

Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

CHARTWELL RETIREMENT RESIDENCES

As at and for the three months and nine months ended
September 30, 2015 and 2014
(Unaudited)

CHARTWELL RETIREMENT RESIDENCES

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

	Note	September 30, 2015	December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents		\$ 9,974	\$ 10,927
Trade and other receivables		11,191	18,940
Capital funding receivable		5,171	4,963
Other assets	4	16,628	24,641
Assets held for sale		10,319	5,306
Total current assets		53,283	64,777
Non-current assets:			
Other assets	4	2,716	7,008
Loans receivable	5	15,793	9,901
Capital funding receivable		57,550	61,506
Investment in joint ventures	6	17,792	23,431
Intangible assets		47,192	49,025
Property, plant and equipment ("PP&E")	3	2,215,010	2,489,601
Total non-current assets		2,356,053	2,640,472
Total assets		\$ 2,409,336	\$ 2,705,249
Liabilities and Unitholders' Equity			
Current liabilities:			
Secured revolving operating credit facility ("Credit Facility")	7(b)	\$ 50,000	\$ 45,500
Accounts payable and other liabilities	9	98,337	124,221
Distributions payable		8,170	7,954
Mortgages payable	7(a)	162,810	372,184
Liabilities related to assets held for sale		12,250	6,086
Total current liabilities		331,567	555,945
Non-current liabilities:			
Mortgages payable	7(a)	1,168,029	1,544,892
Convertible debentures	8	154,441	151,200
Class B Units of Chartwell Master Care LP ("Class B Units")	11	20,188	19,614
Deferred consideration on business combinations		1,506	–
Total non-current liabilities		1,344,164	1,715,706
Total liabilities		1,675,731	2,271,651
Unitholders' equity	12	733,605	433,598
Subsequent events	20		
Total liabilities and unitholders' equity		\$ 2,409,336	\$ 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 September 30,		Nine months ended September 30,	
		2015	2014	2015	2014
			(Restated - note 10)		(Restated - note 10)
Revenue:					
Resident		\$ 162,509	\$ 152,578	\$ 470,501	\$ 453,934
Management and other fees		1,925	1,927	5,838	5,635
Lease revenue from joint ventures	6	8,299	8,150	24,701	24,486
Interest on loans receivable		355	126	781	269
		173,088	162,781	501,821	484,324
Expenses:					
Direct operating		115,562	109,731	341,033	331,389
General, administrative and Trust		7,003	6,442	23,190	24,632
		122,565	116,173	364,223	356,021
Income before the undernoted ⁽¹⁾		50,523	46,608	137,598	128,303
Finance costs	16	(17,386)	(18,570)	(54,009)	(57,959)
Other income (expense)	15	(7,379)	5,289	7,309	9,592
Depreciation of PP&E	3	(28,012)	(29,206)	(79,511)	(86,435)
Amortization of intangible assets		(152)	(268)	(510)	(1,321)
Changes in fair values of financial instruments and foreign exchange gains (losses)	17	(863)	(661)	4,160	(8,087)
Share of net income from joint ventures	6	966	787	1,259	970
Income (loss) before income taxes		(2,303)	3,979	16,296	(14,937)
Income tax (expense) benefit:	18				
Current		(2,796)	(198)	(2,796)	1,622
Deferred		789	–	–	–
		(2,007)	(198)	(2,796)	1,622
Income (loss) from continuing operations		(4,310)	3,781	13,500	(13,315)
Net income (loss) from discontinued operations, net of income taxes	10	(458)	28,065	348,171	21,316
Net income (loss)		(4,768)	31,846	361,671	8,001
Other comprehensive income (loss):					
Items that may be reclassified subsequently to net income (loss):					
Unrealized foreign currency income (loss) on translation of foreign operations considered discontinued operations					
		–	3,494	5,945	4,277
Reclassification of foreign currency Translation differences on disposition of US segment					
		–	–	(10,599)	–
		–	3,494	(4,654)	4,277
Total comprehensive income (loss)		\$ (4,768)	\$ 35,340	\$ 357,017	\$ 12,278

⁽¹⁾ Refers to income before finance costs, other income (expense), depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and foreign exchange gains (losses), 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)

Nine months ended September 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				361,671	–	–	–	361,671
Other comprehensive income	–	–	–	–	(4,654)	–	–	(4,654)
Distributions to unitholders	–	–	–	–	–	(72,208)	–	(72,208)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	13,792	–	–	–	–	–	–	13,792
Trust Units issued on conversion of convertible debentures	117	–	–	–	–	–	–	117
Trust units issued under the Long-Term Incentive Plan ("LTIP"), net of cancellations and Trust Units released on settlement of LTIP receivable	1,055	(565)	224	–	–	–	6	720
Interest on LTIP receivable	–	–	(102)	–	–	–	–	(102)
Distributions applied against LTIP receivable	–	–	671	–	–	–	–	671
Unitholders' equity, September 30, 2015	\$ 1,758,750	\$ 17,308	\$ (13,157)	\$ (159,866)	\$ –	\$ (876,105)	\$ 6,675	\$ 733,605

During the nine months ended September 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 from March to September. In October 2015, distributions were declared at \$0.0459 per unit totalling \$8,177.

CHARTWELL RETIREMENT RESIDENCES

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

Nine months ended September 30, 2014	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, 2013	\$ 1,724,564	\$ 21,294	\$ (17,143)	\$ (513,258)	\$ (2,373)	\$ (709,794)	\$ 5,944	\$ 509,234
Net income	–	–	–	8,001	–	–	–	8,001
Other comprehensive income	–	–	–	–	4,277	–	–	4,277
Distributions to unitholders	–	–	–	–	–	(70,505)	–	(70,505)
Issuance of Trust Units under the Distribution Reinvestment Program ("DRIP")	13,419	–	–	–	–	–	–	13,419
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 Long-Term Incentive Plan ("LTIP"), net of cancellations and Trust Units released on settlement of LTIP receivable	1,043	(1,574)	932	–	–	–	255	656
Interest on LTIP receivable	–	–	(127)	–	–	–	–	(127)
Distributions applied against LTIP receivable	–	–	771	–	–	–	–	771
Unitholders' equity, September 30, 2014	\$ 1,739,635	\$ 19,720	\$ (15,567)	\$ (505,257)	\$ 1,904	\$ (780,299)	\$ 6,199	\$ 466,335

During the nine months ended September 30, 2014, distributions were declared and paid at \$0.045 per unit per month. In October 2014, distributions were declared at \$0.045 per unit totalling \$7,949.

