CHARTWELL
retirement residences

making people's lives BETTER®

2013 ANNUAL REPORT

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Highlights of Consolidated Results of Operations

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

Years ended December 31	2013	2012
Same property occupancy	89.6%	89.3%
Same property net operating income ("NOI") (1)	223,329	219,137
Adjusted funds from operations ("AFFO") (1)	119,085	111,554
AFFO per unit diluted (1)	0.68	0.66
Funds from operations ("FFO") (1)	133,487	124,157
FFO per unit diluted (1)	0.75	0.73
Distributions declared	93,964	90,700
Distributions declared per unit	0.54	0.54
Distributions declared as percentage of AFFO	78.9%	81.3%

(1) Refer to the "Key Performance Indicators" section of the Management's Discussion and Analysis contained in the Financial Report section of this Annual Report for a discussion of these metrics.

2013 ANNUAL REPORT

Corporate Social Responsibility at Chartwell

"Trust Through Accountability"

We have five key areas by which our Corporate Social Responsibility ("CSR") benchmarks both our commitments and progress annually: 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*

"We are proud to have a culture of accountability for results at every level of our organization."

After a decade of operating not only as a real estate investment trust, but as an active operator in the seniors housing sector, we've learned a lot along the way. Most importantly, we've learned that if you commit to operating your business well, you will create a successful organization that meets the needs of all of your stakeholders. At Chartwell, we see our stakeholders as the reason to do business: we want to provide a happier, healthier and more fulfilling life experience for our residents, offer peace of mind to their loved ones and be an employer of choice for our employees. We believe that if we do those things well, we'll also succeed in the eyes of our other key stakeholders – our investors – in meeting our financial targets and in maintaining their trust in both our short and long-term potential in such a demographically well-positioned sector.

We are proud to have a culture of accountability for results at every level of our organization. That culture begins at the top with one of the strongest management teams in this sector, aligned to drive core results and grow our organization to its full potential. It continues at every level of the company, where employees are encouraged to embrace challenges and opportunities and demonstrate ownership for their personal actions. It is this culture that positions us for success and allows us to continue to strategically enhance our programs and services to differentiate Chartwell as Canada's largest owner and operator of seniors housing.

Furthermore, our overarching commitment to creating a great place for seniors to live is brought to life daily in our residences through outstanding service excellence. Our employees are driven to seek out ways to enhance the lives of our residents and this encompasses a range of responsibilities from safety to efficiency to respect and engagement.

With accountability and service excellence guiding our way, we continue to position the organization for continued success through the ongoing training of staff, the expansion of service offerings to residents, enhanced investments in information technology and information systems, progressive sales and marketing strategies and a growing online presence.

With the support of our employees and a clear vision of what success means to us, I believe that Chartwell is well-positioned to capitalize on the positive trends in the seniors housing sector in 2014 and beyond.

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.*

A Year of Acknowledgements

2013 was a positive year of recognition for Chartwell

2013 Corporate Governance Board Games

The Globe and Mail's annual ranking of publicly traded companies on public disclosure and corporate governance standards listed Chartwell as the #1 publicly traded REIT in Canada and #15 on the full list of 232 public companies and income trusts.

THE GLOBE AND MAIL

2013 National Post Top 100 CEOs List

The National Post's CEO list is a ranking of the top 100 CEOs in the country evaluating shareholder return for publicly traded companies. Chartwell CEO Brent Binions was recognized on the list as #38 out of 100 in Canada.

FINANCIAL POST
CANADA'S BUSINESS VOICE

Corporate Knight's Future 40 Ranking

This list recognizes Canadian corporate leaders with less than $2 billion in revenues with the best sustainability and disclosure practices. Chartwell was recognized as one of the top 40.

Corporate Knights 2014
FUTURE 40
Responsible Corporate Leaders in Canada

FINANCIAL REPORT
For the Years Ended December 31, 2013 and 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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Management’s Discussion and Analysis

Of Results of Operations and Financial Condition
For the years ended December 31, 2013 and 2012

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, 2013. This MD&A should be read in conjunction with Chartwell’s audited, consolidated financial statements for the year ended December 31, 2013 and the notes thereto (the “Financial Statements”), the audited financial statements for the year ended December 31, 2012 and the notes thereto (the “2012 Financial Statements”) and the annual Management’s Discussion and Analysis for the year ended December 31, 2012 (the “2012 MD&A”). 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, 2013, 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 March 5, 2014.

All references to “Chartwell”, “we”, “our”, “us” or the “Trust”, unless the context indicates otherwise, refer to Chartwell Retirement Residences and its subsidiaries. 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; “2013” refers to the calendar year 2013; “2012” refers to the calendar year 2012 and “YTD” means year-to-date.

Unless otherwise indicated, all comparisons of results for 2013 and Q4 2013 are in comparison to results from 2012 and Q4 2012, respectively.

In this document we use a number of key performance indicators 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”, “Net Debt to Adjusted EBITDA Ratio” and any related per unit amounts to measure, compare and explain the operating results and financial performance of the Trust. These key performance indicators do not have any 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 “Key Performance Indicators” section of this MD&A for details of each of these non-IFRS performance indicators.

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, from independent supportive living ("ISL") communities, through assisted living ("AL") communities, to long term care ("LTC") communities, all of which are located in Canada and the United States ("U.S.").

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

At December 31, 2013, our portfolio of seniors housing communities owned, leased or managed on behalf of others consisted of interests in 31,489 suites in 227 communities. At December 31, 2013, our portfolio of owned and leased communities consisted of interests in 30,317 suites in 219 communities.

The following is the composition of our owned, leased and managed portfolio of seniors housing communities in our three operating segments at December 31, 2013:

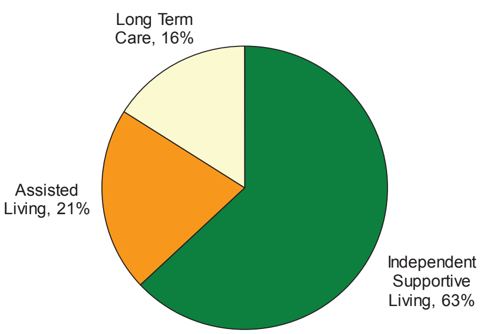
	Canadian Retirement Operations		Canadian Long Term Care Operations		United States Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Properties: (1)								
100% Owned								
Operating	108	12,641	24	3,137	37	5,580	169	21,358
Lease-up	1	105	-	-	-	-	1	105
Total 100% Owned	109	12,746	24	3,137	37	5,580	170	21,463
Partially Owned - operating (2)	47	8,621	-	-	-	-	47	8,621
Total Owned	156	21,367	24	3,137	37	5,580	217	30,084
Properties under Operating Lease								
100% Interest	-	-	-	-	2	233	2	233
Total Owned and Leased	156	21,367	24	3,137	39	5,813	219	30,317
Managed Properties	4	564	4	608	-	-	8	1,172
Total	160	21,931	28	3,745	39	5,813	227	31,489

(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.

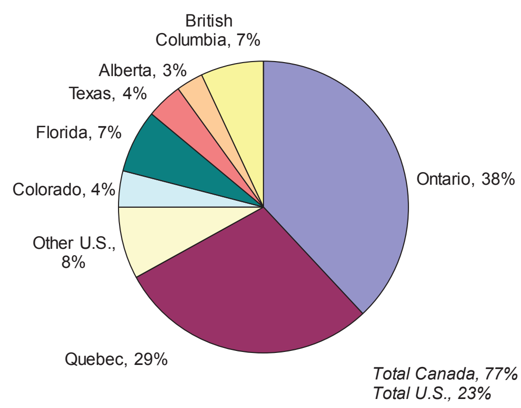
(2) We have a 50% ownership interest in these properties with the exception of one Canadian property in which we had a 33.3% ownership interest and subsequent to December 31, 2013, we acquired the remaining 66.7% interest and now have a 100% ownership interest in this property.

Composition of Portfolio of Owned and Leased Suites at Chartwell's Share of Ownership or Leased Interest, at December 31, 2013 by:

Level of Care



Geographic Location



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, 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:

- Maintaining our asset management program to ensure each asset is used to its highest potential.
- Maintaining a moderate development program.
- Sourcing accretive acquisitions of newer properties in our existing markets.
- Divesting non-core assets.

The following summarizes the progress we made in executing our strategy in 2013:

Grow core property portfolio contribution	• Re-branding of our Canadian communities is ongoing. • Same property NOI [(1)] grew \$4.2 million or 1.9% in 2013. • Same property occupancy improved 0.3 percentage points to 89.6% in 2013.
Maintain a strong financial position	• At December 31, 2013, we had cash on hand [(2)] of \$11.7 million and \$62.1 million of available borrowing capacity under our secured revolving operating credit facility ("Credit Facility"). • Interest Coverage Ratio [(1)] improved to 2.16 in 2013 from 2.03 in 2012. • Net Debt to Adjusted EBITDA Ratio [(1)] improved to 8.6 at December 31, 2013 from 8.7 at December 31, 2012. • Indebtedness Ratio [(1)] improved to 56.6% at December 31, 2013, from 57.9% at December 31, 2012. • Obtained \$321.3 million of new fixed-rate mortgages with a weighted average term to maturity of 12.5 years, bearing a weighted average interest rate of 3.76%.
Improve quality and efficiency of our corporate support services	• Completed the implementation of our core financial system. • Completed the implementation of a prospect management system. • Continued functionality enhancements to our website and financial reporting system. • Completed the implementation of a capital budgeting system. • Completed the development of a procurement system. • Commenced the implementation of a fixed asset management system.
Build value of our real estate portfolio	• Acquired four properties (483 suites) for \$67.5 million in 2013 and the remaining 66.7% interest in another property (113 suites) for \$21.3 million in January 2014. • The redevelopment of three LTC residences (235 beds) and the development of a retirement residence (119 suites) are now complete. Two other projects (54 suites) are in progress for completion in 2014 and 2015. • Completed the sales of interests in twelve non-core U.S. properties for \$225.9 million.

(1) Non-IFRS; refer to the "Key Performance Indicators" section of this MD&A.
(2) Non-IFRS; includes our share of joint-venture cash of \$3.1 million. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A.

2014 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 2014 and beyond.

Canadian Retirement Operations

We expect to generate moderate growth through rate and occupancy increases in our Canadian Retirement Operations segment, supported by improving economic conditions, a stable housing market and a slower 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. Building on the successes in 2012 and 2013, 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 87.6% in 2013 from 89.2% in 2012. 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 2014 and while we expect average rental rates to grow by 3.0%, it is possible that some targeted incentives may be required to effectively compete in certain markets.
- Our Western Canada platform delivered strong performance in 2013 with the same property portfolio occupancy reaching 93.2% in Q4 2103. In 2013, we have seen strong improvements in the previously underperforming markets in Chilliwack, Maple Ridge and Mission. The supply demand conditions remain positive in Alberta and have generally been improving in British Columbia. We expect continuing occupancy growth in our Western Canada platform and expect average rental rate growth of 3.5%.
- In Quebec, market conditions remain stable with the supply growth staying largely in line with the demographic growth of seniors' population. Our Quebec portfolio occupancies gradually increased throughout 2013 and we saw strong improvements in our properties located in the competitive Outaouais region. We expect this trend to continue in 2014. We expect average rental rate growth of 2.75% in 2014.

Canadian Long Term Care Operations

In 2013, our Canadian LTC same property portfolio NOI grew by 5.7%, driven by disciplined operations management and increases in resident rental rates for preferred accommodation. Our occupancies remain high at 98.7% and we expect stable performance and high occupancies in 2014 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 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

The U.S. economy is expected to continue to grow in 2014 and beyond and the U.S. housing market is expected to continue its recovery. Although the pace of seniors housing construction activity has increased in 2013, we believe that, at this time, it is at a sustainable level given senior population demographic growth. These fundamentals are expected to support occupancy and same property NOI growth in our U.S. portfolio in 2014 with the average rental rate growth of 3.5%.

General, Administrative and Trust Expenses

Our general, administrative and Trust ("G&A") expenses increased in 2013 compared to 2012 as we invested in our corporate infrastructure following the significant growth in our property portfolio in 2012. We expect more moderate growth in our G&A expenses in 2014 as we continue our investments in training and development of our staff, in improving our information management systems as well as corporate support processes.

Development

During the past two years, we completed seven development projects which included redevelopment of four LTC properties in Ontario and British Columbia and development of three retirement residences in Ontario. At this time we have two development projects in progress; both being expansions of our existing residences. The expected financial returns of such add-on projects are generally more attractive than returns on standalone developments since, in many cases, we already own the land required for such projects. In addition, we have identified a number of other development opportunities that 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 2014 and to continue to evaluate a number of other development opportunities.

Acquisitions

In 2013 and early 2014, we completed acquisitions of five residences in Ontario, British Columbia and Quebec, investing $88.8 million. We expect these properties to generate strong growth in occupancy and NOI as they continue to lease-up. We are evaluating a number of other acquisition opportunities in our core markets and continue to look 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 2013, we completed sales of our interests in 12 non-core properties in the United States. These sales were completed as part of our strategy to narrow our U.S. holdings to our core states of Florida, Texas and Colorado. On February 27, 2014, we also signed a definitive agreement to sell a non-core property in Ontario for $24.5 million. We own a 50% interest in this property. The sale is expected to close in Q3 2014. We expect to continue to work to divest of other non-core assets in 2014.

Taxation

In 2013, 78.1% of our distributions were classified as return of capital, 2.6% as foreign-source interest income and 19.3% as other income. We were not subject to cash SIFT taxes in 2013 and based on our forecasts, we do not expect to be subject to cash SIFT taxes in 2014 and 2015.

Significant Events

On January 11, 2013, we announced that we changed our name from Chartwell Seniors Housing Real Estate Investment Trust to Chartwell Retirement Residences.

The following events have had a significant effect on our financial results in 2013 and may be expected to affect our results in the future.

Acquisitions

During Q2 2013, we purchased a 171-unit retirement residence and a 65-bed LTC residence located at the Cite Jardin complex in Gatineau, Quebec. We now own a 100% interest in this six-tower complex with a total of 863 suites. These properties were constructed in 2007. The purchase price was $19.0 million, not including closing costs, and was fully financed by a two-year mortgage bearing interest at 4.5%.

During Q3 2013, we purchased a 109-unit retirement residence built in 2011 and located in Kamloops, British Columbia. The purchase price was $21.5 million, not including closing costs, and was financed through an $11.8 million five-year mortgage bearing interest at 3.65%, with the balance paid in cash utilizing our Credit Facility.

During Q4 2013, we completed the acquisition of a 138-unit retirement residence built in 2009 and located in Mission, British Columbia. The purchase price was $27.0 million, not including closing costs, and was financed through a $15.3 million five-year mortgage bearing interest at 4.35%, with the balance paid in cash utilizing our Credit Facility.

The following tables summarize acquisitions completed in 2013:

($millions, except communities and suites/beds)	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013
Number of communities	-	2	1	1	4
Number of suites/beds	-	236	109	138	483
Purchase price (including closing costs)	-	19,261	22,191	27,656	69,108
Financed as follows:					
Cash	-	19,000	21,309	27,000	67,309
Liabilities assumed	-	-	191	-	191
Acquisition costs (1)	-	261	691	656	1,608
Total	-	19,261	22,191	27,656	69,108

(1) Under IFRS, these costs are expensed as incurred.

On January 2, 2014, we completed the acquisition of the remaining 66.7% interest in Robert Speck, a 113-unit retirement residence located in Mississauga, Ontario. The purchase price was $21.3 million, not including closing costs, and was settled through the assumption of mortgage debt of $15.2 million, with the balance paid using cash on hand.

