



CHARTwell
retirement residences

making people's
lives **BETTER**

2014

ANNUAL REPORT



Highlights of Consolidated Results of Operations

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In thousands of Canadian dollars, except occupancy rates, per unit amounts and number of units

YEARS ENDED DECEMBER 31	2014	2013
Same property occupancy	89.8%	89.8%
Same property net operating income ("NOI") ⁽¹⁾	243,824	240,720
Adjusted funds from operations ("AFFO") ⁽¹⁾	128,499	119,085
AFFO per unit diluted ⁽¹⁾	0.72	0.68
Funds from operations ("FFO") ⁽¹⁾	143,041	133,487
FFO per unit diluted ⁽¹⁾	0.80	0.75
Distributions declared	95,328	93,964
Distributions declared per unit	0.54	0.54
Distributions declared as percentage of AFFO	74.2%	78.9%

⁽¹⁾ For a discussion of these metrics, refer to the "Non-GAAP Measures" section of the Management's Discussion and Analysis ("MD&A") contained in the Financial Report section of this Annual Report.

2014

ANNUAL REPORT

Corporate Social Responsibility at Chartwell

“TRUST THROUGH ACCOUNTABILITY”

We are proud of the important progress we have made in 2014 on the five key areas by which we benchmark our CSR: Employee Engagement, Resident Experience, Environmental Stewardship, Corporate Governance and Community Investment.

To view our annual CSR objectives and results please visit CHARTWELL.COM/ABOUT/CSR.



Message from the President & CEO*

**CHARTWELL:
A CONTINUOUS JOURNEY
TO “BETTER”**



*“Employee
Engagement
and Customer
Satisfaction go
hand in hand
in driving
our success.”*

Dear fellow unitholders,

At Chartwell, we are guided by our Vision of ***Making People's Lives Better***. For us, this means that every decision and every activity undertaken by every member of our team is evaluated through the lens of our Vision. This Vision guides our operating and investment decisions and our interactions with residents, their families, the communities in which we operate, our investors and each other. We believe that only engaged employees will consistently provide excellent service and care to our residents, and that it is only through having very satisfied customers that we will deliver superior financial returns to our investors. Therefore, two key areas that we focus on are Employee Engagement and Customer Satisfaction.

We see our employees as one of our most important stakeholders. We believe that their commitment to truly making a difference in the lives of our residents is one of the strongest motivators to doing their job well and to helping us achieve our results. In turn, we want them to know that we appreciate and value their efforts. To measure this, we utilize a third-party organization to conduct an employee engagement survey to provide us with honest feedback, so we can determine the level of employee engagement and identify areas of improvement that we can make as an organization.

We also believe that satisfied residents are more likely to stay with us longer and acquire more services from us over time. As well, only very satisfied residents are likely to recommend us to their friends. The more we study and measure what drives resident satisfaction, the more we reconfirm that it has less to do with the “physical” elements of our residences (amenities, services and bricks and mortar) and more to do with “emotional” elements: connections with competent and well-trained staff,

engaging with other residents and an overall sense of belonging in the residence community. These are key insights and will continue to guide us in understanding what truly makes a Chartwell residence a resident's home.

Tying the two areas of employee engagement and customer satisfaction together is our ongoing emphasis on building a culture of accountability at Chartwell. We continue to seek out and develop people who understand the necessity of holding oneself accountable in making day-to-day decisions that align with our Vision of ***Making People's Lives Better***.

In 2014, we made significant strides in increasing the visibility and recognition of the Chartwell brand and in making our operating platform more efficient and sophisticated. We are confident that these investments are going to differentiate us further from the competition, and we will continue with these initiatives in 2015 and beyond.

Our active approach to managing our property portfolio is evidenced by our successful strategic capital investments in our existing properties, a number of completed and approved development projects and strategic acquisitions. We also continued divesting our non-core assets. The recently-announced sale of our U.S. portfolio is both strategic and opportunistic. This transaction will also allow us to concentrate on the Canadian marketplace, where we enjoy exceptional economies of scale and can fully utilize the strength of our management platform. We are confident that we will be able to reinvest the net proceeds from the sale of the U.S. portfolio in acquisitions and development of quality properties in strong Canadian markets.

Our focus remains on delivering on our Vision of ***Making People's Lives Better***, which will undoubtedly translate into the creation of sustainable long-term value for our investors. We are looking forward to continuing this journey in 2015 and beyond.

Thank you for your ongoing support of Chartwell.

A handwritten signature in black ink, appearing to read 'Brent Binions', is positioned above the printed name and title.

Brent Binions
President and CEO

** This message from the President and CEO contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section of the MD&A contained in the Financial Report section of this Annual Report.*

Pillars of our Business Strategy

Our business strategy is principally focused on providing quality care and services to our residents, which we believe will help us to achieve sustainable growth in our AFFO per unit and long-term value creation for our unitholders. The following summarizes our key strategic objectives:



GROW CORE PROPERTY PORTFOLIO CONTRIBUTION BY:

- Providing high-quality and expanding service offerings to our residents to maintain and improve resident satisfaction.
- Enhancing our brand recognition.
- Investing in innovative marketing and sales programs to increase customer traffic, sales closing ratios and occupancy.
- Managing rental rates to ensure our properties are competitively positioned in the marketplace.
- Mitigating inflationary pressures on our operating costs through specific vendor management and cost-control initiatives.



MAINTAIN A STRONG FINANCIAL POSITION BY:

- Maintaining sufficient liquidity to execute on our strategic priorities.
- Staggering debt maturities over time to reduce financing and interest rate risks.
- Financing our properties with long-term debt where applicable, while managing interest costs.
- Gradually reducing our debt levels to our targeted range.

IMPROVE QUALITY AND EFFICIENCY OF OUR CORPORATE SUPPORT SERVICES BY:

- Implementing information technology solutions to better understand our customers, communicate with our employees, and reduce administrative time commitment in the field.
- Continuously reviewing our administrative and operating processes in order to increase efficiencies and improve support services provided to our operating teams.



BUILD VALUE OF OUR REAL ESTATE PORTFOLIO BY:

- Managing our real estate portfolio and individual assets to maximize long-term value through market analysis and research, prudent capital planning, strategic repositioning and divestiture.
- Innovatively developing modern, market specific and operationally efficient seniors communities that remain competitive over the long term.
- Accretively growing our real estate portfolio with newer properties by consolidating the fragmented industry.



FINANCIAL REPORT

For the Year Ended December 31, 2014

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Chartwell Retirement Residences (“Chartwell” or the “Trust”) has prepared the following management’s discussion and analysis (the “MD&A”) to provide information to assist its current and prospective investors’ understanding of the financial results of Chartwell for the year ended December 31, 2014. This MD&A should be read in conjunction with Chartwell’s audited, consolidated financial statements for the years ended December 31, 2014 and 2013, and the notes thereto (the “Financial Statements.”) This material is available on Chartwell’s website at www.chartwell.com. Additional information about Chartwell, including its Annual Information Form (“AIF”) for the year ended December 31, 2014, can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of February 26, 2015.

All references to “Chartwell,” “we,” “our,” “us” or the “Trust” refer to Chartwell Retirement Residences and its subsidiaries, unless the context indicates otherwise. For ease of reference “Chartwell” and the “Trust” are used in reference to the ownership and the operation of retirement and long term care communities and the third-party management business of Chartwell. The direct ownership of such communities and operation of such business is conducted by subsidiaries of the Trust.

In this document, “Q1” refers to the three-month period ended March 31; “Q2” refers to the three-month period ended June 30; “Q3” refers to the three-month period ended September 30; “Q4” refers to the three-month period ended December 31; “2014” refers to the calendar year 2014; “2013” refers to the calendar year 2013 and “YTD” means year-to-date.

Unless otherwise indicated, all comparisons of results for 2014 and Q4 2014 are in comparison to results from 2013 and Q4 2013, respectively.

In this document we use a number of performance measures that are not measures defined in generally accepted accounting principles (“GAAP”) such as Funds from Operations (“FFO”), Adjusted Funds from Operations (“AFFO”), Net Operating Income (“NOI”), “Same Property NOI,” “Same Property Revenue,” “Same Property Direct Operating Expenses,” “G&A Expenses as a percentage of Revenue,” “Interest Coverage Ratio,” “Indebtedness Ratio,” “Adjusted EBITDA,” “Net Debt to Adjusted EBITDA Ratio,” “Chartwell’s Interest,” “Distributions declared as a percentage of AFFO” and any related per unit amounts to measure, compare and explain the operating results and financial performance of the Trust (collectively, the “Non-GAAP Measures”). These Non-GAAP Measures do not have a standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and, therefore, may not be comparable to similar measures presented by other publicly-traded entities. Please refer to the “Joint Arrangements” and “Non-GAAP Measures” sections of this MD&A for details.

All dollar references, unless otherwise stated, are in Canadian dollars. Amounts in United States dollars are identified as U.S.\$.

This document contains forward-looking information based on management’s expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry as of the date of this MD&A. Refer to the “Forward-Looking Information and Risks and Uncertainties” section of this MD&A for more information.

Business Overview

Chartwell is an unincorporated, open-ended trust governed by the laws of the Province of Ontario. We indirectly own and manage a portfolio of seniors housing communities across the complete continuum of care, all of which are located in Canada and the United States ("U.S.").

Our Continuum of Care:

- Independent living ("IL") - Age-qualified units/ townhouses/ bungalows with availability of providing meals and general services without personal care services available.
- Independent supported living ("ISL") - Age-qualified units/ townhouses/ bungalows with households general services and with personal care services available.
- Assisted living ("AL") - Age-qualified units with personal care services included in fee in a separate wing, floor or building.
- Memory care ("MC") - Age-qualified units with personal care services included in fee for persons with Alzheimer's disease or some other form of dementia, in a separate/secure wing, floor or building.
- Long term care ("LTC") – 24-hour nursing care, assistance with daily living activities and high levels of personal care. Admission and funding is overseen by local government agencies in each province.

Our Vision is... Making People's Lives Better

Our Mission is...

- to provide a happier, healthier and more fulfilled life experience for seniors;
- to provide peace of mind for our residents' loved ones; and
- to attract and retain employees who care about making a difference in our residents' lives.

Our Values are...

Respect – We honour and celebrate seniors

Empathy – We believe compassion is contagious

Service Excellence – We believe in providing excellence in customer service

Performance – We believe in delivering and rewarding results

Education – We believe in lifelong learning

Commitment – We value commitment to the Chartwell family

Trust – We believe in keeping our promises and doing the right thing

The following is the composition of our owned, leased and managed portfolio of seniors housing communities in our three operating segments at December 31, 2014:

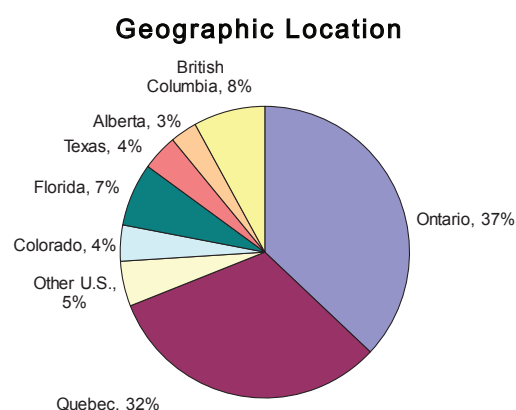
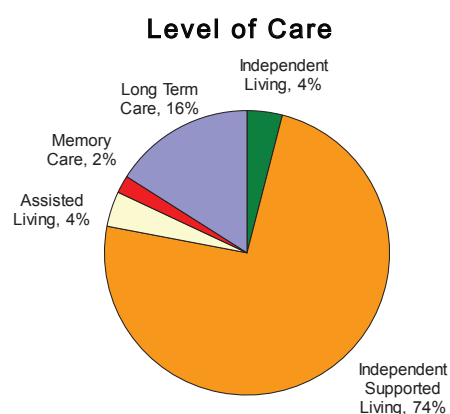
	Canadian Retirement Operations		Canadian Long Term Care Operations		United States Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Properties: ⁽¹⁾								
100% Owned – operating ⁽²⁾	98	12,184	24	3,135	33	4,789	155	20,108
Partially Owned – operating ⁽³⁾	48	8,544	-	-	-	-	48	8,544
Total Owned	146	20,728	24	3,135	33	4,789	203	28,652
Properties under Operating Lease 100% Interest	-	-	-	-	2	233	2	233
Total Owned and Leased	146	20,728	24	3,135	35	5,022	205	28,885
Managed Properties	3	515	4	608	-	-	7	1,123
Total	149	21,243	28	3,743	35	5,022	212	30,008

(1) Where a community provides more than one level of care, it has been designated according to the predominant level of care provided, type of licensing and funding received and internal management responsibility.

(2) Includes one Canadian retirement community in Quebec (169 suites) that is classified as assets held for sale in our Financial Statements.

(3) We have a 50% ownership interest in these properties with the exception of two Canadian retirement properties and one medical office building in which we have an 85% ownership interest.

Composition of Portfolio of Owned and Leased Suites at Chartwell's Share of Ownership or Leased Interest, at December 31, 2014 by:



Total Canada – 80%
Total U.S. – 20%

Business Strategy

Our business strategy is principally focused on providing quality care and services to our residents, which we believe will help us to achieve sustainable growth in our AFFO per unit and long-term value creation for our unitholders. The following summarizes our key strategic objectives:

Grow core property portfolio contribution by:

- Providing high-quality and expanding service offerings to our residents to maintain and improve resident satisfaction.
- Enhancing our brand recognition.
- Investing in innovative marketing and sales programs to increase customer traffic, sales closing ratios and occupancy.
- Managing rental rates to ensure our properties are competitively positioned in the marketplace.
- Mitigating inflationary pressures on our operating costs through specific vendor management and cost-control initiatives.

Maintain a strong financial position by:

- Maintaining sufficient liquidity to execute on our strategic priorities.
- Staggering debt maturities over time to reduce financing and interest rate risks.
- Financing our properties with long-term debt where applicable, while managing interest costs.
- Gradually reducing our debt levels to our targeted range.

Improve quality and efficiency of our corporate support services by:

- Implementing information technology solutions to better understand our customers, communicate with our employees, and reduce administrative time commitment in the field.
- Continuously reviewing our administrative and operating processes in order to increase efficiencies and improve support services provided to our operating teams.

Build value of our real estate portfolio by:

- Managing our real estate portfolio and individual assets to maximize long-term value through market analysis and research, prudent capital planning, strategic repositioning and divestiture.
- Innovatively developing modern, market specific and operationally efficient seniors communities that remain competitive over the long term.
- Accretively growing our real estate portfolio with newer properties by consolidating the fragmented industry.

The following summarizes the progress we made in executing our strategy in 2014:

Grow core property portfolio contribution	<ul style="list-style-type: none"> • Re-branding of our Canadian communities is complete. • Improved brand awareness and online and social media strategies are generating increased prospect inquiries and personal visits. • Same property NOI ⁽¹⁾ increased \$3.1 million or 1.3% in 2014. • Same property occupancy was 89.8% in 2014, consistent with 2013 and reached 90.7% in Q4 2014.
Maintain a strong financial position	<ul style="list-style-type: none"> • At December 31, 2014, we had cash on hand ⁽²⁾ of \$14.6 million and \$82.0 million of available borrowing capacity under our Credit Facilities. • Interest Coverage Ratio ⁽¹⁾ improved to 2.26 in 2014 compared to 2.16 in 2013. • Net Debt to Adjusted EBITDA Ratio ⁽¹⁾ improved to 8.4 at December 31, 2014 compared to 8.6 at December 31, 2013. • Indebtedness Ratio ⁽¹⁾ was 55.4% at December 31, 2014, compared to 56.6% at December 31, 2013.
Improve quality and efficiency of our corporate support services	<ul style="list-style-type: none"> • Completed the implementation of a procurement and payment system. • Completed the implementation of a fixed asset management and reporting system. • Completed the implementation of a telephone system to route customer calls from our properties to Chartwell's call centre whenever a sales consultant is not available. • Completed a major update to our website generating significant improvements to several key online metrics. • Ongoing reviews of corporate support processes.
Build value of our real estate portfolio	<ul style="list-style-type: none"> • Completed acquisitions of interests in four retirement residences and one medical office building for \$87.4 million. • Completed two development projects with three other projects in progress for completion in 2015. • Entered into a joint venture and development agreement with Batimo Inc. ("Batimo"). • Completed sales of interests in 19 non-core properties for \$225.2 million.

(1) Non-GAAP; refer to the "Non-GAAP Measures" section of this MD&A.

(2) Non-GAAP; includes Chartwell's Interest in equity accounted investments of \$3.7 million. Refer to the "Joint Arrangements" section of this MD&A for details.

2015 Outlook

We believe that the projected growth in seniors' population in Canada and in the United States will provide support for positive trends in the seniors housing industry in 2015 and beyond.

Canadian Retirement Operations

We expect to generate moderate growth through rate and occupancy increases in our Canadian Retirement Operations segment, supported by positive economic conditions, a stable housing market and a moderate pace of new supply growth.

We believe that our recent investments in branding, marketing and sales initiatives will allow us to increase awareness of Chartwell's name, prospect traffic to our residences and our occupancies. We expect to continue to grow our revenue from additional care and services offered to our residents. We expect to continue our focus on managing controllable costs through ongoing operations efficiency reviews, centralized purchasing and energy management programs.

- In Ontario, primarily due to competitive pressures, our average same property portfolio occupancy has declined to 87.2% in 2014 from 88.4% in 2013. This decline in occupancy is primarily a result of the significant growth in supply that occurred in the past four years. Although we believe that the current pace of supply growth is more in line with the demographic growth of seniors' population, certain oversupplied markets are likely to take longer to fully recover. As a result, we expect to see moderate occupancy improvements in 2015 and average rental rate growth of approximately 2.5%.
- Our Western Canada platform delivered strong performance in 2014 with same property portfolio occupancy reaching 94.4% in Q4 2014. The supply/demand conditions remain generally stable in Western Canada. We expect improving occupancies in our British Columbia properties acquired in 2013 and expect average rental rate growth of approximately 3.0% in 2015.
- In Quebec, market conditions remain stable with the supply growth staying largely in line with the demographic growth of the seniors' population. Our Quebec portfolio occupancies gradually improved throughout 2014 with Q4 2014 occupancy in the same property portfolio reaching 89.7%. We expect this positive trend to continue in 2015. We expect average rental rate growth of approximately 2.0% in 2015.

Canadian Long Term Care Operations

In 2014, our Canadian LTC same property portfolio NOI grew by 2.2%, driven by disciplined operations management and increases in resident rental rates for preferred accommodation. Our occupancies remain high at 98.6% and we expect stable performance and high occupancies in 2015 as there are approximately 21,000 people on the waiting list for LTC accommodation in Ontario. In 2013 and early 2014, we completed our three Ontario LTC redevelopment projects which now provide a higher contribution to our results. We continue our work with the industry association and the Ontario government to develop a viable redevelopment program for the remaining Class B and Class C beds in the province.

U.S. Operations

We expect the U.S. economy to grow in 2015 and the U.S. housing market is expected to continue its recovery. The pace of seniors housing construction activity has increased in 2014, and we expect that new competition will enter some of our markets in 2015. In order to successfully compete, we accelerated our capital investments in some of our U.S. properties in 2014 and expect to continue with this program in 2015. We expect that these investments will support moderate occupancy and same property NOI growth in our U.S. portfolio in 2015 with average rental rate growth of approximately 3.0%.

General, Administrative and Trust Expenses

Our general, administrative and Trust (“G&A”) expenses increased by 1.8% in 2014 compared to 2013. We believe our G&A costs are at a sustainable level that allows us to appropriately invest in training and development of our staff and in improving our information management systems and corporate support processes. We will continue our efficiency reviews of corporate processes and purchasing practices for goods and services to mitigate inflationary pressures on our G&A costs.

Development

In 2014, we completed construction of two residences adding 137 suites to our portfolio. We also commenced construction on three other projects, including one development by our new partner Batimo. These projects are expected to be completed in 2015, adding 150 suites to our portfolio. We have identified a number of other development opportunities that, in many cases, would increase density on our existing sites or would develop a complementary product on sites adjacent to our existing residences. We expect to commence several such developments in 2015 and will continue to evaluate a number of other development opportunities.

Acquisitions

In 2014, we acquired interests in five properties for \$87.4 million. We are evaluating a number of other acquisition opportunities in our core markets and continue to proactively search for additional opportunities to add newer, well-located and well-built product to our portfolio.

Dispositions

As part of our ongoing review of our real estate portfolio we may identify assets that no longer fit with the strategic direction of our company due to their age, location or other attributes. In 2014, we completed sales of our interests in 19 non-core properties in Canada and the United States. At December 31, 2014, one property located in Quebec was under contract to be sold for \$8.0 million. We expect this sale to close in Q2 2015.

Taxation

In 2014, 78.4% of our distributions were classified as return of capital, 0.5% as foreign-source interest income, 19.1% as other income and 2.0% as eligible dividends. We were not subject to specified investment flow-through (“SIFT”) tax in 2014 and based on our current forecasts, we do not expect to be subject to SIFT taxes in 2015 and 2016. We estimate a tax liability of approximately \$0.6 million on the gains from the sale of non-core U.S. properties.

Distributions

On February 26, 2015, we announced a 2.0% increase in our monthly cash distributions from \$0.0450 per unit (\$0.5400 on an annualized basis) to \$0.0459 per unit (\$0.5508 on an annualized basis) effective for the March 31, 2015 distribution payable on April 15, 2015.

Significant Events

The following events have had a significant effect on our financial results in 2014 and may be expected to affect our results in the future.

Acquisitions

On January 2, 2014, we completed the acquisition of the remaining 66.7% interest that we did not already own in Robert Speck, a 113-unit ISL residence located in Mississauga, Ontario. The purchase price, before closing costs, was \$21.3 million, and was settled through the assumption of mortgage debt of \$15.2 million, with the balance paid in cash.

On July 3, 2014, we acquired a 100% interest in a 151-unit ISL residence located in Gatineau, Quebec. The purchase price before closing costs was \$21.8 million and was settled in cash utilizing our Credit Facility.

On July 18, 2014, we acquired an 85% interest in two retirement residences ("L'Unique," a 169-unit ISL residence, and "Les Monarques," a 98-unit AL residence) and a medical office building ("Polyclinique") (collectively, the "Campus") for \$44.3 million, before closing costs, from entities affiliated with Batimo. Batimo has retained a 15% interest in the Campus. The purchase price was satisfied by the assumption of mortgages totalling \$27.9 million, with the remainder paid in cash. Batimo provided Chartwell with a five year net operating income guarantee on L'Unique and Les Monarques up to an aggregate maximum amount of \$1.3 million. In addition, Batimo provided Chartwell with a five year net operating income guarantee on Polyclinique (the "Polyclinique NOI guarantee"). Under the Polyclinique NOI guarantee Chartwell's share of net operating income will be at least \$0.8 million per annum.

The following table summarizes acquisitions completed in 2014:

(\$000s, except communities and suites/beds)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	2013
Number of communities	1 ⁽¹⁾	-	4 ⁽²⁾	-	5	4
Number of suites/beds	113	-	418	-	531	483
Purchase price	21,333	-	66,035	-	87,368	67,500
<i>Financed as follows:</i>						
Cash	6,133	-	38,182	-	44,315	67,309
Liabilities assumed	15,200	-	27,853	-	43,053	191
Total	21,333	-	66,035	-	87,368	67,500

(1) We acquired the remaining 66.7% interest in this community.

(2) We acquired a 100% interest in one community and an 85% interest in the other three.

Dispositions

On May 1, 2014, we completed the sale of 14 non-core properties in Ontario for \$66.0 million. This transaction was settled by the purchaser's assumption of \$19.3 million of debt, and the provision of vendor take-back ("VTB") mortgages of \$6.0 million, with the balance, net of working capital adjustments, received in cash. The VTB mortgages bear interest at 8.0% per annum, have a three-year term to maturity, are secured by charges against certain properties in the portfolio, the corporate guarantees of the purchaser and its affiliated entity and certain cross-collateralization and cross-default provisions.

On July 2, 2014, we and our joint venture partner completed the sale of another non-core property in Ontario for \$24.5 million for 100% interest. We owned a 50% interest in this property.

On July 30, 2014, we completed the sale of four non-core U.S. properties comprised of 827 suites located in Alabama, Michigan, Oklahoma and Tennessee for \$147.0 million (U.S.\$136.1 million.) We discharged mortgages of \$93.1 million (U.S.\$86.2 million) related to these properties at closing. The balance of the

purchase price, net of closing costs, was received in cash and utilized to reduce our indebtedness in both the U.S. and Canada.

The following table summarizes dispositions completed in 2014 at our share of ownership:

(\$000s, except communities and suites/beds)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	2013
Number of communities	-	14	5 ⁽¹⁾	-	19	12
Number of suites/beds	-	945	1,023	-	1,968	1,381
Sale price	-	65,950	159,238	-	225,188	228,876
<i>Settled as follows:</i>						
Liabilities transferred/settled	-	19,303	93,145	-	112,448	161,247
VTB mortgages	-	6,000	-	-	6,000	-
Cash proceeds ⁽²⁾	-	40,647	66,093	-	106,740	67,629
Total	-	65,950	159,238	-	225,188	228,876

(1) We owned a 50% interest in one of these properties.

(2) Before taxes and closing costs.

At December 31, 2014, one non-core property located in Quebec was under a purchase and sale agreement. The sale price of \$8.0 million is expected to be settled by the purchasers assuming the existing \$5.4 million mortgage with a \$1.5 million VTB mortgage with the balance, net of closing adjustments and costs, to be settled in cash. We expect closing, which is subject to the regulatory approvals, to occur in Q2 2015.

Development

In accordance with our strategy to innovatively develop modern, market-specific and operationally efficient seniors communities that remain competitive over the long term, we maintain a moderate internal development program. We also partner with other reputable developers in order to gain access to attractive sites in strong markets.

The following table summarizes development projects completed in 2014 and currently in progress:

Project	Location	Suites/ Beds	Actual / Estimated Development Costs ⁽¹⁾	Actual / Expected Completion Date	Expected Stabilization Date	Expected Unlevered Yield ⁽²⁾
Chartwell Deerview Crossing Retirement Residence	Hamilton, ON	119	\$32.3 million	Q1 2014	Q2 2015	9.0%
Tamarac Memory Care Phase II ⁽³⁾	Tamarac, FL	24	U.S.\$4.5 million	Q4 2014	Q4 2015	10.1%
Chartwell Georgian Traditions Memory Care Phase II	Collingwood, ON	30	\$9.2 million	Q2 2015	Q4 2016	9.0%
Chartwell Tranquility Place Apartments Phase II ⁽⁴⁾	Brantford, ON	30	\$7.7 million	Q4 2015	Q4 2016	7.7%
Chartwell L'Unique Phase II ⁽⁵⁾	Ste. Eustache, QC	90	N/A	Q2 2015	Q2 2016	N/A
		293				

(1) Non-GAAP; includes imputed cost of capital and lease-up losses.

(2) Non-GAAP; defined as first year stabilized NOI divided by development costs.

(3) 18 suites with 24 beds.

(4) Chartwell owns a 50% interest in this project.

(5) Development is undertaken by Batimo. Chartwell advanced a mezzanine loan of \$1.5 million and intends to acquire an 85% ownership interest in this project upon stabilization pursuant to our agreements with Batimo.

In Q4 2014, we advanced a mezzanine loan of \$1.5 million to Batimo for the development of a 90-suite retirement residence ("Chartwell L'Unique Phase II".) This loan bears interest at 10% and is secured by first and second charges on Batimo's interests in certain operating and development seniors' housing projects and vacant land, as well as by Batimo's corporate guarantee. The loan has a five-year term to maturity which can be extended by an additional two years subject to satisfaction of certain conditions. In

addition, we advanced two other loans to Batimo totalling \$2.4 million. These loans have five-year terms to maturity, bear interest at 8% and carry security packages similar to the one described above. All loans to Batimo contain certain cross-collateralization and cross-default provisions.