See accompanying notes to condensed consolidated interim financial statements.

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Cash provided by (used in):				
Operating activities:				
Net income (loss)	\$ (4,768)	\$ 31,846	\$ 361,671	\$ 8,001
Items not affecting cash:				
Depreciation and amortization	28,164	40,423	94,146	124,643
Finance costs	17,386	26,768	70,948	85,039
Other expense (income)	7,837	(40,329)	(437,977)	(47,908)
Transaction costs arising from business acquisitions and dispositions	(7,571)	(1,937)	(22,819)	(3,666)
Interest on loans receivable	(355)	(126)	(781)	(269)
Non-cash compensation expense	303	307	1,200	1,284
Changes in fair values of financial instruments and foreign exchange losses (gains)	863	679	22,667	6,914
Current income taxes	2,796	1,285	60,693	(385)
Deferred income taxes	(789)	3,304	–	1,247
Share of net income from joint ventures	(966)	(789)	(1,259)	(881)
Other	18	(2,387)	529	(1,599)
Change in trade and other receivables	(697)	3,776	8,155	(2,525)
Change in other assets	678	5,194	5,786	2,172
Change in accounts payable and other liabilities	10,305	(7,787)	(27,831)	(14,057)
	53,204	60,227	135,128	158,010
Interest and other income received	865	879	2,597	7,169
Interest paid	(19,369)	(28,335)	(74,492)	(86,935)
Net cash provided by operating activities	34,700	32,771	63,233	78,244
Financing activities:				
Proceeds from mortgage financing	50,089	7,762	87,520	163,203
Mortgage repayments	(120,587)	(11,594)	(145,968)	(186,789)
Changes to credit facility	(64,000)	(10,940)	4,500	22,000
Scheduled mortgage principal repayments	(12,605)	(13,977)	(43,186)	(42,929)
Net additions to finance costs	(456)	(520)	(1,848)	(2,233)
Distributions paid	(19,062)	(19,312)	(57,631)	(56,257)
Deposits and repayments received under LTIP	–	41	–	127
Net cash used in financing activities	(166,621)	(48,540)	(156,613)	(102,878)
Investing activities:				
Acquisition of assets under business combinations	(258,465)	(38,182)	(300,839)	(44,315)
Additions to PP&E and intangible assets	(14,756)	(20,261)	(45,932)	(51,058)
Proceeds from disposal of PP&E, net of related debt repayment	1,192	68,769	472,694	110,683
Change in restricted cash	512	(4,048)	7,981	1,562
Proceeds from capital funding receivable	1,266	1,182	3,748	3,499
Mezzanine loan collection (advance)	(7,347)	–	(7,347)	1,245
Distributions received from joint ventures	–	358	307	5,877
Taxes paid on disposal of PP&E	–	–	(47,602)	–
Net cash provided by (used in) investing activities	(277,598)	7,818	83,010	27,493
Increase (decrease) in cash	(409,519)	(7,951)	(10,370)	2,859
Foreign exchange gains (losses) on U.S. dollar-denominated cash	–	565	9,417	705
Cash, beginning of period	419,493	19,551	10,927	8,601
Cash, end of period	\$ 9,974	\$ 12,165	\$ 9,974	\$ 12,165

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 nine months ended September 30, 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.

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 November 12, 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 condensed consolidated interim financial statements (note 10). 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 condensed consolidated interim 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 nine months ended September 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 4, 2015	June 1, 2015	July 31, 2015	August 5, 2015	September 11, 2015				
Segment	Canadian Retirement Operations								
Location	Province of Ontario	Province of Ontario	Province of Ontario	Province of Quebec	Province of Ontario			Step acquisition adjustments	Total
Number of properties (suites)	1(94 suites)	2(268 suites)	1(257 suites)	1(90 suites)	3(447 suites)	Sub-total			
PP&E	\$ 22,100	\$ 40,076	\$ 83,979	\$ 15,223	\$ 169,319	\$ 330,697	\$	\$ 40,075	\$ 370,772
Mortgages assumed	–	(19,802)	–	(9,244)	–	(29,046)		(19,802)	(48,848)
Net assets acquired	\$ 22,100	\$ 20,274	\$ 83,979	\$ 5,979	\$ 169,319	\$ 301,651	\$	\$ 20,273	\$ 321,924
Cash consideration	\$ 22,100	\$ 20,274	\$ 83,979	\$ 4,686	\$ 169,800	\$ 300,839			
Income support receivable	–	–	–	(162)	(1,987)	(2,149)			
Mezzanine loan settled	–	–	–	1,455	–	1,455			
Deferred consideration	–	–	–	–	1,506	1,506			
Total consideration transferred	\$ 22,100	\$ 20,274	\$ 83,979	\$ 5,979	\$ 169,319	\$ 301,651			

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 nine months ended September 30, 2015 and 2014
(Unaudited)

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 \$1,373 and net loss of \$481 since the acquisition date. Chartwell incurred acquisition-related costs of \$773, which have been expensed in other income in the condensed consolidated interim statements of comprehensive income (loss).