Dispositions

During Q1 2013, we, along with our joint venture partner, completed the sale of a non-core five-property portfolio located in New York State (the “Bristal Portfolio”). The sale price was U.S.$290.0 million and was settled by the purchaser’s assumption of debt of U.S.$197.7 million, with the balance, net of working capital adjustments and holdbacks, received in cash. We owned a 50% interest in the Bristal Portfolio and, as a result of this sale, a U.S.$48.5 million gain is included in our share of income from this joint venture.

During Q4 2013, we completed the sale of seven non-core communities (comprising 613 suites), located in the U.S. The sale price was U.S.$80.9 million and was settled by the purchaser’s assumption of debt of U.S.$52.7 million, with the balance, net of working capital adjustments and holdbacks, received in cash. On closing, U.S.$7.5 million of the proceeds was used to repay the mortgage debt on one of the sold properties. As a result of this sale, a U.S.$21.3 million gain before transaction costs was recorded.

On February 27, 2014, we entered into a definitive agreement to sell a non-core property in Ontario for $24.5 million. We own a 50% interest in this property. The closing is expected in Q3 2014.

Development Activities

Our goal is to maintain an active development program by commencing up to five new projects per year. The following table summarizes our recent development projects:

Project	Location	Suites/ Beds	Development Costs (1) ($millions)	Estimated Construction Completion Date	Details
Chartwell Aylmer LTC	Aylmer, ON	64	9.0	Q2 2013 (complete)	Redevelopment of an existing 60-bed Class C LTC property into a 64-bed Class A LTC property.
Chartwell Parkhill LTC	Parkhill, ON	64	10.7	Q3 2013 (complete)	Redevelopment of an existing 59-bed Class C LTC property into a 64-bed Class A LTC property.
Chartwell Pine Grove LTC	Woodstock, ON	107	13.6	Q4 2013 (complete)	Redevelopment of an existing 100-bed Class B LTC and 40-suite retirement residence into a 96-bed Class A LTC and 11-suite retirement residence.
Chartwell Deerview Crossing	Hamilton, ON	119	32.3	Q1 2014 (complete)	New retirement residence with a 28-suite dedicated AL area.
Chartwell Tamarac Memory Care	Tamarac, FL	24	U.S.$4.5	Q4 2014	New development of a standalone memory care unit with 24 suites, adjacent to our existing residence.
Chartwell Georgian Traditions	Collingwood, ON	30	9.2	Q1 2015	Development to add 10 IL units and a separate 20-unit AL area to our existing residence.
		408			

(1) Includes imputed debt and equity costs. Also includes estimated results of operations during lease-up period which are recorded in profit and loss as incurred under IFRS.

Adoption of IFRS 11 – Joint Arrangements

As of January 1, 2013, we have adopted IFRS 11 which 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 (Please refer to the "Critical Accounting Policies and Estimates" section of this MD&A). 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 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 ventures and related accounting methods:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell ownership	Method of accounting
Chartwell-HCN Landlord (1)	39	7,662	50.0%	Line-by-line
Chartwell-HCN Operator (1)	Same as above	Same as above	50.0%	Equity
Bristal Portfolio (2)	5	768	50.0%	Equity
Robert Speck (3)	1	113	33.3%	Line-by-line
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

(1) *Chartwell directly holds its interest in real estate but its interest in operations is held through separate legal entities.*
(2) *On February 13, 2013, Chartwell sold its interest in this portfolio.*
(3) *Chartwell completed the acquisition of the remaining 66.7% interest in this property on January 2, 2014.*

The adoption of IFRS 11 has had a significant impact on the presentation of our consolidated financial statements. We believe that presenting our operating and financial results of our joint arrangements using line-by-line consolidation, a non-IFRS basis, provides more useful information to current and prospective investors to assist them with their understanding of our financial performance. Therefore, the discussion of our operating results in this MD&A is based on financial information developed using line-by-line consolidation for all our joint ventures. The following tables provide a complete reconciliation of our consolidated financial statements to the financial information used in this MD&A.

The following is the Q4 2013 Statement of Comprehensive Loss adjusted to remove the effects of IFRS 11:

($000s)	Q4 2013 (1)	IFRS 11 adjustments (2)	Q4 2013 using line-by-line (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)	-
Mezzanine loan interest	24	-	24
	218,310	17,495	235,805
Expenses			
Direct operating	150,421	16,363	166,784
G&A	8,547	-	8,547
	158,968	16,363	175,331
Income before the undernoted	59,342	1,132	60,474
Finance costs	29,920	398	30,318
Property lease expense	654	-	654
Other expense/(income)	(8,863)	41	(8,822)
Depreciation of property, plant and equipment (“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 joint venture loss/(income)	58	(58)	-
Income/(loss) before income taxes	(14,191)	-	(14,191)
Income tax expense/(benefit):			
Current	66	-	66
Deferred	-	-	-
	66	-	66
Loss for the period	(14,257)	-	(14,257)
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	1,533	-	1,533
Total comprehensive loss	(12,724)	-	(12,724)

(1) *Per our Financial Statements.*
(2) *Represents adjustments for equity-accounted joint ventures and the removal of the investment in joint ventures.*
(3) *Non-IFRS measure.*

The following is the Q4 2012 Statement of Comprehensive Loss adjusted to remove the effects of IFRS 11:

($000s)	Q4 2012 [1]	IFRS 11 Adjustments [2]	Q4 2012 using line-by-line [3]
Revenue			
Resident	199,054	31,339	230,393
Management and other fees	3,529	-	3,529
Lease revenue from joint ventures	7,473	(7,473)	-
Mezzanine loan interest	794	-	794
	210,850	23,866	234,716
Expenses			
Direct operating	144,044	19,900	163,944
G&A	7,190	-	7,190
	151,234	19,900	171,134
Income before the undernoted	59,616	3,966	63,582
Finance costs	28,511	2,007	30,518
Property lease expense	625	-	625
Other expense/(income)	11,117	(237)	10,880
Depreciation of PP&E	58,185	997	59,182
Amortization of intangible assets	671	-	671
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	1,605	-	1,605
Share of joint venture loss/(income)	(1,199)	1,199	-
Income/(loss) before income taxes	(39,899)	-	(39,899)
Income tax expense/(benefit):			
Current	78	-	78
Deferred	(1,423)	-	(1,423)
	(1,345)	-	(1,345)
Income/(loss) for the period	(38,554)	-	(38,554)
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	276	-	276
Total comprehensive income/(loss)	(38,278)	-	(38,278)

(1) Per our Financial Statements.
(2) Represents adjustments for equity-accounted joint ventures and the removal of the investment in joint ventures.
(3) Non-IFRS measure.

The following is the 2013 Statement of Comprehensive Income adjusted to remove the effects of IFRS 11:

($000s)	2013 (1)	IFRS 11 adjustments (2)	2013 using line-by-line (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)	-
Mezzanine loan interest	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 joint venture loss/(income)	(49,069)	49,069	-
Income/(loss) before income taxes	24,144	-	24,144
Income tax expense/(benefit):			
Current	260	-	260
Deferred	-	-	-
	260	-	260
Income/(loss) 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/(loss)	26,987	-	26,987

(1) Per our Financial Statements.
(2) Represents adjustments for equity-accounted joint ventures and the removal of the investment in joint ventures.
(3) Non-IFRS measure.

The following is the 2012 Statement of Comprehensive Loss adjusted to remove the effects of IFRS 11:

($000s)	2012 (1)	IFRS 11 Adjustments (2)	2012 using line-by-line (3)
Revenue			
Resident	781,039	93,464	874,503
Management and other fees	7,725	-	7,725
Lease revenue from joint ventures	19,933	(19,933)	-
Mezzanine loan interest	1,493	-	1,493
	810,190	73,531	883,721
Expenses			
Direct operating	557,786	57,528	615,314
G&A	26,166	-	26,166
	583,952	57,528	641,480
Income before the undernoted	226,238	16,003	242,241
Finance costs	119,090	8,077	127,167
Property lease expense	2,504	-	2,504
Other expense/(income)	20,215	79	20,294
Depreciation of PP&E	193,642	6,741	200,383
Amortization of intangible assets	3,537	-	3,537
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	49,379	-	49,379
Share of joint venture loss/(income)	(1,106)	1,106	-
Income/(loss) before income taxes	(161,023)	-	(161,023)
Income tax expense/(benefit):			
Current	296	-	296
Deferred	(21,977)	-	(21,977)
	(21,681)	-	(21,681)
Income/(loss) for the period	(139,342)	-	(139,342)
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	(1,504)	-	(1,504)
Total comprehensive income/(loss)	(140,846)	-	(140,846)

(1) Per our Financial Statements.
(2) Represents adjustments for equity-accounted joint ventures and the removal of the investment in joint ventures.
(3) Non-IFRS measure.

The following is the Balance Sheet at December 31, 2013 adjusted to remove the impact of IFRS 11:

($000s)	December 31, 2013 (1)	IFRS 11 Adjustments (2)	December 31, 2013 using line-by-line (3)
Assets			
Current assets:			
Cash and cash equivalents	8,601	3,086	11,687
Trade and other receivables	17,881	36	17,917
Mezzanine loans receivables	-	-	-
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 Facility	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 of Chartwell Master Care LP	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) Per our Financial Statements.
(2) Represents adjustments for equity-accounted joint ventures and the removal of the investment in joint ventures.
(3) Non-IFRS measure.

The following is the Balance Sheet at December 31, 2012 adjusted to remove the impact of IFRS 11:

($000s)	December 31, 2012 Restated for IFRS 11 (1)	IFRS 11 Adjustments (2)	December 31, 2012 As previously reported (3)
Assets			
Current assets:			
Cash and cash equivalents	25	5,284	5,309
Trade and other receivables	20,970	(674)	20,296
Mezzanine loans receivables	-	-	-
Capital funding receivable	4,396	-	4,396
Other assets	25,859	2,459	28,318
Assets held for sale	-	97,404	97,404
Total current assets	51,250	104,473	155,723
Non-current assets:			
Other assets	7,186	-	7,186
Capital funding receivable	56,661	-	56,661
Investment in joint ventures	33,498	(33,498)	-
Intangible assets	50,775	-	50,775
PP&E	2,685,431	49,512	2,734,943
Total non-current assets	2,833,551	16,014	2,849,565
Total assets	2,884,801	120,487	3,005,288
Liabilities and Unitholders' Equity			
Current liabilities:			
Credit Facility	77,000	-	77,000
Accounts payable and other liabilities	122,993	(1,921)	121,072
Distributions payable	7,800	-	7,800
Obligation to joint venture	7,296	(7,296)	-
Mortgages payable	269,026	13,197	282,223
Deferred consideration on business combinations	520	-	520
Liabilities related to assets held for sale	-	99,969	99,969
Total current liabilities	484,635	103,949	588,584
Non-current liabilities:			
Mortgages payable	1,680,589	16,538	1,697,127
Convertible debentures	147,150	-	147,150
Class B Units of Chartwell Master Care LP	18,302	-	18,302
Deferred tax liabilities	-	-	-
Total non-current liabilities	1,846,041	16,538	1,862,579
Total liabilities	2,330,676	120,487	2,451,163
Unitholders' equity	554,125	-	554,125
Total liabilities and unitholders' equity	2,884,801	120,487	3,005,288

(1) Per our Financial Statements.
(2) Represents adjustments for equity-accounted joint ventures and the removal of the investment in joint ventures.
(3) Non-IFRS measure.

The implementation of IFRS 11 has had a significant impact on the presentation of our consolidated financial statements; however, it had no impact on our operating performance, financial position or key performance indicators.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

($000s, except occupancy rates, per unit amounts and number of units)	**Q4 2013**	Q4 2012	Increase / (Decrease)	**2013**	2012	Increase / (Decrease)
Resident revenue [1]	233,880	230,393	3,487	922,660	874,503	48,157
Weighted average occupancy rate - same property portfolio [2]	89.8%	90.1%	(0.3pp)	89.6%	89.3%	0.3pp
Same property NOI [3]	56,014	54,277	1,737	223,329	219,137	4,192
AFFO [4][5][6]	26,635	30,104	(3,469)	119,085	111,554	7,531
AFFO per unit diluted [7][8]	0.15	0.17	(0.02)	0.68	0.66	0.02
FFO [6][9]	30,459	33,421	(2,962)	133,487	124,157	9,330
FFO per unit diluted [7][8]	0.17	0.19	(0.02)	0.75	0.73	0.02
Distributions declared [10]	23,586	23,329	257	93,964	90,700	3,264
Distributions declared per unit [8]	0.14	0.14	-	0.54	0.54	-
Distributions declared as a percentage of AFFO	88.6%	77.5%	11.1pp	78.9%	81.3%	(2.4pp)
Net income/(loss) for the period	(14,257)	(38,554)	24,297	23,884	(139,342)	163,226

(1) Non-IFRS; includes our share of revenue from joint ventures. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.
(2) pp = percentage points.
(3) Non-IFRS; excludes the effects of foreign exchange on the U.S. dollar. Refer to the "Key Performance Indicators – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.
(4) Refer to the "Non-IFRS Measures – Adjusted Funds from Operations" section of this MD&A for the details of the AFFO and AFFO per unit diluted calculations.
(5) Includes $0.8 million and $2.1 million in negative AFFO incurred on properties in lease-up in Q4 2013 and 2013, respectively ($0.5 million and $2.8 million in Q4 2012 and 2012, respectively).
(6) Excludes reversal of provisions for impairment of mezzanine loans and accounts receivable of $9.4 million recorded in Q4 2012.
(7) Includes dilutive impact of conversion of convertible debentures into Trust Units.
(8) Refer to the "Key Performance Indicators – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts.
(9) Refer to the "Non-IFRS Measures – Funds from Operations" section of this MD&A for the reconciliation of FFO to net income/(loss) and calculations of FFO per unit diluted.
(10) Includes distributions declared on Trust Units and distributions on Class B Units of Chartwell Master Care LP ("Class B Units") and subscription receipts recorded as interest expense.

In 2013, AFFO was $119.1 million or $0.68 per unit diluted. This represents an increase of $7.5 million or 6.8% compared to 2012 AFFO of $111.6 million or $0.66 per unit diluted. The changes in AFFO, including our share of amounts from joint ventures, include the following:

- Incremental AFFO from our same property portfolio of $9.2 million, primarily due to NOI growth and interest cost savings;
- Incremental AFFO from our acquisitions and other portfolio of $10.1 million, primarily due to the full-year contribution from the Maestro Portfolio;
- Other items combined for $0.2 million;

partially offset by:

- Higher G&A expenses of $4.9 million incurred to support significant growth in our property portfolio;
- Lower AFFO of $3.3 million, primarily due to sales of non-core U.S. properties;
- Defeasance costs of $2.5 million incurred as a result of early debt repayments; and

- Lower mezzanine loan interest income of $1.3 million, primarily due to mezzanine loan collections in Q4 2012 as a result of the Spectrum settlement *

Fourth Quarter: In Q4 2013, AFFO was $26.6 million or $0.15 per unit diluted. This represents a decrease of $3.5 million or 11.5% compared to AFFO in Q4 2012 of $30.1 million or $0.17 per unit diluted. The changes in AFFO include the following:

- Incremental AFFO from our same property portfolio of $3.0 million, primarily due to NOI growth and interest cost savings;
- Incremental AFFO from our acquisitions and other portfolio of $1.0 million, primarily due to NOI growth and contribution from acquisitions and developments completed in 2013;
- Other items combined for $0.4 million;

offset by:

- Lower management fee income and mezzanine loan interest income of $2.4 million, primarily due to collection of mezzanine loans and fees in Q4 2012 as a result of the Spectrum settlement;
- Lower AFFO of $1.6 million, primarily due to sales of non-core U.S. properties;
- Defeasance costs of $2.4 million as a result of early debt repayments; and
- Higher G&A expenses of $1.5 million incurred to support significant growth in our property portfolio.