Joint Arrangements

IFRS 11 – Joint Arrangements requires certain joint ventures that were previously accounted for using line-by-line proportionate (“line-by-line”) consolidation to now be accounted for using the equity method. Under IFRS 11, as applied to Chartwell, equity accounting is required where an interest in a joint venture is held through a separate legal entity such as a limited partnership or corporation; however, where an interest is held directly, line-by-line consolidation continues to apply.

The following table summarizes the details of our joint arrangements and related accounting methods:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Method of Accounting
Chartwell-HCN Landlord ⁽¹⁾⁽²⁾	39	7,605	50.0%	Line-by-line
Chartwell-HCN Operator ⁽¹⁾	Same as above	Same as above	50.0%	Equity
Batimo	3	267	85.0%	Line-by-line
Bristol Holdings LLC (U.S.) (“Bristol”) ⁽³⁾	5	768	50.0%	Equity
Oakville	1	147	50.0%	Equity
Constantia	1	121	50.0%	Equity
Pickering	1	117	50.0%	Equity
Valley Vista	1	151	50.0%	Line-by-line
Riverside	1	138	50.0%	Line-by-line
Churchill	1	97	50.0%	Line-by-line
Kamloops	1	97	50.0%	Line-by-line

(1) Chartwell directly holds its interest in real estate but its interest in operations is held through separate legal entities.

(2) On July 2, 2014, Chartwell sold its interest in one of these properties (196 suites).

(3) On February 13, 2013, Chartwell sold its interest in this portfolio.

Throughout this document, amounts reported ‘per our Financial Statements’ are prepared in accordance with IFRS, and amounts reported at ‘Chartwell’s Interest,’ a non-GAAP measure, represent Chartwell’s proportionate share of interests in our entire portfolio of investments. Refer to the “Non-GAAP Measures – Chartwell’s Interest” section of this MD&A for a detailed description of this measure.

We believe that presenting the operating and financial results of our joint ventures at Chartwell’s Interest, a non-GAAP basis, provides useful information to current and prospective investors to assist them with their understanding of our financial performance by providing transparency of revenue earned, expenses incurred, as well as assets and liabilities held through joint ventures. Management uses this measure when making strategic and operational decisions at the portfolio level.

The following tables provide a complete reconciliation of our Financial Statements to the financial information used in this MD&A.

(\$000s, unaudited)	Q4 2014 per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	Q4 2014 Chartwell's Interests ⁽³⁾
Revenue			
Resident	208,706	26,200	234,906
Management and other fees	1,916	-	1,916
Lease revenue from joint ventures	8,150	(8,150)	-
Interest on loans receivable	192	-	192
	218,964	18,050	237,014
Expenses			
Direct operating	149,462	16,513	165,975
General, administrative and Trust ("G&A")	6,950	-	6,950
	156,412	16,513	172,925
Income before the undernoted	62,552	1,537	64,089
Finance costs	26,457	346	26,803
Property lease expense	724	-	724
Other expense/(income)	(530)	(37)	(567)
Depreciation of property, plant and equipment ("PP&E")	44,813	835	45,648
Amortization of intangible assets	407	4	411
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	9,471	40	9,511
Share of net income from joint ventures	(349)	349	-
Loss before income taxes	(18,441)	-	(18,441)
Income tax expense/(recovery):			
Current	(914)	-	(914)
Deferred	(1,247)	-	(1,247)
	(2,161)	-	(2,161)
Net loss for the period	(16,280)	-	(16,280)
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	2,750	-	2,750
Total comprehensive loss	(13,530)	-	(13,530)

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

(\$000s, unaudited)	Q4 2013 per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	Q4 2013 Chartwell's Interest ⁽³⁾
Revenue			
Resident	208,348	25,532	233,880
Management and other fees	1,901	-	1,901
Lease revenue from joint ventures	8,037	(8,037)	-
Interest on loans receivable	24	-	24
	218,310	17,495	235,805
Expenses			
Direct operating	148,741	16,363	165,104
G&A	8,547	-	8,547
	157,288	16,363	173,651
Income before the undernoted	61,022	1,132	62,154
Finance costs	29,920	398	30,318
Property lease expense	654	-	654
Other expense/(income)	(8,863)	41	(8,822)
Depreciation of PP&E	51,000	751	51,751
Amortization of intangible assets	397	-	397
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	367	-	367
Share of net loss from joint ventures	58	(58)	-
Loss before income taxes	(12,511)	-	(12,511)
Income tax expense/(recovery):			
Current	66	-	66
	66	-	66
Net loss for the period	(12,577)	-	(12,577)
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	1,567	-	1,567
Total comprehensive loss	(11,010)	-	(11,010)

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

(\$000s)	2014 per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	2014 Chartwell's Interests ⁽³⁾
Revenue			
Resident	824,693	103,057	927,750
Management and other fees	7,551	-	7,551
Lease revenue from joint ventures	32,636	(32,636)	-
Interest on loans receivable	461	-	461
	865,341	70,421	935,762
Expenses			
Direct operating	592,498	64,624	657,122
G&A	31,582	-	31,582
	624,080	64,624	688,704
Income before the undernoted	241,261	5,797	247,058
Finance costs	111,496	1,524	113,020
Property lease expense	2,763	-	2,763
Other expense/(income)	(48,438)	26	(48,412)
Depreciation of PP&E	167,459	2,956	170,415
Amortization of intangible assets	2,404	16	2,420
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	16,385	40	16,425
Share of net income from joint ventures	(1,230)	1,230	-
Loss before income taxes	(9,578)	5	(9,573)
Income tax expense/(recovery):			
Current	(1,299)	5	(1,294)
	(1,299)	5	(1,294)
Net loss for the period	(8,279)	-	(8,279)
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	7,027	-	7,027
Total comprehensive loss	(1,252)	-	(1,252)

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

(\$000s)	2013 per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	2013 Chartwell's Interest ⁽³⁾
Revenue			
Resident	819,114	103,546	922,660
Management and other fees	7,925	-	7,925
Lease revenue from joint ventures	31,386	(31,386)	-
Interest on loans receivable	154	-	154
	858,579	72,160	930,739
Expenses			
Direct operating	585,988	65,244	651,232
G&A	31,016	-	31,016
	617,004	65,244	682,248
Income before the undernoted	241,575	6,916	248,491
Finance costs	113,716	2,430	116,146
Property lease expense	2,673	-	2,673
Other expense/(income)	(9,262)	(48,194)	(57,456)
Depreciation of PP&E	166,979	3,611	170,590
Amortization of intangible assets	1,974	-	1,974
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	(9,580)	-	(9,580)
Share of net income from joint ventures	(49,069)	49,069	-
Income before income taxes	24,144	-	24,144
Income tax expense/(recovery):			
Current	260	-	260
	260	-	260
Net income for the period	23,884	-	23,884
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	3,103	-	3,103
Total comprehensive income	26,987	-	26,987

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

(\$000s)	December 31, 2014 per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	December 31, 2014 Chartwell's Interests ⁽³⁾
Assets			
Current assets:			
Cash and cash equivalents	10,927	3,705	14,632
Trade and other receivables	18,940	(88)	18,852
Capital funding receivable	4,963	-	4,963
Other assets	24,641	3,278	27,919
Assets held for sale	5,306	-	5,306
Total current assets	64,777	6,895	71,672
Non-current assets:			
Other assets	7,008	-	7,008
Loans receivable	9,901	-	9,901
Capital funding receivable	61,506	-	61,506
Investment in joint ventures	23,431	(23,431)	-
Intangible assets	49,025	45	49,070
PP&E	2,489,601	45,569	2,535,170
Total non-current assets	2,640,472	22,183	2,662,655
Total assets	2,705,249	29,078	2,734,327
Liabilities and Unitholders' Equity			
Current liabilities:			
Credit Facilities	45,500	-	45,500
Accounts payable and other liabilities	124,221	538	124,759
Distributions payable	7,954	-	7,954
Mortgages payable	372,184	466	372,650
Liabilities related to assets held for sale	6,086	-	6,086
Total current liabilities	555,945	1,004	556,949
Non-current liabilities:			
Mortgages payable	1,544,892	28,074	1,572,966
Convertible debentures	151,200	-	151,200
Class B Units of Chartwell Master Care LP ("Class B Units")	19,614	-	19,614
Total non-current liabilities	1,715,706	28,074	1,743,780
Total liabilities	2,271,651	29,078	2,300,729
Unitholders' equity	433,598	-	433,598
Total liabilities and unitholders' equity	2,705,249	29,078	2,734,327

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the assets and liabilities of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

(\$000s)	December 31, 2013 per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	December 31, 2013 Chartwell's Interests ⁽³⁾
Assets			
Current assets:			
Cash and cash equivalents	8,601	3,086	11,687
Trade and other receivables	17,881	36	17,917
Capital funding receivable	4,698	-	4,698
Other assets	26,668	3,125	29,793
Total current assets	57,848	6,247	64,095
Non-current assets:			
Other assets	7,397	-	7,397
Capital funding receivable	66,481	-	66,481
Investment in joint ventures	28,319	(28,319)	-
Intangible assets	49,777	5	49,782
PP&E	2,628,140	47,327	2,675,467
Total non-current assets	2,780,114	19,013	2,799,127
Total assets	2,837,962	25,260	2,863,222
Liabilities and Unitholders' Equity			
Current liabilities:			
Credit Facilities	27,000	-	27,000
Accounts payable and other liabilities	129,020	(3,702)	125,318
Distributions payable	7,884	-	7,884
Mortgages payable	219,347	12,866	232,213
Total current liabilities	383,251	9,164	392,415
Non-current liabilities:			
Mortgages payable	1,784,889	16,096	1,800,985
Convertible debentures	144,005	-	144,005
Class B Units	16,583	-	16,583
Total non-current liabilities	1,945,477	16,096	1,961,573
Total liabilities	2,328,728	25,260	2,353,988
Unitholders' equity	509,234	-	509,234
Total liabilities and unitholders' equity	2,837,962	25,260	2,863,222

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the assets and liabilities of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

(\$000s, except occupancy rates and per unit amounts)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
Resident revenue ⁽¹⁾	234,906	233,880	1,026	927,750	922,660	5,090
Weighted average occupancy rate - same property portfolio ⁽²⁾	90.7%	90.1%	0.6pp	89.8%	89.8%	-
Same property NOI ⁽³⁾	62,540	61,766	774	243,824	240,720	3,104
AFFO ⁽⁴⁾⁽⁵⁾	32,695	26,635	6,060	128,499	119,085	9,414
AFFO per unit diluted ⁽⁶⁾⁽⁷⁾	0.18	0.15	0.03	0.72	0.68	0.04
FFO ⁽⁸⁾	36,171	30,459	5,712	143,041	133,487	9,554
FFO per unit diluted ⁽⁶⁾⁽⁷⁾	0.20	0.17	0.03	0.80	0.75	0.05
Distributions declared ⁽⁹⁾	23,910	23,586	324	95,328	93,964	1,364
Distributions declared per unit ⁽⁷⁾	0.14	0.14	-	0.54	0.54	-
Distributions declared as a percentage of AFFO ⁽¹⁰⁾	73.1%	88.6%	(15.5pp)	74.2%	78.9%	(4.7pp)
Net income/(loss) for the period	(16,280)	(12,577)	(3,703)	(8,279)	23,884	(32,163)

(1) Non-GAAP; reported at Chartwell's Interest. Resident revenue per Financial Statements was \$208.7 million and \$824.7 million in Q4 2014 and 2014, respectively (\$208.3 million and \$819.1 million in Q4 2013 and 2013, respectively). Refer to the "Joint Arrangements" section of this MD&A for details of this calculation.

(2) pp = percentage points.

(3) Non-GAAP; reported at Chartwell's Interest and excludes the effects of foreign exchange on the U.S. dollar. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

(4) Non-GAAP; refer to the "FFO and AFFO Reconciliation – Adjusted Funds from Operations" section of this MD&A for the details of the AFFO and AFFO per unit diluted calculations.

(5) Includes \$1.1 million in negative AFFO related to properties in lease-up in 2014 and nil in Q4 2014 (\$0.5 million and \$1.5 million in Q4 2013 and 2013, respectively).

(6) Includes dilutive impact of conversion of convertible debentures into Trust Units.

(7) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts.

(8) Non-GAAP; refer to the "FFO and AFFO Reconciliation – Funds from Operations" section of this MD&A for the reconciliation of FFO to net income/(loss) and calculations of FFO per unit diluted.

(9) Non-GAAP; includes distributions declared on Trust Units, Class B Units and Deferred Trust Units ("DTUs").

(10) Non-GAAP; refer to the "Non-GAAP Measures – Distributions Declared as a Percentage of AFFO" section of this MD&A for a details of this calculation.

For 2014, AFFO was \$128.5 million or \$0.72 per unit diluted. This represents an increase of \$9.4 million or 7.9% compared to AFFO of \$119.1 million or \$0.68 per unit diluted in 2013. The increase in AFFO was primarily due to:

- incremental AFFO from our same property portfolio of \$4.1 million, excluding the effects of foreign exchange on the U.S. dollar, primarily due to higher NOI and lower interest expenses;
- proceeds of settled litigation in the U.S. of \$3.4 million;
- proceeds of the settlement of prior years' SIFT and commodity tax matters of \$3.1 million;
- foreign exchange on our U.S. source AFFO of \$1.7 million;
- the reversal of a previously-recorded provision for impairment of mezzanine loans of \$1.2 million;
- higher interest on loans receivable of \$0.3 million;
- other items combined of \$0.5 million;

partially offset by:

- sales of non-core U.S. and Ontario properties, net of the increased contribution from new acquisitions and developments, of \$3.9 million, excluding the effects of foreign exchange on the U.S. dollar;
- higher G&A expenses of \$0.6 million; and
- lower management fee revenue of \$0.4 million primarily due to lower capital project oversight fees earned from HCN.

Fourth Quarter: In Q4 2014, AFFO was \$32.7 million or \$0.18 per unit diluted. This represents an increase of \$6.1 million or 22.8% compared to AFFO of \$26.6 million or \$0.15 per unit diluted in Q4 2013. The increase in AFFO was primarily due to:

- lower early mortgage repayment costs of \$2.3 million;
- incremental AFFO of \$1.7 million from our same property portfolio, excluding the effects of foreign exchange on the U.S. dollar, primarily due to higher NOI and lower interest expenses;
- lower G&A expenses of \$1.6 million primarily due to lower legal and professional costs and timing of certain other expenses;
- other items combined of \$0.1 million; and
- higher foreign exchange on our U.S. source AFFO of \$0.4 million.

In 2014, FFO increased \$9.6 million or 7.2% to \$143.0 million or \$0.80 per unit diluted compared to 2013 FFO of \$133.5 million or \$0.75 per unit diluted. In Q4 2014, FFO increased \$5.7 million or 18.8% to \$36.2 million or \$0.20 per unit diluted compared to Q4 2013 FFO of \$30.5 million or \$0.17 per unit diluted.

In addition to the items noted in the discussion of AFFO above, FFO was also impacted by changes in amortization of financing costs and debt mark-to-market adjustments.

In 2014, net loss was \$8.3 million compared to net income of \$23.9 million in 2013. For Q4 2014, net loss was \$16.3 million compared to net loss of \$12.6 million in Q4 2013. In addition to items described in AFFO and FFO discussion above, net income was also impacted by depreciation of properties and amortization of limited life intangibles, transaction costs arising on business acquisitions and dispositions, gains on sale of assets, changes in fair value of financial instruments, unrealized foreign exchange translation gains and deferred income taxes.

Refer to the "Non-GAAP Measures" section of this MD&A for a discussion of the calculation of AFFO, FFO and per unit amounts.

Same Property Portfolio Highlights

(\$000s, except occupancy rates)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
Canadian retirement:						
NOI ⁽¹⁾	40,124	39,542	582	160,745	157,972	2,773
Occupancy	89.6%	88.7%	0.9pp	88.5%	88.4%	0.1pp
Canadian LTC:						
NOI ⁽¹⁾	7,678	7,529	149	28,800	28,181	619
Occupancy	98.7%	98.6%	0.1pp	98.6%	98.4%	0.2pp
U.S.:						
NOI ⁽¹⁾ (U.S.\$)	14,738	14,695	43	54,279	54,567	(288)
Occupancy	89.0%	88.6%	0.4pp	88.3%	88.5%	(0.2pp)
Combined:						
NOI ⁽¹⁾⁽²⁾	62,540	61,766	774	243,824	240,720	3,104
Occupancy	90.7%	90.1%	0.6pp	89.8%	89.8%	-

(1) Non-GAAP; reported at Chartwell's Interest.

(2) Non-GAAP; excludes the effect of foreign exchange. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

In 2014, combined same property occupancy remained consistent with 2013 at 89.8% with same property NOI increasing \$3.1 million or 1.3% as follows:

- In our Canadian retirement portfolio, same property NOI increased 1.8%. The growth in revenues, primarily due to regular annual rental rate increases in line with competitive market conditions, lower short-term move-in incentives, higher ancillary revenues from enhanced services provided to our residents and lower bad debt expense was partially offset by higher staffing, food, utilities, property tax and marketing expenses. Occupancy increased to 88.5% from 88.4% in 2013.
- In our Canadian LTC portfolio, same property NOI increased 2.2% primarily due to increased retirement and other revenues and higher preferred accommodation rates partially offset by higher staffing and utilities expenses. Occupancy remained high at 98.6% compared to 98.4% in 2013.
- In our U.S. portfolio, same property NOI decreased 0.5% primarily due to lower occupancies, higher short-term move-in incentives, staffing, food, utilities, maintenance and marketing expenses partially offset by regular annual rental rate increases in line with competitive market conditions and lower management costs. Occupancy decreased to 88.3% from 88.5% in 2013.

Fourth Quarter: In Q4 2014, combined same property occupancy increased to 90.7% from 90.1% in Q4 2013 with same property NOI increasing \$0.8 million or 1.3% as follows:

- In our Canadian retirement portfolio, same property NOI increased 1.5%. The growth in revenues, primarily due to regular annual rental rate increases in line with competitive market conditions and higher occupancies, was partially offset by higher staffing, food and marketing expenses. Occupancy increased to 89.6% from 88.7% in Q4 2013.
- In our Canadian LTC portfolio, same property NOI increased 2.0% primarily due to increased retirement revenue, higher preferred accommodation rates, lower utilities expense and strong expense controls. Occupancy increased to 98.7% from 98.6% in Q4 2013.
- In our U.S. portfolio, same property NOI increased 0.3% primarily due to regular annual rental rate increases in line with competitive market conditions, higher occupancies and lower property tax expense, partially offset by higher staffing, food, utilities, marketing and bad debt expenses. Occupancy increased to 89.0% from 88.6% in Q4 2013.

Summary of Net Operating Income

(\$000s, except occupancy rates)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
Resident Revenue						
Same property ⁽¹⁾⁽²⁾	213,517	208,190	5,327	831,815	811,403	20,412
Acquisitions and other ⁽¹⁾⁽²⁾	15,231	23,228	(7,997)	75,814	104,884	(29,070)
Foreign exchange on U.S. dollar revenue ⁽¹⁾	6,158	2,462	3,696	20,121	6,373	13,748
	234,906	233,880	1,026	927,750	922,660	5,090
Less: Share of resident revenue from joint ventures	26,200	25,532	668	103,057	103,546	(489)
Total resident revenue	208,706	208,348	358	824,693	819,114	5,579
Direct Operating Expenses						
Same property ⁽¹⁾⁽²⁾	150,977	146,424	4,553	587,991	570,683	17,308
Acquisitions and other ⁽¹⁾⁽²⁾	10,863	17,120	(6,257)	55,320	76,342	(21,022)
Foreign exchange on U.S. dollar expenses ⁽¹⁾	4,135	1,560	2,575	13,811	4,207	9,604
	165,975	165,104	871	657,122	651,232	5,890
Less: Share of direct operating expenses from joint ventures	16,513	16,363	150	64,624	65,244	(620)
Total direct operating expenses	149,462	148,741	721	592,498	585,988	6,510
Net Operating Income						
Same property ⁽¹⁾⁽²⁾	62,540	61,766	774	243,824	240,720	3,104
Acquisitions and other ⁽¹⁾⁽²⁾	4,368	6,108	(1,740)	20,494	28,542	(8,048)
Foreign exchange on U.S. dollar expenses ⁽¹⁾	2,023	902	1,121	6,310	2,166	4,144
	68,931	68,776	155	270,628	271,428	(800)
Less: Share of net operating income from joint ventures	9,687	9,169	518	38,433	38,302	131
Total net operating income	59,244	59,607	(363)	232,195	233,126	(931)
Weighted average occupancy rate - same property portfolio	90.7%	90.1%	0.6pp	89.8%	89.8%	-
Weighted average occupancy rate - total portfolio	90.2%	89.2%	1.0pp	88.8%	89.1%	(0.3pp)

(1) Non-GAAP; reported at Chartwell's Interest.

(2) Non-GAAP; excludes the effect of foreign exchange. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Total resident revenue increased 0.7% in 2014 and increased 0.2% in Q4 2014. The changes in resident revenue were primarily due to increased revenue in our same property portfolio, a growing revenue contribution from acquisitions and developments, positive effects of foreign exchange on the U.S. dollar, and the reduction in revenue from the sales of non-core U.S. and Ontario properties.

Same property resident revenue increased \$20.4 million or 2.5% in 2014 and \$5.3 million or 2.6% in Q4 2014 primarily as a result of regular annual rental rate increases in line with competitive market conditions and higher ancillary revenues from enhanced services provided to our residents.

Total direct operating expenses increased 1.1% in 2014 and 0.5% in Q4 2014. The changes in direct operating expenses were primarily due to higher expenses in our same property portfolio, acquisitions and developments, the effects of foreign exchange on the U.S. dollar, and a reduction in expenses from the sales of non-core U.S. and Ontario properties.

Same property direct operating expenses increased \$17.3 million or 3.0% in 2014 and \$4.6 million or 3.1% in Q4 2014 primarily due to higher staffing costs incurred to deliver enhanced services to our residents and increases in food, utilities, marketing and property tax expenses partially offset by lower management costs.

General, Administrative and Trust Expenses

(\$000s, except percentage of revenue)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
G&A expenses	6,950	8,547	(1,597)	31,582	31,016	566
G&A expenses as a percentage of revenue ⁽¹⁾	2.9%	3.6%	(0.7pp)	3.3%	3.3%	-

(1) Non-GAAP; refer to the "Non-GAAP Measures – G&A Expenses as a Percentage of Revenue" section of this MD&A for a discussion of the significance of this metric and a reconciliation of revenue used in the calculation of this measure to our Financial Statements.

G&A expenses increased \$0.6 million or 1.8% in 2014 as higher compensation costs and information technology expenses were partially offset by lower professional and consulting costs.

G&A expenses, as a percentage of revenue, including our share of revenue from joint ventures, were 3.3% in 2014 and in 2013.

Fourth Quarter: G&A expenses decreased \$1.6 million or 18.7% in Q4 2014 primarily due to a reduction in legal costs as we settled U.S. litigation in Q3 2014 that had been ongoing in 2013, lower professional and consulting costs and timing of certain other expenses.

G&A expenses, as a percentage of revenue, including our share of revenue from joint ventures, were 2.9% in Q4 2014 compared to 3.6% in Q4 2013.

Management Fee Revenue

(\$000s)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
HCN	1,374	1,429	(55)	5,663	6,062	(399)
Other	542	472	70	1,888	1,863	25
Total management fee revenue	1,916	1,901	15	7,551	7,925	(374)

Management fee revenue decreased \$0.4 million or 4.7% in 2014 primarily due to lower capital project oversight fees earned from HCN.

Finance Costs

(\$000s)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
Mortgages and loans payable ⁽¹⁾						
Same property ⁽²⁾	20,525	21,557	(1,032)	83,768	87,525	(3,757)
Acquisitions and other ⁽²⁾	2,244	3,361	(1,117)	11,756	15,491	(3,735)
Foreign exchange on U.S. dollar expenses	903	423	480	3,089	1,080	2,009
	23,672	25,341	(1,669)	98,613	104,096	(5,483)
Convertible debentures	1,940	1,940	-	7,695	7,695	-
Credit Facilities and other interest expense	615	2,793	(2,178)	4,796	4,233	563
	26,227	30,074	(3,847)	111,104	116,024	(4,920)
Amortization of financing costs and debt mark-to-market adjustments ⁽¹⁾	462	262	200	1,363	513	850
	26,689	30,336	(3,647)	112,467	116,537	(4,070)
Interest capitalized to properties under development	(108)	(241)	133	(336)	(1,286)	950
Distributions on Class B Units recorded as interest expense	222	223	(1)	889	895	(6)
	26,803	30,318	(3,515)	113,020	116,146	(3,126)
Less: Share of finance costs from joint ventures	346	398	(52)	1,524	2,430	(906)
Total finance costs	26,457	29,920	(3,463)	111,496	113,716	(2,220)

(1) Non-GAAP; reported at Chartwell's Interest.

(2) Non-GAAP; excludes the effect of foreign exchange. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Interest expense on the same property portfolio decreased \$1.0 million in Q4 2014 and \$3.8 million in 2014 primarily due to lower interest rates achieved on mortgage renewals and lower outstanding loan balances.

Interest expense in our acquisitions and other portfolio decreased \$1.1 million in Q4 2014 and \$3.7 million in 2014 primarily due to the sales of non-core U.S. and Ontario properties.

Credit facility and other interest expense includes amounts for early mortgage repayment costs of \$0.2 million and \$2.7 million in Q4 2014 and 2014, respectively (\$2.4 million and \$2.5 million in Q4 2013 and 2013, respectively.)

Amortization of financing costs and debt mark-to-market adjustments increased \$0.2 million in Q4 2014 and \$0.9 million in 2014 primarily as a result of acceleration of amortization of mark-to-market adjustments upon refinancing of certain mortgages.

Interest capitalized to properties under development decreased by \$0.1 million in Q4 2014 and by \$1.0 million in 2014 primarily due to fewer projects in development. In accordance with IFRS, once a development project becomes available for use, interest capitalization ceases.

Other (Expense)/Income

(\$000s)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
Transaction costs arising on business acquisitions and dispositions ⁽¹⁾	(247)	(2,776)	2,529	(3,913)	(6,276)	2,363
Interest income on capital funding receivable, bank balances and other income ⁽¹⁾	1,022	1,020	2	8,286	4,102	4,184
Reversal of previously-recorded impairment provision	-	-	-	1,245	-	1,245
Gain on remeasurement to fair value of existing interest	-	-	-	435	-	435
Gain/(loss) on sale of assets ⁽¹⁾	(208)	22,080	(22,288)	42,359	71,132	(28,773)
Impairment of PP&E	-	(11,502)	11,502	-	(11,502)	11,502
	567	8,822	(8,255)	48,412	57,456	(9,044)
Less: Share of other (expense)/income from joint ventures	37	(41)	78	(26)	48,194	(48,220)
Total other (expense)/income	530	8,863	(8,333)	48,438	9,262	39,176

(1) Non-GAAP; reported at Chartwell's Interest.

Transaction costs arising on business acquisitions and dispositions are expensed as incurred and fluctuate from period to period based on the timing and volume of transactions.

Interest income on capital funding receivable was \$3.6 million and \$0.9 million in 2014 and Q4 2014, respectively, compared to \$3.8 million and \$1.0 million in 2013 and Q4 2013, respectively. Included in 2014 is other income of \$3.4 million (U.S.\$3.1 million) received in settlement of litigation in the U.S. and \$0.8 million in settlement of certain commodity tax matters which were recorded as other income in Q2 2014.

In Q1 2014, we reversed a \$1.2 million previously-recorded provision for impairment of mezzanine loans receivable on collection of the related mezzanine loan.