On June 1, 2015, Chartwell acquired the remaining 50% interests in Valley Vista Retirement Residence ("Valley Vista") (151 suites) and Pickering City Centre Retirement Residence ("Pickering") (117 suites). Upon completion of these transactions, Chartwell owned a 100% interest in the properties. The purchase price was \$40,076. Since these acquisitions were completed in steps, Chartwell remeasured its original 50% interests to fair value. This remeasurement has resulted in an increase in value of \$10,452, which has been recognized as a gain in other income in the condensed consolidated interim statements of comprehensive income (loss). The net book value of the original 50% interests in these properties prior to these acquisitions was \$29,762. These properties have contributed revenue of \$2,224 and net loss of \$1,323 since the acquisition date. Chartwell incurred acquisition-related costs of \$658, which have been expensed in other income in the condensed consolidated interim statements of comprehensive income (loss).

On July 31, 2015, Chartwell acquired a 100% interest in the Grenadier Retirement Residence in Toronto, Ontario (257 suites). The purchase price before closing costs was \$83,979 and was settled in cash. The property has contributed revenue of \$2,180 and net loss of \$1,958 since the acquisition date. Chartwell incurred acquisition-related costs of \$2,492, which have been expensed in other income in the 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 nine months ended September 30, 2015 and 2014
(Unaudited)

2. Acquisitions (continued):

On August 5, 2015, Chartwell completed the acquisition of an 85% interest in a 90 suite addition (Phase II) to the existing 169 suite L'Unique retirement residence in Ste. Eustache, Quebec from entities affiliated with Batimo Inc ("Batimo"). The purchase price of \$15,385 (\$18,100 at 100%) was settled through the assumption of a construction loan of \$9,244 (\$10,875 at 100%), settlement of the Chartwell mezzanine loan to Batimo of \$1,455 and cash. Batimo has provided Chartwell with an income support of up to \$162 if operating results fall below certain threshold amounts. This amount has been accounted for as a reduction of consideration paid. L'Unique has contributed revenue of \$192 and net loss of \$105 since the acquisition date. Chartwell incurred acquisition-related costs of \$129, which have been expensed in other income in the consolidated interim statements of comprehensive income (loss)

On September 11, 2015, Chartwell acquired from three separate vendor groups, 100% interests in three retirement residences in Ontario totalling 447 suites and excess land for the development of up to 69 additional suites for an aggregate purchase price of \$171,645 before closing costs. Included in the purchase price for one property is a deferred payment of \$1,845 due on the third anniversary of closing. This deferred payment was recorded at its present value of \$1,506. The vendor of another property provided Chartwell with income support of up to \$2,500 if operating results fall below certain threshold amounts. The fair value of this income support of \$1,987 has been accounted for as a reduction of consideration paid. The properties have contributed revenue of \$900 and net loss of \$4,050 since the acquisition date. Chartwell incurred acquisition-related costs of \$4,096 which has been expensed in other income in the 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 nine months ended September 30, 2015 and 2014
(Unaudited)

3. 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	(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	–	32,302	5,653	7,977	–	45,932
Additions through business combinations	28,499	333,828	7,445	–	1,000	370,772
Disposals	(86,797)	(720,390)	(32,222)	–	(9,839)	(849,248)
Derecognition	–	(18,056)	(361)	–	–	(18,417)
Transfers	540	6,984	298	(9,583)	–	(1,761)
Transfers to assets held for sale	(4,174)	(28,374)	(1,325)	–	–	(33,873)
Exchange differences on translation of United States operations	5,206	42,315	1,864	–	504	49,889
Balance, September 30, 2015	\$ 271,139	\$ 2,371,930	\$ 78,410	\$ 13,052	\$ 18,876	\$ 2,753,407
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	–	(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	–	83,559	9,822	–	–	93,381
Disposals	–	(200,278)	(24,630)	–	(1,103)	(226,011)
Derecognition	–	(18,056)	(361)	–	–	(18,417)
Impairment, net	–	755	–	–	–	755
Transfers to assets held for sale	–	(22,880)	(1,134)	–	–	(24,014)
Exchange differences on translation of United States operations	–	10,826	1,365	–	–	12,191
Balance, September 30, 2015	\$ –	\$ 486,547	\$ 49,428	\$ 2,422	\$ –	\$ 538,397
Carrying amounts						
Balance, December 31, 2014	\$ 327,865	\$ 2,090,700	\$ 32,692	\$ 12,236	\$ 26,108	\$ 2,489,601
Balance, September 30, 2015	271,139	1,885,383	28,982	10,630	18,876	2,215,010

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 nine months ended September 30, 2015 and 2014
(Unaudited)

3. Property, plant and equipment (continued):

During the nine months ended September 30, 2015, Chartwell capitalized \$168 of borrowing costs related to development projects under construction at an average capitalization rate of 4.6%.

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

4. Other assets:

	September 30, 2015	December 31, 2014
Prepaid expenses and deposits	\$ 10,974	\$ 12,866
Restricted cash	2,166	9,349
Fair value of lease purchase options	-	4,232
Other assets	6,204	5,202
	<u>\$ 19,344</u>	<u>\$ 31,649</u>
Current	\$ 16,628	\$ 24,641
Non-current	2,716	7,008
	<u>\$ 19,344</u>	<u>\$ 31,649</u>

As at September 30, 2015, other assets include receivables of \$2,258 related to income support provided by vendors in property acquisitions (December 31, 2014: \$907)

At September 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 nine months ended September 30, 2015 and 2014
(Unaudited)

5. Loans receivable:

	September 30, 2015	December 31, 2014
Vendor take back (“VTB”) loans	\$ 7,489	\$ 6,000
Mezzanine and other loans	8,304	3,901
	<u>\$ 15,793</u>	<u>\$ 9,901</u>

In the nine months ended September 30, 2015, Chartwell advanced one VTB loan in connection with its sale of a non-core property. The VTB bears interest at the rate of 8% in year one, 10% in year two and 12% in year three and matures on June 1, 2018. At September 30, 2015, the outstanding balance on this loan was \$1,489.

In the nine months ended September 30, 2015, one mezzanine loan in amount of \$1,455 was settled on Chartwell’s acquisition of the related property. Chartwell also advanced a mezzanine loan on another property in amount of \$5,858, which bears interest at 10% per annum and matures on July 13, 2020.