Per unit amounts were also impacted by the dilutive effect of the $135.0 million aggregate principal amount of 5.7% convertible debentures issued in Q1 2012.

In 2013, FFO increased by $9.3 million or 7.5% to $133.5 million or $0.75 per unit diluted compared to 2012 FFO of $124.2 million or $0.73 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 Q4 2013, FFO was $30.5 million or $0.17 per unit diluted. This represents a decrease of $3.0 million or 8.9% compared to Q4 2012 FFO of $33.4 million or $0.19 per unit diluted.

In 2013, net income was $23.9 million compared to a net loss in 2012 of $139.3 million. For Q4 2013, net loss was $14.3 million compared to a net loss of $38.6 million in Q4 2012. In addition to items which impacted AFFO and FFO as discussed above, net income was also impacted by depreciation of properties and amortization of limited life intangibles, impairment of PP&E, changes in fair value of financial instruments and unrealized foreign exchange, and changes in deferred income taxes. Furthermore, net income in 2013 increased primarily due to a $70.9 million gain on the sales of non-core U.S. properties. Net loss for 2012 included transaction costs related to the acquisition of the Maestro Portfolio, convertible debenture issuance costs and distributions on subscription receipts recorded as interest expense. There were no such expenses in 2013.

Refer to the “Key Performance Indicators” section of this MD&A for a discussion of the calculation of AFFO, FFO and per unit amounts.

* *Refer to the “Significant Events – Spectrum Settlement” section of the 2012 MD&A for a discussion of the Spectrum settlement.*

Same Property Portfolio Highlights

($000s, except occupancy rates)	Q4 2013	Q4 2012	Increase / (Decrease)	2013	2012	Increase / (Decrease)
Canadian retirement:						
NOI (1)	32,654	31,462	1,192	130,783	130,343	440
Occupancy	87.9%	88.8%	(0.9pp)	87.7%	87.8%	(0.1pp)
Canadian LTC:						
NOI (1)	7,142	6,598	544	26,885	25,441	1,444
Occupancy	99.0%	98.9%	0.1pp	98.7%	98.5%	0.2pp
U.S.:						
NOI (U.S.$) (1)	16,218	16,217	1	65,661	63,353	2,308
Occupancy	89.2%	88.5%	0.7pp	88.9%	87.7%	1.2pp
Combined:						
NOI (1)(2)	56,014	54,277	1,737	223,329	219,137	4,192
Occupancy	89.8%	90.1%	(0.3pp)	89.6%	89.3%	0.3pp

(1) Non-IFRS; includes our share of NOI from joint ventures. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.

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

In 2013, combined same property occupancy improved to 89.6%, with same property NOI increasing $4.2 million or 1.9% as follows:

- In our Canadian retirement portfolio, same property NOI increased $0.4 million or 0.3% as revenue growth from ancillary services and regular annual rental rate increases in line with competitive market conditions more than offset higher staffing costs incurred to address regulatory requirements in Quebec, and to deliver enhanced services to our residents, as well as higher utilities, food and marketing expenses. Occupancy decreased to 87.7% compared to 2012 occupancy of 87.8%.
- In our Canadian LTC portfolio, same property NOI improved $1.4 million or 5.7% primarily due to higher government funding and preferred accommodation rates. Occupancy remained high at 98.7%.
- In our U.S. portfolio, same property NOI increased 3.6% primarily due to higher revenues as a result of regular annual rental rate increases in line with competitive market conditions, improved occupancy; partially offset by higher resident move-in incentives, higher staffing costs, bad debt, and insurance expenses. Occupancy improved to 88.9% in 2013 from 87.7% in 2012.

Fourth Quarter: In Q4 2013, combined same property occupancy decreased to 89.8%, with same property NOI increasing $1.7 million or 3.2% as follows:

- In our Canadian retirement portfolio, same property NOI increased 3.8%. The growth in revenues, primarily due to regular annual rental rate increases in line with competitive market conditions, lower resident move-in incentives and higher ancillary services, was partially offset by higher staffing costs and utilities. Occupancy decreased to 87.9% from 88.8% in Q4 2012.
- In our Canadian LTC portfolio, same property NOI increased 8.2%, primarily due to higher government funding, increased retirement and other revenues and higher preferred accommodation rates. Occupancy remained high at 99.0% compared to 98.9% in Q4 2012.
- In our U.S. portfolio, same property NOI was consistent with Q4 2012, primarily due to higher revenues as a result of improved occupancy and regular annual rental rate increases in line with competitive market conditions; partially offset by higher resident move-in incentives, higher staffing costs and property taxes and lower management fees. Occupancy improved to 89.2% in Q4 2013 from 88.5% in Q4 2012.

Summary of Net Operating Income

($000s, except occupancy rates)	**Q4 2013**	Q4 2012	Increase / (Decrease)	**2013**	2012	Increase / (Decrease)
Resident Revenue						
Same property (1)(2)	196,171	189,689	6,482	766,155	746,720	19,435
Acquisitions and other (1)(2)	35,247	41,233	(5,986)	150,132	127,951	22,181
Foreign exchange on U.S. dollar revenue (1)	2,462	(529)	2,991	6,373	(168)	6,541
	233,880	230,393	3,487	922,660	874,503	48,157
Less: Share of resident revenue from joint ventures	25,532	31,339	(5,807)	103,546	93,464	10,082
Total resident revenue	208,348	199,054	9,294	819,114	781,039	38,075
Direct Operating Expenses						
Same property (1)(2)	140,157	135,412	4,745	542,826	527,583	15,243
Acquisitions and other (1)(2)	24,965	28,887	(3,922)	104,114	87,857	16,257
Foreign exchange on U.S. dollar expenses (1)	1,662	(355)	2,017	4,292	(126)	4,418
	166,784	163,944	2,840	651,232	615,314	35,918
Less: Share of direct operating expenses from joint ventures	16,363	19,900	(3,537)	65,244	57,528	7,716
Total direct operating expenses	150,421	144,044	6,377	585,988	557,786	28,202
Net Operating Income						
Same property (1)(2)	56,014	54,277	1,737	223,329	219,137	4,192
Acquisitions and other (1)(2)	10,282	12,346	(2,064)	46,018	40,094	5,924
Foreign exchange on U.S. dollar expenses (1)	800	(174)	974	2,081	(42)	2,123
	67,096	66,449	647	271,428	259,189	12,239
Less: Share of NOI from joint ventures	9,169	11,439	(2,270)	38,302	35,936	2,366
Total NOI	57,927	55,010	2,917	233,126	223,253	9,873
Weighted average occupancy rate - same property portfolio	89.8%	90.1%	(0.3pp)	89.6%	89.3%	0.3pp
Weighted average occupancy rate - total portfolio	89.2%	89.5%	(0.3pp)	89.1%	88.7%	0.4pp

(1) Non-IFRS; includes our share of amounts from joint ventures. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.
(2) Non-IFRS; excludes the effect of foreign exchange. Refer to the "Key Performance Indicators – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Total resident revenue grew 4.9% in 2013 and 4.7% in Q4 2013 through increased revenue in our same property and acquisitions portfolios, partially offset by the sales of non-core U.S. properties.

Same property resident revenue increased $19.4 million or 2.6% for 2013 and $6.5 million or 3.4% for Q4 2013, primarily as a result of regular annual rental rate increases in line with competitive market conditions and higher ancillary services revenues.

Total direct operating expenses grew 5.1% in 2013 and 4.4% in Q4 2013, due to growth in our same property and acquisition portfolios, partially offset by the sales of non-core U.S. properties.

Same property direct operating expenses increased $15.2 million or 2.9% in 2013 and $4.7 million or 3.5% in Q4 2013, primarily due to higher staffing costs related to growth in the scope of services provided to our residents and to respond to new regulatory requirements, higher management fees and increases in food, marketing, utilities, bad debt and insurance expenses.

Total NOI increased in 2013 due to growth in our same property and acquisitions portfolios, partially offset by the sales of non-core U.S. properties.

General, Administrative and Trust Expenses

($000s, except percentage of revenue)	Q4 2013	Q4 2012	Increase / (Decrease)	2013	2012	Increase / (Decrease)
G&A expenses	8,547	7,190	1,357	31,016	26,166	4,850
G&A as a percentage of revenue (1)	3.6%	3.0%	0.6pp	3.3%	2.9%	0.4pp

(1) Non-IFRS; refer to the "Key Performance Indicators – General, Administrative and Trust Expenses as a Percentage of Revenue" section of this MD&A for a discussion of the significance of this metric.

G&A expenses increased $4.9 million or 18.5% in 2013 primarily due to staffing costs incurred to support a 49.2% growth in our Canadian suites under management since 2011, as well as our increased investments in training, education, employee recognition and information technology, partially offset by lower insurance and other corporate expenses.

G&A expenses as a percentage of revenue, including our share of revenue from joint ventures, were 3.3% in 2013 compared to 2.9% in 2012.

Fourth Quarter: G&A expenses increased $1.4 million or 18.9% in Q4 2013 primarily due to costs incurred to support significant growth in our Canadian property portfolio and higher legal costs and investments in information technology.

G&A expenses, as a percentage of revenue, including our share of revenue from joint ventures, were 3.6% in Q4 2013 compared to 3.0% in Q4 2012.

Management Fee Revenue

($000s)	Q4 2013	Q4 2012	Increase / (Decrease)	2013	2012	Increase / (Decrease)
HCN	1,429	1,327	102	6,062	3,519	2,543
Other	472	2,202	(1,730)	1,863	4,206	(2,343)
Total management fee revenue	1,901	3,529	(1,628)	7,925	7,725	200

Management fee revenue increased $0.2 million or 2.6% in 2013 primarily due to operations management and capital project oversight fees earned from HCN. Under our agreements with HCN, we are entitled to operations management fees of 5% of gross revenues, which could be increased to up to 6% of gross revenues, or decreased no lower than 4% of gross revenues upon over or under achievement of agreed-upon operating results, respectively. In addition, we are entitled to capital project oversight fees of between 3% and 7% of the value of the capital project, depending on the size of the project. Only HCN's share of these fees is reported as management fee revenue. The portion of fees related to our ownership in the joint venture properties is offset against G&A expenses, or capital cost of the assets, on consolidation, as applicable.

The decrease in other management fees primarily relates to the sale of the Bristal Portfolio in Q1 2013, the loss of one management contract in Q3 2013, and the loss of one management contract in 2012 as a result of the sale of the property by the owner. In addition, 2012 amounts include a collection of fees from Spectrum in connection with the Spectrum settlement. We no longer earn fees from this entity.

Fourth Quarter: Management fee revenue decreased $1.6 million in Q4 2013 primarily due to a reduction for management fees no longer earned from Spectrum.

Finance Costs

($000s)	Q4 2013	Q4 2012	Increase / (Decrease)	2013	2012	Increase / (Decrease)
Mortgages and loans payable [1]						
Same property [2]	20,965	21,871	(906)	85,147	89,333	(4,186)
Acquisitions and other [2][3]	3,953	6,010	(2,057)	17,869	19,497	(1,628)
Foreign exchange on U.S. dollar expenses	423	(104)	527	1,080	(29)	1,109
	25,341	27,777	(2,436)	104,096	108,801	(4,705)
Convertible debentures	1,940	1,961	(21)	7,695	7,193	502
Credit Facility and other interest expense	2,793	672	2,121	4,233	2,863	1,370
	30,074	30,410	(336)	116,024	118,857	(2,833)
Amortization of financing costs and debt mark-to-market adjustments [1]	262	247	15	513	1,639	(1,126)
	30,336	30,657	(321)	116,537	120,496	(3,959)
Interest capitalized to properties under development	(241)	(366)	125	(1,286)	(1,843)	557
Distributions on Class B Units recorded as interest expense	223	227	(4)	895	909	(14)
Distributions on subscription receipts	-	-	-	-	2,242	(2,242)
Convertible debenture issuance costs	-	-	-	-	5,363	(5,363)
	30,318	30,518	(200)	116,146	127,167	(11,021)
Less: Share of joint-venture finance costs	398	2,007	(1,609)	2,430	8,077	(5,647)
Total finance costs	29,920	28,511	1,409	113,716	119,090	(5,374)

(1) Non-IFRS; includes our share of amounts from joint ventures. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.

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

(3) Includes $0.4 million and $1.6 million related to properties in lease-up in Q4 2013 and 2013, respectively ($0.5 million and $1.7 million in Q4 2012 and 2012, respectively).

Interest expense on the same property portfolio decreased $0.9 million and $4.2 million in Q4 2013 and 2013, respectively, due to regular mortgage principal repayments and lower interest rates achieved on renewals.

Interest expense in our acquisitions and other portfolio decreased $1.6 million in 2013 primarily due to the sales of non-core U.S. properties.

Interest expense on our convertible debentures increased in 2013. In Q1 2012, we issued a new series of $135.0 million aggregate principal amount of 5.7% convertible debentures and redeemed all of the issued and outstanding $75.0 million aggregate principal amount of 5.9% convertible debentures.

Credit Facility and other interest expense increased in Q4 2013 and 2013 primarily due to defeasance costs of $2.4 million and $2.5 million incurred in Q4 2013 and 2013, respectively, as a result of early debt repayments, partially offset by lower drawings on our Credit Facility.

Amortization of financing costs and debt mark-to-market adjustments decreased $1.1 million in 2013 primarily as a result of debt mark-to-market adjustments.

We capitalized interest of $1.3 million in 2013 related to our development projects under construction. Interest capitalization stops once a development project becomes available for use.

In Q2 2012, on conversion of the subscription receipts to Trust Units, we paid $2.2 million of distributions related to the period when the subscription receipts were outstanding. Under IFRS, such distributions are recorded as interest expense.

Under IFRS, we have elected to carry our convertible debentures at fair value and as a result, the issuance costs of $5.4 million were expensed in Q1 2012.

Other (Expense)/Income

($000s)	**Q4 2013**	Q4 2012	Increase / (Decrease)	**2013**	2012	Increase / (Decrease)
Transaction costs arising on business acquisitions and dispositions (1)	(2,776)	(325)	(2,451)	(6,276)	(12,995)	6,719
Interest income on capital funding receivable and bank balances (1)	1,020	1,212	(192)	4,102	4,180	(78)
Gain on sale of assets (1)	22,080	37	22,043	71,132	325	70,807
Impairment of PP&E	(11,502)	(21,203)	9,701	(11,502)	(21,203)	9,701
Reversal of previously recorded impairment provisions	-	9,399	(9,399)	-	9,399	(9,399)
	8,822	(10,880)	19,702	57,456	(20,294)	77,750
Less: Share of joint ventures	(41)	237	(278)	48,194	(79)	48,273
Total other (expense)/income	8,863	(11,117)	19,980	9,262	(20,215)	29,477

(1) Non-IFRS; includes our share of amounts from joint ventures. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.

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. 2013 amounts primarily relate to the sales of non-core U.S. properties and 2012 amounts relate primarily to the acquisition of the Maestro Portfolio.

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

In 2013, the impairment of PP&E primarily relates to two properties in our Quebec portfolio and one property in our U.S. portfolio whose carrying values exceeded estimated recoverable amounts. In addition, impairment was recorded for land held for development in Quebec.

In 2012, the impairment of PP&E primarily relates to three properties in our Quebec portfolio, whose carrying values exceeded estimated recoverable amounts.

In 2012, we reversed a previously-recorded provision for impairment of mezzanine loans and accounts receivable in connection with the Spectrum settlement.