Gain on remeasurement to fair value of existing interest of \$0.4 million relates to the remeasurement of the original 33.3% interest in Robert Speck. Since this was a step acquisition, a fair value remeasurement of the original 33.3% was required upon acquisition of the additional 66.7% interest.

Gain on sale of assets of \$42.4 million in 2014 is primarily due to a \$6.1 million gain from the sales of non-core Ontario properties and a \$35.7 million (U.S.\$32.6 million) gain from the sale of non-core U.S. properties.

Gain on sale of assets of \$71.1 million in 2013 is primarily due to the sale of non-core U.S. properties.

Other Items

(\$000s)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
Property lease expense	724	654	70	2,763	2,673	90
Depreciation of PP&E ⁽¹⁾	45,648	51,751	(6,103)	170,415	170,590	(175)
Amortization of intangible assets ⁽¹⁾	411	397	14	2,420	1,974	446
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain) ⁽¹⁾	9,511	367	9,144	16,425	(9,580)	26,005
Current income tax expense/(benefit) ⁽¹⁾	(914)	66	(980)	(1,294)	260	(1,554)
Deferred income tax expense/(benefit)	(1,247)	-	(1,247)	-	-	-

(1) Non-GAAP; reported at Chartwell's Interest.

Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain) result from changes in the market value of the underlying financial instruments and foreign exchange rate movements. These amounts are expected to fluctuate from period to period due to changes in financial markets.

Current income tax benefit of \$1.3 million in 2014 is comprised of the following:

- a \$2.2 million recovery of SIFT tax related to an earlier taxation year;
- a \$0.6 million tax expense related to asset sales; and
- a \$0.3 million tax expense related to our U.S. operations.

The provision for deferred income tax expense relates to temporary differences between the carrying amounts and tax-basis of assets and liabilities. In Q4 2014, deferred income tax expense was impacted by changes in the recognition of certain previously unrecognized losses.

Summary of Results of Operations by Segment

The following section provides an analysis of the operating performance of each of our operating segments in 2014 and Q4 2014.

Where a community provides more than one level of care, it has been designated to a segment according to the predominant level of care provided, type of licensing and funding provided and internal management responsibility.

All results are presented at Chartwell's Interest (refer to the "Non-GAAP Measures" section of this MD&A.)

Canadian Retirement Operations

The following table summarizes the composition of our Canadian Retirement Operations:

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same Property							
100% owned	86	524	9,042	557	73	535	10,731
50% owned	45	542	7,105	511	61	58	8,277
Total same property owned	131	1,066	16,147	1,068	134	593	19,008
Acquisitions, Development & Other							
100% owned – operating	12	247	810	118	28	250	1,453
Partially owned – operating ⁽¹⁾	3	-	169	98	-	-	267
Total acquisitions, development & other	15	247	979	216	28	250	1,720
Total	146	1,313	17,126	1,284	162	843	20,728

(1) Includes one medical office building. Chartwell owns an 85% interest in these properties.

The following table presents the results of operations of our Canadian Retirement Operations:

(\$000s, except occupancy rates)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
Revenue						
Same property	112,309	109,252	3,057	439,720	428,739	10,981
Acquisitions, development and other	14,268	16,473	(2,205)	57,925	58,342	(417)
Total revenue	126,577	125,725	852	497,645	487,081	10,564
Direct Operating Expenses						
Same property	72,185	69,710	2,475	278,975	270,767	8,208
Acquisitions, development and other	10,015	13,385	(3,370)	44,116	46,830	(2,714)
Total direct operating expenses	82,200	83,095	(895)	323,091	317,597	5,494
Net Operating Income						
Same property	40,124	39,542	582	160,745	157,972	2,773
Acquisitions, development and other	4,253	3,088	1,165	13,809	11,512	2,297
Total net operating income	44,377	42,630	1,747	174,554	169,484	5,070
Weighted average occupancy rate - same property	89.6%	88.7%	0.9pp	88.5%	88.4%	0.1pp
Weighted average occupancy rate – total portfolio	89.0%	87.5%	1.5pp	87.1%	87.0%	0.1pp

Same property revenue increased 2.6% in 2014 as regular annual rental rate increases in line with competitive market conditions, higher ancillary revenues from enhanced services provided to our residents and lower short-term move-in incentives.

Same property direct operating expenses increased 3.0% in 2014 primarily due to higher staffing costs incurred to deliver enhanced services to our residents as well as higher food, utilities, property tax and marketing expenses partially offset by lower bad debt expense.

Same property NOI increased \$2.8 million or 1.8% in 2014 as follows:

- Our Ontario retirement platform same property NOI decreased \$0.2 million or 0.3% primarily due to lower occupancies and higher staffing, property tax and utilities expenses. These were partially offset by regular annual rental rate increases in line with competitive market conditions, higher ancillary revenue from enhanced services provided to our residents and lower short-term move-in incentives.
- Our Western Canada platform same property NOI increased \$1.5 million or 4.2% primarily due to regular annual rental rate increases in line with competitive market conditions, higher ancillary revenue from enhanced services provided to our residents and higher occupancies. These were partially offset by higher staffing, food, utilities, property tax and marketing expenses.
- Our Quebec platform same property NOI increased \$1.5 million or 3.0% primarily due to regular annual rental rate increases in line with competitive market conditions, higher ancillary revenue from enhanced services provided to our residents, higher occupancies, lower short-term move-in incentives and lower bad debt expense. These were partially offset by higher food, utilities, staffing, office and marketing expenses.

The following table summarizes our annual weighted average occupancy rates in our Canadian retirement same property portfolio:

	2014	2013	Increase / (Decrease)
Ontario	87.2%	88.4%	(1.2pp)
Western Canada	92.9%	91.8%	1.1pp
Quebec	88.2%	87.3%	0.9pp
Combined	88.5%	88.4%	0.1pp

In 2014, occupancies in our Canadian retirement same property portfolio increased slightly to 88.5%. The strong occupancy growth in Western Canada and Quebec has been partially offset by a 1.2 percentage point decline in Ontario.

Fourth Quarter: Same property NOI increased \$0.6 million or 1.5% in Q4 2014 as follows:

- Our Ontario retirement platform same property NOI increased \$0.4 million or 2.3% primarily due to regular annual rental rate increases in line with competitive market conditions, higher ancillary revenue from enhanced services provided to our residents, lower short-term move-in incentives and lower utilities expense. These were partially offset by lower occupancies, higher staffing, and marketing expenses.
- Our Western Canada platform same property NOI increased \$0.6 million or 7.0% primarily due to regular annual rental rate increases in line with competitive market conditions, higher ancillary revenue from enhanced services provided to our residents and higher occupancies. These were partially offset by higher staffing, utilities and marketing expenses.
- Our Quebec platform same property NOI decreased \$0.4 million or 3.2% primarily due to higher staffing, food, marketing, office and utilities expenses, partially offset by regular annual rental rate increases in line with competitive market conditions and higher occupancies.

The following table summarizes our quarterly weighted average occupancy rates in our Canadian retirement same property portfolio:

	Q4 2014	Q4 2013	Increase / (Decrease)	Q3 2014	Increase / (Decrease)
Ontario	87.5%	88.3%	(0.8pp)	87.0%	0.5pp
Western Canada	94.4%	92.3%	2.1pp	93.5%	0.9pp
Quebec	89.7%	87.9%	1.8pp	88.5%	1.2pp
Total	89.6%	88.7%	0.9pp	88.7%	0.9pp

In Q4 2014, occupancies in our Canadian retirement same property portfolio increased to 89.6%, a 0.9 percentage point increase from Q4 2013 and a 0.9 percentage point increase from Q3 2014, driven by stronger leasing activity as a result of our new sales, marketing and online presence strategies and improving fundamentals in many of our markets.

Canadian Long Term Care Operations

The following table summarizes the composition of our Canadian Long Term Care Operations:

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same property - 100% owned	24	-	135	-	-	3,000	3,135
Total	24	-	135	-	-	3,000	3,135

The following table presents the results of operations of our Canadian Long Term Care Operations:

(\$000s, except occupancy rates)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
Same property revenue	56,954	56,108	846	216,677	210,691	5,986
Same property direct operating expenses	49,276	48,579	697	187,877	182,510	5,367
Total net operating income	7,678	7,529	149	28,800	28,181	619
Weighted average occupancy rate – same property	98.7%	98.6%	0.1pp	98.6%	98.4%	0.2pp

Same property NOI increased \$0.6 million or 2.2% in 2014 primarily due to higher retirement and other revenues, higher preferred accommodation rates and strong expense controls partially offset by higher staffing and utilities expenses.

Weighted average occupancies in the same property portfolio increased to 98.6% in 2014 from 98.4% in 2013.

Fourth Quarter: Same property NOI increased \$0.1 million or 2.0% in Q4 2014 primarily due to higher retirement revenues and preferred accommodation rates and lower utilities expense as well as strong expense controls.

Weighted average occupancies in the same property portfolio remained high at 98.7% in Q4 2014.

U.S. Operations

The following table summarizes the composition of our U.S. Operations:

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same property - 100% owned	32	-	4,280	-	206	190	4,676
Acquisitions, development and other – 100% owned	1	-	95	-	18	-	113
Properties under operating lease – 100% interest	2	-	194	-	39	-	233
Total	35	-	4,569	-	263	190	5,022

The following table presents the results of operations of our U.S. Operations:

(U.S.\$000s, except as noted otherwise)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
Revenue						
Same property	44,254	42,830	1,424	175,418	171,973	3,445
Acquisitions and other ⁽¹⁾	963	6,755	(5,792)	17,889	46,542	(28,653)
Total revenue	45,217	49,585	(4,368)	193,307	218,515	(25,208)
Direct Operating Expenses						
Same property	29,516	28,135	1,381	121,139	117,406	3,733
Acquisitions and other ⁽¹⁾	848	3,735	(2,887)	11,204	29,512	(18,308)
Total direct operating expenses	30,364	31,870	(1,506)	132,343	146,918	(14,575)
Net Operating Income						
Same property	14,738	14,695	43	54,279	54,567	(288)
Acquisitions and other ⁽¹⁾	115	3,020	(2,905)	6,685	17,030	(10,345)
Total net operating income	14,853	17,715	(2,862)	60,964	71,597	(10,633)
Foreign exchange in CDN	2,023	902	1,121	6,310	2,166	4,144
Total net operating income in CDN	16,876	18,617	(1,741)	67,274	73,763	(6,489)
Weighted average occupancy rate – same property	89.0%	88.6%	0.4pp	88.3%	88.5%	(0.2pp)
Weighted average occupancy rate – total portfolio	88.9%	89.2%	(0.3pp)	88.7%	89.9%	(1.2pp)

(1) Represents the results of Tamarac while under development in 2014, the Bristol Portfolio sold in Q1 2013, seven other non-core U.S. properties sold in Q4 2013 and four non-core U.S. properties sold in Q3 2014.

Same property revenue increased U.S.\$3.4 million or 2.0% in 2014 primarily due to regular annual rental rate increases in line with competitive market conditions partially offset by lower occupancies.

Same property direct operating expenses increased U.S.\$3.7 million or 3.2% in 2014 primarily due to higher staffing, food, utilities and marketing expenses partially offset by lower management costs.

As a result of the above, same property NOI decreased U.S.\$0.3 million or 0.5% in 2014.

Fourth Quarter: Same property NOI increased 0.3% in Q4 2014.

Same property revenue increased U.S.\$1.4 million or 3.3% in Q4 2014, primarily due to regular annual rental rate increases in line with competitive market conditions and higher occupancies.

Same property direct operating expenses increased U.S.\$1.4 million or 4.9% in Q4 2014 primarily due to higher staffing, food, utilities, marketing and bad debt expenses partially offset by lower property tax expense.

The operating results for our U.S. operating segment in Canadian dollars were also affected by fluctuations in foreign exchange rates. The average exchange rates were as follows:

	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
Weighted average exchange rate for U.S.\$1.00 to CDN	1.14	1.05	0.09	1.10	1.03	0.07

A \$0.01 change in the exchange rate for one U.S. dollar to one Canadian dollar would have impacted annual AFFO by approximately \$0.3 million in 2014.

Financial Position

Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and equity per our Financial Statements for December 31, 2014 compared to December 31, 2013.

	Increase / (Decrease) (\$millions)	Explanation
Total assets	(132.7)	The decrease in total assets is primarily due to the following:
PP&E	(138.5)	PP&E decreased primarily due to depreciation of \$167.5 million and dispositions of \$200.1 million and transfers to assets held for sale of \$5.0 million. These were partially offset by additions of \$86.1 million, net additions due to business combinations of \$97.1 million and foreign exchange translation of \$52.1 million.
Loans receivable	9.9	Loans receivable increased primarily due to the issuance of a \$6.0 million vendor take-back mortgage, a mezzanine loan of \$1.5 million and two other loans totalling \$2.4 million issued as part of an acquisition in Q3 2014.
Total liabilities	(57.1)	The change in total liabilities is primarily due to the following:
Credit Facilities	18.5	Higher utilization of the Canadian Credit Facility was primarily a result of timing of operating activities and working capital requirements.
Mortgages payable	(87.2)	Mortgages payable decreased primarily as a result of the sales of non-core Ontario and U.S. properties and regular principal repayments, partially offset by mortgages assumed on acquisition and top-up financings.
Equity	(75.6)	The decrease in equity is primarily due to distributions to unitholders.

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during 2014:

	Trust Units	Trust Units under LTIP	Class B Units	Deferred Trust Units	Total
Balance December 31, 2013	171,643,982	1,893,074	1,658,312	607,986	175,803,354
Trust Units issued pursuant to the Distribution Reinvestment Plan ("DRIP")	1,670,021	-	-	-	1,670,021
Trust Units issued under LTIP	-	114,027	-	-	114,027
Trust Units surrendered for cancellation under LTIP	-	(252,279)	-	-	(252,279)
Trust Units released on settlement of LTIP receivable	114,058	(114,058)	-	-	-
DTUs issued	-	-	-	93,955	93,955
DTU distributions	-	-	-	31,050	31,050
Exchange of Class B Units	16,989	-	(16,989)	-	-
DTUs exchanged for Trust Units on vesting	40,942	-	-	(40,942)	-
Balance December 31, 2014	173,485,992	1,640,764	1,641,323	692,049	177,460,128

Liquidity and Capital Commitments

Liquidity

Our cash commitments include payments related to mortgages and convertible debentures, contractual purchase obligations, obligations under operating leases as well as cash distributions to unitholders.

Our principal source of liquidity is cash flow from operations. At December 31, 2014, we had cash on hand in the amount of \$14.6 million, including cash from Chartwell's Interest in equity-accounted investments of \$3.7 million. In order to provide for our operating and capital requirements, we have put in place secured revolving operating credit facilities denominated in both Canadian and U.S. dollars (collectively, the "Credit Facilities") and arranged mortgage debt financing. At times we may also raise funds through the capital markets.

Our Canadian dollar-denominated credit facility ("Canadian Credit Facility") has a maximum committed capacity of \$105.0 million and matures on June 22, 2015. The amounts outstanding bear interest at the bank's prime rate plus 0.95%, or the applicable banker's acceptance rate plus 1.95%. It is secured by charges on certain of our properties and includes minimum equity requirements and covenants requiring limitations on the amounts of distributions that can be paid to unitholders. At December 31, 2014, based on security provided, the maximum available borrowing capacity under the Canadian Credit Facility was \$105.0 million, of which \$4.9 million was utilized to support outstanding letters of credit and \$45.5 million was drawn, leaving available borrowing capacity at \$54.6 million.

Our U.S. dollar-denominated credit facility ("U.S. Credit Facility") has a maximum committed capacity of U.S.\$25.0 million and matures on December 31, 2015. The amounts outstanding bear interest at the rate equal to the one-month London Interbank Offered Rate ("LIBOR") plus 3.25%. It is secured by three of our U.S. properties and contains covenants requiring maintenance of certain debt service, fixed-charge coverage and liquidity ratios and minimum capital spend on these properties. At December 31, 2014, based on security provided, the maximum available borrowing capacity under the U.S. Credit Facility was \$27.4 million (U.S.\$23.6 million) with no outstanding balance.

Indebtedness Ratio:

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 60% of Adjusted Gross Book Value ("GBV"), excluding convertible debentures, or 65% of GBV including convertible debentures ("Indebtedness Ratio").

The following table presents the calculation of our Indebtedness Ratio at Chartwell's Interest:

(\$000s)	December 31, 2014	December 31, 2013
Mortgages payable (contractual amount)	1,950,720	2,034,301
Credit Facilities	45,500	27,000
Total Indebtedness excluding convertible debentures	1,996,220	2,061,301
Convertible debentures (at face value)	135,000	135,000
Total Indebtedness	2,131,220	2,196,301
Total assets	2,729,021	2,863,222
Accumulated depreciation and amortization	727,273	637,842
Cumulative transaction costs on business combinations	19,657	17,848
Change in GBV on transition to IFRS	373,868	361,994
GBV of assets	3,849,819	3,880,906
Indebtedness Ratio before convertible debentures ^{(1) (2)}	51.9%	53.1%
Indebtedness Ratio including convertible debentures ^{(1) (2)}	55.4%	56.6%

(1) Excludes assets held for sale and related liabilities. If assets and liabilities held for sale were included in this table, the Indebtedness Ratio at December 31, 2014 would be 51.8% before convertible debentures and 55.3% including convertible debentures.

(2) Non-GAAP; refer to the "Non-GAAP Measures – Indebtedness Ratio" section of this MD&A for a discussion of Indebtedness Ratio.

In addition to the Indebtedness Ratio restrictions under our Declaration of Trust, we employ supplemental targets for managing our debt portfolio and monitor our Interest Coverage Ratio and Net Debt to Adjusted EBITDA Ratio.

Interest Coverage Ratio:

We target to maintain our Interest Coverage Ratio above 1.65.

The following table summarizes our Interest Coverage Ratio at Chartwell's Interest:

(\$000s, except Interest Coverage Ratio)	Q4 2014	Q4 2013	2014	2013
Interest expense including capitalized interest	26,689	30,336	112,467	116,537
Property lease expense	724	654	2,763	2,673
	27,413	30,990	115,230	119,210
Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") ⁽¹⁾	64,876	62,624	260,054	256,914
Interest Coverage Ratio ⁽²⁾	2.37	2.02	2.26	2.16
Target Interest Coverage Ratio	>1.65			

(1) In Q1 2014, we changed our definition of Adjusted EBITDA; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.

(2) Non-GAAP; refer to the "Non-GAAP Measures – Interest Coverage Ratio" section of this MD&A for a discussion of Interest Coverage Ratio.

The following table presents the calculation of Adjusted EBITDA at Chartwell's Interest:

(\$000s)	Q4 2014	Q4 2013	2014	2013
Net income/(loss) for the period	(16,280)	(12,577)	(8,279)	23,884
<i>Add (Subtract):</i>				
Current income tax	(914)	66	(1,294)	260
Reversal of previously-recorded impairment provision	-	-	(1,245)	-
Gain on remeasurement to fair value of existing interest	-	-	(435)	-
Deferred income tax expense	(1,247)	-	-	-
Transaction costs arising on business acquisitions and dispositions	247	2,776	3,913	6,276
Finance costs	26,803	30,318	113,020	116,146
Property lease expense	724	654	2,763	2,673
Depreciation of PP&E	45,648	51,751	170,415	170,590
Amortization of intangible assets	411	397	2,420	1,974
Gain on sale of assets	208	(22,080)	(42,359)	(71,132)
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain)	9,511	367	16,425	(9,580)
Adjustment for property tax accounted for under IFRIC 21 ⁽¹⁾	(1,446)	(1,680)	-	-
Principal portion of capital funding receivable from Health Authorities	1,211	1,130	4,710	4,321
Write-down of carrying value of assets	-	11,502	-	11,502
Adjusted EBITDA ⁽¹⁾	64,876	62,624	260,054	256,914

(1) *Non-GAAP.* In Q1 2014, we changed our definition of Adjusted EBITDA to exclude the effect of property tax adjustment requirements of IFRIC 21; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.

Net Debt to Adjusted EBITDA Ratio:

In our calculation of Net Debt to Adjusted EBITDA, we define Net Debt as indebtedness less cash on hand at the end of the reporting period and use trailing 12-month Adjusted EBITDA including the annualized effect of acquisitions and dispositions completed during such 12-month period.

The following table summarizes our Net Debt to Adjusted EBITDA Ratio at December 31, 2014 and 2013, at Chartwell's Interest:

(\$000s, except Net Debt to Adjusted EBITDA Ratio)	December 31, 2014	December 31, 2013
Trailing 12-month Adjusted EBITDA	260,054	256,914
<i>Add (Subtract):</i>		
Adjustment for part-year acquisitions	2,297	2,156
Adjustment for part-year dispositions and assets held for sale	(8,990)	(6,269)
Trailing 12-month Adjusted EBITDA (net of part-year acquisitions and dispositions and assets held for sale)	253,361	252,801
Indebtedness ⁽¹⁾	2,131,220	2,196,301
Less: Cash and cash equivalents	14,632	11,687
Net debt	2,116,588	2,184,614
Net Debt to Adjusted EBITDA Ratio ⁽²⁾	8.4	8.6

(1) *Excludes indebtedness related to assets held for sale.*

(2) *Non-GAAP; refer to the "Non-GAAP Measures – Net Debt to Adjusted EBITDA Ratio" section of this MD&A for a discussion of Net Debt to Adjusted EBITDA Ratio.*

Debt Strategy

We currently employ the following sources of debt financing: property-specific secured mortgages; unsecured convertible subordinated debentures; and the Credit Facilities. Our debt management objectives are to:

- Access low-cost, long-term, fixed-rate debt and short-term, variable-rate construction financing;
- Manage interest rate risk by spreading debt maturities over time with the target of having no more than approximately 10% of our total debt maturing in any year; and
- Proactively manage our short-term maturities and where appropriate, refinance maturing mortgages early with long-term debt.

In line with our strategy, in 2014 we completed early refinancing of mortgages on ten of our properties totalling \$91.9 million, maturing in 2014 and 2015 and bearing interest at a weighted average rate of 4.47%. New mortgages on these properties total \$99.0 million, bear interest at a weighted average rate of 3.40% and have a weighted average term to maturity of 13.5 years. We incurred early mortgage repayment costs of \$2.7 million.

Mortgage Debt

We monitor our mortgage portfolio at Chartwell's Interest. At December 31, 2014, we had \$1,950.7 million of mortgages payable of which \$1,436.8 million related to our Canadian properties and \$513.9 million (U.S.\$443.0 million) related to our U.S. properties.

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates at Chartwell's Interest as at December 31, 2014:

(\$000s)	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Debt	Weighted Average Interest Rate on Maturing Debt
Year					
2015	57,001	315,887	372,888	19%	4.83%
2016	51,859	290,055	341,914	17%	5.59%
2017	46,365	239,221	285,586	15%	5.49%
2018	44,083	78,096	122,179	6%	4.62%
2019	42,994	10,591	53,585	3%	4.53%
2020	43,476	53,562	97,038	5%	4.22%
2021	41,883	50,150	92,033	5%	4.59%
2022	38,769	62,200	100,969	5%	3.54%
2023	33,977	58,992	92,969	5%	4.25%
2024	24,505	127,722	152,227	8%	3.91%
2025	18,796	9,697	28,493	1%	3.93%
Thereafter	168,075	42,764	210,839	11%	4.52%
Total	611,783	1,338,937	1,950,720	100%	
Mark-to-market adjustments arising on acquisition			13,936		
Less: Financing costs			(19,042)		
Total Mortgage Debt			1,945,614		

The following table provides selected financial statistics for our mortgage debt portfolio at Chartwell's Interest:

	At December 31, 2014				At December 31, 2013
	Canadian Debt		U.S. Debt		Combined
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	Combined
Amount (\$millions)	1,295.4	141.4	513.9	-	1,950.7
Weighted average interest rate	4.53%	4.23%	5.85%	-	4.85%
Average term to maturity (years)	9.4	1.5	1.5	-	6.7

In Canada, we generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation (“CMHC”). Our Canadian properties are generally eligible for CMHC financing and as of December 31, 2014, approximately 65% of our total Canadian mortgage debt was CMHC insured. We intend to continue financing our properties through this program, including converting conventional mortgages to CMHC-insured debt upon renewal.

In the U.S., approximately 67% of our mortgages are with the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and Federal National Mortgage Association (“Fannie Mae”). Both of these entities are government-sponsored enterprises which provide access to competitive financing for seniors housing properties.

In 2014, we arranged \$180.4 million of new mortgage financing on 19 of our properties, excluding acquisition financing. These mortgages bear interest at a weighted average rate of 3.36% and a weighted average term to maturity of 9.5 years and were partially used to replace \$147.7 million of maturing debt bearing a weighted average interest rate of 4.42%.

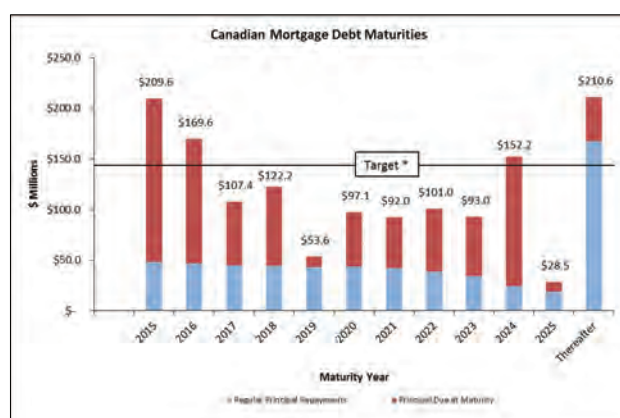
Our variable-rate mortgages primarily relate to communities that have not yet achieved stabilized occupancy levels, including our development projects in Canada. Variable-rate mortgages are expected to be refinanced with fixed-rate, CMHC-insured debt upon stabilization of the properties.

The following table summarizes our variable-rate mortgages at Chartwell's Interest as at December 31, 2014:

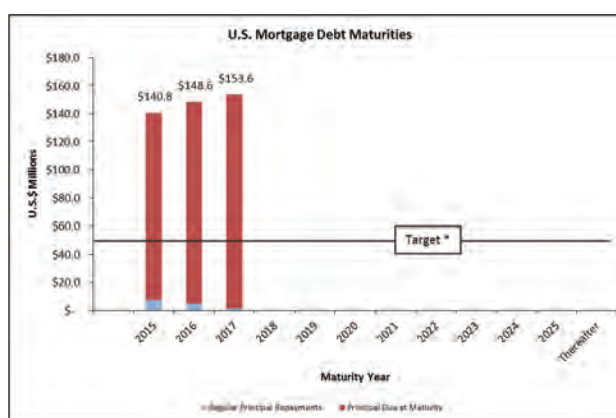
(\$000s, except number of projects)	Number of Projects	December 31, 2014	Number of Projects	December 31, 2013
Mortgages on properties under construction	1	3,358	1	12,886
Mortgages on non-stabilized properties	9	101,948	11	117,389
Mortgages on stabilized properties	4	36,071	5	35,745
Total	14	141,377	17	166,020

In 2014, we refinanced \$15.9 million of variable-rate mortgages on one property with a fixed-rate mortgage and repaid U.S.\$22.9 million of variable-rate mortgages on two of our U.S. properties. This was partially offset by the assumed variable-rate mortgage upon acquisition of the remaining 66.7% interest that we did not already own in Robert Speck of \$13.2 million and additional draws on certain construction loans.

The following charts provide the breakdown of our mortgage debt maturities in Canada and the U.S. at Chartwell's Interest:



* 10% of total Canadian mortgage debt = \$143.7 million



* 10% of total U.S. mortgage debt = U.S.\$44.3 million

Convertible Debentures

At December 31, 2014, we have \$135.0 million of 5.7% convertible debentures that mature on March 31, 2018. Each debenture is convertible into freely tradeable 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 the redemption of the debentures, at a conversion price of \$11.00 per Trust Unit.