CHARTWELL RETIREMENT RESIDENCES

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

As at and for the three months and nine months ended September 30, 2015 and 2014
(Unaudited)

6. Joint arrangements:

A joint venture is a joint arrangement, whereby the parties have joint control and have rights to the net assets of the arrangement. A joint operation is a joint arrangement, whereby the parties have joint control and 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-Welltower Landlord ⁽¹⁾	38	Canada	50%	Joint operation
Chartwell-Welltower Operator ⁽¹⁾	38	Canada	50%	Joint venture ⁽²⁾
Batimo	4	Canada	85%	Joint operation
Oakville	1	Canada	50%	Joint venture ⁽²⁾
Constantia	1	Canada	50%	Joint venture ⁽²⁾
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-Welltower Landlord and operated by Chartwell-Welltower Operator was sold.

⁽²⁾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:

	September 30, 2015 ⁽¹⁾	December 31, 2014 ⁽²⁾	September 30, 2014 ⁽¹⁾
Distributions received from joint ventures	\$ 307	\$ 6,118	\$ 5,877

⁽¹⁾Nine-month period ended

⁽²⁾Twelve-month period ended

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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6. Joint arrangements (continued):

	September 30, 2015	December 31, 2014
Current assets	\$ 8,983	\$ 10,452
Non-current assets	30,785	45,613
Total assets	\$ 39,768	\$ 56,065
Current liabilities	\$ 13,475	\$ 4,560
Non-current liabilities	8,501	28,074
Total liabilities	\$ 21,976	\$ 32,634
Net investment in joint ventures	\$ 17,792	\$ 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 \$6,590.

Included in current assets is \$3,076 of cash held by joint ventures (December 31, 2014 - \$3,705).

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue	\$ 25,922	\$ 25,793	\$ 77,940	\$ 76,857
Expenses	(24,956)	(25,006)	(76,681)	(75,887)
Chartwell's share of net income from joint ventures	\$ 966	\$ 787	\$ 1,259	\$ 970

CHARTWELL RETIREMENT RESIDENCES

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

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6. Joint arrangements (continued):

Related party transactions occur between Chartwell and its joint ventures. These 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 parties. Except as disclosed elsewhere in these condensed consolidated interim financial statements, the related party balances are included in accounts payable and receivable, and in management fee income, as applicable. As of September 30, 2015, \$1,417 (December 31, 2014 - \$638) of Chartwell's accounts receivable and \$8,903 (December 31, 2014 - \$5,755) of Chartwell's accounts payable were due from / to its joint ventures. For the three months and nine months ended September 30, 2015, \$1,360 and \$4,107, respectively (three months and nine months ended September 30, 2014, \$1,182 and \$4,003, respectively), of Chartwell's management fees were earned from its investment in joint venture partners.

Chartwell and Welltower Inc. (formerly Health Care REIT Inc.) ("Welltower") (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 38 properties 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-Welltower operator") and, under IFRS 11, is accounted for as joint ventures using the equity method. Chartwell-Welltower 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 Welltower 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, \$8,299 and \$24,701 for the three months and nine months ended September 30, 2015, respectively (three months and nine months ended September 30, 2014, \$8,150 and \$24,486, respectively), is reported as lease revenue and is included in lease revenue from joint ventures. Chartwell-Welltower 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)
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7. Secured debt:

(a) Mortgages payable:

Mortgages payable are secured by first and second charges on specific properties and are measured at amortized cost. The mortgages payable as at September 30, 2015 are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total debt
Remainder 2015	\$ 13,264	\$ 29,246	\$ 42,510	3
2016	47,027	95,208	142,235	11
2017	45,740	59,235	104,975	8
2018	45,217	70,073	115,290	9
2019	44,279	88,815	133,094	10
2020	44,801	53,562	98,363	7
2021	43,249	50,150	93,399	7
2022	40,180	62,200	102,380	8
2023	35,426	58,992	94,418	7
2024	26,001	127,725	153,726	11
2025	19,778	21,071	40,849	3
2026	19,527	1,528	21,055	1
2027	20,140	–	20,140	3
2028	27,234	18,925	46,159	3
2029	18,191	–	18,191	1
2030	17,701	3,996	21,697	2
Thereafter	65,684	22,253	87,937	6
	<u>\$ 573,439</u>	<u>\$ 762,979</u>	\$ 1,336,418	<u>100</u>
Mark-to-market adjustments on acquisition			12,248	
Financing costs			(17,827)	
			<u>\$ 1,330,839</u>	
Current			\$ 162,810	
Non-current			1,168,029	
			<u>\$ 1,330,839</u>	

CHARTWELL RETIREMENT RESIDENCES

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

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7. Secured debt (continued):

	September 30, 2015	December 31, 2014
Mortgages at fixed rates:		
Mortgages (principal)	\$ 1,270,618	\$ 1,780,444
Interest rates	1.79% - 8.51%	1.96% - 8.51%
Weighted average interest rate	4.37%	4.91%
Mortgages at variable rates:		
Mortgages (principal)	\$ 65,800	\$ 141,377
Interest rates	Bankers' acceptance plus 1.50% to prime plus 2.00%	Lender COF ⁽ⁱ⁾ plus 2.00% to prime plus 2.50%
Weighted average interest rate	3.62%	4.23%
Blended weighted average rate	4.33%	4.86%

⁽ⁱ⁾Cost of funds ("COF").

(b) Credit facility:

On June 1, 2015, Chartwell arranged a new Credit Facility for a three-year term expiring on June 1, 2018. The Credit Facility bears interest ranging from the 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 September 30, 2015, the maximum available borrowing capacity under the Credit Facility was \$195,433 based on the security provided. Of this capacity, \$3,991 has been allocated to support various letters of credit issued by Chartwell. As at September 30, 2015, \$50,000 was outstanding under the Credit Facility (December 31, 2014 - \$45,500 under the previous Credit Facility).