Other Items

($000s)	**Q4 2013**	Q4 2012	Increase / (Decrease)	**2013**	2012	Increase / (Decrease)
Property lease expense	654	625	29	2,673	2,504	169
Depreciation of PP&E (1)	51,751	59,182	(7,431)	170,590	200,383	(29,793)
Amortization of limited life intangible assets	397	671	(274)	1,974	3,537	(1,563)
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain)	367	1,605	(1,238)	(9,580)	49,379	(58,959)
Current income tax expense/(benefit)	66	78	(12)	260	296	(36)
Deferred income tax expense/(benefit)	-	(1,423)	1,423	-	(21,977)	21,977

(1) Non-IFRS; includes our share of joint-venture depreciation of $0.8 million and $3.6 million in Q4 2013 and 2013, respectively ($1.0 million and $6.7 million in Q4 2012 and 2012, respectively). Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.

Depreciation of PP&E and limited life intangible assets decreased primarily due to certain assets being fully amortized in 2012 and 2013.

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.
Under IFRS, subscription receipts issued on March 9, 2012 were required to be recorded as a liability on our balance sheet until May 1, 2012, when the subscription receipts were converted to Trust Units and reclassified to unitholders' equity. We were also required to fair-value this liability. As a result, in 2012, we recorded a loss of $29.6 million, related to the change in fair value of these subscription receipts. There were no comparable amounts in 2013.

Non-IFRS Measures

FFO and AFFO do not have a standardized meaning under IFRS and should not be construed as an alternative to net earnings or cash flows from operating activities as defined by IFRS.

Refer to the "Key Performance Indicators" section of this MD&A for a detailed discussion of the nature of various adjustments made in the calculation of FFO and AFFO, along with Management's discussion of the usefulness of these measures in evaluating our performance.

Funds from Operations ("FFO")

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

($000s, except per unit amounts)	**Q4 2013**	Q4 2012	Increase / (Decrease)	**2013**	2012	Increase / (Decrease)
Net income/(loss) for the period	(14,257)	(38,554)	24,297	23,884	(139,342)	163,226
Add (Subtract):						
Depreciation of PP&E	51,751	59,182	(7,431)	170,590	200,383	(29,793)
Amortization of limited life intangible assets	397	671	(274)	1,974	3,537	(1,563)
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above	(220)	(379)	159	(922)	(811)	(111)
Loss/(gain) on disposal of assets	(22,080)	(37)	(22,043)	(71,132)	(325)	(70,807)
Impairment of PP&E	11,502	21,203	(9,701)	11,502	21,203	(9,701)
Transaction costs arising on business acquisitions and dispositions	2,776	325	2,451	6,276	12,995	(6,719)
Deferred income taxes	-	(1,423)	1,423	-	(21,977)	21,977
Distributions on Class B Units recorded as interest expense	223	227	(4)	895	909	(14)
Distributions on subscription receipts	-	-	-	-	2,242	(2,242)
Convertible debenture issuance costs	-	-	-	-	5,363	(5,363)
Changes in fair value of financial instruments and unrealized foreign exchange gains/losses	367	1,605	(1,238)	(9,580)	49,379	(58,959)
FFO (1)	30,459	42,820	(12,361)	133,487	133,556	(69)
Reversal of provision for impairment of mezzanine loans and accounts receivable	-	(9,399)	9,399	-	(9,399)	9,399
FFO excluding reversal of provision for impairment	30,459	33,421	(2,962)	133,487	124,157	9,330
FFO	30,459	42,820	(12,361)	133,487	133,556	(69)
Interest expense on 5.7% convertible debentures	1,940	1,960	(20)	7,695	6,282	1,413
Diluted FFO	32,399	44,780	(12,381)	141,182	139,838	1,344
Reversal of provision for impairment of mezzanine loans and accounts receivable	-	(9,399)	9,399	-	(9,399)	9,399
Diluted FFO excluding reversal of provision for impairment	32,399	35,381	(2,982)	141,182	130,439	10,743
FFO per unit						
Basic	0.17	0.25	(0.08)	0.76	0.79	(0.03)
Diluted (2)	0.17	0.24	(0.07)	0.75	0.79	(0.04)
FFO per unit excluding reversal of impairment provision						
Basic	0.17	0.19	(0.02)	0.76	0.74	0.02
Diluted (2)	0.17	0.19	(0.02)	0.75	0.73	0.02

(1) Non-IFRS; includes our share of amounts from joint-ventures. Refer to the "Adoption of IFRS 11 – Joint Arrangements" section of this MD&A for reconciliation of our Financial Statements to financial information used in this MD&A.
(2) Refer to the "Key Performance Indicators – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(3) Diluted FFO is solely utilized for the purposes of calculating FFO per unit diluted.
(4) Includes dilutive impact of 5.7% convertible debentures.

An analysis of FFO is described under the "Consolidated Results of Operations – Highlights" section of this MD&A.

Adjusted Funds from Operations ("AFFO")

The following table provides the calculation of AFFO:

($000s, except per unit amounts)	**Q4 2013**	Q4 2012	Increase / (Decrease)	**2013**	2012	Increase / (Decrease)
FFO [1]	30,459	42,820	(12,361)	133,487	133,556	(69)
Add (Subtract):						
Principal portion of capital subsidy receivable from Health Authorities	1,130	1,024	106	4,321	3,812	509
Amounts received under income guarantees	-	552	(552)	1,361	1,639	(278)
Amortization of financing costs and debt mark-to-market adjustments [2]	225	197	28	343	1,301	(958)
Financing cost reserve [3]	(502)	(482)	(20)	(1,974)	(1,865)	(109)
AFFO before capex reserve	31,312	44,111	(12,799)	137,538	138,443	(905)
Maintenance capex reserve - 2% of property revenue [4]	(4,677)	(4,608)	(69)	(18,453)	(17,490)	(963)
AFFO [5]	26,635	39,503	(12,868)	119,085	120,953	(1,868)
Reversal of provision for impairment of mezzanine loans and accounts receivable	-	(9,399)	9,399	-	(9,399)	9,399
AFFO excluding reversal of provision for impairment	26,635	30,104	(3,469)	119,085	111,554	7,531
AFFO	26,635	39,503	(12,868)	119,085	120,953	(1,868)
Interest expense on 5.7% convertible debentures	1,940	1,960	(20)	7,695	6,282	1,413
Diluted AFFO	28,575	41,463	(12,888)	126,780	127,235	(455)
Reversal of provision for impairment of mezzanine loans and accounts receivable	-	(9,399)	9,399	-	(9,399)	9,399
Diluted AFFO excluding reversal of provision for impairment	28,575	32,064	(3,489)	126,780	117,836	8,944
AFFO per unit						
Basic	0.15	0.23	(0.08)	0.68	0.72	(0.04)
Diluted [6]	0.15	0.22	(0.07)	0.68	0.71	(0.03)
AFFO per unit excluding reversal of provision for impairment						
Basic	0.15	0.17	(0.02)	0.68	0.66	0.02
Diluted [6]	0.15	0.17	(0.02)	0.68	0.66	0.02

(1) Refer to the "Key Performance Indicators – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(2) Excludes amortization of financing costs incurred in respect of renewal of our Credit Facility.
(3) Financing cost reserve is calculated quarterly as 60 basis points applied to our mortgages payable at the end of the quarter, pro-rated based on the weighted average term to maturity.
(4) Refer to the "Liquidity and Capital Commitments – Capital Expenditures" section of this MD&A for a discussion of the nature of this reserve.
(5) Refer to the "Key Performance Indicators – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.
(6) Diluted AFFO is solely utilized for the purposes of calculating AFFO per unit diluted.
(7) Includes the dilutive impact of 5.7% convertible debentures.

An analysis of AFFO is described under the "Consolidated Results of Operations – Highlights" section of this MD&A.

Weighted Average Number of Units

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

(000s)	**Q4 2013**	Q4 2012	Increase / (Decrease)	**2013**	2012	Increase / (Decrease)
Weighted average number of units (1)	175,470	173,529	1,941	174,844	168,142	6,702
Dilutive impact of 5.7% convertible debentures	12,273	12,273	-	12,273	9,993	2,280
Weighted average number of units, diluted	187,743	185,802	1,941	187,117	178,135	8,982

(1) Includes Class B Units and units issued under LTIP, DTU and subscription receipts.

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

	2013				**2012** (Restated)			
($000s)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	218,310	218,600	212,716	208,953	210,850	205,059	200,564	193,717
Direct operating expenses	(150,421)	(148,740)	(143,179)	(143,648)	(144,044)	(137,937)	(137,809)	(137,996)
G&A expenses	(8,547)	(6,800)	(7,793)	(7,876)	(7,190)	(5,847)	(6,766)	(6,363)
Income before the understated (1)	59,342	63,060	61,744	57,429	59,616	61,275	55,989	49,358
Finance costs	(29,920)	(28,176)	(27,800)	(27,820)	(28,511)	(28,378)	(31,200)	(31,001)
Property lease expense	(654)	(682)	(681)	(656)	(625)	(619)	(632)	(628)
Other income/(expense)	8,863	286	527	(414)	(11,117)	(714)	(6,300)	(2,084)
Depreciation and amortization	(51,397)	(40,611)	(37,636)	(39,309)	(58,856)	(47,316)	(48,869)	(42,138)
Changes in fair value of financial instruments and unrealized foreign exchange gains/(losses)	(367)	3,074	7,437	(564)	(1,605)	(9,262)	(10,512)	(28,000)
Share of earnings (loss)/gain	(58)	333	252	48,542	1,199	1,058	36	(1,187)
Current income tax (expense)/recovery	(66)	(65)	(66)	(63)	(78)	(77)	(82)	(59)
Deferred income tax (expense)/recovery	-	-	-	-	1,423	5,495	7,683	7,376
Net income/(loss) for the period	(14,257)	(2,781)	3,777	37,145	(38,554)	(18,538)	(33,887)	(48,363)
FFO (2)	30,459	36,577	35,302	31,147	33,421	35,432	29,793	25,512
Diluted FFO	32,399	38,516	37,220	33,044	44,780	37,366	31,711	25,512
FFO per unit diluted	0.17	0.21	0.20	0.18	0.19	0.20	0.17	0.17
AFFO (2)	26,635	32,569	32,254	27,625	30,104	31,409	27,825	22,217
Diluted AFFO	28,575	34,508	34,172	29,522	41,463	33,343	29,743	22,217
AFFO per unit diluted	0.15	0.18	0.18	0.16	0.17	0.18	0.16	0.15

(1) 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), and income tax.
(2) Q4 2012 amounts exclude the $9.4 million reversal of provision for impairment associated with the Spectrum settlement.

Our results for the past eight quarters have been affected by the contribution of acquisitions and dispositions, including the acquisition of the Maestro Portfolio in Q2 2012, the sale of the Bristal Portfolio in Q1 2013, the sale of seven other non-core U.S. properties in Q4 2013, lower mezzanine loan interest, changes in foreign exchange rates resulting in foreign exchange gains and losses on cross-border intercompany loans, and the issuance of Trust Units.

Selected Annual Financial Information

The following table summarizes selected annual financial information, including our share of joint ventures, for each of the past three years ended December 31:

($000s, except per unit amounts)	2013	2012	2011
Property revenues	922,660	874,503	750,634
Total revenues	930,739	883,721	755,372
Direct operating expenses	651,232	615,314	532,132
Net income/(loss)	23,884	(139,342)	(63,331)
Total assets	2,863,222	3,005,288	2,706,521
Total liabilities	2,353,988	2,451,163	2,170,729
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 and the sales of the non-core U.S. properties in 2013.

Summary of Results of Operations by Division

The following section provides an analysis of the operating performance of each of our operating segments in 2013 and Q4 2013.

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.

Canadian Retirement Operations

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

		Composition of Suites			
	Properties	**ISL**	**AL**	**LTC**	**Total**
Same Property					
100% owned	101	8,517	2,663	675	11,855
Partially owned [(1)]	7	848	37	-	885
Total same property owned	108	9,365	2,700	675	12,740
Acquisitions & Development					
100% owned:					
Operating	7	574	30	182	786
Development suites in lease-up	1	75	30	-	105
	8	649	60	182	891
50% owned - operating	40	7,244	434	58	7,736
Total acquisitions & development	48	7,893	494	240	8,627
Total	156	17,258	3,194	915	21,367

(1) We have a 50% ownership interest in these properties with the exception of one Canadian property in which we had a 33.3% ownership interest and subsequent to December 31, 2013, we acquired the remaining 66.7% interest and now have a 100% ownership interest in this property.

The following table presents the results of operations of our Canadian Retirement Operations segment using line-by-line consolidation:

($000s)	**Q4 2013**	Q4 2012	Increase / (Decrease)	**2013**	2012	Increase / (Decrease)
Revenue						
Same property	94,493	91,638	2,855	371,469	362,404	9,065
Acquisitions and development	31,232	25,647	5,585	115,612	67,205	48,407
Total revenue	125,725	117,285	8,440	487,081	429,609	57,472
Direct Operating Expenses						
Same property	61,839	60,176	1,663	240,686	232,061	8,625
Acquisitions and development	21,256	17,252	4,004	76,911	44,612	32,299
Total direct operating expenses	83,095	77,428	5,667	317,597	276,673	40,924
Net Operating Income						
Same property	32,654	31,462	1,192	130,783	130,343	440
Acquisitions and development	9,976	8,395	1,581	38,701	22,593	16,108
Total net operating income	42,630	39,857	2,773	169,484	152,936	16,548
Weighted average occupancy rate - same property	87.9%	88.8%	(0.9pp)	87.7%	87.8%	(0.1pp)
Weighted average occupancy rate – total portfolio	87.5%	87.9%	(0.4pp)	87.0%	86.9%	0.1pp

Same property revenues increased 2.5% in 2013 primarily due to higher ancillary revenues from enhanced services provided to our residents and regular annual rental rate increases in line with competitive market conditions.

Same property direct operating expenses increased 3.7% in 2013 primarily due to higher staffing costs incurred to deliver enhanced services to our residents and to comply with new regulatory requirements, as well as higher utilities, food and marketing expenses.

Same property NOI increased $0.4 million or 0.3% in 2013 as follows:

- Our Ontario retirement platform same property NOI decreased $0.9 million or 1.3%. These results were impacted by lower occupancy, higher staffing costs, utilities, food and marketing expenses; partially offset by regular annual rental rate increases in line with competitive market conditions.
- Our Western Canada platform same property NOI increased $1.9 million or 6.2% primarily due to strong improvements in occupancy and regular annual rental rate increases in line with competitive market conditions; partially offset by higher staffing costs.
- Our Quebec platform same property NOI decreased $0.6 million or 1.8% primarily due to higher staffing costs to comply with new regulatory requirements, higher utilities and marketing expenses; partially offset by improved occupancy, regular annual rental rate increases in line with competitive market conditions, lower property taxes and office and general expenses.

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

	2013	2012	Increase / (Decrease)
Ontario	87.6%	89.2%	(1.6pp)
Western Canada	92.6%	91.8%	0.8pp
Quebec	85.7%	84.6%	1.1pp
Combined	87.7%	87.8%	(0.1pp)

In 2013, occupancies in our Canadian retirement same property portfolio decreased slightly to 87.7%. The strong occupancy growth in Western Canada and Quebec has been offset by a 1.6 percentage point decline in Ontario.

Fourth Quarter: Same property NOI increased $1.2 million or 3.8% in Q4 2013 as follows:

- Our Ontario retirement platform same property NOI was consistent with Q4 2012 with decreased occupancies being partially offset by lower short-term move-in incentives and regular annual rental rate increases in line with competitive market conditions.
- Our Western Canada platform same property NOI increased $0.3 million or 4.1% primarily due to regular annual rental rate increases in line with competitive market conditions, lower short-term move-in incentives and improved occupancies.
- Our Quebec platform same property NOI increased $0.9 million or 11.7% primarily due to regular annual rental rate increases in line with competitive market conditions, lower short-term move-in incentives and improved occupancies.