Capital Expenditures

We classify our property capital expenditures in the following main categories:

- Routine – capital expenditures incurred to maintain existing revenue generating potential of our properties, such as routine replacement of building components, furniture, fixtures and equipment.
- Major projects / compliance – capital expenditures incurred with respect to large, often multi-phased renovation projects and projects undertaken to comply with the requirements of various regulatory or government authorities.
- Accretive / acquisitions – capital expenditures that improve the revenue generating potential of our properties including major upgrades to common areas and resident suites, building upgrades and equipment purchases to increase service offerings to our residents. Also includes projects that were identified during acquisition due diligence for newly acquired assets.
- Development – capital expenditures in respect of our development projects.

The following table summarizes additions to properties at Chartwell's Interest, during Q4 2014 and 2014:

(\$000s)	Q4 2014	2014
Routine	17,258	32,441
Major projects / compliance	4,568	7,693
Accretive / acquisitions	9,654	20,679
Development	3,180	18,053
Total ⁽¹⁾⁽²⁾	34,660	78,866

(1) Excludes \$0.5 million and \$3.5 million in capital additions relating to corporate office leasehold improvements and information technology assets as well as other intangibles in Q4 2014 and 2014, respectively.

(2) Excludes \$0.6 million and \$5.1 million in Q4 2014 and 2014, respectively, the majority of which has been, or is expected to be, funded by insurers.

Contractual Obligations and Guarantees

Contractual Obligations

The following table summarizes the major contractual obligations at Chartwell's Interest as at December 31, 2014:

(\$000s)	Total	2015	2016	2017	2018	2019	Thereafter
Mortgages payable	1,950,720	372,888	341,914	285,586	122,179	53,585	774,568
Accounts payable and other liabilities	124,759	124,759	-	-	-	-	-
Distributions payable	7,954	7,954	-	-	-	-	-
Convertible debentures	135,000	-	-	-	135,000	-	-
Credit Facility	45,500	45,500	-	-	-	-	-
Purchase obligations	4,191	4,191	-	-	-	-	-
Property operating leases	5,118	1,706	1,706	1,706	-	-	-
Other operating leases	8,775	1,306	1,164	1,129	1,129	1,129	2,918
Land leases	14,875	395	395	395	395	395	12,900
Total contractual obligations	2,296,892	558,699	345,179	288,816	258,703	55,109	790,386

Purchase obligations relate primarily to construction contracts.

Property operating leases relate to our 100% leased interests in two seniors housing communities.

Other operating leases relate to the agreements we entered into for office space in Ontario, Quebec, and British Columbia.

Land leases relate to three properties and expire between 2044 and 2061.

Other Contracts

Our U.S. properties are managed by Brookdale Senior Living Inc. The management agreements are for a term of approximately 10 years, maturing on December 31, 2021, and call for payment of a base management fee of 5% of gross revenue. Such management agreements also provide for an incentive fee of up to 2% of gross revenue and for a reduction of fee of up to 1% of gross revenue based on achievement of certain operating targets.

Guarantees

As of December 31, 2014, together with our joint venture partners, we have jointly and severally guaranteed CMHC-insured loans on three properties in which we own a 50% interest and on three other properties in which we own an 85% interest. The maximum amount of these guarantees is \$85.1 million. As at December 31, 2014, the outstanding balance on these loans was \$78.8 million.

As a result of the purchaser's assumption of certain mortgages on seven properties sold in 2014, we remain as a guarantor on these mortgages. As at December 31, 2014, the outstanding balance on these loans was \$13.5 million. The purchaser has indemnified Chartwell with respect of these guarantees.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between 2014 and 2013 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase / (Decrease) (\$millions)	Explanation
Operating activities	(8.5)	Cash flows from operating activities decreased primarily due to changes in working capital items.
Financing activities	(58.9)	Cash flows from financing activities decreased primarily due to lower proceeds from mortgage financing, net of repayments and higher utilization of our Credit Facilities.
Investing activities	60.8	Cash flows from investing activities increased primarily due to higher proceeds from asset sales and lower investments in acquisitions, partially offset by lower distributions from joint ventures.

Distributions

The declaration and payment of future distributions is at the discretion of the board of trustees of Chartwell (the "Trustees"). The Trustees rely upon forward-looking cash flow information including forecasts and budgets, results of operations, requirements for capital expenditures and working capital,

future financial prospects of the Trust, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate.

Unitholders who are Canadian residents are eligible to participate in our Distribution Reinvestment Plan ("DRIP"), which allows unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in the DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In 2014, our average DRIP participation was 18.7% compared to 20.7% participation in 2013.

The following table summarizes distributions made in Q4 2014, 2014, 2013 and 2012:

(\$000s)	Q4 2014	2014	2013	2012
Distributions declared on Trust Units ⁽¹⁾	23,598	94,103	93,069	89,791
Distributions on Class B Units	222	889	895	909
Distributions on DTUs	90	336	-	-
Distributions reinvested under DRIP	(3,989)	(17,408)	(19,058)	(15,791)
Distributions applied against LTIP receivable	(238)	(1,009)	(1,081)	(1,200)
Distributions on DTUs reinvested	(90)	(336)	-	-
Distributions paid or payable in cash	19,593	76,575	73,825	73,709

(1) 2012 amount includes \$2.2 million distributions on subscription receipts recorded as interest expense for accounting purposes.

The following table summarizes distributions declared on Trust Units in Q4 2014, 2014, 2013, and 2012 in relation to net income/(loss) and cash flows from operating activities:

(\$000s)	Q4 2014	2014	2013	2012
Cash flows from operating activities	45,131	123,375	131,852	97,099
Net income/(loss)	(16,280)	(8,279)	23,884	(139,342)
Excess of cash flows from operating activities over distributions declared on Trust units	21,533	29,272	38,783	7,308
Excess/(shortfall) of net income/(loss) over distributions declared on Trust units	(39,878)	(102,382)	(69,185)	(229,133)

We distributed cash to our unitholders while recording a net loss in 2014 and 2012, and our distributions exceeded net income in 2013. We do not use net income/(loss) as determined in accordance with IFRS as the basis for establishing the level of distributions to unitholders, as net income/(loss) includes, among other items, non-cash depreciation and amortization and changes in fair values of certain liabilities. We do not consider non-cash depreciation and amortization and fluctuations in fair values of certain liabilities in establishing our distribution levels. We believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time.

Cash flows from operating activities fluctuate from period to period due to seasonality of certain operating expenses and are also impacted by changes in working capital items.

On February 26, 2015, we announced a 2.0% increase in our monthly cash distributions from \$0.0450 per unit (\$0.5400 on an annualized basis) to \$0.0459 per unit (\$0.5508 on an annualized basis) effective for the March 31, 2015 distribution payable on April 15, 2015.

Summary of Select Financial Information

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

(\$000s, except per unit amounts)	2014				2013 (Restated) ⁽¹⁾			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	218,964	213,980	214,784	217,613	218,310	218,600	212,716	208,953
Direct operating expenses	(149,462)	(143,667)	(144,092)	(155,277)	(148,741)	(147,483)	(141,173)	(148,591)
G&A expenses	(6,950)	(6,442)	(8,255)	(9,935)	(8,547)	(6,800)	(7,793)	(7,876)
Income before the understated ⁽²⁾	62,552	63,871	62,437	52,401	61,022	64,317	63,750	52,486
Finance costs	(26,457)	(26,768)	(29,804)	(28,467)	(29,920)	(28,176)	(27,800)	(27,820)
Property lease expense	(724)	(684)	(683)	(672)	(654)	(682)	(681)	(656)
Other income/(expense)	530	40,329	5,408	2,171	8,863	286	527	(414)
Depreciation and amortization	(45,220)	(40,423)	(42,174)	(42,046)	(51,397)	(40,611)	(37,636)	(39,309)
Changes in fair value of financial instruments and unrealized foreign exchange gains/(losses)	(9,471)	(679)	(3,811)	(2,424)	(367)	3,074	7,437	(564)
Share of net income/(loss) from joint ventures	349	789	65	27	(58)	333	252	48,542
Current income tax (expense)/recovery	914	(1,285)	(470)	2,140	(66)	(65)	(66)	(63)
Deferred income tax (expense)/recovery	1,247	(3,304)	2,057	-	-	-	-	-
Net income/(loss) for the period	(16,280)	31,846	(6,975)	(16,870)	(12,577)	(1,524)	5,783	32,202
FFO ⁽³⁾	36,171	37,364	35,818	33,688	30,459	36,577	35,302	31,147
Diluted FFO ⁽³⁾	38,111	39,303	37,737	35,585	32,399	38,516	37,220	33,044
FFO per unit diluted ⁽³⁾	0.20	0.21	0.20	0.19	0.17	0.21	0.20	0.18
AFFO ⁽³⁾	32,695	33,886	31,899	30,019	26,635	32,569	32,254	27,625
Diluted AFFO ⁽³⁾	34,635	35,825	33,818	31,916	28,575	34,508	34,172	29,522
AFFO per unit diluted ⁽³⁾	0.18	0.19	0.18	0.17	0.15	0.18	0.18	0.16

(1) 2013 amounts have been restated to include the effect of the property tax adjustment requirements of IFRIC 21, effective January 1, 2014.

(2) Refers to income before finance costs, property lease expense, other income/(expense), depreciation and amortization, changes in fair value of financial instruments and unrealized foreign exchange gains/(losses), share of net income/(loss) from joint ventures, and income tax.

(3) Non-GAAP; includes the reversal of provision for impairment associated with the mezzanine loan portfolio of \$1.2 million in Q1 2014.

Our results for the past eight quarters have been affected by the contribution of acquisitions and dispositions; refer to the "Significant Events" section of this MD&A and in our 2013 MD&A for details. In addition, our results have been affected by lower mezzanine loan interest, reversals of previously-recorded provisions for mezzanine loans in Q1 2014, a recovery of SIFT tax in Q1 2014; capital gains tax on sales of non-core properties in Q2, Q3 and Q4 2014; the impact of IFRIC 21 on direct operating expenses; a U.S. litigation settlement in Q2 2014; changes in foreign exchange rates impacting our U.S. source income; and foreign exchange gains and losses on cross-border intercompany loans.

Selected Annual Financial Information

The following table summarizes selected annual financial information, at Chartwell's Interests, for each of the past three years ended December 31:

(\$000s, except per unit amounts)	2014	2013	2012
Property revenues	927,750	922,660	874,503
Total revenues	935,762	930,739	883,721
Direct operating expenses	657,122	651,232	615,314
Net income/(loss)	(8,279)	23,884	(139,342)
Total assets	2,734,327	2,863,222	3,005,288
Total liabilities	2,300,729	2,353,988	2,451,163
Distributions declared per unit	0.5400	0.5400	0.5400

Our annual results for the past three years have been primarily affected by the contribution of acquisitions and dispositions, including the acquisition of the Maestro portfolio in Q2 2012, the sales of the non-core U.S. properties in 2013 and the sales of non-core Ontario and U.S. properties in 2014.

Non-GAAP Measures

We use a number of Non-GAAP Measures for monitoring and analyzing our financial results as outlined in this section. These measures do not have any standardized meaning prescribed by IFRS and therefore, are unlikely to be comparable to similar measures presented by other income trusts or other companies.

Funds from Operations

FFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. FFO as presented may not be comparable to similar measures presented by other real estate investment trusts. However, we present FFO substantially consistent with the definition adopted by the Real Property Association of Canada ("REALpac") with the exception of the following where, in our FFO calculation, we add back:

- Issue costs of convertible debentures expensed for the period under IFRS to improve comparability to the reported FFO in prior periods; and
- Transaction costs related to the disposition of properties.

According to REALpac guidance, FFO is defined as follows: Profit or loss per IFRS Statement of Comprehensive Income adjusted for:

- Unrealized changes in the fair value of investment properties.
- Depreciation of depreciable real estate assets including depreciation for components relating to capitalized leasing costs, capitalized tenant allowances treated as capital improvements and lease-related items ascribed in a business combination.
- Amortization of tenant allowances and landlord's work spent for the fit-out of tenant improvements and amortized as a reduction to revenue in accordance with SIC-15.
- Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination.
- Gains / losses from sales of investment properties and owner-occupied properties, including the gain or loss included within discontinued operations (if applicable).

- F. Tax on profits or losses on disposals of properties.
- G. Deferred taxes.
- H. Impairment losses or reversals recognized on land and depreciable real estate properties, excluding those relating to properties used exclusively for administrative purposes.
- I. Revaluation gains or losses recognized in profit or loss on owner-occupied properties, excluding those relating to properties used exclusively for administrative purposes.
- J. Transaction costs expensed as a result of the purchase of a property being accounted for as a business combination.
- K. Foreign exchange gains or losses on monetary items not forming part of a net investment in a foreign operation.
- L. Property taxes accrued and expensed prior to the associated period of lease term revenue, wherein certain jurisdictions require the owner of a property at the time of tax assessment to irrevocably be solely liable for property taxes regardless of subsequent changes in ownership.
- M. Gain or loss on the sale of an investment in a foreign operation.
- N. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
- O. Bargain purchase or goodwill impairment.
- P. Effects of redeemable units classified as financial liabilities.
- Q. Results of discontinued operations.
- R. Adjustments for equity accounted entities.
- S. Non-controlling interests in respect of the above.
- T. Incremental leasing costs.

In our opinion, the use of FFO, combined with the required primary IFRS presentations, is fundamentally beneficial to the users of the financial information, improving their understanding of our operating results. We generally consider FFO to be a meaningful measure for reviewing our operating and financial performance because, by excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), transaction costs arising on business acquisitions and dispositions, impairment of PP&E, distributions on Class B Units recorded as interest expense, convertible debenture issue costs, changes in fair value of financial instruments, unrealized foreign exchange gains/losses, and adjustments for equity-accounted entities, FFO can assist the user of the financial information in comparing the operating performance of our real estate portfolio between financial reporting periods.

To the extent that our convertible debentures are dilutive to FFO per unit, convertible debenture interest is added back to calculate a diluted FFO for the sole purpose of calculating the FFO per unit diluted.

The following table provides a reconciliation of net income/(loss) to FFO:

(\$000s, except per unit amounts)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
Net income/(loss) for the period	(16,280)	(12,577)	(3,703)	(8,279)	23,884	(32,163)
<i>Add (Subtract):</i>						
Depreciation of PP&E ⁽¹⁾	45,648	51,751	(6,103)	170,415	170,590	(175)
Amortization of limited life intangible assets ⁽¹⁾	411	397	14	2,420	1,974	446
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above ⁽¹⁾	(112)	(220)	108	(570)	(922)	352
(Gain)/loss on sale of assets ⁽¹⁾	208	(22,080)	22,288	(42,359)	(71,132)	28,773
Gain on remeasurement to fair value of existing interest	-	-	-	(435)	-	(435)
Transaction costs arising on business acquisitions and dispositions ⁽¹⁾	247	2,776	(2,529)	3,913	6,276	(2,363)
Tax on gains/losses on disposal of properties	(991)	-	(991)	622	-	622
Deferred income taxes	(1,247)	-	(1,247)	-	-	-
Distributions on Class B Units recorded as interest expense	222	223	(1)	889	895	(6)
Adjustment for property tax accounted for under IFRIC 21	(1,446)	(1,680)	234	-	-	-
Changes in fair value of financial instruments and unrealized foreign exchange gains/losses	9,511	367	9,144	16,425	(9,580)	26,005
Impairment of PP&E	-	11,502	(11,502)	-	11,502	(11,502)
FFO ⁽¹⁾⁽²⁾	36,171	30,459	5,712	143,041	133,487	9,554
Interest expense on 5.7% convertible debentures	1,940	1,940	-	7,695	7,695	-
Diluted FFO ⁽³⁾	38,111	32,399	5,712	150,736	141,182	9,554
FFO per unit ⁽⁴⁾						
Basic	0.20	0.17	0.03	0.81	0.76	0.05
Diluted	0.20	0.17	0.03	0.80	0.75	0.05

(1) Non-GAAP; reported at Chartwell's Interest.

(2) Refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

(3) Non-GAAP; diluted FFO is solely utilized for the purposes of calculating FFO per unit diluted.

(4) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts; FFO per unit diluted includes dilutive impact of 5.7% convertible debentures.

On January 1, 2014, International Financial Reporting Interpretations Committee ("IFRIC") 21, Levies ("IFRIC 21") became effective. We determined that, under IFRIC 21, the full assessed amount of property taxes on our U.S. properties is required to be expensed at the time when such taxes are levied. Previously, we accounted for such taxes pro-rata over the assessment period. In April 2014, Real Property Association of Canada ("REALpac") revised its definition of FFO such that it reflects a pro-rata expense over the period of ownership. Consequently, in our FFO calculation, we subtracted \$1.4 million in Q4 2014, related to property taxes in our U.S. operations.

Adjusted Funds from Operations

AFFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. AFFO as presented may not be comparable to similar measures presented by other issuers. We believe AFFO is useful in the assessment of our operating performance and that this measure is also useful for valuation purposes and is a relevant and meaningful measure of our ability to earn and distribute cash to unitholders. We calculate AFFO by adding or subtracting certain items measured at Chartwell's Interest to or from FFO as defined by REALpac, as follows:

Principal portion of capital funding receivable: This item represents a portion of the long-term cash flow stream provided by the Ontario Ministry of Health and Long Term Care (“MOHLTC”) to communities which meet certain design criteria. We include this item in AFFO calculations.

Income guarantees: This item represents amounts due from vendors of acquired communities under the applicable purchase and sale agreement. It is generally applicable to communities in lease-up.

Amortization of financing costs and fair value adjustments on mortgages payable: Adjustments made in AFFO calculation to adjust for non-cash interest expense items and to account for interest expense based on the contractual terms of the underlying debt.

Financing cost reserve: In order to account for financing costs routinely incurred on re-financing of existing debt, we included this reserve in the calculation of AFFO. We calculate this reserve based on our estimate of normalized costs of re-financing (60 basis points) applied to the debt balances outstanding at the end of the reporting period taking into account weighted average term to maturity of our mortgage portfolio.

Capital maintenance reserve: Capital maintenance reserve is estimated at 2% of property revenue.

To the extent that our convertible debentures are dilutive to AFFO per unit, convertible debenture interest is added back to calculate a diluted AFFO for the sole purpose of calculating the AFFO per unit diluted.

The following table provides the calculation of AFFO:

(\$000s, except per unit amounts)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
FFO ⁽¹⁾	36,171	30,459	5,712	143,041	133,487	9,554
<i>Add (Subtract):</i>						
Principal portion of capital subsidy receivable from Health Authorities	1,211	1,130	81	4,710	4,321	389
Amounts receivable under income guarantees	154	-	154	216	1,361	(1,145)
Amortization of financing costs and debt mark-to-market adjustments ⁽²⁾⁽³⁾	285	225	60	858	343	515
Financing cost reserve ⁽⁴⁾	(428)	(502)	74	(1,771)	(1,974)	203
AFFO before capital maintenance reserve	37,393	31,312	6,081	147,054	137,538	9,516
Capital maintenance reserve - 2% of property revenue ⁽⁵⁾	(4,698)	(4,677)	(21)	(18,555)	(18,453)	(102)
AFFO ⁽⁶⁾	32,695	26,635	6,060	128,499	119,085	9,414
Interest expense on 5.7% convertible debentures	1,940	1,940	-	7,695	7,695	-
Diluted AFFO ⁽⁷⁾	34,635	28,575	6,060	136,194	126,780	9,414
AFFO per unit ⁽⁸⁾						
Basic	0.18	0.15	0.03	0.73	0.68	0.05
Diluted	0.18	0.15	0.03	0.72	0.68	0.04

(1) Non-GAAP; refer to the “Non-GAAP Measures – Funds from Operations” section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

(2) Non-GAAP; reported at Chartwell’s Interest.

(3) Excludes amortization of financing costs incurred in respect of renewal of our Credit Facilities.

(4) Refer to the “Non-GAAP Measures – Adjusted Funds from Operations” section of this MD&A for a discussion of the nature of the financing cost reserve.

(5) Refer to the “Non-GAAP Measures – Adjusted Funds from Operations” section of this MD&A for a discussion of the nature of the capital maintenance reserve. Refer to the “Capital Expenditures” section of this MD&A for details of actual capital expenditures.

(6) Non-GAAP; refer to the “Non-GAAP Measures – Adjusted Funds from Operations” section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.

(7) Non-GAAP; diluted AFFO is solely utilized for the purposes of calculating AFFO per unit diluted.

(8) Non-GAAP; refer to the “Non-GAAP Measures – Per Unit Amounts” section of this MD&A for a discussion of the calculation of the per unit amounts; AFFO per unit diluted includes the dilutive impact of 5.7% convertible debentures.

Chartwell's Interest

On January 1, 2013, we changed our accounting policy for certain joint arrangements as required by IFRS 11 – Joint Arrangements. As a result, effective January 1, 2013, we no longer proportionately consolidate certain joint arrangements and now account for these investments using the equity method of accounting. All references to “Chartwell's Interest” refer to a non-GAAP financial measure representing our proportionate share of the financial position and results of operations of our entire portfolio, taking into account the difference in accounting for joint ventures using proportionate consolidation versus equity accounting. Refer to the “Joint Arrangements” section of this MD&A for a discussion of the usefulness of this measure and for a reconciliation of Chartwell's results of operations and statement of financial position.

Net Operating Income

NOI should not be construed as an alternative to other IFRS metrics. We define NOI as the difference between property revenue and property direct operating expenses, measured at Chartwell's Interest. We believe that the use of NOI combined with primary IFRS measures is beneficial to the users of the financial information in understanding operating performance of our operating segments and platforms.

Per Unit Amounts

In our calculations of FFO per unit and AFFO per unit, we include the Class B Units as the Class B Units are exchangeable into Trust Units at any time at the option of the unitholder. In addition, we include units issued under DTU, LTIP and subscription receipts. In our calculation of FFO per unit diluted and AFFO per unit diluted, we consider the dilutive impact of the conversion of our convertible debentures.

Weighted Average Number of Units

The following table provides details of the weighted average number of units outstanding:

(000s)	Q4 2014	Q4 2013	Increase / (Decrease)	2014	2013	Increase / (Decrease)
Weighted average number of units ⁽¹⁾	177,337	175,470	1,867	176,773	174,844	1,929
Dilutive impact of 5.7% convertible debentures	12,273	12,273	-	12,273	12,273	-
Weighted average number of units, diluted	189,610	187,743	1,867	189,046	187,117	1,929

(1) Includes Class B Units, units issued under LTIP and DTUs.

Same Property Performance

We evaluate our financial performance by analyzing our same property portfolio. Generally, our same property portfolio excludes properties that have not been owned or leased continuously since the beginning of the previous fiscal year or that are expected to be sold in the current fiscal year. In addition, to improve comparability, we designate properties where we have added significant capacity or expect in the current year to open new suites to be excluded from the same property portfolio.

The following table summarizes the same property portfolio for 2014:

	Properties	Suites/Beds
Canadian Retirement Operations	131	19,008
Canadian Long Term Care Operations	24	3,135
U.S. Operations (owned and leased)	34	4,909
Total same property portfolio	189	27,052

Same Property Revenue, Same Property Direct Operating Expenses, Same Property NOI

Key metrics used to evaluate same property performance are same property revenue, same property direct operating expenses and same property NOI. These metrics exclude the effects of foreign exchange to enhance comparability between periods and to eliminate the volatility in the Canadian / U.S. dollar exchange rate, and are measured at Chartwell's Interest.

Our same property metrics, as defined above, should not be construed as alternatives to other IFRS metrics. We define same property NOI as the difference between same property revenue and same property direct operating expenses. We believe that the use of these metrics combined with primary IFRS measures is beneficial to users of the financial information in understanding the operating performance of our operating segments and platforms.

Refer to the "Consolidated Results of Operations – Summary of Net Operating Income" section of this MD&A for a reconciliation of these items.

Indebtedness Ratio

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 60% of GBV, excluding convertible debentures, or 65% of GBV including convertible debentures. This metric is commonly used by the investment community together with the Interest Coverage Ratio and Net Debt to Adjusted EBITDA to evaluate our leverage and the strength of our equity position. GBV, for the purpose of this ratio, excludes deferred tax assets. Under the Declaration of Trust, total indebtedness includes any obligation for borrowed money, any obligation incurred in connection with the acquisition of property, assets or business, other than deferred income tax liability, any capital lease obligation and any guaranteed obligations of third parties to the extent included in our consolidated balance sheet. The Indebtedness Ratio is measured at Chartwell's Interest.

Interest Coverage Ratio

The interest coverage guideline provides an indication of an entity's ability to service or pay the interest charges relating to the underlying debt and have generally been used by debt rating agencies to test an entity's ability to service its debt. Generally, the higher the ratio, the lower the risk of default on debt. The Interest Coverage Ratio is measured at Chartwell's Interest.

Adjusted EBITDA

EBITDA should not be construed as an alternative to net earnings as determined by IFRS. EBITDA is a generally accepted proxy for operating cash flow and represents earnings before interest expense, taxes, depreciation and amortization. Adjusted EBITDA is useful in evaluating performance of continuing operations, excluding the costs of consuming capital assets and the cost of financing which does not affect the value of an entity's assets. Our calculation of Adjusted EBITDA excludes transaction costs arising on business acquisitions and dispositions, which are expensed as incurred, gains/losses on disposition of properties, changes in fair value of financial instruments, unrealized foreign exchange gains/losses, and non-recurring items such as asset impairment provisions or reversal of such provisions, or debenture issuance costs and includes the principal portion of the capital funding receivable from MOHLTC since this long-term cash flow stream forms part of the business value considered by lenders in financing LTC properties; it is measured at Chartwell's Interest. In Q1 2014, we changed our definition of Adjusted EBITDA to exclude property taxes expensed under IFRIC 21 prior to the associated period of lease term revenue. Under IFRIC 21, certain expenses classified as levies must be recognized when the obliging event occurs. This results in recognition occurring at a point in time rather than on a pro-rata basis. Our assessment determined that property tax in our U.S. operating segment meets the definition of a levy under IFRIC 21. We use Adjusted EBITDA in our calculations of Net Debt to Adjusted EBITDA and Interest Coverage Ratios and therefore, we believe it is appropriate to exclude the portion of this expense that is not pro-rata in the Adjusted EBITDA definition. This change is made for all periods presented in this MD&A.

Net Debt to Adjusted EBITDA Ratio

Net Debt to Adjusted EBITDA should not be construed as an alternative to other IFRS metrics. The Net Debt to Adjusted EBITDA Ratio provides an approximation of the number of years required for current cash flows to cover or repay all indebtedness and is commonly used by investors to evaluate the level of an entity's debt in relation to its operating cash flows. Net Debt and Adjusted EBITDA are not susceptible to short-term changes in market values and are not prone to subjective assessments surrounding asset valuations. Net Debt to Adjusted EBITDA is measured at Chartwell's Interest.

G&A Expenses as a Percentage of Revenue

G&A as a percentage of revenue should not be construed as an alternative to other IFRS metrics. We believe that G&A as a percentage of revenue is useful as a benchmark to evaluate the required resource level to support our operating business. This percentage is calculated as total G&A expenses divided by the sum of property revenue, management and other fee revenue and mezzanine loan and other interest income at Chartwell's Interest.

The following table presents a reconciliation of revenue used in the calculation of G&A expenses as a percentage of revenue to our Financial Statements:

(\$000s)	Q4 2014	Q4 2013	2014	2013
Revenue	218,964	218,310	865,341	858,579
Equity-accounted investments	18,050	17,495	70,421	72,160
Chartwell's Interest	237,014	235,805	935,762	930,739
Interest income	989	1,003	8,158	4,025
Equity-accounted investments	33	17	128	77
Chartwell's Interest	1,022	1,020	8,286	4,102
Total revenue at Chartwell's Interest	238,036	236,825	944,048	934,841

Distributions Declared as a Percentage of AFFO

Distributions declared as a percentage of AFFO is calculated using distributions declared on our Trust units, Class B Units and DTUs.

