instruments and unrealized foreign exchange losses								
	240	–	–	240	7,690	7,930	(113)	7,817
	40,470	3,365	–	43,835	10,599	54,434	(1,398)	53,036
Net income (loss) from continuing operations	2,910	3,079	–	5,989	(17,140)	(11,151)	–	(11,151)
Net income (loss) from discontinued operations, net of income taxes	–	–	22,279	22,279	–	22,279	–	22,279
Net income (loss)	\$ 2,910	\$ 3,079	\$ 22,279	\$ 28,268	\$ (17,140)	\$ 11,128	\$ –	\$ 11,128
Expenditures for non-current assets:								
Capital additions	\$ 6,255	\$ 338	\$ 3,021	\$ 9,614	\$ 570	\$ 10,184	\$ (323)	\$ 9,861

⁽¹⁾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 ended March 31, 2015 and 2014
(Unaudited)

11. Segmented information (continued):

	Three months ended March 31, 2014							
	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	\$ 125,240	\$ 52,457	\$ –	\$ 177,697	\$ –	\$ 177,697	\$ (25,601)	\$ 152,096
Lease revenue from joint ventures	–	–	–	–	1,848	1,848	–	1,848
Interest on loans receivable	–	–	–	–	–	–	8,030	8,030
	–	–	–	–	60	60	–	60
	125,240	52,457	–	177,697	1,908	179,605	(17,571)	162,034
Expenses:								
Direct operating	83,058	45,907	–	128,965	–	128,965	(16,235)	112,730
General, administrative and trust	–	–	–	–	9,935	9,935	–	9,935
	83,058	45,907	–	128,965	9,935	138,900	(16,235)	122,665
Income (loss) before the undernoted ⁽¹⁾	42,182	6,550	–	48,732	(8,027)	40,705	(1,336)	39,369
Finance costs (recovery):								
Contractual interest	13,721	3,230	–	16,951	2,308	19,259	(388)	18,871
Other	6	(248)	–	(242)	260	18	(5)	13
Other expense (income):								
Interest	(67)	(922)	–	(989)	(27)	(1,016)	70	(946)
Other	(516)	62	–	(454)	(839)	(1,293)	–	(1,293)
Depreciation and amortization	26,569	2,813	–	29,382	520	29,902	(895)	29,007
Share of net income from joint venture	–	–	–	–	–	–	(118)	(118)
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	(10)	–	–	(10)	3,646	3,636	–	3,636
	39,703	4,935	–	44,638	5,868	50,506	(1,336)	49,170
Income (loss) before income taxes	2,479	1,615	–	4,094	(13,895)	(9,801)	–	(9,801)
Income tax expense (benefit)	–	–	–	–	(2,218)	(2,218)	–	(2,218)
Net income (loss) from continuing operations	2,479	1,615	–	4,094	(11,677)	(7,583)	–	(7,583)
Net income (loss) from discontinued operations, net of income taxes	–	–	(9,287)	(9,287)	–	(9,287)	–	(9,287)
Net income (loss)	\$ 2,479	\$ 1,615	\$ (9,287)	\$ (5,193)	\$ (11,677)	\$ (16,870)	\$ –	\$ (16,870)
Continuing Operations:								
Expenditures for non-current assets:								
Acquisition properties, net	\$ 21,333	\$ –	\$ –	\$ 21,333	\$ –	\$ 21,333	\$ –	\$ 21,333
Capital additions	12,321	4,163	2,606	19,090	427	19,517	(152)	19,365

⁽¹⁾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 (gains), share of joint venture income, income tax expense (benefit) 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 ended March 31, 2015 and 2014
(Unaudited)

11. Segmented information (continued):

March 31, 2015	Canadian Retirement Operations	Canadian Long Term Care Operations	Segment Total	Other	United States Operations	Subtotal	Recon- ciliation	Total
Total assets	\$ 1,811,892	\$ 280,327	\$2,092,219	\$ 11,374	\$ 718,587	\$ 2,822,180	\$ (29,365)	\$ 2,792,815
Total liabilities	\$ 1,272,158	\$ 218,399	\$1,490,557	\$ 266,769	\$ 631,861	\$ 2,389,187	\$ (29,365)	\$ 2,359,822

12. 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:

	March 31, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Financial assets recorded at amortized cost:				
Loan receivable	\$ 9,901	\$ 9,901	\$ 9,901	\$ 9,901
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	1,392,721	1,516,706	1,917,076	2,017,753
Credit Facility	66,000	66,000	45,500	45,500

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 ended March 31, 2015 and 2014
(Unaudited)

12. 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, loans receivable, 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 March 31, 2015, the mortgages payable were discounted using rates between 1.49% and 4.19% (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 (note 8), 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, on August 4, 2015 and September 1, 2015. The fair value of the foreign exchange swap arrangement, based on an estimate of the cost to close the contracts, as at March 31, 2015, is a gain position of \$897, which is included in accounts receivable 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)

As at and for the three months ended March 31, 2015 and 2014
(Unaudited)

13. Other expense (income):

	Three months ended March 31,	
	2015	2014
Interest and other income	\$ (882)	\$ (947)
Property lease expense	98	99
Reversal of previously recorded provisions for impairment of mezzanine loans and accounts receivable	–	(1,245)
Gain on sale of assets	(255)	(489)
Gain recorded on remeasurement of previously held interest on acquisition	–	(435)
Transaction costs arising on business acquisitions and dispositions	–	778
Other expense (income)	\$ (1,039)	\$ (2,239)

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 provisions for mezzanine loan of \$1,245.

14. Finance costs:

	Three months ended March 31,	
	2015	2014
Contractual interest expense on mortgages	\$ 15,335	\$ 16,703
Interest expense on convertible debentures	1,897	1,897
Credit facility and other interest expense	731	271
	17,963	18,871
Interest capitalized to properties under development	(80)	(105)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	13	(106)
Distributions on Class B Units recorded as interest expense	222	224
Total finance costs	\$ 18,118	\$ 18,884

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 ended March 31, 2015 and 2014
(Unaudited)

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

	Three months ended March 31,	
	2015	2014
Changes in fair value of convertible debentures	\$ 3,957	\$ 2,632
Changes in fair value of interest rate swaps	128	(10)
Unrealized foreign exchange losses (gains)	2,724	(52)
Changes in fair value of LTIP option component	760	107
Changes in fair value of Class B Units	738	696
Changes in fair value of DTUs	407	263
Changes in fair value of foreign exchange swaps (Note 12)	(897)	—
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	\$ 7,817	\$ 3,636

16. Income taxes:

As a result of the anticipated sale of the U.S. subsidiary, Chartwell recorded a deferred tax benefit of \$52,899 for the three months ended March 31, 2015 related to the temporary difference between the accounting and tax basis of its investment in the U.S. subsidiary, included in the results from discontinued operations.

In addition, Chartwell recorded a deferred tax benefit of \$12,345 in discontinued operations related to the recognition of the benefit of the current year losses available to reduce the expected income from 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 ended March 31, 2015 and 2014
(Unaudited)

17. Commitments and contingencies:

Chartwell's major contractual obligations as at March 31, 2015 are detailed in the following table:

	Note	Total	2015	2016	2017	2018	2019	Thereafter
Mortgages payable	5(a)	\$ 1,396,244	\$ 172,299	\$ 156,743	\$ 110,741	\$ 113,814	\$ 74,419	\$ 768,228
Accounts payable and other liabilities	7	79,760	79,760	—	—	—	—	—
Distributions payable		8,130	8,130	—	—	—	—	—
Convertible debentures	6	134,918	—	—	—	134,918	—	—
Credit Facility	5(b)	66,000	66,000	—	—	—	—	—
Purchase obligations		3,290	3,290	—	—	—	—	—
Other operating leases		8,449	980	1,164	1,129	1,129	1,129	2,918
Land leases		14,776	296	395	395	395	395	12,900
Total contractual obligations		\$ 1,711,567	\$ 330,755	\$ 158,302	\$ 112,265	\$ 250,256	\$ 75,943	\$ 784,046

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 ended March 31, 2015 and 2014
(Unaudited)

18. Subsequent events:

On May 4, 2015, Chartwell completed the acquisition of a 94-suite retirement residence in Thunder Bay, Ontario. The purchase price was \$22,100, before closing costs and was settled utilizing Chartwell's Credit Facility.