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

	Q4 2013	Q4 2012	Increase / (Decrease)	Q3 2013	Increase / (Decrease)
Ontario	87.3%	89.8%	(2.5pp)	87.1%	0.2pp
Western Canada	93.2%	92.6%	0.6pp	92.9%	0.3pp
Quebec	86.4%	85.9%	0.5pp	85.7%	0.7pp
Total	87.9%	88.8%	(0.9pp)	87.5%	0.4pp

In Q4 2013, occupancies in our Canadian retirement same property portfolio decreased to 87.9%, a 0.9 percentage point decrease from Q4 2012 and a 0.4 percentage point increase from Q3 2013.

Canadian Long Term Care Operations

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

		Composition of Suites			
	Properties	**ISL**	**AL**	**LTC**	**Total**
Same Property – 100% owned	21	-	125	2,777	2,902
Acquisitions & Development - 100% owned	3	-	11	224	235
Total	24	-	136	3,001	3,137

The following table presents the results of operations of our Canadian Long Term Care Operations segment using line-by-line consolidation:

($000s, except occupancy rates)	Q4 2013	Q4 2012	Increase / (Decrease)	2013	2012	Increase / (Decrease)
Revenue						
Same property	52,083	49,485	2,598	195,848	191,892	3,956
Acquisitions and development	4,025	3,655	370	14,843	14,274	569
Total revenue	56,108	53,140	2,968	210,691	206,166	4,525
Direct Operating Expenses						
Same property	44,941	42,887	2,054	168,963	166,451	2,512
Acquisitions and development	3,638	3,297	341	13,547	12,856	691
Total direct operating expenses	48,579	46,184	2,395	182,510	179,307	3,203
Net Operating Income						
Same property	7,142	6,598	544	26,885	25,441	1,444
Acquisitions and development	387	358	29	1,296	1,418	(122)
Total net operating income	7,529	6,956	573	28,181	26,859	1,322
Weighted average occupancy rate - same property	99.0%	98.9%	0.1pp	98.7%	98.5%	0.2pp
Weighted average occupancy rate – total portfolio	98.6%	99.0%	(0.4pp)	98.4%	98.5%	(0.1pp)

Same property NOI increased $1.4 million or 5.7% in 2013 primarily due to higher government funding, increased contribution from retirement revenue, higher preferred accommodation rates and strong expense controls.

Weighted average occupancies in the same property portfolio remained high at 98.7% in 2013.

Fourth Quarter: Same property NOI increased $0.5 million or 8.2% in Q4 2013 primarily due to higher government funding, higher retirement and other revenues, higher preferred accommodation rates and strong expense controls.

Weighted average occupancies in the same property portfolio increased to 99.0% in Q4 2013 compared to 98.9% in Q4 2012.

U.S. Operations

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

		Composition of Suites			
	Properties	ISL	AL	LTC	Total
Same property - 100% owned	37	3,268	2,122	190	5,580
Properties under operating lease – 100% interest	2	42	191	-	233
Total	39	3,310	2,313	190	5,813

The following table presents the results of operations of our U.S. Operations segment using line-by-line consolidation:

(U.S.$000s, except as noted otherwise)	**Q4 2013**	Q4 2012	Increase / (Decrease)	**2013**	2012	Increase / (Decrease)
Revenue						
Same property	49,595	48,566	1,029	198,838	192,424	6,414
Acquisitions and other (1)	(10)	11,931	(11,941)	19,677	46,472	(26,795)
Total revenue	49,585	60,497	(10,912)	218,515	238,896	(20,381)
Direct Operating Expenses						
Same property	33,377	32,349	1,028	133,177	129,071	4,106
Acquisitions and other (1)	71	8,338	(8,267)	13,656	30,389	(16,733)
Total direct operating expenses	33,448	40,687	(7,239)	146,833	159,460	(12,627)
Net Operating Income						
Same property	16,218	16,217	1	65,661	63,353	2,308
Acquisitions and other (1)	(81)	3,593	(3,674)	6,021	16,083	(10,062)
Total net operating income	16,137	19,810	(3,673)	71,682	79,436	(7,754)
Foreign exchange in CDN	801	(174)	975	2,082	(41)	2,123
Total net operating income in CDN	16,938	19,636	(2,698)	73,764	79,395	(5,631)
Weighted average occupancy rate – same property	89.2%	88.5%	0.7pp	88.9%	87.7%	1.2pp
Weighted average occupancy rate – total portfolio	89.2%	89.3%	(0.1pp)	89.9%	88.6%	1.3pp

(1) Represents results of the Bristal Portfolio sold in Q1 2013, and seven other non-core U.S. properties sold in Q4 2013.

Same property revenue increased U.S.$6.4 million or 3.3% in 2013 primarily due to regular annual rental rate increases in line with competitive market conditions and improved occupancies, partially offset by higher resident move-in incentives.

Weighted average occupancy rate in our same property U.S operating segment improved by 1.2 percentage points to 88.9% in 2013 from 87.7% in 2012.

Same property direct operating expenses increased U.S.$4.1 million or 3.2% in 2013, primarily due to higher staffing, bad debt and insurance expenses, partially offset by lower office and general expenses.

As a result of the above, same property NOI increased U.S.$2.3 million or 3.6% in 2013.

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 2013	Q4 2012	Increase / (Decrease)	**2013**	2012	Increase / (Decrease)
Weighted average exchange rate for U.S.$1.00 to CDN	1.05	0.99	0.06	1.03	1.00	0.03

A $0.01 change in the exchange rate for one U.S. dollar to one Canadian dollar would impact AFFO by approximately $0.3 million in 2013.

Fourth Quarter: Same property NOI remained consistent with Q4 2012.

Same property revenue increased U.S.$1.0 million or 2.1% in Q4 2013, primarily due to regular annual rental rate increases in line with competitive market conditions and improved occupancies; partially offset by higher resident move-in incentives.

Weighted average occupancy rate in our same property U.S operating segment increased 0.7 percentage points to 89.2%, and decreased 0.6 percentage points from Q3 2013 occupancy of 89.8%.

Same property direct operating expenses increased U.S.$1.0 million or 3.2% in Q4 2013. Increased staffing costs required to provide additional care and services to our residents and increased property taxes and bad debt expenses were partially offset by lower management fees.

Financial Position

Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and unitholders' equity for December 31, 2013 compared to December 31, 2012.

	Increase / (Decrease) ($millions)	Explanation
Total assets	**(46.8)**	The decrease in total assets is primarily due to the following:
Cash	8.6	Cash increased primarily due to proceeds received from sales transactions in 2013, with an increase in cash provided by operating activities, mostly generated by the acquisition of the Maestro portfolio in 2012.
Capital funding receivable	10.1	Capital funding increased primarily due to the completion of three LTC redevelopment projects in 2013.
Investment in joint ventures	(5.2)	Investment in joint ventures decreased primarily due to the distributions received from the sale of the Bristal Portfolio in Q1 2013 and net losses from joint ventures primarily as a result of non-cash depreciation expense.
PP&E	(57.3)	PP&E decreased primarily due to disposal of assets of $63.0 million and depreciation of $167.0 million. These were partially offset by net capital additions of $69.3 million, acquisitions of $67.5 million and foreign exchange translation of $47.3 million.
Total liabilities	**(1.9)**	The change in total liabilities is primarily due to the following:
Credit Facility	(50.0)	Credit Facility decreased primarily due to repayments from the net proceeds from sales of non-core U.S. properties, as well as refinancing of mortgages in 2013.
Mortgages payable	54.6	Mortgages payable increased primarily due to net proceeds from mortgages, including acquisition and development-related financing of $126.2 million; partially offset by regular principal repayments of $54.5 million, mortgages on sold assets of $54.5 million and changes in foreign exchange rates.
Unitholders' equity	**(44.9)**	The decrease in unitholders' equity is primarily due to cash distributions, which was partially offset by the allocation of net income to the Trust's unitholders.

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during 2013:

	Trust Units	Trust Units issued under LTIP	Class B Units	Deferred Trust Units	Total
Balance December 31, 2012	169,441,855	2,207,464	1,679,128	485,505	173,813,952
Trust Units issued pursuant to the Dividend Reinvestment Plan ("DRIP")	1,920,043	-	-	-	1,920,043
Trust Units issued under LTIP	-	296,023	-	-	296,023
Trust Units surrendered for cancellation under LTIP	-	(349,145)	-	-	(349,145)
Trust Units released on settlement of LTIP receivable	261,268	(261,268)	-	-	-
DTUs issued	-	-	-	94,378	94,378
DTU distributions	-	-	-	28,103	28,103
Exchange of Class B Units	20,816	-	(20,816)	-	-
Balance December 31, 2013	171,643,982	1,893,074	1,658,312	607,986	175,803,354

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, 2013, we had cash on hand in the amount of $11.7 million, including our share of joint-venture cash of $3.1 million. In order to provide for our operating and capital requirements, we also raise funds through the capital markets, arrange mortgage debt financing and have put a Credit Facility in place.

On June 22, 2013, we renewed our Credit Facility for a two-year term, expiring on June 22, 2015 and increased our borrowing capacity to $95.0 million. Under the renewal terms, the Credit Facility bears interest at the bank's prime rate plus 0.95%, or the applicable borrower's acceptance rate plus 1.95%. The Credit Facility 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, 2013, based on security provided, the maximum available borrowing capacity under the Credit Facility was $91.7 million, of which $2.7 million was utilized to support outstanding letters of credit and $27.0 million was drawn, leaving available borrowing capacity at $62.1 million.

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, including our share of amounts from joint ventures and excluding assets and liabilities related to assets held for sale:

($000s)	**2013**	2012
Mortgages payable (contractual amount)	2,034,301	1,975,625
Credit Facility	27,000	77,000
Total Indebtedness excluding convertible debentures	2,061,301	2,052,625
Convertible debentures (at face value)	135,000	135,000
Total Indebtedness	2,196,301	2,187,625
Total assets	2,863,222	2,907,884
Accumulated depreciation and amortization	637,842	489,761
Cumulative transaction costs on business combinations	17,848	16,129
Change in GBV on transition to IFRS	361,994	365,314
GBV of assets	3,880,906	3,779,088
Less: Assets financed by deferred purchase consideration on acquisition properties	-	520
GBV of assets (net of deferred consideration)	3,880,906	3,778,568
Indebtedness Ratio before convertible debentures (1)(2)	53.1%	54.3%
Indebtedness Ratio including convertible debentures (1)(2)	56.6%	57.9%

(1) *Refer to the "Key Performance Indicators – Indebtedness Ratio" section of this MD&A for a discussion of Indebtedness Ratio.*
(2) *If assets and liabilities held for sale were included in this table, the 2012 Indebtedness Ratio would be 54.9% excluding, and 58.4% including convertible debentures.*

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. Refer to the "Key Performance Indicators – Interest Coverage Ratio" section of this MD&A for a discussion of Interest Coverage Ratio.

The following table summarizes our Interest Coverage Ratio, including our share of amounts from joint ventures and assets held for sale:

($000s, except Interest Coverage Ratio)	**Q4 2013**	Q4 2012	**2013**	2012
Interest expense including capitalized interest	30,336	30,657	116,537	120,496
Property lease expense	654	625	2,673	2,504
	30,990	31,282	119,210	123,000
Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") (1)	62,624	65,818	256,914	250,233
Interest Coverage Ratio (2)	2.02	2.10	2.16	2.03
Target Interest Coverage Ratio		>1.65		

(1) In Q1 2013, we changed our definition of Adjusted EBITDA; refer to the "Key Performance Indicators – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.

(2) Refer to the "Key Performance Indicators – Interest Coverage Ratio" section of this MD&A for a discussion of Interest Coverage Ratio.

The following table presents the calculation of Adjusted EBITDA, including our share of amounts from joint ventures and assets held for sale:

($000s)	**Q4 2013**	Q4 2012	**2013**	2012
Net income/(loss) for the period	(14,257)	(38,554)	23,884	(139,342)
Add (Subtract):				
Current income tax	66	78	260	296
Deferred income tax	-	(1,423)	-	(21,977)
Loss/(gain) on sale of assets	(22,080)	(37)	(71,132)	(325)
Reversal of previously-recorded impairment provision	-	(9,399)	-	(9,399)
Write-down of carrying value of assets	11,502	21,203	11,502	21,203
Transaction costs arising on business acquisitions and dispositions	2,776	325	6,276	12,995
Finance costs	30,318	30,518	116,146	127,167
Property lease expense	654	625	2,673	2,504
Depreciation of PP&E	51,751	59,182	170,590	200,383
Amortization of intangible assets	397	671	1,974	3,537
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain)	367	1,605	(9,580)	49,379
Principal portion of capital funding receivable from Health Authorities (1)	1,130	1,024	4,321	3,812
Adjusted EBITDA	62,624	65,818	256,914	250,233

(1) In Q1 2013, we changed our definition of Adjusted EBITDA to include principal portion of capital funding receivable; refer to the "Key Performance Indicators – 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, 2013 and 2012, including our share of amounts from joint ventures:

($000s, except Net Debt to Adjusted EBITDA Ratio)	**December 31, 2013**	December 31, 2012
Trailing 12-month Adjusted EBITDA	256,914	250,233
Add (Subtract):		
Adjustment for part-year acquisitions	2,156	11,422
Adjustment for part-year dispositions and assets held for sale	(6,269)	(10,136)
Trailing12-month Adjusted EBITDA (net of part-year acquisitions and dispositions)	252,801	251,519
Indebtedness(1)	2,196,301	2,187,625
Less: Cash and cash equivalents	11,687	5,309
Net debt	2,184,614	2,182,316
Net Debt to Adjusted EBITDA Ratio (2)	8.6	8.7

(1) Excludes indebtedness related to assets held for sale.
(2) Refer to the "Key Performance Indicators – 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 Facility. 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.

Mortgage Debt

At December 31, 2013, we had $2,034.3 million of mortgages payable of which $1,431.4 million related to our Canadian properties and $602.9 million (U.S.$566.8 million) related to our U.S. properties. Our Canadian property net balance includes $29.3 million representing our share of joint-venture balances. We monitor our mortgage portfolio on a line-by-line consolidation basis and, as such, this section includes our share of mortgages from joint ventures.

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates as at December 31, 2013.

($000s) Year	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Debt	Weighted Average Interest Rate on Maturing Debt
2014	62,215	169,237	231,452	11%	4.38%
2015	52,491	317,594	370,085	18%	4.84%
2016	45,493	318,466	363,959	18%	6.04%
2017	36,211	214,529	250,740	12%	5.62%
2018	37,290	80,168	117,458	6%	4.62%
2019	36,461	10,591	47,052	2%	4.53%
2020	36,882	51,331	88,213	4%	4.30%
2021	35,039	50,150	85,189	4%	4.59%
2022	31,699	62,200	93,899	5%	3.54%
2023	26,667	58,992	85,659	4%	4.25%
2024	18,605	57,582	76,187	5%	4.74%
Thereafter	178,641	45,767	224,408	11%	4.54%
Total	597,694	1,436,607	2,034,301	100%	
Mark-to-market adjustments arising on acquisition			16,904		
Less: Financing costs			(18,008)		
Total Mortgage Debt			2,033,197		

The following table provides selected financial statistics for our mortgage debt portfolio:

	At December 31, 2013					At December 31, 2012
	Canadian Debt		U.S. Debt		Combined	Combined
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate		
Amount ($millions)	1,289.7	141.7	578.6	24.3	2,034.3	1,975.6
Weighted average interest rate	4.73%	4.45%	5.92%	2.57%	5.02%	5.23%
Average term to maturity (years)	9.4	1.0	2.5	0.3	6.7	6.0

In Canada, we generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). All of our Canadian properties are eligible for CMHC financing and as of December 31, 2013, 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 72% 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 2013 we arranged $321.3 million of new mortgage financing on 41 properties, excluding acquisition financing. These mortgages bear a weighted average interest rate of 3.76% and a weighted average term to maturity of 12.5 years and were partially used to replace $259.0 million of maturing debt on 36 properties bearing a weighted average interest rate of 4.12%. Early mortgage prepayment penalties of $2.5 million were incurred as part of these financing.