Critical Accounting Policies and Estimates

Under IFRS, it is necessary to make estimates when preparing the financial statements and then to re-evaluate the original estimates used on an ongoing basis. Management's estimates are based on past experience and other factors that it believes are reasonable under the circumstances. As this involves varying degrees of judgement and uncertainty, the amounts currently reported in the financial statements could, in the future, prove to be inaccurate.

Valuation of PP&E

PP&E makes up approximately 92% of our assets. On an annual basis, and when indicators of impairment exist, we evaluate whether the recoverable amount of a cash generating unit ("CGU") exceeds its carrying amount. Factors which could indicate that impairment exists include significant underperformance relative to historical or projected operating results, significant changes in the manner or use of the assets, significant negative industry or economic trends, or a change in the strategy for our overall business. In some cases, these events are clear, however, in many cases, a clearly identifiable

event indicating possible impairment does not occur. Instead, a series of individually insignificant events may occur over a period of time leading to an indication that an asset may be impaired. As a result, events occurring in these situations may not be known until a date subsequent to their occurrence.

Our business, markets and business environment are continually monitored, and judgements and assessments are made to determine whether an event has occurred that indicates possible impairment. If such an indication exists, then the asset's recoverable amount is estimated and an impairment loss is recognized immediately in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a) fair value less costs to sell, and b) the value in use calculated on a discounted cash flow basis. Both the identification of events that may trigger impairment and the estimates of future cash flows and the fair value of the asset require considerable judgement.

The assessment of asset impairment requires management to make significant assumptions about future revenues including assumptions about rates and occupancies, labour and other supply rates, and utility costs over the life of the PP&E. Actual results can, and often do, differ from these estimates, and can have either a positive or negative impact on the estimate and whether an impairment situation exists. In addition, when impairment tests are performed, the estimated useful lives of the properties are reassessed, with any change accounted for prospectively.

Guarantees

We continually review our contingent liabilities relating to guarantees we have provided on behalf of third parties. Our guarantees remain in place for certain debts assumed by purchasers in connection with property dispositions, and will remain until such debts are extinguished or lenders agree to release our covenants. Recourse would be available to us under these guarantees in the event of a default by the borrowers, in which case we would have a claim against the underlying real estate investments and under the indemnities provided by such third parties. We would record a provision for a liability when the carrying values of the related real estate investments are not recovered either as a result of the inability of the underlying assets' performance to meet the contractual debt service terms of the underlying debt and/or the fair value of the collateral assets are insufficient to cover the obligations and encumbrances in a sale between unrelated parties in the normal course of business. Our estimates of future cash flow (which amongst others, involve assumptions of estimated occupancy, rental rates and residual value) and fair value could vary and result in a significantly different assessment of such contingent liability.

Income taxes

In accordance with IFRS, we use the asset and liability method of accounting for deferred income taxes and provide for deferred income taxes for all significant temporary differences between the carrying amounts of associated liabilities for financial reporting purposes and the amounts used for taxation purposes.

Preparation of the financial statements requires an estimate of income taxes in the jurisdictions in which we operate. The process involves an estimate of our actual current tax exposure and an assessment of temporary differences resulting from differing treatment of items, such as depreciation and amortization, for tax and accounting purposes along with the expected reversal pattern of these temporary differences. These differences result in deferred tax assets and liabilities which are included in our balance sheet, calculated based on the estimated tax rate in effect at the time these differences reverse.

Judgement is required to assess tax interpretations, regulations and legislation, which are continually changing to ensure liabilities are complete and to ensure assets are realizable. The impact of different interpretations and applications could potentially be material.

An assessment must also be made to determine the likelihood that the Trust's deferred tax assets will be recovered from future taxable income. To the extent that recovery is considered less rather than more likely, deferred tax assets are not recognized. Judgement is required in determining the provision for

income taxes, and deferred income tax assets and liabilities. To the extent the recognition of deferred tax assets is revised, current period earnings would be affected.

Fair value

Fair value is the price that would be received when selling an asset, or paid when transferring a liability in an orderly transaction (that is, other than in a forced or liquidation sale) between market participants. Quoted market prices in active markets are the best evidence of fair value and are used as the basis for fair value measurement, when available. When quoted market prices are not available, estimates of fair value are based on the best information available, including prices for similar items and the results of other valuation techniques. Valuation techniques used would be consistent with the objective of measuring fair value.

The techniques used to estimate future cash flows will vary from one situation to another depending on the circumstances surrounding the asset or liability in question. We assess fair value based on estimated discounted cash flow projections and available market information. Cash flow estimates incorporate assumptions that marketplace participants would use in their estimates (including the historical operating results and anticipated trends, local markets and economic conditions).

Our financial statements are affected by fair value measures, the most significant areas affected are as follows:

- Upon acquisition of properties we estimate the fair value of acquired tangible assets (land, building and furniture, fixtures and equipment) and identifiable intangible assets and liabilities (above and below-market leases representing the value of the differential between contractual and market rents, in-place leases, customer relationships, and licenses) and the value of the differential between stated and market interest rates on long term liabilities assumed at acquisition.
- As discussed in the “Valuation of PP&E” section, an impairment loss is recognized when the carrying amount of an asset is not recoverable. The impairment loss is determined as the excess of carrying value over its recoverable amount.
- Intangible assets with indefinite lives are also required to be assessed at a minimum annually, comparing the recoverable amount to carrying value to determine if an impairment loss is required to be recognized.
- In assessing our potential exposure relating to third party guarantees we evaluate the fair value of the borrower’s interests in the underlying real estate investments and the value of other collateral assets and indemnities compared to the liability for which we have provided a guarantee.
- All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods may be at fair value depending on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.
- We disclose in our financial statements the fair value of our mortgages based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks, or market quotes where applicable.
- Class B Units of Master LP and convertible debentures are recorded at fair value based on listed prices of the debentures and of Trust Units.

Changes in Accounting Estimates and Changes in Accounting Policies

Interpretation of International Financial Reporting Interpretations Committee ("IFRIC") 21, Levies ("IFRIC 21"):

Effective January 1, 2014, Chartwell adopted IFRIC 21, which provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 was required to be applied retrospectively. The adoption of IFRIC 21 requires Chartwell to recognize property taxes when it becomes obligated for the payment of property taxes. Chartwell determined that for Canadian properties, the obligating event occurs throughout the year pro rata and, therefore, the adoption of IFRIC 21 did not result in an adjustment to Canadian property taxes. Based on property tax legislation in the United States, the obligation occurs at a single point and, therefore, resulted in recognizing property taxes earlier than previously recorded for properties in various United States jurisdictions. The adoption of IFRIC 21 did not have an impact on the annual consolidated financial statements.

Future Accounting Policy Changes:

IFRS 9, Financial Instruments ("IFRS 9 (2014)"):

On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets, changes to financial liabilities, amends the impairment model for 'expected credit loss', and new general hedge accounting standard which aligns hedge accounting more closely with risk management. Chartwell intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Annual Improvements to IFRS (2010 - 2012) and (2011-2013) Cycles:

On December 12, 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. Amendments were made to clarify various standards including IFRS 2, Share-based payment with respect to the definition of "vesting conditions", classification and measurement of contingent consideration under IFRS 3 Business Combinations, IFRS 8 Operating segments for disclosures around segment aggregation, IFRS 13 Fair Value Measurement for the measurement of short-term receivables and payables, and the definition of "related party" under IAS 24 Related Party Disclosures. The amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Chartwell intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2015. Chartwell does not expect the amendments to have a material impact on the financial statements.

Business combination accounting for interests in a joint operation (Amendments to IFRS 11):

On May 6, 2014, the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments require business combination accounting to be applied to acquisitions of interest in joint operations that constitute a business. Chartwell intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38):

On May 12, 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments made explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment, because such methods reflect factors other than the consumption of the economic benefit embodied in the asset. Chartwell intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the annual period beginning on January 1, 2016. Chartwell does not expect the amendments to have a material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. Chartwell intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

Annual Improvements to IFRS (2012 - 2014) Cycle:

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. The amendments clarify requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits, and IAS 34 Interim Financial Reporting. Chartwell intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

Amendments to IAS 1:

On December 18, 2014, the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. Chartwell intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. We continue to make significant investments in improvements to our information systems and financial processes to further strengthen our internal controls. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that its objectives are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; and (ii) the impact of isolated errors. Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of December 31, 2014, an evaluation was carried out, under the supervision of and with the participation of management, including the President and Chief Executive Officer and Chief Financial Officer, of the effectiveness of Chartwell's disclosure controls and procedures as defined under National Instrument 52-109. In making this assessment, the President and Chief Executive Officer and the Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control – Integrated Framework (1992). Based on that evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that the design and operation of Chartwell's disclosure controls and procedures were effective December 31, 2014.

Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision of the design and operating effectiveness of our internal controls over financial reporting as at December 31, 2014, and based on that assessment determined that our internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the COSO 1992 framework as published.

In 2013, COSO issued an updated Internal Control Integrated Framework. COSO was to continue to make available the original 1992 framework during the transition period extending to December 15, 2014 after which time it was to be considered as superseded by the updated version. In October 2014, it was announced that the Canadian Securities Administrators will continue to accept the COSO 1992 framework for interim and annual periods related to fiscal 2014 until further guidance is provided.

There were no material changes in our internal controls over financial reporting that occurred during the year ended December 31, 2014, that have significantly affected or are reasonably likely to significantly affect our internal control over financial reporting.

Forward-Looking Information and Risks and Uncertainties

Forward-Looking Information

This MD&A contains forward-looking information that reflects the current expectations, estimates and projections of management about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry. The words “plans”, “expects”, “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “intends”, “anticipates”, “does not anticipate”, “projects”, “believes” or variations of such words and phrases or statements to the effect that certain actions, events or results “may”, “will”, “could”, “would”, “might”, “occur”, “be achieved” or “continue” and similar expressions identify forward-looking statements. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

Examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

- our assumptions concerning economic and regulatory conditions or state of the housing market and pace of new supply growth in seniors housing;
- our expectations related to future operating performance of our properties;
- our expectations regarding achievement of certain occupancy levels at our LTC and retirement communities;
- information related to the stabilization of seniors housing communities in lease-up, which is subject to the risk and uncertainty that local factors affecting occupancy levels or resident fees may result in certain communities not achieving stabilization at the times expected and is based on the assumptions that the local markets in which such communities are located remain stable and our operations in such communities are consistent with historical performance;
- information related to the expected completion date of communities under construction, which is subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities;
- our ability to realize expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs;
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing, or due to other general business risks;
- our ability to renew maturing debt and to obtain new financings at favourable rates, in due course;
- our ability to access low-cost mortgage financing insured by CMHC;
- our ability to realize benefits on technology investments;
- certain assumptions relating to the debentures, including, credit risk in respect of the debentures, prior ranking indebtedness and absence of covenant protection, structural subordination of debentures, conversion of debentures following certain transactions, value of conversion privilege of the debentures, debentures redemption prior to maturity, inability of Chartwell to purchase debentures on a change of control and dilution;

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated expressed or implied by the

forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See risk factors highlighted in materials filed with the securities regulatory authorities in Canada from time to time, including but not limited to our most recent AIF.

Risks and Uncertainties •

- (a) **Business Risks:** Chartwell is subject to general business risks and to risks inherent in the seniors housing industry and in the ownership of real property. These risks include fluctuations in occupancy levels, the inability to achieve economically viable residency fees (including anticipated increases in such fees), rent control regulations, increases in labour costs and other operating costs, possible future changes in labour relations, competition from or the oversupply of other similar properties, changes in neighbourhood or location conditions and general economic conditions, health-related risks, disease outbreaks and control risks, the imposition of increased taxes or new taxes, capital expenditures requirements, changes in interest rates and changes in the availability and cost of money for long-term financing which may render refinancing of mortgages difficult or unattractive. Moreover, there is no assurance that the occupancy levels achieved to date and expected in the future will continue or be achieved. Any one of, or a combination of, these factors may adversely affect the cash available to Chartwell.

- (b) **Taxation:** We currently qualify as a mutual fund trust for Canadian income tax purposes.

With the enactment of the SIFT Rules and the issuance of equity capital in excess of the normal growth guidelines established by the Department of Finance, we were subject to SIFT tax effective January 1, 2007.

Under the SIFT Rules, distributions paid by a SIFT as returns of capital will not be subject to the tax. Such distributions are not currently taxable to unitholders but serve to reduce the adjusted cost base of a unitholder's units. In 2014, 78.4% of our distributions were classified as return of capital, 0.5% as foreign-source interest income, 19.1% as other income and 2.0% as eligible dividends. We were not subject to SIFT tax in 2014 and based on our current forecasts, we do not expect to be subject to SIFT taxes in 2015 and 2016. We estimate a tax liability of approximately \$0.6 million on the gains from the sale of non-core U.S. properties.

- (c) **Geographic Concentration:** Our business and operations are conducted in the United States and Canada, and within Canada primarily in Ontario and Quebec. A geographic concentration of our owned and leased suites, at our percentage share of ownership or leasehold interest, is described under the "Business Overview" section of this MD&A. The market value of these properties and the income generated from them could be negatively affected by changes in local, regional or national economic conditions or legislative/regulatory changes in the respective jurisdictions.

- (d) **Maintenance of Assets:** We are committed to keep our communities in a good state of repair. We fundamentally believe that by investing back into our communities we increase resident and staff satisfaction which ultimately results in better profitability of the business. We estimate that based on the average age, market position and state of repairs of our existing portfolio, the annual capital maintenance requirements are approximately 2% of annual gross property revenues. In addition to recurring maintenance capital projects, we invest in revenue enhancement and internal growth programs. The amount of these investments varies from time to

* For a complete description of the Risks and Uncertainties, please refer to our most recent AIF.

time based on the volume of specific projects in progress. We take into account the recurring maintenance capital requirements of our communities in our determination of future cash flows available for distributions to Unitholders. A significant increase in recurring maintenance capital requirements of our communities could adversely impact cash available to us. The details of our actual capital asset spending for 2014 can be found in the “Capital Expenditures” section of this MD&A.

- (e) **Acquisition, Development:** Our external growth prospects depend in part on identifying suitable acquisition and development opportunities, pursuing such opportunities, consummating acquisitions, and effectively operating the seniors housing communities acquired by the Trust. If we are unable to manage our growth, integrate our acquisitions effectively and achieve expected returns on acquisitions and development projects, our business, operating results and financial condition could be adversely affected.

Dispositions: From time to time we may dispose of certain assets which are considered non-strategic or non-core to our portfolio. Failure to dispose of such assets at a reasonable price may negatively impact our ability to deliver on our corporate strategies.

- (f) **Competition:** Numerous other owners, managers and developers of seniors housing communities compete with us in seeking residents. The existence of competing owners, managers and developers and competition for our residents could have an adverse effect on the Trust's ability to find residents for its seniors housing communities and on the rents which may be charged, and could adversely affect our revenues and, consequently, our ability to meet debt obligations. An increased supply of suites in the regions in which we own seniors housing may have an impact on the demand for retirement community suites.

- (g) **Government Regulation:** Healthcare in Canada and in the U.S. is subject to extensive regulation and regulatory changes. As a result, there can be no assurance that future regulatory changes in healthcare, particularly those changes affecting the seniors housing industry, will not adversely affect us. In addition, new regulatory standards and requirements are being considered in a number of jurisdictions which may affect all types of seniors housing communities. Further, aspects of new legislation that was proclaimed into force in Ontario on July 1, 2010, have affected our LTC communities, including: new licensing procedures based on more rigorous standards for license review, the granting of licenses for fixed-terms of up to 25 years, depending on bed classifications; the granting of replacement licenses to be based on a home's structural classification that will be issued for a maximum of 25 years; more onerous duties imposed on licensees; defined expectations and requirements for key services to be provided in communities, including the requirement that a registered nurse be on-site 24 hours a day, seven days a week; requirements for the qualification, training and orientation of community staff, volunteers and persons who provide direct services to residents; and unannounced annual inspections of homes.

- (h) **Personnel Costs:** We compete with other healthcare providers with respect to attracting and retaining qualified personnel. We are also dependent upon the available labour pool of employees. A shortage of trained or other personnel may require the Trust to enhance its wage and benefits packages in order to compete. No assurance can be given that labour costs will not increase, or that if they do increase, they can be matched by corresponding increases in rental or management revenue.

- (i) **Labour Relations:** In Canada we employ or supervise over 13,350 persons, of whom approximately 70% are represented by labour unions. Labour relations with the unions are governed by collective bargaining agreements with many different unions. There can be no assurance that we will not at any time, whether in connection with the renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees which could have a material adverse effect on our business, operating results and financial condition. Most seniors housing communities in the Province of Ontario are governed by the Hospital Labour Disputes Arbitration Act which prohibits strikes and lockouts in the seniors

housing sector and therefore collective bargaining disputes are more likely to be resolved through compulsory third-party arbitration.

In jurisdictions where strikes and lockouts may be permitted, certain essential services regulations apply which ensure the continuation of resident care and most services. Non-unionized seniors housing communities may become unionized in the event they are targeted for certification by a trade union. There can be no assurance that the seniors housing communities we own that are not currently unionized will not, in the future, be subject to unionization efforts or that any such efforts will not result in the unionization of such seniors housing communities' employees.

- (j) **Debt Financing:** We have and will continue to have substantial outstanding consolidated indebtedness comprised primarily of mortgages on our retirement and LTC communities.

We may not be able to renegotiate the terms of renewal of our debt at favourable rates. To the extent that any financing requiring CMHC consent or approval is not obtained, or such consent or approval is only available on unfavourable terms, we may be required to finance a conventional mortgage which may be less favourable to us than a CMHC-insured mortgage. In addition, the terms of our indebtedness generally contain customary provisions that, upon an event of default, result in the acceleration of repayment of amounts owed and that restrict the distributions that may be made by the Trust. Therefore, upon an event of default under such indebtedness, our ability to make distributions will be adversely affected.

A portion of our cash flow is devoted to servicing our debt, and there can be no assurance that we will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If we were unable to meet interest or principal payments, we could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. We are also subject to the risk that any of our existing indebtedness may not be able to be refinanced upon maturity or that the terms of such refinancing may not be as favourable as the terms of our existing indebtedness.

- (k) **U.S./Canadian Exchange Rate Fluctuations:** We have interests in seniors housing communities located in the U.S. We will, therefore, be subject to foreign currency fluctuations which may, from time to time, have an impact upon our financial position and results. We may enter into hedging arrangements to mitigate a portion of this risk; however, there can be no assurance that such hedging agreements, if any, would be sufficient to protect against currency exchange rate losses that could adversely affect cash available to us.

- (l) **Environmental Liabilities:** Under various environmental laws and regulations, we, as either owner or manager, could become liable for the costs of removal or remediation of certain hazardous, toxic or regulated substances released on or in our properties or disposed of at other locations sometimes regardless of whether or not we knew of or were responsible for their presence. The failure to remove, remediate or otherwise address such substances, if any, may adversely affect an owner's ability to sell such properties or to borrow using such properties as collateral and could potentially result in claims against the owner by private plaintiffs. Notwithstanding the above, our management is not aware of any material non-compliance, liability or other claim in connection with any of our owned properties and properties in respect of which mezzanine financing has been provided, nor is management aware of any environmental condition with respect to any of the properties that it believes would involve material expenditure by the Trust. It is our operating policy to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring or financing any property. Where Phase I environmental site assessments identify sufficient environmental concerns or recommend further assessments, Phase II or Phase III environmental site assessments are conducted. They are intrusive investigations that involve soil, groundwater or other sampling to confirm the absence or presence and extent of an environmental concern.

Environmental laws and regulation may change and we may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on our business, financial condition or results of operation and distributions.

- (m) **Liability and Insurance:** The businesses, which are carried on, directly or indirectly, by us, entail an inherent risk of liability. Management expects that from time to time we may be subject to such lawsuits as a result of the nature of its businesses. The Trust maintains business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against us not covered by, or in excess of, our insurance could have a material adverse effect on our business, operating results and financial condition. Claims against us, regardless of their merit or eventual outcome, also may have a material adverse effect on our ability to attract residents or expand their businesses, and will require management to devote time to matters unrelated to the operation of the business.
- (n) **Joint-Venture Interests:** We have entered into joint-venture arrangements in respect of certain of our seniors housing operations. These joint-venture arrangements have the benefit of sharing the risks associated with ownership and management of such seniors housing properties including those risks described above. However, we may be exposed to adverse developments, including a possible change in control, in the business and affairs of our joint-venture partners which could have a significant impact on, or termination of, our interests in our joint ventures and could affect the value of the joint ventures to us and/or cause us to incur additional costs if we were to solely undertake the operations of the joint venture. In addition, there are risks which arise from the joint-venture arrangements themselves, including: the risk that the other joint-venture partner may exercise buy-sell, put or other sale or purchase rights which could obligate us to sell our interest or buy the other joint-venture partner's interest at a price which may not be favourable to us or at a time which may not be advantageous to us, the effect of which could be materially adverse to our financial position or resources.
- (o) **Economic and Financial Conditions:** Adverse changes to the economic and financial conditions in Canada, the U.S. and globally could impact our ability to execute upon our operating, investing and financing strategies which, in turn, could have a material adverse impact on our business, sales, profitability and financial position. General uncertainty on the timing of a recovery from recent financial market volatility may continue to create a challenging operating environment for us.
- (p) **Growth:** The ability to grow may require the issuance of additional units and the ability to do so may not always be a viable capital-raising option. Furthermore, timing differences may occur between the issuance of additional units and the time the proceeds may be used to invest in new properties. Depending on the duration of this timing difference, this may be dilutive. Additionally, growth may be limited by the properties being owned in a different structure (i.e., a real estate investment trust compared with a corporation) and possibly a different economic environment. We expect that we will have opportunities to acquire properties which will be accretive and enable us to increase cash flow through improved management, but there can be no assurance that will be the case.
- (q) **Distributions:** Currently, our distributions are determined in relation to AFFO. While we intend for such distributions to be at least equal to 70% of our AFFO for a specified year, items such as principal repayments, capital expenditures, variances in operating results and redemption of units, if any, or the failure of CSH Trust or Master LP to make distributions, may affect AFFO and, therefore, distributions. We may be required to decrease our distributions in order to accommodate such items. Under the terms of our Credit Facility, distributions to unitholders are limited to 100% of our AFFO.

- (r) **Loans Receivable:** The mezzanine financing that has been provided by us is secured by second charges of the borrowers' interests in development projects and ranks behind construction financing. Similarly, the VTB mortgages provided by us are secured by subordinate charges on properties. If our borrowers face financial difficulty and are not able to meet their commitments to their lenders, including us, we could suffer a loss of either interest or principal or both on the loans we have advanced, since other lenders will rank ahead of us in any recovery. Additionally, we may not, at the applicable time, have the financial capacity to acquire all facilities that we are entitled or required to acquire from borrowers. There is a risk, if property values deteriorate or the financial capacity of the borrowers deteriorates, that we could suffer losses on such loans.

Management's Responsibility for Financial Statements

To the Unitholders of Chartwell Retirement Residences

The accompanying consolidated financial statements of Chartwell Retirement Residences and the information included in the Annual Report have been prepared by management, which is responsible for their consistency, integrity and objectivity. Management is also responsible for ensuring that the consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards. To fulfill these responsibilities, management maintains appropriate systems of internal control, policies and procedures to ensure its reporting practices and accounting and administrative procedures are of high quality.

KPMG LLP, the independent auditor, is responsible for auditing the consolidated financial statements in accordance with Canadian generally accepted auditing standards, to enable the expression of their opinion on the consolidated financial statements to the Unitholders. Their report, as auditors, is set forth herein.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls and engaging the independent auditors. The Board of Trustees carries out this responsibility through its Audit Committee, which meets regularly with management and the independent auditors. The Audit Committee is composed of three members who are independent of management. The consolidated financial statements have been reviewed and approved by the Board of Trustees and its Audit Committee. The independent auditors have direct and full access to the Audit Committee and Board of Trustees.



W. Brent Binions
President and Chief Executive Officer



Vlad Volodarski
Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Chartwell Retirement Residences

We have audited the accompanying consolidated financial statements of Chartwell Retirement Residences, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, the consolidated statements of comprehensive income (loss), unitholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Chartwell Retirement Residences as at December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

February 26, 2015
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

CHARTWELL RETIREMENT RESIDENCES


Consolidated Balance Sheets
(In thousands of Canadian dollars)

December 31, 2014 and 2013

	Note	2014	2013
Assets			
Current assets:			
Cash		\$ 10,927	\$ 8,601
Trade and other receivables		18,940	17,881
Capital funding receivable	6	4,963	4,698
Other assets	7	24,641	26,668
Assets held for sale	13	5,306	—
Total current assets		64,777	57,848
Non-current assets:			
Other assets	7	7,008	7,397
Loans receivable	8	9,901	—
Capital funding receivable	6	61,506	66,481
Investment in joint ventures	9	23,431	28,319
Intangible assets	5	49,025	49,777
Property, plant and equipment ("PP&E")	4	2,489,601	2,628,140
Total non-current assets		2,640,472	2,780,114
Total assets		\$ 2,705,249	\$ 2,837,962
Liabilities and Unitholders' Equity			
Current liabilities:			
Secured revolving operating credit facility ("Credit Facility")	10(b)	\$ 45,500	\$ 27,000
Accounts payable and other liabilities	12	124,221	129,020
Distributions payable		7,954	7,884
Mortgages payable	10(a)	372,184	219,347
Liabilities related to assets held for sale	13	6,086	—
Total current liabilities		555,945	383,251
Non-current liabilities:			
Mortgages payable	10(a)	1,544,892	1,784,889
Convertible debentures	11	151,200	144,005
Class B Units of Chartwell Master Care LP ("Class B Units")	14	19,614	16,583
Total non-current liabilities		1,715,706	1,945,477
Total liabilities		2,271,651	2,328,728
Unitholders' equity	15	433,598	509,234
Commitments and contingencies	24		
Subsequent events	26		
Total liabilities and unitholders' equity		\$ 2,705,249	\$ 2,837,962

See accompanying notes to consolidated financial statements.

Approved by the Trustees:



Huw Thomas, Trustee



Sidney Robinson, Trustee

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

	Note	2014	2013
Revenue:			
Resident		\$ 824,693	\$ 819,114
Management and other fees		7,551	7,925
Lease revenue from joint ventures	9	32,636	31,386
Interest on loans receivable		461	154
		865,341	858,579
Expenses:			
Direct operating		592,498	585,988
General, administrative and trust		31,582	31,016
		624,080	617,004
Income before the undernoted ⁽¹⁾		241,261	241,575
Finance costs	21	111,496	113,716
Property lease expense		2,763	2,673
Other expense (income)	20	(48,438)	(9,262)
Depreciation of PP&E	4	167,459	166,979
Amortization of intangible assets	5	2,404	1,974
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	22	16,385	(9,580)
Share of net income from joint ventures	9	(1,230)	(49,069)
Income (loss) before income taxes		(9,578)	24,144
Income tax expense (recovery):	23		
Current		(1,299)	260
Net income (loss)		(8,279)	23,884
Other comprehensive income:			
Item to be reclassified to profit or loss in subsequent years:			
Unrealized foreign currency gain on translation of foreign operations		7,027	3,103
Total comprehensive net income (loss)		\$ (1,252)	\$ 26,987

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

See accompanying notes to consolidated financial statements.