CHARTWELL RETIREMENT RESIDENCES

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

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8. 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 September 30, 2015 was \$114.50 (December 31, 2014 - \$112.00).

Chartwell has the following series of convertible debentures outstanding:

	September 30, 2015	December 31, 2014
5.7% convertible debentures:		
Principal	\$ 134,883	\$ 135,000
Fair value	154,441	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)

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8. 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.

9. Accounts payable and other liabilities:

	Note	September 30, 2015	December 31, 2014
Accounts payable and accrued liabilities		\$ 73,905	\$ 95,413
Resident deposits		2,860	2,662
Deferred revenue		903	9,614
Deferred Trust Units ("DTUs")	(a)	9,748	8,269
Restricted Trust Units ("RTUs")	(b)	2,894	1,406
Long-term Incentive Plan option component	(c)	8,027	6,857
		\$ 98,337	\$ 124,221

CHARTWELL RETIREMENT RESIDENCES

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

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9. Accounts payable and other liabilities (continued):

(a) Deferred unit plan:

The deferred unit plan fair value is determined using the market prices for listed Trust Units since there is a one-for-one conversion feature. The market ask price of Trust Units as at September 30, 2015 was \$12.30 (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	75,531	903
Change in fair value and distributions	24,969	576
Balance, September 30, 2015	792,549	\$ 9,748

(b) Restricted unit plan:

During the nine months ended September 30, 2015, 198,894 RTUs were granted, 12,176 RTUs were cancelled and 14,716 RTUs were allocated related to reinvested distributions. At September 30, 2015, 471,252 RTUs remain outstanding (December 31, 2014 - 269,818).

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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9. Accounts payable and other liabilities (continued):

(c) LTIP (note 12):

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:

	September 30, 2015	December 31, 2014
Expected volatility	18.85% - 23.85%	10.68% - 15.68%
Risk-free rate	1.79% - 2.35%	2.32% - 2.69%
Distribution yield	5.35% - 6.38%	5.30%

10. Discontinued operations:

On June 30, 2015 Chartwell completed the sale of 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 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 U.S. \$847.4 million (\$1,058.4 million). The related debt of U.S. \$477.9 million (\$596.9 million) has been settled on sale.

Chartwell recorded a gain on the sale of the U.S. Portfolio of \$432.0 million, net of transaction costs.

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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10. Discontinued operations (continued):

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Resident revenue	\$ -	\$ 51,198	\$ 114,110	\$ 162,052
Direct operating costs	-	(33,938)	(80,819)	(111,648)
Finance costs	-	(8,197)	(16,939)	(27,079)
Other income (expense)	-	(888)	(1,371)	1,246
Gain (loss) on disposal of PP&E	(458)	35,246	432,039	34,941
Depreciation of PP&E	-	(10,724)	(13,870)	(36,211)
Amortization of intangible assets	-	(224)	(255)	(675)
Changes in fair values of financial instruments, foreign exchange and adjustments on mortgages	-	(17)	(26,827)	1,174
Income (loss) before income taxes	(458)	32,456	406,068	23,800
Income tax expense (benefit) (note 18):				
Current	-	1,087	57,897	1,237
Deferred	-	3,304	-	1,247
Net income (loss) from discontinued operations	\$ (458)	\$ 28,065	\$ 348,171	\$ 21,316
Cash flows from discontinued operations:				
Net cash provided by (used in) operating activities	\$ -	\$ 46,765	\$ (22,336)	\$ 64,029
Net cash used in financing activities	-	(21,117)	(5,213)	(37,499)
Net cash provided by (used in) investing activities	-	(25,194)	427,045	(26,578)
Foreign exchange gain (loss) on cash	-	(2,698)	(7)	(2,232)
Effect on cash flows	\$ -	\$ (2,244)	\$ 399,489	\$ (2,280)

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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11. 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 market prices 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 2 in the fair value hierarchy. The market ask price of Chartwell Units as at September 30, 2015 was \$12.30 (December 31, 2014 - \$11.95). At September 30, 2015, 1,641,323 Class B Units were outstanding (December 31, 2014 - 1,641,323).

12. 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	1,201,429	13,792
Trust Units issued on conversion of convertible debentures	10,634	117
Trust Units released on settlement of LTIP receivable	90,923	1,055
Balance, September 30, 2015	174,788,978	\$ 1,758,750

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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12. 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	(32,992)	(366)
Trust Units released on settlement of LTIP receivable	(90,923)	(1,055)
Balance, September 30, 2015	1,588,583	\$ 17,308

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 September 30, 2015.

13. 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)
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13. Segmented information (continued):

	Three months ended September 30, 2015							
	Canadian Retirement Operations	Canadian Long-Term Care Operations	United States Operations (Note 10)	Segment Total	Other	Subtotal	Reconciliation	Total
Continuing Operations								
Revenue:								
Resident Management and other fees	\$ 132,918	\$ 55,513	\$ –	\$ 188,431	\$ –	\$ 188,431	\$ (25,922)	\$ 162,509
Lease revenue from joint ventures	–	–	–	–	1,925	1,925	–	1,925
Loan interest	–	–	–	–	–	–	8,299	8,299
	–	–	–	–	355	355	–	355
	132,918	55,513	–	188,431	2,280	190,711	(17,623)	173,088
Expenses:								
Direct operating General, administrative and trust	82,828	48,436	–	131,264	–	131,264	(15,702)	115,562
	–	–	–	–	7,003	7,003	–	7,003
	82,828	48,436	–	131,264	7,003	138,267	(15,702)	122,565
Income (loss) before the undernoted ⁽¹⁾	50,090	7,077	–	57,167	(4,723)	52,444	(1,921)	50,523
Finance costs:								
Contractual interest	(12,593)	(2,736)	–	(15,329)	(2,335)	(17,664)	244	(17,420)
Other	64	250	–	314	(288)	26	8	34
Other (expense) income:								
Interest	29	808	–	837	51	888	(23)	865
Other	(7,104)	(63)	–	(7,167)	(1,038)	(8,205)	(39)	(8,244)
Depreciation and amortization	(25,784)	(2,674)	–	(28,458)	(484)	(28,942)	778	(28,164)
Share of net income from joint ventures	–	–	–	–	–	–	966	966
Changes in fair values of financial instruments and foreign exchange gains (losses)	13	–	–	13	(863)	(850)	(13)	(863)
Income (loss) before income taxes	4,715	2,662	–	7,377	(9,680)	(2,303)	–	(2,303)
Income tax (expense) benefit	–	–	–	–	(2,007)	(2,007)	–	(2,007)
Income (loss) from continuing operations	4,715	2,662	–	7,377	(11,687)	(4,310)	–	(4,310)
Net income (loss) from discontinued operations, net of income taxes	–	–	(458)	(458)	–	(458)	–	(458)
Net income (loss)	\$ 4,715	\$ 2,662	\$ (458)	\$ 6,919	\$ (11,687)	\$ (4,768)	\$ –	\$ (4,768)
Expenditures for non-current assets:								
Acquisition of properties	\$ 268,521	\$ –	\$ –	\$ 268,521	\$ –	\$ 268,521	\$ –	\$ 268,521
Capital additions	12,567	2,195	–	14,762	363	15,125	(369)	14,756