In addition, we financed the purchase of three new properties through mortgages of $51.1 million with a weighted average rate of 3.97% and a weighted average term to maturity of 3.9 years.

Our variable-rate mortgages primarily relate to recently-acquired communities in lease-up and our development projects in Canada. Variable-rate mortgages are expected to be refinanced with fixed-rate, CMHC-insured debt upon completion and stabilization of the development properties and acquired properties in lease-up.

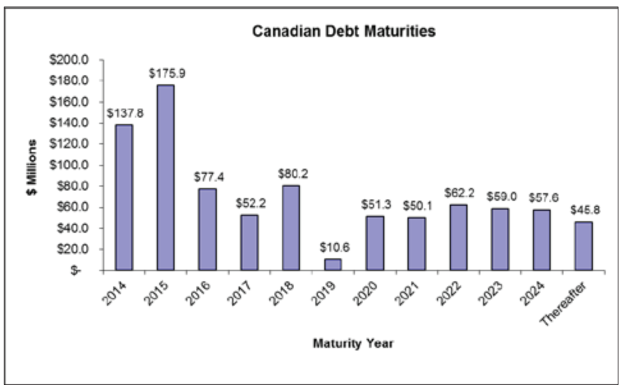
The following table summarizes our variable-rate mortgages as at December 31, 2013:

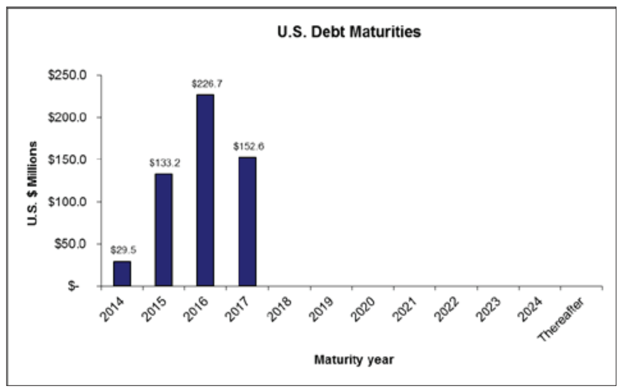
($000s, except number of projects)	Number of Projects	**December 31, 2013**	Number of Projects	**December 31, 2012**
Mortgages on properties under construction	-	-	3	13,452
Mortgages on properties in lease-up [1]	12	135,766	11	145,939
Mortgages on stabilized properties	5	30,255	3	8,249
Total	17	166,021	17	167,640

(1) Includes our share of one joint-venture variable-rate mortgage of $12.4 million.

Subsequent to December 31, 2013, we arranged for a two-year U.S. dollar-denominated secured revolving operating credit facility ("USD Credit Facility") of U.S.$25.0 million secured by three of our U.S. properties. This USD Credit Facility, and cash on hand, were used to refinance U.S.$29.5 million of 2014 U.S. maturities. The amounts outstanding on the USD Credit Facility bear interest at London Interbank Offered Rate ("Libor") plus 3.25%.

The following charts provide the breakdown of our debt maturities in Canada and the U.S. including the related mortgages on joint-venture properties:





Convertible Debentures

At December 31, 2013, 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:

- Development – capital expenditures in respect of our development projects in progress.
- Acquisition – capital expenditures which were identified during acquisition due diligence for newly acquired assets.
- Revenue enhancing and repositioning – capital expenditures that improve the revenue generating potential of our properties.

- Maintenance – capital expenditures incurred to maintain existing revenue generating potential of our properties, such as routine replacement of building components, furniture, fixtures and equipment. We generally reserve 2% of our gross property revenue for maintenance capital expenditures annually; however, actual amounts spent may fluctuate from period to period.

The following table summarizes additions to properties, including our share of joint venture properties, during 2013 and 2012:

($000s)	2013	2012
Development	17,709	46,704
Acquisition	14,326	8,914
Revenue enhancing and repositioning	7,167	6,979
Maintenance	42,278	24,765
Total (1)	81,480	87,362

(1) *Excludes $5.1 million in capital additions relating to land held for development, corporate office leasehold improvements and information technology assets as well as other intangibles in 2013 ($4.4 million in 2012).*

In 2013, maintenance capital expenditures include $6.2 million related to the installation of sprinklers at 16 of our properties and $4.4 million incurred to comply with regulatory requirements in Quebec.

Contractual Obligations and Guarantees

Contractual Obligations

The following table summarizes the major contractual obligations as at December 31, 2013:

($000s)	Total	2014	2015	2016	2017	2018	Thereafter
Mortgages payable	2,005,013	218,564	369,597	363,444	250,197	109,093	694,118
Accounts payable and other liabilities	130,627	130,627	-	-	-	-	-
Distributions payable	7,884	7,884	-	-	-	-	-
Convertible debentures	135,000	-	-	-	-	135,000	-
Credit Facility	27,000	-	27,000	-	-	-	-
Purchase obligations	9,498	9,498	-	-	-	-	-
Property operating leases	6,804	1,701	1,701	1,701	1,701	-	-
Other operating leases	10,096	1,321	1,306	1,164	1,129	1,129	4,047
Land leases	15,270	395	395	395	395	395	13,295
Total contractual obligations	2,347,192	369,990	399,999	366,704	253,422	245,617	711,460

Purchase obligations relate primarily to construction contracts and deferred purchase considerations.

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. 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, 2013, together with our joint venture partners, we have jointly and severally guaranteed CMHC-insured loans on three properties. The maximum amount of these guarantees is $52.3 million. As at December 31, 2013, the outstanding balance of these loans was $47.6 million.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between 2013 and 2012 using the statements of cash flows prepared in accordance with IFRS 11:

Cash Provided by (Used in):	**Increase / (Decrease)** ($millions)	**Explanation**
Operating activities	34.8	Cash flows from operating activities increased primarily due to increases in net operating income and lower cash interest.
Financing activities	(226.8)	Cash flows from financing activities decreased primarily due to the issuance of 5.7% convertible debentures, net of the redemption of the 5.9% convertible debentures, and subscription receipts offering in 2012. In addition, in 2013, higher proceeds from mortgage financing, net of repayments, were offset by lower utilization of the Credit Facility.
Investing activities	208.9	Cash flows from investing activities increased primarily due to proceeds from sales of non-core U.S. properties in 2013, higher distributions received from joint ventures, lower additions to PP&E and lower acquisition activity.

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. Our current monthly distributions are $0.0450 per unit, or $0.54 per unit on an annualized basis.

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 2013 and Q4 2013, our average DRIP participation was 20.7% and 18.5%, respectively, compared to 18.5% participation in 2012 and 19.8% 2011. In Q1 2013, we eliminated the 1,000-unit participation threshold.

The following table summarizes distributions made in Q4 2013, 2013, 2012 and 2011:

($000s)	**Q4 2013**	**2013**	**2012**	2011
Distributions declared on Trust Units (1)	23,363	93,069	89,791	77,538
Distributions on Class B Units	223	895	909	908
Distributions reinvested under DRIP	(4,282)	(19,058)	(15,791)	(15,075)
Distributions applied against LTIP receivable	(184)	(1,081)	(1,200)	(1,230)
Distributions paid or payable in cash	19,120	73,825	73,709	62,141

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

The following table summarizes cash distributions made in Q4 2013, 2013, 2012 and 2011 in relation to net income/(loss) and cash flows from operating activities:

($000s)	**Q4 2013** (1)	**2013** (1)	2012 (1)	2011 (1)
Cash flows from operating activities	44,850	131,852	97,099	110,998
Net income/(loss)	(14,257)	23,884	(139,342)	(63,331)
Distributions paid or payable in cash (2) (3)	19,120	73,825	73,709	62,141
Excess/(shortfall) of cash flows from operating activities over cash distributions paid	25,730	58,027	23,390	48,857
Excess/(shortfall) of net income/(loss) over cash distributions paid	(33,377)	(49,941)	(213,051)	(125,472)

(1) Q4 2013 and 2013 amounts are disclosed using equity accounting in accordance with IFRS 11. Amounts for 2012 and 2011 are disclosed as previously reported prior to the adoption of IFRS 11.

(2) Cash distributions do not include distributions satisfied through issuance of units under DRIP or distributions applied against the LTIP receivable.

(3) 2012 amount includes $2.2 million distributions on subscription receipts recorded as interest expense for accounting purposes.

We distributed cash to our unitholders while recording net losses in each of Q4 2013, 2012 and 2011. We do not use net loss as determined in accordance with IFRS as the basis for establishing the level of distributions to unitholders, as net 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 as we believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time. We also give consideration to our capital expenditure requirements in establishing the level of annual distributions to unitholders. We believe that our current distribution level is sustainable.

Key Performance Indicators

We use a number of key performance indicators (“KPIs”) for monitoring and analyzing our financial results as outlined in this section. These KPIs 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. We monitor our KPIs on a line-by-line consolidation basis and, as such, we include our share of joint ventures. KPIs are described below:

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:

A. Unrealized changes in the fair value of investment properties.

B. 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.
C. 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.
D. Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination.
E. 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. Gain or loss on the sale of an investment in a foreign operation.
M. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
N. Bargain purchase or goodwill impairment.
O. Effects of redeemable units classified as financial liabilities.

Other items:
P. Results of discontinued operations.
Q. Adjustments for equity accounted entities.
R. Non-controlling interests in respect of the above.

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 help one to compare the operating performance of the Trust's real estate portfolio between financial reporting periods.

For the purpose of per unit calculations, 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 tables presented under the "Consolidated Results of Operations – Non-IFRS Measures" section of this MD&A provide a reconciliation of net loss to FFO, as reported in our Financial Statements.

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 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.

For the purpose of per unit calculations, 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 tables presented under the "Consolidated Results of Operations – Non-IFRS Measures" section of this MD&A provide details of AFFO calculations and a reconciliation to FFO.

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. 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. We monitor NOI on a line-by-line consolidated basis and as such, we include our share of NOI from joint ventures.

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.

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. 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 2013:

	Properties	Suites/Beds
Canadian Retirement Operations	108	12,740
Canadian Long Term Care Operations	21	2,902
U.S. Operations (owned and leased)	39	5,813
Total same property portfolio	168	21,455

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.

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. We monitor our same property metrics on a line-by-line consolidated basis and as such include our share of joint ventures.

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. 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. We monitor the Indebtedness Ratio on a line-by-line consolidated basis, and as such, we include our share of assets and liabilities of joint ventures.

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. We monitor the Interest Coverage Ratio on a line-by-line consolidated basis, and as such, we include our share of amounts from joint ventures.

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. In Q1 2013, we changed our definition of Adjusted EBITDA to also include the principal portion of the capital funding receivable from MOHLTC. This long-term cash flow stream forms part of the business value considered by lenders in financing LTC properties. 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 include the full amount of capital funding in the Adjusted EBITDA definition. This change is made for all periods presented in this MD&A. We monitor Adjusted EBITDA on a line-by-line consolidated basis, and as such, we include our share of amounts from joint ventures.

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. We monitor our net debt on a line-by-line consolidated basis, and as such, we include our share of amounts from joint ventures.

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. We monitor this metric on a line-by-line consolidated basis, and as such, we include our share of revenue from joint ventures.

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 93% 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 an 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. Fair value is the amount at which an item could be bought or sold in a current transaction between willing parties. Both the identification of events that may trigger an 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.

Useful Life of PP&E

PP&E is depreciated over the estimated useful life of their components. Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset components. A component is a tangible asset that can be separately identified as an asset, and is expected to provide a benefit of greater than one year. The rates used are reviewed on an ongoing basis to ensure they continue to be appropriate, and are also reviewed in conjunction with impairment testing, as discussed previously.

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. 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 amount at which an item could be bought or sold in a current transaction between independent, knowledgeable willing parties (that is, other than in a forced or liquidation sale) in an arm's length transaction under no compulsion to act. 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.
- Fair value forms the basis for allocating consideration to each unit of accounting for revenues from contracts with multiple deliverables that meet the criteria for separate unit of accounting revenue recognition.
- As discussed in valuation of properties above, 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 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.

Property Revenue

Revenue is recognized when services are provided to residents. In Canada, the provinces regulate fees charged to residents of long term care homes and provincial or regional programs fund a substantial portion of these fees. We receive reimbursements from these funding authorities for services rendered to residents covered by these programs. Preparation of the financial statements requires an estimate of the amounts recoverable and earned from the various funding authorities in the jurisdictions in which we operate. Judgement is required to assess amounts recoverable under the various funding agreements, and related regulations and legislation, which are continually changing. The impact of different interpretations and applications of these agreements could change revenues.

Changes in Accounting Estimates and Changes in Accounting Policies

IFRS 10, Consolidated Financial Statements ("IFRS 10"):

In May 2011, the IASB issued IFRS 10, with further amendments issued in June and October 2012. IFRS 10 replaces the guidance in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities ("SIC-12"). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12. This new standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and determined there is no impact on its consolidated financial statements.

IFRS 11, Joint Arrangements ("IFRS 11"):

In May 2011, the IASB issued IFRS 11, with further amendments issued in June 2012. IFRS 11 replaces the guidance in IAS 31, Interests in Joint Ventures ("IAS 31"), and requires interests in jointly-controlled entities to be accounted for under the equity method. The standard provides guidance regarding joint arrangements, which are arrangements where two or more parties have joint control (before Chartwell transitioned to IFRS 11 all joint arrangements were referred to as joint ventures). A joint arrangement may be classified as a joint operation or a joint venture depending upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties have the rights to the assets, and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement. This new standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell previously accounted for its interest in all joint arrangements using proportionate consolidation. Chartwell completed the assessment of joint arrangements under IFRS 11 and determined that certain entities are jointly-controlled and therefore are required to be accounted for under the equity method.

IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"):

In May 2011, the IASB issued IFRS 12, with further amendments issued in June 2012. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for annual consolidated financial statements for the year ending December 31, 2013.

IFRS 13, Fair Value Measurement ("IFRS 13"):

In May 2011, the IASB published IFRS 13. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs. This new standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. This standard increased the quarterly disclosures for Chartwell fair value measurements.

Amendments to IAS 28, Investments in Associates and Joint Ventures ("IAS 28"):

In May 2011, the IASB issued amendments to IAS 28. IAS 28 requires any retained portion of an investment in an associate or joint venture that has been classified as held for sale to be measured using the equity method until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendment requires for it to be continued to be accounted for under the equity method. The amendment also disallows the remeasurement of any retained interest in an investment upon the cessation of significant influence or joint control. This amended standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and determined there is no impact on its consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1"):

In June 2011, the IASB amended IAS 1. This amendment requires that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. This amended standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and provided additional disclosures in its condensed consolidated interim statements of comprehensive income (loss).

Amendments to IAS 19, Employee Benefits ("IAS 19"):

In June 2011, the IASB amended IAS 19. Adoption of the amendment is required for annual periods beginning on or after January 1, 2013, with early adoption permitted. This amendment eliminated the use of the 'corridor' approach and mandates that all remeasurement impacts be recognized in other comprehensive income (loss). It also enhances the disclosure requirements, providing better information about the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. This amendment clarifies when a company should recognize a liability and an expense for termination benefits. This amended standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and determined there is no impact on its consolidated financial statements.

Amendments to IFRS 7, Financial Instruments - Disclosures ("IFRS 7"):

In December 2011, the IASB amended IFRS 7 to include new disclosure requirements for financial assets and liabilities that are offset in the consolidated balance sheets or subject to master netting arrangements or similar arrangements. The amendments to IFRS 7 are effective for fiscal periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively. Chartwell has assessed this amendment and determined there is no impact on its consolidated financial statements.