CHARTWELL RETIREMENT RESIDENCES

Consolidated Statements of Unitholders' Equity (In thousands of Canadian dollars)

Years ended December 31, 2014 and 2013

2014	Trust Units issued in dollars, net	Trust Units issued under LTIP	LTIP receivable	Accumulated losses	Foreign currency translation reserve	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2013	\$ 1,724,564	\$ 21,294	\$ (17,143)	\$ (513,258)	\$ (2,373)	\$ (709,794)	\$ 5,944	\$ 509,234
Loss for the year	-	-	-	(8,279)	-	-	-	(8,279)
Other comprehensive income	-	-	-	-	7,027	-	-	7,027
Distributions to unitholders	-	-	-	-	-	(94,103)	-	(94,103)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	17,408	-	-	-	-	-	-	17,408
Trust Units issued on vesting of deferred trust units ("Deferred Trust Units")	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	1,205	(3,421)	2,349	-	-	-	725	858
Interest on LTIP receivable	-	-	(165)	-	-	-	-	(165)
Distributions applied against LTIP receivable	-	-	1,009	-	-	-	-	1,009
Unitholders' equity, December 31, 2014	\$ 1,743,786	\$ 17,873	\$ (13,950)	\$ (521,537)	\$ 4,654	\$ (803,897)	\$ 6,669	\$ 433,598

During the year ended December 31, 2014, distributions were declared and paid at \$0.045 per unit per month. In the first two months of 2015, distributions were declared at \$0.045 per unit per month totalling \$15,834.

CHARTWELL RETIREMENT RESIDENCES

Consolidated Statements of Unitholders' Equity (continued)
(In thousands of Canadian dollars)

Years ended December 31, 2014 and 2013

2013	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, 2012	\$ 1,702,685	\$ 25,425	\$ (19,533)	\$ (537,142)	\$ (5,476)	\$ (616,725)	\$ 4,891	\$ 554,125
Net income	-	-	-	23,884	-	-	-	23,884
Other comprehensive income	-	-	-	-	3,103	-	-	3,103
Distributions to unitholders	-	-	-	-	-	(93,069)	-	(93,069)
Trust Units issued under the DRIP	19,058	-	-	-	-	-	-	19,058
Trust Units issued on exchange of Class B Units	228	-	-	-	-	-	-	228
Trust Units issued under the LTIP, net of cancellations and Trust Units released on settlement of LTIP receivable	2,593	(4,131)	1,499	-	-	-	1,053	1,014
Interest on LTIP receivable	-	-	(190)	-	-	-	-	(190)
Distributions applied against LTIP receivable	-	-	1,081	-	-	-	-	1,081
Unitholders' equity, December 31, 2013	\$ 1,724,564	\$ 21,294	\$ (17,143)	\$ (513,258)	\$ (2,373)	\$ (709,794)	\$ 5,944	\$ 509,234

During the year ended December 31, 2013, distributions were declared and paid at \$0.045 per unit per month. In the first two months of 2014, distributions were declared at \$0.045 per unit per month totalling \$15,710.

See accompanying notes to consolidated financial statements.

CHARTWELL RETIREMENT RESIDENCES

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

Years ended December 31, 2014 and 2013

	Note	2014	2013
Cash provided by (used in):			
Operating activities:			
Net income (loss)		\$ (8,279)	\$ 23,884
Items not affecting cash:			
Depreciation and amortization		169,863	168,953
Finance costs	21	111,496	113,716
Other income	20	(48,438)	(9,262)
Transaction costs		(3,913)	(5,447)
Interest on loans receivable		(461)	(154)
Non-cash compensation expense		1,540	2,542
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	22	16,385	(9,580)
Share of net income from joint ventures		(1,230)	(49,069)
Other		727	(1,357)
Change in trade and other receivables		66	3,094
Change in other assets		1,362	(1,617)
Change in accounts payable and other liabilities		(12,975)	(3,464)
		226,143	232,239
Interest and income received		8,158	4,025
Interest paid		(110,926)	(104,412)
Net cash provided by operating activities		123,375	131,852
Financing activities:			
Proceeds from mortgage financing		206,788	457,418
Mortgage maturity repayments		(200,694)	(331,196)
Changes to Credit Facility		18,500	(50,000)
Scheduled mortgage principal repayments		(57,175)	(54,515)
Net additions to finance costs		(5,049)	(4,901)
Distributions paid		(75,781)	(72,846)
Deposits and repayments received under LTIP		—	1,499
Net cash used in financing activities		(113,411)	(54,541)
Investing activities:			
Acquisition of assets under business combinations		(44,315)	(67,309)
Additions to PP&E and intangible assets		(85,834)	(84,503)
Proceeds from asset disposals		111,279	30,708
Proceeds from capital funding receivable		4,710	4,321
Issuance of notes receivable		(3,901)	—
Loan collection		1,245	—
Change in restricted cash		2,192	597
Distributions received, net of contributions, from joint ventures	9	6,118	46,874
Net cash used in investing activities		(8,506)	(69,312)
Increase in cash		1,458	7,999
Foreign exchange gain on U.S. dollar-denominated cash		868	577
Cash, beginning of year		8,601	25
Cash, end of year		\$ 10,927	\$ 8,601

See accompanying notes to consolidated financial statements.

CHARTWELL RETIREMENT RESIDENCES

Notes to Consolidated Financial Statements

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

Years ended December 31, 2014 and 2013

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 began operations on November 14, 2003. Chartwell's main business is ownership, operations and management of retirement and long term care communities in Canada and the United States.

Chartwell owns 100% of the outstanding Trust Units of CSH Trust, an unincorporated, open-ended trust established under the laws of the Province of Ontario, Canada, which in turn owns 66.8% of the outstanding Class A Units of Chartwell Master Care LP ("Master LP"), a limited partnership created under the laws of the Province of Manitoba, Canada. Class B Units of Master LP are held by non-controlling investors. Chartwell also has direct ownership of 33.2% of Class A Units of Master LP.

The Canadian assets of Chartwell are held by the wholly owned Master LP, which carries out the business of Chartwell. Its activities are financed through equity contributed by Chartwell, CSH Trust, Class B unitholders and third-party lenders, including mortgages.

The United States assets of Chartwell are also owned indirectly by Master LP, through its wholly owned United States subsidiary corporation, CSH Master Care USA Inc.

Chartwell's Declaration of Trust, as amended, provides that distributions will be within the discretion of the Board of Trustees.

1. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

On February 26, 2015, the Board of Trustees authorized the consolidated financial statements for issue.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

1. Basis of preparation (continued):

(b) Functional currency:

These consolidated financial statements are presented in Canadian dollars, Chartwell's functional currency, unless otherwise indicated.

(c) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items:

- (i) derivative financial instruments are measured at fair value;
- (ii) financial instruments classified as fair value through profit and loss ("FVTPL") are measured at fair value; and
- (iii) liabilities for cash-settled, unit-based payment arrangements are measured at fair value.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses during the year. Actual results may differ from those estimates.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

1. Basis of preparation (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the future financial year are included in the following notes:

- (i) Note 2(e) - Impairment; and

In the process of applying the accounting policies, Chartwell makes various judgments, apart from those involving estimations, that can significantly affect the amounts it recognizes in the consolidated financial statements. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- (i) Note 2(d)(i) - Intangible assets - licenses: valuation of the indefinite useful life assets;
- (ii) Note 2(e) - Impairment: key assumptions underlying recoverable amounts; and
- (iii) Note 23 - Income taxes: availability of future taxable profit for the recognition of deferred income tax assets.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies:

(a) Basis of consolidation:

(i) Transactions eliminated on consolidation:

The consolidated financial statements include the accounts of Chartwell and its subsidiaries, as well as the proportionate share of the accounts of its joint operations. All intercompany transactions have been eliminated on consolidation.

(ii) Jointly controlled entities:

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.

These consolidated financial statements include Chartwell's proportionate share of each of the assets, liabilities, revenue and income and expenses of joint operations on a line-by-line basis. Joint ventures are included in Chartwell's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the net assets. Chartwell's share of joint venture profit or loss is included in the consolidated statements of comprehensive income (loss).

(iii) Business combinations:

Under the acquisition method identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date. Goodwill represents the cost of acquired net assets in excess of their fair value. If the fair value of the net identifiable assets acquired exceeds the fair value of consideration transferred, a bargain purchase gain is recognized immediately in profit or loss.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

Transaction costs, other than those associated with the issue of debt or equity securities (finder's fees, legal fees, due diligence fees, and other professional and consulting fees), incurred in connection with the acquisition are expensed as incurred.

If a business combination is achieved in stages, the fair value on the acquisition date of Chartwell's previously held equity interest in the acquiree is remeasured to fair value through profit or loss.

(b) Foreign currency:

(i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the respective functional currencies at the exchange rate at the reporting dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations:

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates in effect as at the consolidated balance sheet dates.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

Revenue and expenses of foreign operations are translated to Canadian dollars at exchange rates in effect on the dates on which such items are reported in income during the year.

Exchange gains and losses arising from translation of the financial statements of Chartwell's foreign operations are deferred and included in other comprehensive income.

(c) PP&E:

Chartwell considers its properties to be owner-occupied properties under International Accounting Standard ("IAS") 16, Property, Plant and Equipment ("IAS 16").

PP&E includes land, buildings, furniture, fixtures and equipment, which are measured at cost less accumulated depreciation and accumulated impairment losses.

Properties under development and land held for development are carried at cost and are not subject to depreciation. Cost includes initial acquisition costs, other direct costs, realty taxes and interest related to their financing during the development period. The development period ends when the asset is available for use and construction is complete. Upon completion, properties under development are transferred to the appropriate asset class.

Significant parts of the buildings have different useful lives and are accounted for as separate components of the property. The cost of replacing a major component of a building is recognized in the carrying amount of the building if it is probable that the future economic benefits embodied within the component will flow to Chartwell, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of ongoing repairs and maintenance of the properties are recognized in profit and loss as incurred.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

Depreciation is recorded in profit or loss on the straight-line basis over the estimated useful lives of the assets. The following are the estimated useful lives of existing PP&E:

Building components:	
Structure	36 - 40 years
Mechanical, electrical and elevators	10 - 30 years
Roof, windows and doors	5 - 20 years
Interior upgrades	3 - 5 years
Resident contracts and above- and below-market leases	1 - 3 years
Furniture, fixtures and equipment	3 - 5 years

Estimated useful lives were determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset and current and forecasted demand. The rates and methods used are reviewed annually at year end to ensure they continue to be appropriate, and are also reviewed in conjunction with impairment testing.

Gains/losses on disposition of PP&E are recognized in profit or loss when Chartwell has transferred to the purchaser the significant risk and rewards of ownership of the PP&E and the purchaser has made a substantial commitment demonstrating its intent to honour its obligation.

The value associated with in-place resident contracts, which represents the avoided cost of originating the acquired resident contracts plus the value of lost net resident revenue over the estimated lease-up period of the property, is amortized over the expected term of the resident occupancy. Resident contracts are recorded as a component of buildings.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

(d) Intangible assets:

Intangible assets include licenses, management contracts and other intangible assets, which are measured at cost less accumulated amortization and accumulated impairment losses, except in the case of intangible assets with an indefinite life, which are measured at cost less accumulated impairment losses and are not amortized.

(i) Licenses:

Licenses for the operation of long term care properties are considered to have indefinite lives. The licenses are recorded at cost and are not amortized. Given the current demographic of the Canadian markets, as well as the fact that the demand for licensed beds is expected to increase beyond its current supply, management has determined that the licenses have an indefinite life.

(ii) Other intangible assets:

Other intangible assets consist of the allocated cost of acquired operating leases of seniors housing properties, software costs and below-market management contracts.

The allocated cost of the operating leases is amortized on a straight-line basis over the initial lease term of the underlying operating leases.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

Software costs, which include externally purchased software licenses, are amortized over one to three years on a straight-line basis.

Management contracts represent the acquired value of contractual agreements to provide management and advisory services for the operations of seniors residences and long term care properties owned by third parties. Management contracts are amortized on a straight-line basis over the term of the contract or if no term is specified, over its estimated life not to exceed five years.

Below-market management contracts represent the value of contractual agreements with third parties to provide management services for the operations of seniors residences owned by Chartwell. Below-market management contracts are amortized over the period in which the benefit will be realized.

(e) Impairment:

(i) Financial assets, excluding trade receivables:

Financial assets carried at amortized cost are assessed at each reporting date to determine whether there is objective evidence indicating the assets might be impaired. Objective evidence can include default or delinquency by a debtor, restructuring of an amount due to Chartwell on terms that Chartwell would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

Chartwell considers evidence of impairment for receivables at both a specific asset and collective level. All receivables are assessed for specific impairment. All receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance against the associated account receivable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

(ii) Non-financial assets, excluding deferred tax assets:

The carrying amounts of Chartwell's PP&E are assessed at each reporting date to determine if any events have incurred that would indicate the PP&E may be impaired. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss is recognized immediately in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or cash generating unit ("CGU") is the higher of (a) fair value less costs to sell and (b) value in use.

Intangible assets that have indefinite useful lives are tested for impairment annually, or more frequently, if events or circumstances indicate that the assets might be impaired.

Intangible assets with finite useful lives, such as licences, are tested for impairment if events or changes in circumstances, assessed at each reporting date, indicate the carrying amount may not be recoverable.

Chartwell's corporate assets do not generate separate cash flows. If there is an indication that a corporate asset, intangible asset that has an indefinite useful life, or intangible asset with a finite useful life may be impaired, then the recoverable amount is determined for the CGU to which the asset belongs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed (excluding for goodwill) if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

(f) Capital funding:

Capital funding are grants received from the Government of Ontario for the construction costs of long term care properties. These government grants are initially recorded at fair value on acquisition and carried at amortized cost. The interest accretion on the grants is recognized in profit or loss as other income over the life of the grant.

Capital funding grants for development of long term care properties that are received from the Government of Ontario, subsequent to construction, are present-valued and recorded as capital funding receivable, with an offset to the cost of the related PP&E upon inception. These grants are received over time and the accretion of the receivables are recognized in profit or loss as other income over the life of the grant.

(g) Non-current assets held for sale:

Non-current assets, or disposal groups comprising assets and liabilities, are categorized as held-for-sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to dispose of the assets of the disposal group; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. Immediately before classification as held-for-sale, the assets, or components of the disposal group are remeasured in accordance with Chartwell's accounting policies, and are subsequently measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss until the completion of sale.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

(h) Financial instruments:

(i) Non-derivative financial assets:

Trade and other receivables, and loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized on the date that they are originated at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Chartwell is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheets when Chartwell has a legal right to offset the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets are presented as current assets on the consolidated balance sheets, except for those with maturities greater than 12 months after the consolidated balance sheet dates, which are classified as non-current assets.

(ii) Other financial liabilities:

Non-derivative financial liabilities primarily consist of accounts payable and other liabilities, distributions payable, mortgages payable, and revolving Credit Facility. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

A financial liability is derecognized when Chartwell's contractual obligations are discharged, cancelled or expired.

(iii) Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred and are subsequently remeasured to their fair value at the end of each reporting year. Any resulting gain or loss is recognized in profit or loss immediately.

Chartwell enters into interest rate swap arrangements in order to reduce the impact of fluctuating interest rates on long-term debt. These swap agreements require periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. In such cases, interest expense on the debt is adjusted to include the payments made or received under the interest rate swap arrangements. These swap arrangements are not designated as hedging instruments under IFRS.

(iv) Financial liabilities measured at fair value:

Financial liabilities are required to be measured at fair value when the financial liability is held for trading. Financial liabilities elected to be measured at fair value are designated as FVTPL.

A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement ("IAS 39"), permits the entire combined contract, asset or liability, to be designated as FVTPL.

The convertible debentures and Class B Units are designated as FVTPL. Any gains or losses arising on remeasurement are recognized in profit or loss. Distributions paid to Class B unitholders are recognized as interest expense under finance costs in profit or loss.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

(v) Fair value hierarchy:

Fair value measurements are categorized into one of the three hierarchy levels. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities: Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets; Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

(i) Employee benefits:

(i) Short term benefits:

Short term employee benefit obligations, including vacation and bonus payments, are measured on an undiscounted basis and are expensed as the related service is provided. Liabilities are recognized for the amounts expected to be paid within 12 months as Chartwell has an obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Short term employee benefits are recorded in accounts payable and other liabilities.

Employee health benefits:

Chartwell self-insures the cost of certain employee health plans. These plans are administered by an independent third party. Accruals for self-insured liabilities include estimates of costs of both reported claims and claims incurred but not reported and are based on estimates of loss based on assumptions made by management, including consideration of projections provided by the independent third-party administrator of the plan.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

(ii) Long term employee benefits:

Chartwell accrues its obligations related to accumulated sick pay and post-employment benefits and the related costs. The cost of post-employment benefits is actuarially determined using the projected unit credit method using management assumptions. Any net actuarial gain (loss) is recognized in profit or loss.

Chartwell provides certain pension benefits to eligible participants upon retirement. These benefits are provided on a defined contribution basis. A defined contribution plan is a post-employment benefit plan, whereby Chartwell contributes fixed amounts into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(iii) Unit-based payment plans:

Chartwell maintains LTIPs, Deferred Trust Unit Plans, and Restricted Unit Plans for its employees, directors and Trustees. These plans are considered cash-settled and the fair value of the amount payable is recognized as an expense with a corresponding increase in liabilities, over the employees' service period. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized in profit or loss.

(j) Income taxes:

Income taxes (recovery) comprises current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in unitholders' equity or in other comprehensive income (loss).

Current tax is the expected taxes payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable or receivable in respect of previous years.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

Chartwell is a mutual fund trust and a specified investment flow-through trust ("SIFT") pursuant to the Income Tax Act (Canada) and became subject to SIFT tax commencing in fiscal 2007. Under the SIFT rules, certain distributions from a SIFT are not deductible in computing taxable income, and the SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general income tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital are not subject to the SIFT tax.

Chartwell uses the asset and liability method of accounting for income taxes. Under this method, deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Finance costs:

Finance costs comprise interest expense on borrowings calculated using the effective interest rate method, distributions classified as interest expense under IFRS on Class B Units and subscription receipts, mark-to-market adjustments on mortgages payable, and early mortgage refinancing defeasance costs.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

(l) Revenue recognition:

Chartwell derives most of its revenue from rental income, care services to residents and management services.

(i) Retirement community resident revenue:

Revenue in respect of accommodation and care services provided to residents of retirement communities is recognized when services, both rental and care are provided. In certain jurisdictions, residents of retirement communities are eligible for government subsidies and the rates of these subsidies are regulated. In Canada, in some jurisdictions, rent control regulations affect the rates that can be charged for rental accommodation.

(ii) Long term care community resident revenue:

Revenue in respect of accommodation fees and ancillary services provided to residents of Canadian long term care communities is recognized when the rental or ancillary services are provided.

In Canada, the provinces or regional health authorities (collectively, the "funding agency") regulate the amounts charged to residents of long term care communities, a substantial portion of which are funded by provincial or regional programs. Such resident revenue earned is exclusively on actual census and is recognized as services are rendered. Certain revenue is earned only when Chartwell has achieved actual census and has met additional criteria, which may include achieving certain levels of expenditure or levels of labour hours. Revenue is recognized when these criteria are achieved.

In certain cases, the funding agency provides additional funding in excess of the amounts due for actual census if certain minimum occupancy levels are achieved over the funding agency's annual cycle. Revenue for funding in excess of amounts due for actual census is recognized when Chartwell has achieved the required occupancy criteria, on a proportionate basis, to earn such funding and where management expects to continue to achieve the occupancy criteria through to the completion of the funding agency's annual cycle.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

(iii) Allowance for doubtful accounts:

An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of residents to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of Chartwell and our assessment of the likelihood of collections.

(iv) Fee revenue:

(a) Chartwell provides property management services for both third party and owned real estate properties. Property management services revenue relates to providing certain operations management and asset management services and is recognized in the month in which services are performed in accordance with the terms of the management contract.

(b) To the extent that ultimate collection of revenue is not reasonably assured, Chartwell will recognize revenue only as cash is received.

(m) Segment reporting:

Chartwell monitors and operates its Canadian Retirement Operations, Canadian Long Term Care Operations and United States Operations separately. These segments include Chartwell's proportionate share of all its jointly controlled entities.

Segment results that are reported to the Senior Executive Committee include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly general, administrative and trust expenses, fair value adjustments to financial instruments and deferred income taxes.

(n) Lease payments:

Chartwell maintains some properties in the United States that are subject to leases classified as operating leases. These leased assets are not recognized in Chartwell's consolidated balance sheets, but payments made are recognized in profit or loss on a straight-line basis over the term of the lease.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

(o) IFRS pronouncements commencing on January 1, 2014:

Interpretation of International Financial Reporting Interpretations Committee ("IFRIC") 21, Levies ("IFRIC 21"):

Effective January 1, 2014, Chartwell adopted IFRIC 21, which provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 was required to be applied retrospectively. The adoption of IFRIC 21 requires Chartwell to recognize property taxes when it becomes obligated for the payment of property taxes. Chartwell determined that for Canadian properties, the obligating event occurs throughout the year pro rata and, therefore, the adoption of IFRIC 21 did not result in an adjustment to Canadian property taxes. Based on property tax legislation in the United States, the obligation occurs at a single point and, therefore, resulted in recognizing property taxes earlier than previously recorded for properties in various United States jurisdictions. The adoption of IFRIC 21 did not have an impact on the annual consolidated financial statements.

(p) IFRS pronouncements issued but not yet effective:

(i) IFRS 9, Financial Instruments ("IFRS 9 (2014)"):

On July 24, 2014, the IASB issued the complete IFRS 9 (2014). The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets, changes to financial liabilities, amendments to the impairment model for 'expected credit loss', and a new general hedge accounting standard which aligns hedge accounting more closely with risk management. Chartwell intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

(ii) Annual Improvements to IFRS (2010 - 2012) and (2011-2013) cycles:

On December 12, 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. Amendments were made to clarify various standards including IFRS 2, Share-based Payment, with respect to the definition of "vesting conditions", classification and measurement of contingent consideration under IFRS 3, Business Combinations, IFRS 8, Operating segments for disclosures around segment aggregation, IFRS 13, Fair Value Measurement, for the measurement of short-term receivables and payables, and the definition of "related party" under IAS 24, Related Party Disclosures. The amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Chartwell intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2015. Chartwell does not expect the amendments to have a material impact on the financial statements.

(iii) Business combination accounting for interests in a joint operation (Amendments to IFRS 11):

On May 6, 2014, the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments require business combination accounting to be applied to acquisitions of interest in joint operations that constitute a business. Chartwell intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

(iv) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38):

On May 12, 2014, the IASB issued amendments to IAS 16 and IAS 38, Intangible Assets ("IAS 38"). The amendments made explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment, because such methods reflect factors other than the consumption of the economic benefit embodied in the asset. Chartwell intends to adopt the amendments to IAS 16 and IAS 38 in its consolidated financial statements for the annual period beginning on January 1, 2016. Chartwell does not expect the amendments to have a material impact on the consolidated financial statements.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

(v) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

On May 28, 2014, the IASB issued IFRS 15. The new standard is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. IFRS 15 will replace IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC 31, Revenue - Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS. Chartwell intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

(vi) Annual Improvements to IFRS (2012 - 2014) cycle:

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. The amendments clarify requirements of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, IFRS 7, Financial Instruments - Disclosures, IAS 19, Employee Benefits, and IAS 34, Interim Financial Reporting. Chartwell intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

2. Significant accounting policies (continued):

(vii) Amendments to IAS 1:

On December 18, 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. Chartwell intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

3. Acquisitions:

(a) Acquisitions during the year ended December 31, 2014:

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	January 2, 2014	July 3, 2014	July 18, 2014	
Segment	Canadian Retirement Operations			
Location	Province of Ontario (113 suites)	Province of Québec (151 suites)	Province of Québec (267 suites)	Total
PP&E	\$ 21,333	\$ 21,750	\$ 43,378	\$ 86,461
Other assets	—	—	907	907
Mortgages assumed	(15,200)	—	(27,853)	(43,053)
Net assets acquired	\$ 6,133	\$ 21,750	\$ 16,432	\$ 44,315
Cash consideration	\$ 6,133	\$ 21,750	\$ 16,432	\$ 44,315
Mortgages assumed	15,200	—	27,853	43,053
Total consideration transferred	\$ 21,333	\$ 21,750	\$ 44,285	\$ 87,368

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

3. Acquisitions (continued):

On January 2, 2014, Chartwell acquired the remaining 66.67% interest in Robert Speck Retirement Residence ("Robert Speck") (113 suites) from its joint operating partners. Upon completion of this transaction, Chartwell owned 100% interest in the property. The purchase price for the remaining 66.67% was \$21,333. Since the Robert Speck acquisition was completed in steps, IFRS required Chartwell to remeasure its original 33.33% interest to fair value. This remeasurement has resulted in an increase in value of \$435, which has been recognized as a gain in other income in the consolidated statements of comprehensive income (loss). The net book value of the original 33.33% interest prior to this acquisition was \$10,231. Robert Speck has contributed revenue of \$3,009 and net loss of \$1,886 since the acquisition date. Chartwell incurred acquisition-related costs of \$355, which have been expensed in other income in the consolidated statements of comprehensive income (loss).

On July 3, 2014, Chartwell acquired a 100% interest in a 151-unit independent supported living residence located in Gatineau, Québec. The purchase price before closing costs was \$21,750. The property has contributed revenue of \$1,701 and net loss of \$267 since the acquisition date. Chartwell incurred acquisition-related costs of \$395, which have been expensed in other income in the consolidated statements of comprehensive income (loss).

On July 18, 2014, Chartwell acquired an 85% interest in two retirement residences (a 169-suite independent supported living retirement residence and a 98-suite assisted living retirement residence) and a medical office building, located in Ste. Eustache, Quebec from entities affiliated with Batimo Inc. ("Batimo"). The purchase price was \$44,285. The properties have contributed revenue of \$2,987 and net loss of \$432 since the acquisition date. Chartwell incurred acquisition-related costs of \$1,067, which have been expensed in other income in the consolidated statements of comprehensive income (loss).

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

3. Acquisitions (continued):

(b) Acquisitions during the year ended December 31, 2013:

Chartwell completed three acquisitions for the year ended December 31, 2013. Purchases completed include the acquisition of 100% ownership interest in Cite-Jardin complex in Gatineau, Quebec on June 19, 2013, a 100% interest in Ridgpointe, Kamloops, British Columbia on August 14, 2013 and a 100% ownership interest in Cedarbrooke Chateau on October 25, 2013. The following table summarizes the allocation of the purchase price to each major category of assets acquired and liabilities assumed at the date of acquisition and the major categories of consideration transferred at Chartwell's ownership:

Date of acquisition	June 19, 2013	August 14, 2013	October 25, 2013	
Segment	Canadian Retirement Operations			
Location	Province of Quebec (236 suites)	Province of British Columbia (109 suites)	Province of British Columbia (138 suites)	Total
PP&E	\$ 19,000	\$ 21,500	\$ 27,000	\$ 67,500
Other liabilities	–	(191)	–	(191)
Net assets acquired	\$ 19,000	\$ 21,309	\$ 27,000	\$ 67,309
Cash consideration	\$ 19,000	\$ 21,309	\$ 27,000	\$ 67,309
Total consideration transferred	\$ 19,000	\$ 21,309	\$ 27,000	\$ 67,309

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

4. Property, plant and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost						
Balance, January 1, 2013	\$ 329,602	\$ 2,701,018	\$ 79,048	\$ 26,076	\$ 23,774	\$ 3,159,518
Additions	—	51,982	10,379	21,418	—	83,779
Additions through business combinations	6,636	57,774	1,490	—	1,600	67,500
Disposals	(5,591)	(76,584)	(2,155)	—	—	(84,330)
Derecognition	—	(22,508)	(2,345)	—	—	(24,853)
Development costs allocable to capital funding receivable	—	—	—	(14,443)	—	(14,443)
Transfers	—	2,474	126	(2,060)	(540)	—
Exchange differences on translation of United States Operations	5,804	49,045	1,886	9	526	57,270
Balance, December 31, 2013	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 13)	(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
Accumulated depreciation and impairment losses						
Balance, January 1, 2013	\$ —	\$ 433,427	\$ 38,238	\$ 2,422	\$ —	\$ 474,087
Depreciation	—	150,349	16,630	—	—	166,979
Disposals	—	(19,579)	(1,779)	—	—	(21,358)
Derecognition	—	(22,508)	(2,345)	—	—	(24,853)
Impairment	—	10,399	—	—	1,103	11,502
Exchange differences on translation of United States Operations	—	8,835	1,109	—	—	9,944
Balance, December 31, 2013	—	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 13)	—	(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
Carrying amounts						
Balance, December 31, 2013	\$ 336,451	\$ 2,202,278	\$ 36,576	\$ 28,578	\$ 24,257	\$ 2,628,140
Balance, December 31, 2014	327,865	2,090,700	32,692	12,236	26,108	2,489,601

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

4. Property, plant and equipment (continued):

On January 2, 2014, Chartwell completed the step acquisition of Robert Speck, purchasing the remaining 66.67% interest in the property for \$21,333. As required under IFRS, the 100% fair value of assets acquired of \$32,000 is included in additions through business combinations, and the fair value of the previously held 33.33% interest of \$10,666 is included in disposals in the table above.