⁽¹⁾ Refers to income before finance costs, other income (expense), depreciation and amortization, changes in fair values of financial instruments and foreign exchange gains (losses), share of net income from joint ventures, income tax (expense) benefit and discontinued operations.

CHARTWELL RETIREMENT RESIDENCES

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

	Nine months ended September 30, 2015							
	Canadian Retirement Operations	Canadian Long-Term Care Operations	United States Operations (Note 10)	Segment Total	Other	Subtotal	Reconciliation	Total
Continuing Operations								
Revenue:								
Resident Management and other fees	\$ 386,129	\$ 162,312	\$ –	\$ 548,441	\$ –	\$ 548,441	\$ (77,940)	\$ 470,501
Lease revenue from joint ventures	–	–	–	–	5,838	5,838	–	5,838
Loan interest	–	–	–	–	–	–	24,701	24,701
	–	–	–	–	781	781	–	781
	386,129	162,312	–	548,441	6,619	555,060	(53,239)	501,821
Expenses:								
Direct operating General, administrative and trust	248,207	141,516	–	389,723	–	389,723	(48,690)	341,033
	–	–	–	–	23,190	23,190	–	23,190
	248,207	141,516	–	389,723	23,190	412,913	(48,690)	364,223
Income (loss) before the undernoted ⁽¹⁾	137,922	20,796	–	158,718	(16,571)	142,147	(4,549)	137,598
Finance costs:								
Contractual interest	(38,675)	(8,367)	–	(47,042)	(7,452)	(54,494)	878	(53,616)
Other	(192)	758	–	566	(995)	(429)	36	(393)
Other (expense) income:								
Interest	102	2,476	–	2,578	94	2,672	(75)	2,597
Other	6,011	(197)	–	5,814	(1,076)	4,738	(26)	4,712
Depreciation and amortization	(74,951)	(6,337)	–	(81,288)	(1,136)	(82,424)	2,403	(80,021)
Share of net income from joint ventures	–	–	–	–	–	–	1,259	1,259
Changes in fair values of financial instruments and foreign exchange gains (losses)	(175)	–	–	(175)	4,261	4,086	74	4,160
Income (loss) before income taxes	30,042	9,129	–	39,171	(22,875)	16,296	–	16,296
Income tax (expense) benefit	–	–	–	–	(2,796)	(2,796)	–	(2,796)
Income (loss) from continuing operations	30,042	9,129	–	39,171	(25,671)	13,500	–	13,500
Net income (loss) from discontinued operations, net of income taxes	–	–	348,171	348,171	–	348,171	–	348,171
Net income (loss)	\$ 30,042	\$ 9,129	\$ 348,171	\$ 387,342	\$ (25,671)	\$ 361,671	\$ –	\$ 361,671
Expenditures for non-current assets:								
Acquisition of properties	\$ 330,697	\$ –	\$ –	\$ 330,697	\$ –	\$ 330,697	\$ 40,075	\$ 370,772
Capital additions	30,449	3,498	11,417	45,364	1,715	47,079	(1,147)	45,932

⁽¹⁾ Refers to income before finance costs, other income (expense), depreciation and amortization, changes in fair values of financial instruments and foreign exchange gains (losses), share of net income from joint ventures, income tax (expense) benefit and discontinued operations.

CHARTWELL RETIREMENT RESIDENCES

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

	Three months ended September 30, 2014							
	Canadian Retirement Operations	Canadian Long-Term Care Operations	United States Operations (Note 10)	Segment Total	Other	Subtotal	Reconciliation	Total
Continuing Operations								
Revenue:								
Resident Management and other fees	\$ 124,206	\$ 54,165	\$ –	\$ 178,371	\$ –	\$ 178,371	\$ (25,793)	\$ 152,578
Lease revenue from joint ventures	–	–	–	–	1,927	1,927	–	1,927
Loan interest	–	–	–	–	–	–	8,150	8,150
	–	–	–	–	126	126	–	126
	124,206	54,165	–	178,371	2,053	180,424	(17,643)	162,781
Expenses:								
Direct operating	78,407	46,939	–	125,346	–	125,346	(15,615)	109,731
General, administrative and trust	–	–	–	–	6,442	6,442	–	6,442
	78,407	46,939	–	125,346	6,442	131,788	(15,615)	116,173
Income (loss) before the undernoted ⁽¹⁾	45,799	7,226	–	53,025	(4,389)	48,636	(2,028)	46,608
Finance costs:								
Contractual interest	(13,398)	(3,012)	–	(16,410)	(2,384)	(18,794)	384	(18,410)
Other	(159)	258	–	99	(266)	(167)	7	(160)
Other income (expense):								
Interest	26	888	–	914	59	973	(12)	961
Other	5,031	(67)	–	4,964	(725)	4,239	89	4,328
Depreciation and amortization	(27,297)	(2,309)	–	(29,606)	(641)	(30,247)	773	(29,474)
Share of net income from joint ventures	–	–	–	–	–	–	787	787
Changes in fair values of financial instruments and foreign exchange gains (losses)	(7)	–	–	(7)	(654)	(661)	–	(661)
Income (loss) before income taxes	9,995	2,984	–	12,979	(9,000)	3,979	–	3,979
Income tax (expense) benefit	–	–	–	–	(198)	(198)	–	(198)
Income (loss) from continuing operations	9,995	2,984	–	12,979	(9,198)	3,781	–	3,781
Net income (loss) from discontinued operations, net of income taxes	–	–	28,065	28,065	–	28,065	–	28,065
Net income (loss)	\$ 9,995	\$ 2,984	\$ 28,065	\$ 41,044	\$ (9,198)	\$ 31,846	\$ –	\$ 31,846
Expenditures for non-current assets:								
Acquisition of properties	\$ 65,128	\$ –	\$ –	\$ 65,128	\$ –	\$ 65,128	\$ –	\$ 65,128
Capital additions	12,848	1,469	4,784	19,101	1,335	20,436	(175)	20,261