Annual Improvements to IFRSs 2009-2011 Cycle - various standards:

The IASB issued its Annual Improvements to IFRSs - 2009-2011 Cycle, part of the annual improvements process to make non-urgent but necessary amendments to IFRS. These amendments are effective for annual periods beginning on or after January 1, 2013, with retrospective application. The new cycle of improvements contains amendments to the several standards including: IAS 1, IAS 16, IAS 32, and IAS 34. The amendments to the standards are effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and determined there is no impact on its consolidated financial statements.

Future accounting Policy Changes:

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

In 2013, the IASB issued amendments to, IFRS 9, issued in 2010, which will ultimately replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The current issuance of IFRS 9 includes the first and third phases of the project, which provide guidance on the classification and measurement of financial assets and financial liabilities and hedge accounting. The mandatory effective date of the standard has not been determined due to the incomplete status of the second phase of the project, impairment. The effective date of the entire standard will be determined closer to the completion of the remaining phase. The extent of impact of IFRS 9 adoption has not yet been determined.

Amendments to IAS 32, Financial Instruments - Presentation ("IAS 32"):

In 2011, the IASB amended IAS 32 to clarify that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The amendments to IAS 32 are effective for fiscal periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively. The extent of the impact of adoption of the amendments to IAS 32 has not yet been determined.

Amendments to IAS 36, Impairment of Assets ("IAS 36"):

In May 2013, the IASB released an amendment to IAS 36. This amendment requires entities to disclose the recoverable amount of an impaired CGU only when an impairment loss has been recognised or reversed. The amendment is effective January 1, 2014. Chartwell has assessed this amendment and determined it will not materiality affect the consolidated financial statements.

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

In 2013, the IASB issued IFRIC 21. The IFRIC 21 addresses accounting for a liability to pay a levy within the scope of IAS 37, Provisions, contingent liabilities and contingent assets ("IAS 37"). A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12, Income Taxes and fines or other penalties imposed for breaches of the legislation. This interpretation becomes effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. The extent of impact of adoption has not yet been determined.

Annual improvements to IFRSs 2010-2012 and 2011-2013 Cycle - various standards:

The IASB issued its annual improvements to IFRSs 2010-2012 and 2011-2013 Cycle, part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The amendments are effective July 1, 2014. The extent of the impact of adoption of 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 judgements 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, 2013, 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. 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, 2013.

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, 2013, and based on that assessment determined that our internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the 1992 COSO framework as published by the Committee of Sponsoring Organizations of the Treadway Commission.

In 2013, the Committee of Sponsoring Organizations of the Treadway Commission issued an updated Internal Control Integrated Framework. COSO will continue to make available the original 1992 framework during the transition period extending to December 15, 2014, after which time we will consider it as superseded by the updated version.

There were no material changes in our internal controls over financial reporting that occurred during the year ended December 31, 2013, 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;
- 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 execute on a potential redevelopment program for Class B and Class C Ontario LTC beds;
- our ability to realize returns on our development and redevelopment program;
- 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 expectations regarding achievement of certain occupancy levels at our LTC and retirement communities;
- our ability to renew maturing debt and to obtain new financings, 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 2013, 78.1% of our distributions were classified as return of capital, 2.6% as foreign-source interest income and 19.3% as other income. We were not subject to cash SIFT taxes in 2013 and now, based on our forecasts, we do not expect to be subject to cash SIFT taxes in 2014 and 2015.

(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 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 2013 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

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

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 13,500 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.

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	Vlad Volodarski
President and Chief Executive Officer	Chief Financial Officer

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, 2013 and 2012 and January 1, 2012, the consolidated statements of comprehensive income (loss), unitholders' equity and cash flows for the years ended December 31, 2013 and December 31, 2012, 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, 2013 and 2012 and January 1, 2012, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 5, 2014
Toronto, Canada

Consolidated Balance Sheets

(In thousands of Canadian dollars)

December 31, 2013 and 2012, and January 1, 2012

	Note	December 31, 2013	December 31, 2012 (Restated - note 25)	January 1, 2012 (Restated - note 25)
Assets				
Current assets:				
Cash		$ 8,601	$ 25	$ 8,840
Trade and other receivables		17,881	20,970	10,590
Capital funding receivable	6	4,698	4,396	3,743
Mezzanine loans		–	–	9,653
Other assets	7	26,668	25,859	25,511
Total current assets		57,848	51,250	58,337
Non-current assets:				
Other assets	7	7,397	7,186	7,344
Capital funding receivable	6	66,481	56,661	55,377
Investment in joint ventures	8	28,319	33,498	27,963
Intangible assets	5	49,777	50,775	52,879
Property, plant and equipment ("PP&E")	4	2,628,140	2,685,431	2,379,710
Total non-current assets		2,780,114	2,833,551	2,523,273
Total assets		$ 2,837,962	$ 2,884,801	$ 2,581,610
Liabilities and Unitholders' Equity				
Current liabilities:				
Secured revolving operating credit facility ("Credit Facility")	9(b)	$ 27,000	$ 77,000	$ 53,000
Accounts payable and other liabilities	11	129,020	122,993	111,907
Distributions payable		7,884	7,800	6,596
Mortgages payable	9(a)	219,347	269,026	191,150
Convertible debentures		–	–	76,425
Deferred consideration on business combinations		–	520	5,328
Obligations to joint ventures	8	–	7,296	6,676
Total current liabilities		383,251	484,635	451,082
Non-current liabilities:				
Mortgages payable	9(a)	1,784,889	1,680,589	1,554,119
Convertible debentures	10	144,005	147,150	–
Class B Units of Chartwell Master Care LP ("Class B Units")	12	16,583	18,302	14,292
Deferred tax liabilities	21	–	–	26,325
Total non-current liabilities		1,945,477	1,846,041	1,594,736
Total liabilities		2,328,728	2,330,676	2,045,818
Unitholders' equity	13	509,234	554,125	535,792
Commitments and contingencies	22			
Subsequent events	24			
Total liabilities and unitholders' equity		$ 2,837,962	$ 2,884,801	$ 2,581,610

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

Huw Thomas, Trustee

Sidney Robinson, Trustee

Consolidated Statements of Comprehensive Income (Loss)

(In thousands of Canadian dollars)

Years ended December 31, 2013 and 2012

	Note	2013	2012 (Restated - note 25)
Revenue:			
Resident		$ 819,114	$ 781,039
Management and other fees		7,925	7,725
Lease revenue from joint ventures	8	31,386	19,933
Mezzanine loan interest		154	1,493
		858,579	810,190
Expenses:			
Direct operating		585,988	557,786
General, administrative and trust		31,016	26,166
		617,004	583,952
Income before the undernoted[1]		241,575	226,238
Finance costs	19	113,716	119,090
Property lease expense		2,673	2,504
Other expense (income)	18	(9,262)	20,215
Depreciation of PP&E	4	166,979	193,642
Amortization of intangible assets	5	1,974	3,537
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	20	(9,580)	49,379
Share of net income from joint ventures	8	(49,069)	(1,106)
Income (loss) before income taxes		24,144	(161,023)
Income tax expense (benefit):	21		
Current		260	296
Deferred		–	(21,977)
		260	(21,681)
Income (loss) for the year		23,884	(139,342)
Items to be reclassified to profit or loss in subsequent periods:			
Other comprehensive income (loss):			
Unrealized foreign currency gain (loss) on translation of foreign operations		3,103	(1,504)
Total comprehensive net income (loss)		$ 26,987	$ (140,846)

[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 (benefit).

See accompanying notes to consolidated financial statements.

Consolidated Statements of Unitholders' Equity

(In thousands of Canadian dollars)

Years ended December 31, 2013 and 2012

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
Income for the year	–	–	–	23,884	–	–	–	23,884
Other comprehensive income	–	–	–	–	3,103	–	–	3,103
Distributions to unitholders	–	–	–	–	–	(93,069)	–	(93,069)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	19,058	–	–	–	–	–	–	19,058
Trust Units issued on exchange of Class B Units	228	–	–	–	–	–	–	228
Trust Units issued under the Long Term Incentive Plan ("LTIP"), net of cancellations and Trust Units released on settlement of LTIP receivable	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.

2012	Trust Units issued in dollars, net	Trust Units issued under LTIP	LTIP receivable	Accumulated losses	Foreign currency translation reserve	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2011	$ 1,456,238	$ 25,476	$ (19,865)	$ (397,800)	$ (3,972)	$ (529,176)	$ 4,891	$ 535,792
Loss for the year	–	–	–	(139,342)	–	–	–	(139,342)
Other comprehensive loss	–	–	–	–	(1,504)	–	–	(1,504)
Distributions to unitholders	–	–	–	–	–	(87,549)	–	(87,549)
Trust Units issued in exchange of subscription receipts, net of tax and transaction costs	229,505	–	–	–	–	–	–	229,505
Trust Units issued under DRIP	15,791	–	–	–	–	–	–	15,791
Trust Units issued on exchange of Class B Units	24	–	–	–	–	–	–	24
Trust Units issued under LTIP, net of cancellations and Trust Units released on settlement of LTIP receivable	1,127	(51)	(668)	–	–	–	–	408
Interest on LTIP receivable	–	–	(200)	–	–	–	–	(200)
Distributions applied against LTIP receivable	–	–	1,200	–	–	–	–	1,200
Unitholders' equity, December 31, 2012	$ 1,702,685	$ 25,425	$ (19,533)	$ (537,142)	$ (5,476)	$ (616,725)	$ 4,891	$ 554,125

During the year ended December 31, 2012, distributions were declared and paid at $0.045 per unit per month. In the first two months of 2013, distributions were declared at $0.045 per unit per month totalling $15,626.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31, 2013 and 2012

	Note	2013	2012
			(Restated - note 25)
Cash provided by (used in):			
Operating activities:			
Income (loss) for the year		$ 23,884	$ (139,342)
Items not affecting cash:			
Depreciation and amortization		168,953	197,180
Other expense (income)	18	(9,262)	20,215
Finance costs	19	113,716	119,090
Transaction costs		(5,447)	(12,847)
Mezzanine loan interest		(154)	(1,493)
Non-cash compensation expense		2,542	2,282
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	20	(9,580)	49,379
Share of net income from joint ventures		(49,069)	(1,106)
Current income taxes		260	296
Deferred income taxes		–	(21,977)
Other		(1,097)	(485)
Change in trade and other receivables		3,094	(2,699)
Change in other assets		(1,617)	(1,270)
Change in accounts payable and other liabilities		(3,724)	(6,161)
		232,499	201,062
Interest received		4,025	5,673
Interest paid		(104,412)	(109,340)
Income taxes paid		(260)	(296)
Net cash provided by operating activities		131,852	97,099
Financing activities:			
Proceeds from mortgage financing, net of repayments on maturity		126,222	16,083
Changes to Credit Facility		(50,000)	24,000
Scheduled mortgage principal repayments		(54,515)	(45,505)
Net additions to finance costs		(4,901)	(3,750)
Trust Units issued pursuant to:			
Public offerings		–	204,287
Issue costs		–	(8,776)
Issue of convertible debentures		–	135,000
Redemption of convertible debentures		–	(75,000)
Convertible debenture issuance costs		–	(5,363)
Distributions paid		(72,846)	(69,354)
Deposits and repayments received under LTIP		1,499	663
Net cash provided by (used in) financing activities		(54,541)	172,285
Investing activities:			
Acquisition of assets under business combinations		(67,309)	(194,466)
Payment of deferred consideration on business combinations		–	(5,000)
Additions to PP&E and intangible assets		(84,503)	(96,732)
Proceeds from capital funding receivable		4,321	3,812
Proceeds from assets disposal		30,708	593
Mezzanine loan collections		–	15,158
Change in restricted cash		597	(37)
Distributions received, net of Contributions, from joint ventures	8	46,874	(1,504)
Net cash used in investing activities		(69,312)	(278,176)
Increase (decrease) in cash		7,999	(8,792)
Foreign exchange gain (loss) on U.S. dollar-denominated cash		577	(23)
Cash, beginning of year		25	8,840
Cash, end of year		$ 8,601	$ 25

See accompanying notes to consolidated financial statements.

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 Trustees. The Trustees will continue to rely upon forward-looking cash flow information, including internal forecasts and budgets to establish the level of cash distributions.

1. *Basis of Preparation*

(a) Statement of compliance:

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

On March 5, 2014, the Board of Trustees authorized the financial statements for issue.

(b) Functional currency:

These consolidated financial statements are presented in thousands of 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.

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

(ii) Note 3 - Acquisitions.

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;

(iii) Note 3 - Acquisitions: fair value of the net identifiable assets acquired; and

(iv) Note 21 - Income taxes: availability of future taxable profit to apply potential tax carryforward losses.

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:

All acquisitions occurring on and after January 1, 2010 are accounted for under the acquisition method under which all 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.

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 of Chartwell's United States Operations at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting dates. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting year.

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.

Revenue and expense 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 (loss).

(c) PP&E:

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

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.

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.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

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.

(i) Resident contracts:

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.

(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, management contracts, 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.

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.

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

The carrying amounts of the 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 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.

(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, 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, 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.

(h) Financial instruments:

(i) Non-derivative financial assets:

Trade and other receivables, mezzanine loans receivable and capital funding 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) Non-derivative financial liabilities:

Non-derivative financial liabilities primarily consist of accounts payable and accrued liabilities, distributions payable, mortgages payable, deferred consideration on business combinations 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.

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 the 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 period. Any resulting gain or loss is recognized in profit or loss immediately.

Chartwell entered into an interest rate swap arrangement in order to reduce the impact of fluctuating interest rates on long-term debt. This swap agreement requires 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. This swap arrangement is not designated as a hedging instrument under IFRS.

(iv) Financial liabilities measured at fair value:

Financial liabilities are measured at fair value when the financial liability is either held for trading or it is 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.

(v) Fair value hierarchy:

Financial instruments carried at fair value 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) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term investments. Short-term investments, comprising money market instruments, have a maturity of 90 days or less from their date of purchase and are stated at cost, which approximates fair value.

(j) 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.

(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.

(k) Income taxes:

Income tax expense (benefit) 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 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 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.

(l) 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 convertible debentures issuance costs.

(m) 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.

(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.

(n) 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 ("SEC") 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. The accounting policies applied by the segments are the same as those applied by Chartwell.

(o) Lease payments:

Chartwell maintains some properties in the United States that are 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.

(p) IFRS pronouncements commencing on January 1, 2013:

(i) IFRS 10, Consolidated Financial Statements ("IFRS 10"):

In May 2011, the IASB issued IFRS 10, with further amendments issued in June and October 2012. IFRS 10 replaces the guidance in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities ("SIC-12"). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12. This new standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and determined there is no impact on its consolidated financial statements.

(ii) IFRS 11, Joint Arrangements ("IFRS 11"):

In May 2011, the IASB issued IFRS 11, with further amendments issued in June 2012. IFRS 11 replaces the guidance in IAS 31, Interests in joint ventures ("IAS 31"), and requires interests in jointly-controlled entities to be accounted for under the equity method. The standard provides guidance regarding joint arrangements, which are arrangements where two or more parties have joint control (before Chartwell transitioned to IFRS 11 all joint arrangements were referred to as joint ventures). A joint arrangement may be classified as a joint operation or a joint venture depending upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties have the rights to the assets, and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement. This new standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell previously accounted for its interest in all joint arrangements using proportionate consolidation. Chartwell completed the assessment of joint arrangements under IFRS 11 and determined that certain entities are jointly-controlled and therefore are required to be accounted for under the equity method. See accompanying notes 8 and 25 to these consolidated financial statements.

(iii) IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"):

In May 2011, the IASB issued IFRS 12, with further amendments issued in June 2012. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for annual consolidated financial statements for the year ending December 31, 2013, see accompanying note 8 to the consolidated financial statements.