During the year ended December 31, 2014, Chartwell transferred two properties from properties under development to operating.

Chartwell capitalized \$336 of borrowing costs related to development projects under construction for the year ended December 31, 2014, at an average capitalization rate of 4.96%. During the year ended December 31, 2013, Chartwell capitalized \$1,286 of borrowing costs related to development projects under construction at an average capitalization rate of 5.15%.

During the years ended December 31, 2014 and 2013, Chartwell completed sales of various properties located in Canada and the U.S. (note 20).

For the year ended December 31, 2014 Chartwell completed an assessment of PP&E to determine if any events have occurred that would indicate possible impairment of PP&E. Chartwell concluded that no impairment existed.

Chartwell completed an assessment of PP&E for possible impairment events for the year ended December 31, 2013. For two CGU's and land held for development included in Canadian Retirement Operations and one CGU in United States Operations, indicators existed including decreases in net operating income, occupancy, competition in local market areas, and changes in services, such that the asset's recoverable amount, determined to be its fair value less cost to sell, may be lower than its carrying amount. Fair value less costs to sell was determined using a discounted cash flow analysis. The discounted cash flow method discounts the expected future cash flows, including the terminal value, at an appropriate market rate commensurate with the risk of the underlying cash flows. The terminal value is based on the application of a capitalization rate to estimated stabilized net operating income. The key assumptions used in the analysis include capitalization and discount rates between 7.5% and 9%. Adjustments and capitalization rates were determined as management estimates based on review of market conditions and recent transactions. As a result of the assessment completed, an impairment loss of \$11,502 was recognized in other expense (income) (note 20).

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

5. Intangible assets:

	Licenses	Other ⁽¹⁾	Total
Cost			
Balance, December 31, 2012	\$ 44,334	\$ 14,459	\$ 58,793
Additions	—	724	724
Exchange differences on translation of United States Operations	—	598	598
Balance, December 31, 2013	44,334	15,781	60,115
Additions	—	96	96
Transfers	—	1,290	1,290
Derecognition	—	(214)	(214)
Exchange differences on translation of United States Operations	—	834	834
Balance, December 31, 2014	\$ 44,334	\$ 17,787	\$ 62,121
Accumulated amortization and impairment losses			
Balance, December 31, 2012	\$ —	\$ 8,018	\$ 8,018
Amortization	—	1,974	1,974
Exchange differences on translation of United States Operations	—	346	346
Balance, December 31, 2013	—	10,338	10,338
Amortization	—	2,404	2,404
Derecognition	—	(214)	(214)
Exchange differences on translation of United States Operations	—	568	568
Balance, December 31, 2014	\$ —	\$ 13,096	\$ 13,096
Carrying amounts			
Balance, December 31, 2013	\$ 44,334	\$ 5,443	\$ 49,777
Balance, December 31, 2014	44,334	4,691	49,025

⁽¹⁾Other intangible assets consist of the allocated cost of acquired operating leases of seniors housing properties, below-market management contracts and software costs.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

5. Intangible assets (continued):

Chartwell completed its annual impairment assessment of the carrying value of licences, which are intangible assets with indefinite useful lives, on November 30, 2014, and November 30, 2013. Chartwell completed the assessment of the recoverable amount of these licences by comparing the fair value less costs to sell, determined using the discounted cash flow method, to the carrying value of the licences related CGUs. The discounted cash flow method discounts the expected future cash flows, including the terminal value, at an appropriate market rate commensurate with the risk of the underlying cash flows. The terminal value is based on the application of a capitalization rate to estimated stabilized net operating income. The key assumptions used in the analysis include capitalization rates between 7.5% and 11% and a discount rate of 8.5% to 11%. Adjustments and capitalization rates were determined as management estimates based on review of market conditions, recent transactions and financing consideration. Chartwell determined that fair value less costs to sell exceeded the carrying value of the CGUs for the years ended December 31, 2014 and 2013.

6. Capital funding receivable:

The following table summarizes the capital funding receivable activity:

	Amount
Balance, December 31, 2012	\$ 61,057
Development costs allocable to capital funding receivable	14,443
Capital funding applied to receivable in the year	(4,321)
Balance, December 31, 2013	71,179
Capital funding applied to receivable in the year	(4,710)
Balance, December 31, 2014	\$ 66,469
Current	\$ 4,963
Non-current	61,506
	\$ 66,469

The capital funding receivable of \$66,469 (2013 - \$71,179) represents the present value of the funding receivable from the Government of Ontario in respect of 15 long term care properties. The weighted average remaining term of this funding is approximately 11.2 years. The discount rate used on the receivables above is based on applicable Ontario Government Bond Rates. The receipt of funding for the remaining terms of the agreements is subject to the condition that the homes continue to operate as long term care communities for the remaining period.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

7. Other assets:

	2014	2013
Prepaid expenses and deposits	\$ 12,866	\$ 11,747
Restricted cash	10,256	13,355
Lease purchase option	4,232	4,547
Other assets	4,295	4,416
	<u>\$ 31,649</u>	<u>\$ 34,065</u>
Current	\$ 24,641	\$ 26,668
Non-current	7,008	7,397
	<u>\$ 31,649</u>	<u>\$ 34,065</u>

Restricted cash relates primarily to capital expenditure reserves required in the United States for certain mortgages. Included in non-current other assets are the value of lease purchase option and the unamortized value of below-market value leases.

8. Loans receivable:

Loans receivable totalling \$9,901 as at December 31, 2014 include:

Loans receivable of \$6,000, bearing interest at 8.00% and maturing on May 1, 2017. The loans are secured by charges on seven properties sold by Chartwell in 2014. The loans are cross-collateralized, contain cross-default provisions and are secured by the corporate guarantees of the purchaser of these seven properties and its related parties.

A mezzanine loan of \$1,455 to Batimo for the development of a 90-suite retirement residence. This loan bears interest at 10.00%, matures on October 31, 2019, and is secured by first and second charges on Batimo's interests in certain operating and development seniors' housing projects and vacant land, as well as by Batimo's corporate guarantee. The loan has a five-year term to maturity which can be extended by an additional two years subject to satisfaction of certain conditions by the borrower.

Two other loans to Batimo totalling \$2,446. These loans have five-year terms to maturity, bear interest at 8.00%, mature on October 31, 2019, and are secured similar to the loans receivable from Batimo described above. All loans to Batimo contain certain cross-collateralization and cross-default provisions.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

9. Joint arrangements:

The following are Chartwell's joint arrangements:

Joint arrangements	Number of properties	Location	Chartwell ownership	Consolidation type
Chartwell-HCN Landlord ⁽¹⁾	39	Canada	50%	Joint operation
Chartwell-HCN Operator ⁽¹⁾	39	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
Bristol Holdings LLC (U.S.) ("Bristol") ⁽³⁾	5	United States	50%	Joint venture ⁽²⁾

⁽¹⁾Chartwell directly holds its interest in real estate while its interest in operations is held through separate legal entities. On July 2, 2014, the joint venture disposed of one property's assets and liabilities.

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

⁽³⁾Chartwell owns a 50% interest in a joint venture that owned and operated five properties located in New York State. On February 13, 2013, the joint venture disposed of a majority of the properties' assets and liabilities.

Chartwell has entered into joint arrangements in respect of certain of its seniors housing operations as detailed in the table above. These joint arrangements have the benefit of allocating the risks associated with ownership and management of such seniors housing properties between the parties (note 17). These joint arrangements are consistent with Chartwell's strategy by allowing a presence in markets or properties Chartwell otherwise would not have had access to. Chartwell may be exposed to adverse developments, including a possible change in control, in the business and affairs of its joint arrangement partners which could have a significant impact on, or termination of, Chartwell's interests in its joint arrangements and could affect the value of the joint arrangements to Chartwell and/or cause Chartwell to incur additional costs, or loss of management revenue, if it were to solely undertake the operations of the joint arrangement. In addition, there are risks which arise from the joint arrangements themselves, including: the willingness of the other partners to contribute or withdraw funds; a change in creditworthiness of the partner; the risk that the other partners may exercise buy sell, put or other sale or purchase rights which could obligate Chartwell to sell its interest or buy the other partners interest at a price which may not be favourable to Chartwell or at a time which may not be advantageous to Chartwell, the effect of which could be materially adverse to Chartwell's financial position or resources.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

9. Joint arrangements (continued):

At December 31, 2014, Chartwell has an interest in a number of joint operations located in Canada, which have been accounted for under the proportionate consolidation method. The following is the summarized financial information in respect of the interests in these joint operations at Chartwell's share:

	2014	2013
Current assets	\$ 7,253	\$ 8,195
Non-current assets	445,971	447,819
Total assets	\$ 453,224	\$ 456,014
Current liabilities	\$ 66,732	\$ 79,408
Non-current liabilities	237,759	211,680
Total liabilities	\$ 304,491	\$ 291,088
Total revenue	\$ 44,890	\$ 40,933
Total expenses	\$ 51,029	\$ 52,031

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

	2014	2013
Distributions received from joint ventures	\$ 6,118	\$ 47,062
Contributions to joint ventures	—	188

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

9. Joint arrangements (continued):

	2014	2013
Current assets	\$ 10,452	\$ 9,894
Non-current assets	45,613	47,332
Total assets	\$ 56,065	\$ 57,226
Current liabilities	\$ 4,560	\$ 12,811
Non-current liabilities	28,074	16,096
Total liabilities	\$ 32,634	\$ 28,907
Net investment in joint ventures	\$ 23,431	\$ 28,319

Included in current assets is \$3,705 (2013 - \$3,086) in cash and cash equivalents.

	2014	2013
Revenue	\$ 103,057	\$ 103,546
Gain on disposal of assets	—	48,947
Expenses	(101,827)	(103,424)
Chartwell's share of net income from joint ventures	\$ 1,230	\$ 49,069

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 consolidated financial statements, the related party balances are included in accounts payable and receivable, and in management fee income, as applicable. As of December 31, 2014, \$638 (2013 - \$517) of Chartwell's accounts receivable and \$5,755 (2013 - \$6,722) of Chartwell's accounts payable relate to entities in which it had investments in joint ventures. For the year ended December 31, 2014, \$5,371 (2013 - \$5,041) of Chartwell's management fees and other income related to entities in which it had an investment in joint ventures.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

9. 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 are held through separate legal entities (collectively referred to as "Chartwell-HCN operator") and under IFRS 11 are accounted for as joint ventures using the equity method. As a result of this relationship, included in accounts payable relate to entities in which Chartwell investments in joint ventures, as noted above, is \$1,901 (2013 - \$2,927) as a result of transactions between properties landlords and Chartwell-HCN operator.

Chartwell-HCN operators have leased the real estate from the landlords under their respective lease agreements. The terms of these leases are for three-year periods, with automatic renewal terms as long as the joint arrangement between Chartwell and HCN is still in effect. Lease payments vary for each property and include annual adjustments based upon agreed financial ratios. As a result, Chartwell's 50% interest of the landlords' lease receipts, \$32,636 for the year ended December 31, 2014 (2013 - \$31,386), is reported as lease revenue and is included in lease revenue from joint ventures. Chartwell-HCN operator lease expense is included in the share of joint venture income (loss) in the consolidated statements of comprehensive income (loss).

On February 13, 2013, Chartwell's joint venture, Bristol completed the previously announced sale of a five-property portfolio in the United States. The sale price for 100% interest was \$290,580 (U.S. \$290,000) and was satisfied by the purchasers assuming mortgages in the amount of \$198,095 (U.S. \$197,700), with the balance of the purchase price, subject to closing adjustments and escrow requirements paid in cash. As a result of this sale of assets, Chartwell's share of net income includes a gain of \$48,947 (U.S. \$48,460), before transaction costs. Chartwell received a distribution from Bristol of \$46,337 (U.S. \$45,967) in the year ended December 31, 2013.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

10. Secured debt:

(a) Mortgages payable:

Mortgages payable are secured by first and second charges on Chartwell specific properties and are measured at amortized cost. For more information about Chartwell's exposure to interest rates, foreign currency and liquidity risks, see note 17.

The mortgages payable as at December 31, 2014 are as follows:

	Regular principal	Principal due on maturity	Total	% of total
2015	\$ 56,512	\$ 315,887	\$ 372,399	19
2016	51,344	277,555	328,899	17
2017	45,821	239,221	285,042	15
2018	43,741	70,073	113,814	6
2019	42,753	10,591	53,344	3
2020	43,223	53,562	96,785	5
2021	41,617	50,150	91,767	5
2022	38,491	62,200	100,691	5
2023	33,684	58,992	92,676	5
2024	24,198	127,722	151,920	8
2025	18,473	9,697	28,170	1
Thereafter	163,550	42,764	206,314	11
	<u>\$ 603,407</u>	<u>\$ 1,318,414</u>	1,921,821	<u>100</u>
Mark-to-market adjustments on acquisition			13,936	
Financing costs			(18,681)	
			<u>\$ 1,917,076</u>	
Current			\$ 372,184	
Non-current			1,544,892	
			<u>\$ 1,917,076</u>	

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

10. Secured debt (continued):

	2014	2013
Mortgages at fixed rates:		
Mortgages (principal)	\$1,780,444	\$1,851,417
Interest rates	1.96% - 8.51%	1.96% - 10.00%
Weighted average interest rate	4.91%	5.10%
Mortgages at variable rates:		
Mortgages (principal)	\$141,377	\$153,596
Interest rates	Lender COF plus 2.00% to prime plus 2.50%	Lender COF plus 2.00% to prime plus 2.50%
Weighted average interest rate	4.23%	4.09%
Blended weighted average rate	4.86%	5.02%

(b) Credit facilities:

- (i) On June 22, 2013, Chartwell renewed its Canadian Credit Facility for a two-year term expiring on June 22, 2015. During 2014, the borrowing capacity was increased to \$105,000. 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 December 31, 2014, the maximum available borrowing capacity under the Canadian Credit Facility was \$105,000 (2013 - \$91,745) based on the security provided. Of this capacity, \$4,869 (2013 - \$2,686) has been allocated to support various letters of credit issued by Chartwell. As at December 31, 2014, \$45,500 (2013 - \$27,000) was outstanding under the Canadian Credit Facility.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

10. Secured debt (continued):

- (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. At December 31, 2014, maximum available borrowing capacity under the U.S. Credit Facility was \$27,407 (U.S. \$23,625). As at December 31, 2014, there was no outstanding balance under the U.S. Credit Facility.

11. Convertible debentures:

Chartwell has elected to designate convertible debentures as FVTPL. Fair value is determined using the market prices for these listed convertible debentures. As inputs are unadjusted, quoted prices of identical instruments in active markets convertible debentures are considered Level 1 in the fair value hierarchy. The market price of the 5.7% convertible debentures at December 31, 2014 was \$112 (2013 - \$106.67).

	2014	2013
5.7% convertible debentures:		
Principal	\$ 135,000	\$ 135,000
Fair value	151,200	144,005

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

11. Convertible debentures (continued):

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.

The 5.7% convertible debentures are not redeemable by Chartwell before March 31, 2015, except in the event of satisfaction of certain conditions after a change in control has occurred. 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.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

12. Accounts payable and other liabilities:

	Note	2014	2013
Accounts payable and accrued liabilities		\$ 95,413	\$ 104,518
Resident deposits		2,662	3,220
Deferred revenue		9,614	9,827
Deferred Trust Units	(a)	8,269	6,080
Restricted Trust Units	(b)	1,406	856
LTIP option component	(c)	6,857	4,519
		\$ 124,221	\$ 129,020

(a) Deferred Unit Plan:

Chartwell provides a Deferred Unit Plan for its independent directors. The plan entitles directors, at their option, to receive all, 75%, 50% or 25% of their directors' fees in the form of Deferred Trust Units. Chartwell matches, on a one-on-one basis, the number of Trust Units elected to be received by directors. The number awarded is based on the fair market value of Chartwell Units, as defined in the plan, on the award date. The Deferred Trust Units earn additional Deferred Trust Units related to distributions that would otherwise have been paid if Trust Units, as opposed to Deferred Trust Units, had been issued on the date of the grant. The number of Deferred Trust Units issued in regard to distributions is based on the fair market value of Trust Units, as defined in the plan, on the date distributions are paid. Deferred Trust Units cannot be distributed to the directors until after they retire from the board.

As described in note 2(i)(iii), under IFRS, this plan is considered a cash-settled plan with the value of issued units recorded as a liability on the consolidated balance sheets. Deferred Trust Units values are initially calculated based on the grant date fair value. Fair value is determined using the market prices for listed Trust Units since there is a one-for-one conversion feature. The liability is remeasured to fair value at each reporting date until the liability is settled. The liability is released to equity after retirement of the director. The market ask price of Trust Units as at December 31, 2014 was \$11.95 (2013 - \$10.00).

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

12. Accounts payable and other liabilities (continued):

The following table summarizes the Deferred Trust Unit activity:

	Units outstanding	Amount
Balance, December 31, 2012	485,505	\$ 5,292
Units granted	94,378	958
Change in fair value	28,103	(170)
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	31,050	1,588
Balance, December 31, 2014	692,049	\$ 8,269

(b) Restricted Unit Plan:

Under the terms of the Restricted Unit Plan, qualified employees are granted notional Trust Units on an annual basis which will vest three years after the date of any grant and will be paid out in cash. The notional Trust Units earn additional notional Trust Units related to distributions that would otherwise have been paid if Trust Units had been issued on the date of the grant. The number of notional Trust Units issued in regard to distributions is based on the fair market value of Trust Units, as defined in the plan, on the date distributions are paid. Restricted Units are recognized as compensation expense over the service period, with the corresponding amount recorded as a liability on the consolidated balance sheets. The liability is remeasured to fair value at each reporting date until the liability is settled. The Restricted Unit Plan is payable on vesting to certain participants, based on the extent to which Chartwell has achieved certain adjusted funds from operations targets over a three-year period.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

12. Accounts payable and other liabilities (continued):

During the year ended December 31, 2014, 194,141 notional Trust Units were issued (2013 - 79,880), 27,289 notional Trust units were cancelled (2013 - 13,859), 15,935 notional Trust units were issued related to reinvested distributions (2013 - 11,403), and 81,947 notional Trust units vested and were paid out (2013 - 62,792). At December 31, 2014, 269,818 notional Trust Units remained outstanding (2013 - 168,978).

(c) LTIP (note 15(b)):

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:

	2014	2013
Expected volatility	10.68% - 15.68%	16.65% - 21.65%
Risk-free rate	2.32% - 2.69%	1.41% - 3.13%
Distribution yield	5.30%	5.76% - 6.48%

13. Assets held for sale and related liabilities:

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 December 31, 2014 of \$5,388, 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 RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

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

The following table summarizes the significant assets held for sale and related liabilities on December 31, 2014:

Assets:	
Trade and other receivables	\$ 95
Other assets	180
PP&E, net	5,031
	<hr/>
	\$ 5,306
Liabilities:	
Accounts payable and other liabilities	\$ 698
Mortgages payable	5,388
	<hr/>
	\$ 6,086

14. 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. As 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 December 31, 2014 was \$11.95 (2013 - \$10.00).

Holders of the Class B Units are entitled to receive distributions equal to those provided to holders of Trust Units. Under IFRS, these distributions are included in finance costs in the consolidated statements of comprehensive income (loss).

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

14. Class B Units (continued):

	Units outstanding	Amount
Balance, December 31, 2012	1,679,128	\$ 18,302
Exchange of Class B Units into Trust Units	(20,816)	(228)
Change in fair value	—	(1,491)
Balance, December 31, 2013	1,658,312	16,583
Exchange of Class B Units into Trust Units	(16,989)	(178)
Change in fair value	—	3,209
Balance, December 31, 2014	1,641,323	\$ 19,614

15. Unitholders' equity and LTIP:

(a) Trust Units:

Chartwell is authorized to issue unlimited Trust Units.

Trust Units are redeemable at any time, in whole or in part, on demand by holders. Upon receipt of redemption notice by Chartwell, all rights to and under Trust Units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per Trust Unit equal to the lesser of:

- (i) 90% of the "market price" of the Units on the principal market on which the units are quoted for trading during the 10-trading-day period ending immediately prior to the date on which the units were surrendered for redemption; and
- (ii) 100% of the "closing market price" on the principal market on which the units are listed for trading on the redemption date.

The aggregate redemption price payable by Chartwell in respect of any Trust Units surrendered for redemption during any calendar month shall not exceed \$50 unless waived at the discretion of Trustees and satisfied by way of cash payment in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption. To the extent the redemption price payable in respect of Trust Units surrendered for redemption exceeds \$50 in any given month, such excess will be satisfied by way of a distribution in species of assets held by Chartwell.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

15. Unitholders' equity and LTIP (continued):

The following Trust Units are issued and outstanding:

	Number of Trust Units	Amount
Balance, December 31, 2012	169,441,855	\$ 1,702,685
Trust Units issued under DRIP	1,920,043	19,058
Trust Units issued in exchange of Class B Units	20,816	228
Trust Units released on settlement of LTIP receivable	261,268	2,593
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

(b) LTIP:

Chartwell has established an LTIP, under which the eligible participants may subscribe for Trust Units for a purchase price equal to the weighted average trading price of the units for 20 trading days preceding the date of issuance. Participants are required to pay interest on the unpaid balance of the purchase price at a rate not less than the rate prescribed under the Income Tax Act (Canada) at the time Trust Units under the LTIP are issued. All distributions on Trust Units under the LTIP are applied as payments, first of interest and then of balance toward reduction of the principal of the LTIP receivable. Trust Units issued under the LTIP are held as security for the outstanding LTIP receivable. Participants may prepay the principal at their discretion and receive the Trust Units. If a participant elects to withdraw from the plan without paying the balance of the LTIP receivable in full, Chartwell may elect to sell Trust Units issued under the LTIP in satisfaction of the outstanding LTIP receivable. Chartwell's recourse is limited to Trust Units it holds as security. On May 15, 2014, the LTIP was amended, such that the period for payment for the exercise of terms of the LTIP awards was extended from 10 to 20 years, for LTIP awards issued before April 1, 2014. Future LTIP awards will be limited to senior executives, continue to have 10-year terms and vest immediately.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

15. Unitholders' equity and LTIP (continued):

An aggregate of 5,900,890 Trust Units are reserved for issuance pursuant to the LTIP, of which 2,976,781 were available to be issued at December 31, 2014.

The following table summarizes Trust Units issued under the LTIP:

	Number of Trust Units issued under LTIP	Amount
Balance, December 31, 2012	2,207,464	\$ 25,425
Trust Units issued under LTIP	296,023	3,215
Trust Units surrendered for cancellation under LTIP	(349,145)	(4,753)
Trust Units released on settlement of LTIP receivable	(261,268)	(2,593)
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

The compensation expense attributable to the LTIP of \$507 for the year ended December 31, 2014 (2013 - \$563) is included in general, administrative and trust expenses with a corresponding amount included in accounts payable and other liabilities. The LTIP receivable is also recognized in unitholders' equity. Distributions received on Trust Units issued under the LTIP are charged to unitholders' equity while interest received on LTIP receivable is credited to distributions.

(c) DRIP:

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

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

16. Segmented information:

Chartwell monitors and operates its Canadian Retirement, Canadian Long Term Care and United States Operations separately. The accounting policies of each of the segments are the same as those for Chartwell, however, these segments include Chartwell's proportionate share of its joint ventures. The "Reconciliation" column adjusts the segmented results to account for these joint ventures using the equity method of accounting as applied in these consolidated financial statements. Certain general, administrative and trust expenses, fair value adjustments to financial instruments and deferred income taxes 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 Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per unit amounts)

Years ended December 31, 2014 and 2013

16. Segmented information (continued):

2014	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Revenue:								
Resident Management and other fees	\$ 497,645	\$ 216,677	\$ 213,428	\$ 927,750	\$ —	\$ 927,750	\$ (103,057)	\$ 824,693
Lease revenue from joint ventures	—	—	—	—	7,551	7,551	—	7,551
Interest on loans receivable	—	—	—	—	—	—	32,636	32,636
	—	—	—	—	461	461	—	461
	497,645	216,677	213,428	927,750	8,012	935,762	(70,421)	865,341
Expenses:								
Direct operating	323,091	187,877	146,154	657,122	—	657,122	(64,624)	592,498
General, administrative and trust	—	—	—	—	31,582	31,582	—	31,582
	323,091	187,877	146,154	657,122	31,582	688,704	(64,624)	624,080
Income (loss) before the undernoted ⁽¹⁾	174,554	28,800	67,274	270,628	(23,570)	247,058	(5,797)	241,261
Finance costs (recovery):								
Contractual interest	56,186	12,167	33,300	101,653	9,451	111,104	(1,494)	109,610
Other	72	(981)	1,745	836	1,080	1,916	(30)	1,886
Property lease expense	126	269	2,368	2,763	—	2,763	—	2,763
Other expense (income):								
Interest	(169)	(3,571)	(6)	(3,746)	(1,161)	(4,907)	128	(4,779)
Other	(5,839)	(5)	(37,616)	(43,460)	(45)	(43,505)	(154)	(43,659)
Depreciation and amortization	111,408	10,772	48,036	170,216	2,619	172,835	(2,972)	169,863
Share of net income from joint ventures	—	—	—	—	—	—	(1,230)	(1,230)
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	87	—	768	855	15,570	16,425	(40)	16,385
	161,871	18,651	48,595	229,117	27,514	256,631	(5,792)	250,839
Income (loss) before income taxes	12,683	10,149	18,679	41,511	(51,084)	(9,573)	(5)	(9,578)
Income taxes (recovery)	—	—	926	926	(2,220)	(1,294)	(5)	(1,299)
Net income (loss)	\$ 12,683	\$ 10,149	\$ 17,753	\$ 40,585	\$ (48,864)	\$ (8,279)	\$ —	\$ (8,279)
Expenditures for non-current assets:								
Acquisition properties	\$ 97,128	\$ —	\$ —	\$ 97,128	\$ —	\$ 97,128	\$ —	\$ 97,128
Capital and intangible assets additions	58,120	7,947	18,172	84,239	3,227	87,466	(1,296)	86,170

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

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

16. Segmented information (continued):

2013	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Revenue:								
Resident Management and other fees	\$ 487,081	\$ 210,691	\$ 224,888	\$ 922,660	\$ –	\$ 922,660	\$ (103,546)	\$ 819,114
Lease revenue from joint ventures	–	–	–	–	7,925	7,925	–	7,925
Interest on loans receivable	–	–	–	–	–	–	31,386	31,386
	–	–	–	–	154	154	–	154
	487,081	210,691	224,888	922,660	8,079	930,739	(72,160)	858,579
Expenses:								
Direct operating	317,597	182,510	151,125	651,232	–	651,232	(65,244)	585,988
General, administrative and trust	–	–	–	–	31,016	31,016	–	31,016
	317,597	182,510	151,125	651,232	31,016	682,248	(65,244)	617,004
Income (loss) before the undernoted ⁽¹⁾	169,484	28,181	73,763	271,428	(22,937)	248,491	(6,916)	241,575
Finance costs (recovery):								
Contractual interest	55,472	12,993	40,719	109,184	6,841	116,025	(2,370)	113,655
Other	(445)	(1,616)	1,117	(944)	1,065	121	(60)	61
Property lease expense	126	269	2,278	2,673	–	2,673	–	2,673
Other expense (income):								
Interest	(228)	(3,750)	(14)	(3,992)	(109)	(4,101)	76	(4,025)
Other	11,774	–	(65,865)	(54,091)	736	(53,355)	48,118	(5,237)
Depreciation and amortization	103,692	12,010	54,279	169,981	2,583	172,564	(3,611)	168,953
Share of net income from joint ventures	–	–	–	–	–	–	(49,069)	(49,069)
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	40	(294)	–	(254)	(9,326)	(9,580)	–	(9,580)
	170,431	19,612	32,514	222,557	1,790	224,347	(6,916)	217,431
Income (loss) before income taxes	(947)	8,569	41,249	48,871	(24,727)	24,144	–	24,144
Income tax expense	–	–	260	260	–	260	–	260
Net income (loss)	\$ (947)	\$ 8,569	\$ 40,989	\$ 48,611	\$ (24,727)	\$ 23,884	\$ –	\$ 23,884
Expenditures for non-current assets:								
Acquisition properties	\$ 67,500	\$ –	\$ –	\$ 67,500	\$ –	\$ 67,500	\$ –	\$ 67,500
Capital and intangible assets additions	56,549	12,541	13,543	82,633	3,912	86,545	(2,042)	84,503

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

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

16. Segmented information (continued):

2014	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Total assets	\$ 1,832,749	\$ 283,656	\$ 597,438	\$ 2,713,843	\$ 20,484	\$ 2,734,327	\$ (29,078)	\$ 2,705,249
Total liabilities	\$ 1,291,652	\$ 220,117	\$ 542,218	\$ 2,053,987	\$ 246,742	\$ 2,300,729	\$ (29,078)	\$ 2,271,651

2013	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Total assets	\$ 1,869,445	\$ 290,022	\$ 692,080	\$ 2,851,547	\$ 11,675	\$ 2,863,222	\$ (25,260)	\$ 2,837,962
Total liabilities	\$ 1,273,330	\$ 234,069	\$ 633,284	\$ 2,140,683	\$ 213,305	\$ 2,353,988	\$ (25,260)	\$ 2,328,728

17. Financial instruments and financial risk management:

(a) Classification, carrying values and fair values of financial instruments:

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

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Financial assets recorded at amortized cost:				
Loans receivable	\$ 9,901	\$ 9,901	\$ —	\$ —
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	1,917,076	2,017,753	2,004,236	2,025,702
Credit Facility	45,500	45,500	27,000	27,000

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

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

Fair value represents management's estimates of the market value at a given point in time, which may not reflect fair value in the future. These calculations are subjective, 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 consolidated 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 December 31, 2014, the mortgages payable were discounted using rates between 2.01% and 4.58% (2013 - 2.03% and 5.49%). 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.