⁽¹⁾ Refers to income before finance costs, other income (expense), depreciation and amortization, changes in fair values of financial instruments and foreign exchange gains (losses), share of net income from joint ventures, 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 and nine months ended September 30, 2015 and 2014
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13. Segmented information (continued):

	Nine months ended September 30, 2014							
	Canadian Retirement Operations	Canadian Long-Term Care Operations	United States Operations (Note 10)	Segment Total	Other	Subtotal	Reconciliation	Total
Continuing Operations								
Revenue:								
Resident Management and other fees	\$ 371,068	\$ 159,723	\$ –	\$ 530,791	\$ –	\$ 530,791	\$ (76,857)	\$ 453,934
Lease revenue from joint ventures	–	–	–	–	5,635	5,635	–	5,635
Loan interest	–	–	–	–	–	–	24,486	24,486
	–	–	–	–	269	269	–	269
	371,068	159,723	–	530,791	5,904	536,695	(52,371)	484,324
Expenses:								
Direct operating	240,891	138,601	–	379,492	–	379,492	(48,103)	331,389
General, administrative and trust	–	–	–	–	24,632	24,632	–	24,632
	240,891	138,601	–	379,492	24,632	404,124	(48,103)	356,021
Income (loss) before the undernoted ⁽¹⁾	130,177	21,122	–	151,299	(18,728)	132,571	(4,268)	128,303
Finance recovery (costs):								
Contractual interest	(42,836)	(9,219)	–	(52,055)	(7,007)	(59,062)	1,161	(57,901)
Other	(3)	717	–	714	(788)	(74)	16	(58)
Other (expense) income:								
Interest	126	2,714	–	2,840	1,040	3,880	(94)	3,786
Other	5,870	(196)	–	5,674	50	5,724	82	5,806
Depreciation and amortization	(80,162)	(7,539)	–	(87,701)	(2,188)	(89,889)	2,133	(87,756)
Share of net income from joint ventures	–	–	–	–	–	–	970	970
Changes in fair values of financial instruments and foreign exchange gains (losses)	(36)	–	–	(36)	(8,051)	(8,087)	–	(8,087)
Income (loss) before income taxes	13,136	7,599	–	20,735	(35,672)	(14,937)	–	(14,937)
Income tax (expense) benefit	4	–	–	4	1,618	1,622	–	1,622
Income (loss) from continuing operations	13,140	7,599	–	20,739	(34,054)	(13,315)	–	(13,315)
Net income (loss) from discontinued operations, net of income taxes	–	–	21,316	21,316	–	21,316	–	21,316
Net income (loss)	\$ 13,140	\$ 7,599	\$ 21,316	\$ 42,055	\$ (34,054)	\$ 8,001	\$ –	\$ 8,001
Expenditures for non-current assets:								
Acquisition of properties	\$ 97,128	\$ –	\$ –	\$ 97,128	\$ –	\$ 97,128	\$ –	\$ 97,128
Capital additions	31,503	5,256	11,995	48,754	2,828	51,582	(524)	51,058

(1) Refers to income before finance recovery (costs), other income (expense), 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, 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)

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13. Segmented information (continued):

September 30, 2015	Canadian Retirement Operations	Canadian Long-Term Care Operations	Segment Total	Other	Subtotal	Recon- ciliation	Total
Total assets	\$ 2,123,306	\$ 276,839	\$ 2,400,145	\$ 27,208	\$ 2,427,353	\$ (18,017)	\$ 2,409,336
Total liabilities	\$ 1,216,100	\$ 213,290	\$ 1,429,390	\$ 264,358	\$ 1,693,748	\$ (18,017)	\$ 1,675,731

14. 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:

	September 30, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Financial assets recorded at amortized cost:				
Loans receivable	\$ 15,793	\$ 15,793	\$ 9,901	\$ 9,901
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	1,330,839	1,425,679	1,917,076	2,017,753
Credit Facility	50,000	50,000	45,500	45,500

CHARTWELL RETIREMENT RESIDENCES

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

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14. 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 and cash equivalents, 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 September 30, 2015, the mortgages payable were discounted using rates between 1.63% and 4.31% (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.

CHARTWELL RETIREMENT RESIDENCES

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

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15. Other income (expense):

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Interest and other income	\$ 865	\$ 961	\$ 2,597	\$ 3,786
Property lease expense	(137)	(99)	(334)	(296)
Impairment provisions, net of reversals	(755)	—	(755)	1,245
Gain on sale of assets	52	5,746	4,716	7,246
Gain recorded on remeasurement of previously held interest on acquisition (note 2)	—	—	10,452	435
Transaction costs arising on business acquisitions and dispositions	(7,404)	(1,319)	(9,367)	(2,824)
Other income (expense)	\$ (7,379)	\$ 5,289	\$ 7,309	\$ 9,592

On June 2, 2015, Chartwell sold a non-core property in Quebec, included in the Canadian Retirement Segment. The sale price was \$8,000 and was settled through the purchaser's assumption of a mortgage in amount of \$5,252 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 this asset of \$3,321.