(b) Financial risk management objectives and policies:

In the normal course of business, Chartwell is exposed to risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for unitholder returns. Chartwell is exposed to financial instrument risks that arise from the fluctuation of interest rates, the credit quality of its residents and borrowers pursuant to mezzanine and other loans, and risks of changes in foreign exchange rates, and rent and care legislation by provincial governments.

The Board of Trustees has overall responsibility for the establishment and oversight of Chartwell's risk management framework. Management is responsible for developing and monitoring Chartwell's risk management policies and reports regularly to the Board of Trustees on its activities.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

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

There have been no significant changes to Chartwell's risk management policies and strategies since December 31, 2013.

These financial instrument risks are managed as follows:

(i) Credit risk:

Chartwell is exposed to credit risk arising from the possibility that parties responsible for payment of fees or the borrowers of mezzanine and other loans may experience financial difficulty and be unable to fulfill their contractual obligations. Chartwell has two significant categories of receivables: resident receivables and funding from various provincial governments.

Chartwell regularly monitors the credit risk exposure and takes steps to mitigate the likelihood that these exposures will result in an actual loss.

In the event that Chartwell's borrowers face financial difficulty and are not able to meet their commitments to their lenders, including Chartwell, Chartwell could suffer a loss of either interest or principal or both on the loans it has advanced, since other lenders will rank ahead of Chartwell in any recovery. To decrease the credit risk exposure the loans are secured by second charges of the borrowers' interests in development projects or secured by subordinate charges on properties.

Chartwell's exposure to credit risk from resident receivables is influenced mainly by the individual characteristics of each resident, the demographics of its resident base and general economic conditions. Due to the nature of Chartwell's business and geographic spread of its resident base, there is no significant concentration of receivables from residents.

Receivables from provincial governments represent capital and operating funding for licensed long term care properties primarily from agencies of the Government of Ontario. Management believes that collection risk on these receivables is not significant.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

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

Generally, the carrying amount on the consolidated balance sheets of Chartwell's financial assets exposed to credit risk, net of applicable loss allowances, represents Chartwell's maximum exposure to credit risk. Chartwell limits its exposure to credit risk related to derivatives by transactions with counterparties that are stable and of high credit quality.

Accounts receivable from residents are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a resident will default. Chartwell records an allowance for doubtful accounts when accounts are determined to be uncollectible. At December 31, 2014, outstanding residents receivables were \$4,053 (2013 - \$3,757), net of an impairment reserve of \$1,370 (2013 - \$1,620).

(ii) Liquidity risk:

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to Chartwell to fund its growth program and refinance or meet its payment obligations as they arise.

Chartwell's principal liquidity needs arise from working capital requirements, debt servicing and repayment obligations, planned funding of maintenance, leasing costs and distributions to unitholders, and possible property acquisition funding requirements.

The above liquidity needs are funded from cash flows from operating the property portfolio, with the exception of debt repayment obligations and property acquisition funding requirements. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of this strategy. If this strategy is unsuccessful, other sources of funding include additional draws on the Credit Facility, raising funds by refinancing existing mortgages, arranging new mortgage financing, issuing units, convertible debentures or selling properties. At December 31, 2014, Chartwell had \$10,927 in cash and \$54,631 available and undrawn on the Canadian Credit Facility and \$27,407 available on the U.S. Credit Facility (note 10(b)).

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to Chartwell or on any terms at all. Management mitigates this risk by staggering debt maturities and through the use of programs, such as CMHC-insured mortgages.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

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

There is also a risk that the Credit Facilities will not be renewed on terms and conditions acceptable to Chartwell or on any terms at all.

Chartwell's major contractual obligations as at December 31, 2014 are detailed in note 24.

(iii) Market risk:

Market risk is the risk of an adverse financial impact due to a change in market conditions, such as foreign exchange rates, interest rates and equity prices that will affect Chartwell's income or the value of its holdings of financial instruments. Chartwell may buy derivative instruments in the ordinary course of business, and also may incur financial liabilities, in order to manage potential market risks.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Chartwell is exposed to interest rate risk on its floating-rate debt on an ongoing basis and its fixed-rate debt upon renewal. At December 31, 2014, \$186,877 (2013 - \$180,596) of Chartwell's mortgages and loans payable bear interest at floating rates. To mitigate interest rate risk, Chartwell fixes or otherwise limits the interest rate on its long term debt to the extent possible on renewal. It may also enter into derivative financial instruments from time to time to mitigate interest rate risk. Generally, Chartwell fixes the term of long term debt within a range of 5 to 30 years. To limit exposure to the risk of higher interest rates at renewal, Chartwell spreads the maturities of its fixed-rate, long term debt over time.

At December 31, 2014, Chartwell's interest-bearing financial instruments were:

	Carrying amount	
	2014	2013
Fixed-rate financial liabilities	\$ 1,915,444	\$ 1,986,417
Variable-rate financial liabilities	\$ 186,877	\$ 180,596

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

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

A change in interest rates at December 31, 2014 would not affect net income with respect to the fixed-rate instruments. Therefore, no sensitivity analysis is provided for the fixed-rate instruments.

An increase/decrease of 100 basis points in interest rates at December 31, 2014 for the variable-rate financial instruments would have increased/decreased the loss for the year by \$1,869 (on a pre-tax basis).

(b) Foreign currency rate risk:

At December 31, 2014, through its United States Operations, 22% (2013 - 24%) of Chartwell's assets and 23% (2013 - 28%) of Chartwell's mortgages payable were held in the United States and 23% (2013 - 24%) of its revenue was generated in the United States. Foreign currency exchange risk results from changes in the exchange rate between Chartwell's reporting currency (Canadian dollar) and the U.S. dollar in respect of intercompany balances, cash and other U.S. dollar-denominated financial instruments, which are not a component of the United States Operations or part of the net investment in United States Operations.

Whenever possible, Chartwell strives to achieve a natural hedge to mitigate its foreign currency fluctuation risk. For example, cash flow from United States operating activities is first used for repayment of loans denominated in U.S. dollars. Chartwell may use derivative financial instruments to hedge its net foreign currency exposures. Chartwell's policy is not to use derivative financial instruments for trading or speculative purposes. These derivative instruments may or may not qualify for hedge accounting treatment in the consolidated financial statements. The United States Operations are primarily funded through U.S. dollar-denominated debt, which serves to mitigate foreign exchange risk. There were no foreign exchange hedge contracts outstanding as at December 31, 2014.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

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

Chartwell is exposed to the following currency risk on cash, intercompany balances and its net investment in United States Operations at December 31, 2014:

	U.S. dollars
Cash	\$ 1,026
Loans payable to United States Operations	(25,805)
Net exposure	\$ 24,779

A one cent change in the foreign exchange translation rate of U.S. dollars to Canadian dollars would have decreased/increased the loss for the year and decreased/increased other comprehensive loss (on a pre-tax basis) by \$248.

(iv) Reliance on government funding:

Chartwell holds licenses related to each of its long term care communities and in certain cases, retirement communities. Holders of these licenses receive funding from the relevant provincial government. During the year ended December 31, 2014, Chartwell received \$192,273 (2013 - \$190,218) in funding in respect of these licenses, which has been recorded as resident revenue, other income and capital funding receivable. Chartwell is exposed to risk related to this funding to the extent there are changes in legislation.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

18. Capital structure financial policies:

Chartwell's primary objectives in managing capital are:

- (a) to ensure that Chartwell has sufficient capital to execute on its strategic objectives, including targeted investments in maintenance and improvements of its property portfolio, development and acquisitions activities;
- (b) to achieve the lowest overall cost of capital consistent with the appropriate mix of capital elements while ensuring that Chartwell complies with certain financial and non-financial covenants included in loan agreements; and
- (c) to provide stable and growing distributions to unitholders.

In managing its capital structure, Chartwell takes into consideration various factors, including changes in economic conditions, growth of its business and risk characteristics of the underlying assets.

Management defines capital as Chartwell's total unitholders' equity and long term debt. Chartwell's long term debt primarily includes mortgages payable and convertible debentures. The issued and outstanding convertible debentures may be converted into Trust Units at the option of the holder at the specified conversion price. At the maturity date, Chartwell may elect to issue units in lieu of cash to satisfy its convertible debenture obligations. Chartwell also has access to Credit Facilities in Canada and the U.S.

The Board of Trustees is responsible for overseeing Chartwell's capital management and does so through quarterly Trustees' meetings, review of financial information and regular communication with senior management of Chartwell. The Board of Trustees also determines the level of any distributions that should be made.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

18. Capital structure financial policies (continued):

In order to maintain or adjust the capital structure, Chartwell may issue new units, buy back units, issue new debt or issue new debt to replace existing debt with different characteristics, adjust the amount of distributions paid to unitholders or undertake other activities, as deemed appropriate under specific circumstances.

Chartwell's Declaration of Trust limits the amount of indebtedness that Chartwell can incur to 60% of adjusted gross book value ("GBV"), excluding convertible debentures, or 65% of GBV, including convertible debentures ("Indebtedness ratios").

GBV means, at any time, the consolidated book value of the assets of Chartwell, as shown on Chartwell's most recent consolidated balance sheets (or if approved by a majority of the Independent Directors of Master LP at any time, the appraised value thereof), adjusted for Chartwell's line-by-line share of its joint ventures, plus the amount of accumulated depreciation and amortization shown thereon or in the notes thereto less the carrying value of any deferred consideration on business combinations in the notes thereto, plus the difference between the GBV of assets under Canadian generally accepted accounting principles and IFRS at January 1, 2010, Chartwell's effective IFRS transition date, and the related costs in respect of completed property acquisitions that were expensed in the period incurred.

Debt includes any obligation for borrowed money, any obligation incurred in connection with the acquisition of property, assets or business, other than deferred income tax liability, any capital lease obligation and any guaranteed obligations of third parties to the extent included in the consolidated balance sheets, adjusted for Chartwell's line-by-line share of its joint ventures. Debt is determined on a consolidated basis for Chartwell and its consolidated subsidiaries.

The following are the Indebtedness ratios at December 31, 2014 and 2013:

	2014	2013	Increase (decrease)
Excluding convertible debentures	51.9%	53.1%	(1.2)
Including convertible debentures	55.4%	56.6%	(1.2)

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

18. Capital structure financial policies (continued):

Chartwell's strategy for capital management is driven by policies stated under the Declaration of Trust and external requirements from certain of its lenders. Under the terms of Chartwell's loan agreements with these lenders, Chartwell is required to meet certain financial and non-financial covenants. These covenants include: maintaining minimum equity, required debt service coverage ratios, indebtedness ratios, minimum liquidity, intended property use and other covenants. There have been no changes in Chartwell's capital management strategy during the year.

19. Personnel expenses:

The analysis of employee benefits expense for the year ended December 31, 2014 and 2013, included in the consolidated statements of comprehensive income (loss) under direct operating expenses and general, administrative and trust expenses, is as follows:

	2014	2013
Salaries and wages	\$ 404,764	\$ 400,331
Post-employment benefits (defined contribution plans)	5,048	4,864
Unit-based compensation	3,149	2,542
	<u>\$ 412,961</u>	<u>\$ 407,737</u>

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

20. Other expense (income):

	2014	2013
Reversal of previously recorded provisions for impairment of mezzanine loans (a)	\$ (1,245)	\$ –
Gain on disposal of assets (b)	(42,513)	(22,186)
Gain recorded on remeasurement of previously held interest on acquisition (note 3)	(435)	–
Interest and other income (c)	(8,158)	(4,025)
Other (income)	(52,351)	(26,211)
Impairment of PP&E (note 4) (d)	–	11,502
Transaction costs arising on business acquisitions and dispositions	3,913	5,447
Other expense	3,913	16,949
Other expense (income)	\$ (48,438)	\$ (9,262)

(a) 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.

(b) Gain on disposal of assets:

On May 1, 2014, Chartwell completed the sale of a 14-property (945 suites) portfolio in Ontario. The sale price was \$65,950 and was satisfied in part by the purchaser assuming mortgages in the amount of \$19,303 and by Chartwell providing the purchaser with vendor take-back mortgages totalling \$6,000, with the balance of the purchase price, net of closing costs, was received in cash. The portfolio had a carrying amount of \$65,391 at the time of disposal. Chartwell recorded a gain on sale of assets of \$351.

On July 2, 2014, Chartwell and its joint venture partner completed the previously announced sale of a 196-suite property located in Ontario for \$24,500 for 100% interest. Chartwell owned a 50% interest in this 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.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

20. Other expense (income) (continued):

On July 30, 2014, Chartwell completed the previously announced sale of four U.S. properties, comprising 827 suites located in the U.S. (the "Portfolio"). The sale price for the Portfolio was \$146,988 (U.S. \$136,100). The balance of the purchase price, net of closing costs, was received in cash. Mortgages of \$93,145 (U.S. \$86,245), related to the properties, were discharged at closing. Chartwell recorded a gain on sale of assets of \$35,656 (U.S. \$32,600).

For the year ended December 31, 2014, Chartwell completed other disposals of assets and recorded a gain of \$731.

On October 2, 2013, Chartwell completed the previously announced sale of a seven-property portfolio in the United States. The sale price was \$83,586 (U.S. \$80,900) and was satisfied by the purchasers assuming mortgages in the amount of \$54,450 (U.S. \$52,700). On closing, \$7,749 (U.S. \$7,500) of the proceeds was used to repay the mortgage debt on one of the sold properties. The balance of the purchase price, subject to closing adjustments and escrow requirements, was received in cash. As a result of this sale, a gain of \$21,963 (U.S. \$21,257), before transaction costs, is recorded in other expense (income).

- (c) During 2014, Chartwell received \$3,379 (U.S. \$3,103) in settlement of litigation in the United States, which is recorded in interest and other income.
- (d) In 2013, Chartwell recorded impairment of \$11,502 for three properties, and land held for development located in Canada and the United States (note 4).

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

21. Finance costs:

	2014	2013
Contractual mortgage interest expense	\$ 97,119	\$ 101,727
Interest expense on convertible debentures	7,695	7,695
Credit Facility and other interest expense (a)	4,796	4,233
	109,610	113,655
Interest capitalized to properties under development	(336)	(1,286)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	1,333	452
Distributions on Class B Units recorded as interest expense	889	895
Total finance costs	\$ 111,496	\$ 113,716

(a) In 2014, Chartwell early refinanced certain 2014 and 2015 maturing mortgages incurring early mortgage repayment costs of \$2,673 (2013 - \$2,474), included in Credit Facility and other interest expense.

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

	2014	2013
Changes in fair value of convertible debentures	\$ 7,195	\$ (3,146)
Changes in fair value of interest rate swap	47	(254)
Unrealized foreign exchange loss (gain)	1,748	(1,515)
Changes in fair value of LTIP option component	1,831	(2,716)
Changes in fair value of Class B Units	3,209	(1,491)
Changes in fair value of Deferred Trust Units	1,588	(458)
Change in fair value of lease purchase option	767	—
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	\$ 16,385	\$ (9,580)

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

23. Income taxes:

The provision for income taxes in the consolidated statements of comprehensive income (loss) represents an effective tax rate different than the Canadian tax rate applicable to trusts on undistributed income of 49.53% (2013 - 49.53%). The differences for the years ended December 31 are as follows:

	2014	2013
Income (loss) before income taxes	\$ (9,578)	\$ 24,144
Income tax expense (recovery) at Canadian tax rate	\$ (4,744)	\$ 11,959
Non-deductible expenses	2,956	362
Income not subject to tax	(15,573)	(10,119)
Recovery of prior year SIFT tax	(2,218)	—
Tax benefits not recognized	22,978	22,038
Recognition of previously unrecognized tax benefits	(8,453)	(16,763)
Effect of tax rates in foreign jurisdictions	(2,167)	(4,768)
Fair value adjustments	5,257	(3,130)
Other	665	681
	\$ (1,299)	\$ 260

Deferred tax assets have not been recognized for the following temporary differences in Canada:

	2014	2013
Deductible temporary differences	\$ 61,434	\$ 20,685
Losses carried forward	24,543	29,603
	\$ 85,977	\$ 50,288

Chartwell has non-capital loss carryforwards in Canada of \$24,543, which will expire between 2015 and 2034. The deductible temporary differences do not expire under current legislation. Deferred tax assets have not been recognized in respect of these items as it is not probable that future taxable income will be available against which these tax benefits will be utilized.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

23. Income taxes (continued):

Chartwell has certain subsidiaries in the United States that are subject to tax on their taxable income at a rate of approximately 38%. Deferred tax assets have not been recognized for these subsidiaries in respect of alternative minimum tax of \$600 and the following items:

	2014	2013
Deductible temporary differences	\$ 132,950	\$ 129,221
Net operating losses	65,227	82,125
Total	\$ 198,177	\$ 211,346

Net operating losses will expire between 2028 and 2033. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which these U.S. corporate subsidiaries can utilize these tax benefits.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

24. Commitments and contingencies:

Chartwell's major contractual obligations as at December 31, 2014 are detailed in the following table:

	Note	Total	2015	2016	2017	2018	2019	Thereafter
Mortgages payable	10(a)	\$ 1,921,821	\$ 372,399	\$ 328,899	\$ 285,042	\$ 113,814	\$ 53,344	\$ 768,323
Accounts payable and other liabilities	12	124,221	124,221	—	—	—	—	—
Distributions payable		7,954	7,954	—	—	—	—	—
Convertible debentures	11	135,000	—	—	—	135,000	—	—
Credit Facility	10(b)	45,500	45,500	—	—	—	—	—
Purchase obligations	24(b)	4,191	4,191	—	—	—	—	—
Property operating leases	24(a)(i)	5,118	1,706	1,706	1,706	—	—	—
Other operating leases	24(a)(iii)	8,775	1,306	1,164	1,129	1,129	1,129	2,918
Land leases	24(a)(ii)	14,875	395	395	395	395	395	12,900
Total contractual obligations		\$ 2,267,455	\$ 557,672	\$ 332,164	\$ 288,272	\$ 250,338	\$ 54,868	\$ 784,141

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

24. Commitments and contingencies (continued):

(a) Lease obligations:

(i) Property operating leases:

Chartwell has leasehold interests in two properties acquired with the Merrill Gardens portfolio. The terms of these leases expire on December 31, 2017 and the leases have one renewal option for 10 years each. Minimum lease payments under these leases are \$1,706 (U.S. \$1,597) per annum and a total of \$5,118 (U.S. \$4,792) for the remaining three year term of the leases. The leases provide Chartwell with the option to purchase the two properties at the end of the original lease term or at the end of the extension based on a formula contained in the lease ("Option Purchase Price"). The landlord may choose to retain the properties by paying Chartwell the difference between the fair value of the properties and the Option Purchase Price.

(ii) Land leases:

Chartwell owns three properties located on lands subject to long-term land leases. A land lease on a property in Alberta, Canada expires on July 17, 2061, and requires annual payments of \$126. A land lease on a property in Ontario expires on August 31, 2044, and requires annual payments of \$113 through to August 31, 2024, and \$136 for the remainder of the term. A land lease on another property in Ontario expires on May 31, 2048 with minimum lease payments of \$156, negotiated to market on May 31, 2016, and every 15-year anniversary thereafter.

(iii) Other operating leases:

Chartwell has operating leases on office space in Canada that expire on various dates up to July 31, 2022. In aggregate, annual payments on these leases vary from \$1,129 to \$1,306 over the remaining terms of the leases.

For the above leases, legal title does not pass to Chartwell, the rent paid is increased to market rent at regular intervals, and for the property leases, the option to purchase the properties is not at a bargain price. Chartwell has determined that substantially all of the risks and rewards incidental to ownership are still with the lessor and, as such, these leases are operating leases.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

24. Commitments and contingencies (continued):

(b) Purchase obligations:

Chartwell has entered into various construction contracts related to various development and asset improvement projects. As at December 31, 2014, the remaining commitments under these contracts amounted to approximately \$4,191.

(c) Letters of credit:

As at December 31, 2014, Chartwell was contingently liable for letters of credit in the amount of \$4,869 (2013 - \$2,686). Chartwell was also contingently liable for letters of credit relating to its obligation under certain mortgages in the U.S. of \$10,519 (\$9,067 U.S.) (2013 - \$9,644 (\$9,067 U.S.)).

(d) Other contracts:

Brookdale Senior Living Inc. ("Brookdale") is the manager of 35 Chartwell communities in the United States. The terms of the management contracts entered into are for approximately 10 years, with a maturity date of December 31, 2021. The base management fee for the properties under contract is 5% of gross revenue. The contracts include an incentive fee mechanism, whereby Brookdale can earn an additional fee of up to 2% of gross revenue upon the achievement of specified annual operating targets. Management fees may also be reduced by up to 1% if such annual operating targets are not achieved.

(e) Guarantees:

As a result of the purchaser's assumption of certain mortgages on seven properties, sold in 2014, Chartwell remains a guarantor of these mortgages. As at December 31, 2014, outstanding balances on these loans were \$13,494. The purchaser has indemnified Chartwell with respect to these guarantees.

Chartwell, with its partners, has jointly and severally guaranteed 100% of Canada Mortgage Housing Corporation insured loans on three properties, which are 50% owned by Chartwell, and three properties, which are 85% owned by Chartwell, to a maximum amount of \$85,083. As at December 31, 2014, outstanding balances on these loans were \$78,830.

CHARTWELL RETIREMENT RESIDENCES

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

Years ended December 31, 2014 and 2013

24. Commitments and contingencies (continued):

(f) Litigation and claims:

In the ordinary course of business activities, Chartwell may be contingently liable for litigation and claims from, among others, residents, partners and former employees. Management believes that adequate provisions have been recorded in the accounts, where required. Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of Chartwell.

25. Key management personnel compensation:

The remuneration of key management personnel of Chartwell during the years ended December 31, 2014 and 2013 was as follows:

	2014	2013
Officers' and directors' compensation	\$ 4,146	\$ 4,302
Post-employment benefits	61	58
Other long term benefits	796	458
Unit-based payments	317	105

Chartwell management has a senior executive committee, comprising officers of Chartwell, with the responsibility to provide strategic direction and oversight to Chartwell. The above table includes the total compensation of members of the senior executive committee and directors of Chartwell.

26. Subsequent events:

On February 26, 2015, Chartwell announced a 2.0% increase in the monthly cash distributions from \$0.0450 per unit (\$0.5400 per unit on an annualized basis) to \$0.0459 per unit (\$0.5508 per unit on an annualized basis) effective for the March 31, 2015 distribution payable on April 15, 2015.

Corporate and Unitholder Information

TRUSTEES AND/OR DIRECTORS

Michael Harris, Chair ⁽²⁾

André Kuzmicki ⁽³⁾

Huw Thomas ⁽¹⁾

Lise Bastarache ^{(1) (3)}

Sidney Robinson ^{(1) (2)}

Sharon Sallows ^{(2) (3)}

Thomas Schwartz ^{(2) (3)}

Brent Binions

⁽¹⁾ Audit Committee

⁽²⁾ Compensation, Governance and Nominating Committee

⁽³⁾ Investment Committee

OFFICERS AND SENIOR MANAGEMENT

Brent Binions

President and Chief Executive Officer

Karen Sullivan

Chief Operating Officer

Vlad Volodarski

Chief Financial Officer and
Chief Investment Officer

Sheri Chateauvert

Chief Administrative Officer

Jonathan Boulakia

Chief Legal Officer

UNITHOLDER INFORMATION

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Mississauga, Ontario L5R 4H1
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chartwell.com

Auditors

KPMG LLP,
Toronto, Ontario

Legal Counsel

Osler, Hoskin & Harcourt LLP,
Toronto, Ontario

Stock Exchange Listing

Toronto Stock Exchange (CSH.UN)

Transfer Agent and Registrar

Computershare Investor Services
Toronto, Ontario
Telephone: (800) 564-6253
Facsimile: (866) 249-7775
Email: service@computershare.com

Unitholder and Investor Contact

Vlad Volodarski, Chief Financial Officer
and Chief Investment Officer
Email: investorrelations@chartwell.com

Annual Meeting of Unitholders

4:30pm ET - Thursday, May 14, 2015
St. Andrew's Club and Conference Centre
150 King Street West, Toronto, Ontario

DISTRIBUTION REINVESTMENT PLAN

Chartwell's Distribution Reinvestment Plan ("DRIP") allows unitholders to use their monthly cash distributions to steadily increase ownership in Chartwell without incurring any commission or brokerage fees.

To encourage participation, eligible investors registered in the DRIP will receive additional bonus units in an amount equal to 3% of their cash distributions. The right to receive the bonus units is being provided for no additional consideration.

Unitholders who are Canadian residents are eligible to participate. To register for the DRIP, please contact your investment advisor.