In the three months ended September 30, 2015, Chartwell entered into an agreement to sell two properties located in Quebec. As a result, previously recorded property impairment provisions of \$1,626 were reversed. These properties are classified as held for sale as at September 30, 2015. The sale is expected to close in the fourth quarter of 2015.

At September 30, 2015, Chartwell recorded impairment provisions of \$2,381 on three properties located in Quebec.

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.

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 nine months ended September 30, 2015 and 2014
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15. Other income (continued):

On May 1, 2014, Chartwell sold 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.

On July 2, 2014, Chartwell and its joint venture partner sold a property located in Ontario for \$24,500 for 100% interest. Chartwell owned a 50% interest in the property. The balance of the purchase price, net of closing costs, was received in cash. The property had a carrying amount of \$6,475 at the time of disposal. Chartwell recorded a gain on sale of assets of \$5,775.

For the three and nine months ended September 30, 2015, Chartwell completed other disposals of assets and recorded a gain of \$52 and \$1,395, respectively. (Three and nine months ended September 30, 2014 - \$29 loss and \$1,120 gain, respectively)

16. Finance costs:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Contractual interest expense on mortgages	\$ 14,639	\$ 15,914	\$ 45,723	\$ 48,390
Interest expense on convertible debentures	1,938	1,940	5,752	5,755
Credit facility and other interest expense	843	556	2,141	3,756
	17,420	18,410	53,616	57,901
Interest capitalized to properties under development	(54)	(41)	(168)	(172)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	(206)	(20)	(114)	(437)
Distributions on Class B Units recorded as interest expense	226	221	675	667
Total finance costs	\$ 17,386	\$ 18,570	\$ 54,009	\$ 57,959

CHARTWELL RETIREMENT RESIDENCES

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Changes in fair value of convertible debentures	\$ (5,720)	\$ 527	\$ (3,358)	\$ (3,820)
Changes in fair value of interest rate swaps	299	(7)	(101)	(37)
Foreign exchange gains (losses) ^(a)	11,238	(636)	9,643	(704)
Changes in fair value of LTIP option component	(1,234)	(185)	(872)	(1,109)
Changes in fair value of Class B Units	(1,313)	(197)	(574)	(1,584)
Changes in fair value of DTUs	(721)	(163)	(578)	(833)
Changes in fair value of foreign exchange hedge contracts	(3,412)	–	–	–
Changes in fair values of financial instruments and foreign exchange gains (losses)	\$ (863)	\$ (661)	\$ 4,160	\$ (8,087)

^(a)In the three month period ended September 30, 2015, Chartwell recorded realized foreign exchange gain of \$11,238 from conversion of the net proceeds of the sale of its US subsidiary.

18. 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 nine months ended September 30, 2015. This current expense is primarily attributable to U.S. taxes payable on the disposition of the shares of the U.S. Subsidiary (note 10).

For the three months ended September 30, 2015, Chartwell also reversed the previously recorded deferred tax expense of \$789 related to the temporary difference on the fair value fluctuation on the foreign exchange hedge contract arrangement.

In addition, Chartwell recorded a current tax expense of \$2,796 in continuing operations for the three and nine months ended September 30, 2015 related to the capital gain on the settlement of the foreign exchange hedge contracts.

CHARTWELL RETIREMENT RESIDENCES

Notes to Condensed Consolidated Interim Financial Statements (continued)
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19. Commitments and contingencies:

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

	Note	Total	2015	2016	2017	2018	2019	Thereafter
Mortgage payable	7(a)	\$ 1,336,418	\$ 42,510	\$ 142,235	\$ 104,975	\$ 115,290	\$ 133,094	\$ 798,314
Accounts payable and accrued liabilities	9	98,337	98,337	—	—	—	—	—
Distributions payable		8,170	8,170	—	—	—	—	—
Convertible debentures	8	134,883	—	—	—	134,883	—	—
Credit Facility	7(b)	50,000	50,000	—	—	—	—	—
Purchase obligations		634	634	—	—	—	—	—
Deferred consideration		1,845	—	—	—	1,845	—	—
Other operating leases		7,796	327	1,164	1,129	1,129	1,129	2,918
Land leases		14,579	99	395	395	395	395	12,900
Total contractual obligations		\$ 1,652,662	\$ 200,077	\$ 143,794	\$ 106,499	\$ 253,542	\$ 134,618	\$ 814,132

CHARTWELL RETIREMENT RESIDENCES

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

On November 9, 2015, Chartwell acquired from separate groups of vendors, five retirement residences in Ontario totalling 616 suites for an aggregate purchase price of \$253,870 before closing costs. The purchase price was settled by the assumption of two mortgages totalling \$51,512 bearing interest at a weighted average rate of 4.5% with the average term to maturity of 4.6 years, the issuance of \$15,000 of exchangeable Class B Units of Chartwell Master Care LP, with the remaining balance paid in cash. The vendors of two of the properties provided Chartwell with a three-year income guarantee for their respective properties. The combined first-year income guarantee will be \$4,750, growing by 3% per annum. Signature Senior Living, an affiliate of one of the vendors, will continue to manage these two properties until December 31, 2018. In January 2019, Chartwell may be required to pay the vendors of these two properties an additional amount equal to the excess of the actual combined income achieved for the year ended December 31, 2018, over the guaranteed income for that year, divided by 6.25%.

On November 11, 2015, Chartwell completed sales of two non-core Long Term Care residences (343 beds) in Quebec for \$10,200 before closing costs. Mortgages totalling \$11,469 bearing interest at the weighted average rate of 4.87% were assumed by the purchaser on closing. These properties were classified as held for sale at September 30, 2015.