(iv) IFRS 13, Fair Value Measurement ("IFRS 13"):

In May 2011, the IASB published IFRS 13. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs. This new standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. This standard increased the quarterly disclosures for Chartwell fair value measurements. See the accompanying notes to consolidated financial statements for the impact of this new standard.

(v) Amendments to IAS 28, Investments in Associates and joint ventures ("IAS 28"):

In May 2011, the IASB issued amendments to IAS 28. IAS 28 requires any retained portion of an investment in an associate or joint venture that has been classified as held for sale to be measured using the equity method until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendment requires for it to be continued to be accounted for under the equity method. The amendment also disallows the remeasurement of any retained interest in an investment upon the cessation of significant influence or joint control. This amended standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and determined there is no impact on its consolidated financial statements.

(vi) Amendments to IAS 1, Presentation of Financial Statements ("IAS 1"):

In June 2011, the IASB amended IAS 1. This amendment requires that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. This amended standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and provided additional disclosures in its condensed consolidated interim statements of comprehensive income (loss).

(vii) Amendments to IAS 19, Employee Benefits ("IAS 19"):

In June 2011, the IASB amended IAS 19. Adoption of the amendment is required for annual periods beginning on or after January 1, 2013, with early adoption permitted. This amendment eliminated the use of the 'corridor' approach and mandates that all remeasurement impacts be recognized in other comprehensive income (loss). It also enhances the disclosure requirements, providing better information about the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. This amendment clarifies when a company should recognize a liability and an expense for termination benefits. This amended standard is effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and determined there is no impact on its consolidated financial statements.

(viii) Amendments to IFRS 7, Financial Instruments - Disclosures ("IFRS 7"):

In December 2011, the IASB amended IFRS 7 to include new disclosure requirements for financial assets and liabilities that are offset in the consolidated balance sheets or subject to master netting arrangements or similar arrangements. The amendments to IFRS 7 are effective for fiscal periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively. Chartwell has assessed this amendment and determined there is no impact on its consolidated financial statements.

(ix) Annual Improvements to IFRSs 2009-2011 Cycle - various standards:

The IASB issued its Annual Improvements to IFRSs - 2009-2011 Cycle, part of the annual improvements process to make non-urgent but necessary amendments to IFRS. These amendments are effective for annual periods beginning on or after January 1, 2013, with retrospective application. The new cycle of improvements contains amendments to the several standards including: IAS 1, IAS 16, IAS 32, and IAS 34. The amendments to the standards are effective for Chartwell's interim and annual consolidated financial statements commencing January 1, 2013. Chartwell has assessed this amendment and determined there is no impact on its consolidated financial statements.

(q) IFRS pronouncements issued but not yet effective:

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

In 2013, the IASB issued amendments to, IFRS 9, which will ultimately replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The current issuance of IFRS 9 includes the first and third phases of the project, which provide guidance on the classification and measurement of financial assets and financial liabilities and hedge accounting. The mandatory effective date of the standard has not been determined due to the incomplete status of the second phase of the project, impairment. The effective date of the entire standard will be determined closer to the completion of the remaining phase. The extent of impact of IFRS 9 adoption has not yet been determined.

(ii) Amendments to IAS 32, Financial Instruments - Presentation ("IAS 32"):

In 2011, the IASB amended IAS 32 to clarify that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The amendments to IAS 32 are effective for fiscal periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively. The extent of the impact of adoption of the amendments to IAS 32 has not yet been determined.

(iii) Amendments to IAS 36, Impairment of Assets ("IAS 36"):

In May 2013, the IASB released an amendment to IAS 36. This amendment requires entities to disclose the recoverable amount of an impaired CGU only when an impairment loss has been recognised or reversed. The amendment is effective January 1, 2014. Chartwell has assessed this amendment and determined it will not materiality affect the consolidated financial statements.

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

In 2013, the IASB issued IFRIC 21. The IFRIC 21 addresses accounting for a liability to pay a levy within the scope of IAS 37, Provisions, contingent liabilities and contingent assets ("IAS 37"). A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12, Income Taxes and fines or other penalties imposed for breaches of the legislation. This interpretation becomes effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. The extent of impact of adoption has not yet been determined.

(v) Annual improvements to IFRSs 2010-2012 and 2011-2013 Cycle - various standards:

The IASB issued its annual improvements to IFRSs 2010-2012 and 2011-2013 Cycle, part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The amendments are effective July 1, 2014. The extent of the impact of adoption of amendments has not yet been determined.

3. Acquisitions

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

On June 19, 2013, Chartwell acquired a 100% interest in a 65-unit long term care residence and a 171-unit independent supportive living residence located at the Cite-Jardin complex in Gatineau, Quebec. The purchase price before closing costs was $19,000 and fully financed with a two-year mortgage loan. This acquisition is consistent with Chartwell's strategy to focus on its core business and expand its presence in existing Canadian markets. Chartwell incurred acquisition-related costs of $261, which have been expensed in other expense (income) in the consolidated statements of comprehensive loss. The newly acquired Cite-Jardin Residences have contributed revenue of $2,970 and net loss of $404 from the date of acquisition, and are included in the Canadian Retirement Operations segment. The transaction was accounted for as a business combination under IFRS 3, Business Combinations ("IFRS 3").

On August 14, 2013, Chartwell acquired a 100% interest in a 109-unit independent supportive living residence located in Ridgepointe, Kamloops, British Columbia ("Ridgepointe"). The purchase price before closing costs was $21,500. The transaction was partially financed by a new five-year $11,825 mortgage, with the remaining portion of the purchase price settled in cash. This acquisition is consistent with Chartwell's strategy to focus on its core business and expand its presence in existing Canadian markets. Chartwell incurred acquisition-related costs of $691, which have been expensed in other expense (income) in the consolidated statements of comprehensive loss. Ridgepointe has contributed revenue of $706 and net loss of $1,132 from the date of acquisition, and is included in the Canadian Retirement Operations segment. The transaction was accounted for as a business combination under IFRS 3.

On October 25, 2013, Chartwell completed the acquisition of Cedarbrooke Chateau ("Cedarbrooke"), a 138-unit independent living residence located in Mission, British Columbia. The purchase price before closing costs was $27,000 and was partially financed by a $15,250 five-year mortgage, with the remaining portion of the purchase price settled in cash. This acquisition is consistent with Chartwell's strategy to focus on its core business and expand its presence in existing Canadian markets. Chartwell incurred acquisition-related costs of $656, which have been expensed in other expense (income) in the consolidated statements of comprehensive loss. Cedarbrooke has contributed revenue of $594 and net loss of $828 from the date of acquisition, and is included in the Canadian Retirement Operations segment. The transaction was accounted for as a business combination under IFRS 3.

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

(b) Acquisitions during the year ended December 31, 2012:

Chartwell completed three acquisitions for the year ended December 31, 2012. Purchases completed include the acquisition of 100% ownership interest in Georgian Traditions Retirement Residence on January 20, 2012, a 50% interest in Renaissance Retirement Residence on April 1, 2012 and a 50% ownership in Chartwell and Health Care REIT Inc. ("HCN") properties on May 1, 2012. The following table summarizes the allocation of the purchase price to each major category of assets acquired and liabilities assumed at the date of acquisition and the major categories of consideration transferred at Chartwell's ownership:

Date of acquisition	January 20, 2012	April 1, 2012	May 1, 2012	
Segment	Canadian Retirement Operations			
Location	Province of Ontario (70 suites)	Province of British Columbia (97 suites)	Various provinces (7,662 suites)	Total
PP&E	$ 15,500	$ 7,525	$ 425,871	$ 448,896
Other assets (liabilities)	(423)	(121)	3,490	2,946
Mortgages assumed	(11,435)	(4,691)	(235,175)	(251,301)
Investment in joint ventures	–	–	2,314	2,314
Net assets acquired	$ 3,642	$ 2,713	$ 196,500	$ 202,855
Discharge of mezzanine loan receivable	$ 938	$ 699	$ –	$ 1,637
Settlement of accounts receivable	926	826	–	1,752
Cash consideration	1,778	1,188	196,500	199,466
Total consideration transferred	$ 3,642	$ 2,713	$ 196,500	$ 202,855

4. Property, Plant and Equipment

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost						
Balance, January 1, 2012	$ 279,337	$ 2,235,398	$ 60,951	$ 57,162	$ 18,540	$ 2,651,388
Additions	–	28,519	13,064	53,582	507	95,672
Additions through business combinations	45,966	394,233	3,559	–	5,138	448,896
Disposals	–	–	–	–	(268)	(268)
Derecognition	–	(7,453)	(2,967)	–	–	(10,420)
Development costs allocable to capital funding receivable	–	–	–	(5,749)	–	(5,749)
Transfers[(1)]	6,219	66,665	4,976	(78,873)	–	(1,013)
Exchange differences on translation of United States Operations	(1,920)	(16,344)	(535)	(46)	(143)	(18,988)
Balance, December 31, 2012	329,602	2,701,018	79,048	26,076	23,774	3,159,518
Additions	–	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
Accumulated depreciation and impairment losses						
Balance, January 1, 2012	$ –	$ 245,595	$ 24,203	$ 1,880	$ –	$ 271,678
Depreciation	–	176,428	17,214	–	–	193,642
Derecognition	–	(7,453)	(2,967)	–	–	(10,420)
Impairment	–	20,661	–	542	–	21,203
Exchange differences on translation of United States Operations	–	(1,804)	(212)	–	–	(2,016)
Balance, December 31, 2012	–	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
Carrying amounts						
Balance, December 31, 2012	$ 329,602	$ 2,267,591	$ 40,810	$ 23,654	$ 23,774	$ 2,685,431
Balance, December 31, 2013	336,451	2,202,278	36,576	28,578	24,257	2,628,140

[(1)]For the year ended December 31, 2012, Chartwell transferred $1,013 from properties under development to intangible assets (note 5).

Chartwell capitalized $1,286 of borrowing costs related to development projects under construction for the year ended December 31, 2013, at an average capitalization rate of 5.15%. During the year ended December 31, 2012, Chartwell capitalized $1,843 of borrowing costs related to development projects under construction at an average capitalization rate of 5.33%.

Chartwell disposed of a seven-property portfolio in the United States, located in Arizona, Georgia, Louisiana, Oklahoma and Alabama to an affiliate of Brookdale Senior Living Inc. ("Brookdale"), the manager of six of these properties, on October 2, 2013. The portfolio had a carrying amount of $61,577 ($59,597 U.S.) at the time of disposal (note 18).

Chartwell also recorded disposals of assets as a result of other transactions entered into throughout the year with a carrying value of $1,395.

Chartwell completed an assessment of PP&E for the year ended December 31, 2013 to determine if any events have occurred that would indicate possible impairment of PP&E. In the case of three CGUs, two included in Canadian Retirement Operations, and one in United States Operations, indicators existed based on operational results and management forecasts, that the asset's recoverable amount may be lower than its carrying amount. These indicators included decreases in net operating income and occupancy compared to prior years as a result of competition in local market areas and changes in the services Chartwell is able to provide. The properties are located in Quebec and Texas, respectively. Chartwell completed an assessment of the recoverable amount of these assets or CGUs comparing the higher of (a) the fair value less costs to sell and (b) value in use to the carrying value. On assessment, it was determined that the fair value less costs to sell would be used to evaluate the recoverable amount. Fair value less costs to sell was determined using a stabilized net operating income for the properties, adjusted for usual expense items and occupancy rates, and applying capitalization rates between 7.5%-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 on these properties an impairment loss of $10,399 was recognized in other expense (income) (note 18).

An impairment loss of $1,103 was recorded during the year ended December 31, 2013 for land held for development, located in Quebec, based on the fair value less cost to sell being less than the carrying value. The impairment was determined in December 2013 based on management decision to dispose of the land.

Chartwell disposed of vacant land in Magog, Quebec for $537 on April 5, 2012. As a result of this transaction, Chartwell recorded a gain of $269 included in other expense (income) (note 18).

Chartwell, in 2012, purchased two parcels of land from a company controlled by one of the executives of Chartwell. The total consideration was $507 and the executive was not involved in the approval process to purchase the land.

Chartwell completed an assessment of PP&E for the year ended December 31, 2012 to determine if any events have occurred that would indicate possible impairment of PP&E. In the case of three properties, included in the Canadian Retirement Operations, indicators existed based on operational results and management forecasts, that the asset's recoverable amount may be lower than its carrying amount. Chartwell completed an assessment of the recoverable amount of these assets or CGUs comparing the higher of (a) the fair value less costs to sell and (b) value in use to the carrying value. On assessment, it was determined that the fair value less costs to sell would be used to evaluate the recoverable amount. Chartwell determines the fair value less cost to sell based on historical transactions completed and transactions that have occurred in the market. As the result of the assessment completed on these properties and the write-off of certain development costs, an impairment loss of $21,203 was recognized in other expense (income) (note 18).

5. *Intangible Assets*

	Licenses	Other[1]	Total
Cost			
Balance, December 31, 2011	$ 44,334	$ 16,134	$ 60,468
Additions	–	554	554
Transfers (note 4)	–	1,013	1,013
Derecognition	–	(2,935)	(2,935)
Exchange differences on translation of United States Operations	–	(307)	(307)
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
Accumulated amortization and impairment losses			
Balance, December 31, 2011	$ –	$ 7,589	$ 7,589
Amortization	–	3,537	3,537
Derecognition	–	(2,935)	(2,935)
Exchange differences on translation of United States Operations	–	(173)	(173)
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
Carrying amounts			
Balance, December 31, 2012	$ 44,334	$ 6,441	$ 50,775
Balance, December 31, 2013	44,334	5,443	49,777

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

6. *Capital Funding Receivable*

The following table summarizes the capital funding receivable activity:

	Amount
Balance, December 31, 2011	$ 59,120
Development costs allocable to capital funding receivable	5,749
Capital funding applied to receivable in the year	(3,812)
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
Current	$ 4,698
Non-current	66,481
	$ 71,179

The capital funding receivable of $71,179 (2012 - $61,057) 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 12.2 years with the discount rate used 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.

7. *Other Assets*

	2013	2012
Prepaid expenses and deposits	$ 11,747	$ 10,672
Restricted cash	13,355	13,952
Lease purchase option	4,547	4,253
Other assets	4,416	4,168
	$ 34,065	$ 33,045
Current	$ 26,668	$ 25,859
Non-current	7,397	7,186
	$ 34,065	$ 33,045

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

8. *Joint Arrangements*

The following are Chartwell's joint arrangements:

Joint arrangements	Number of properties	Location	Chartwell ownership	Joint arrangement type
Chartwell-HCN Landlord[1]	39	Canada	50%	Joint operation
Chartwell-HCN Operator[1]	Same as above	Same as above	50%	Joint venture[3]
Robert Speck[2]	1	Canada	33%	Joint operation
Oakville	1	Canada	50%	Joint venture[3]
Constantia	1	Canada	50%	Joint venture[3]
Pickering	1	Canada	50%	Joint venture[3]
Valley Vista	1	Canada	50%	Joint operation
Riverside	1	Canada	50%	Joint operation
Churchill	1	Canada	50%	Joint operation
Bristal[4]	5	United States	50%	Joint venture[3]

(1) On May 1, 2012, Chartwell acquired a 50% interest in this joint venture. Chartwell directly holds its interest in real estate while its interest in operations is held through separate legal entities.
(2) Chartwell completed the acquisition of the remaining 66.7% on January 2, 2014.
(3) The joint venture has been structured through separate legal vehicle.
(4) 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 15). 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 on behalf of its joint arrangement partners have jointly and severally guaranteed 100% of CMHC-insured loans on three properties, which are 50% owned by Chartwell, to a maximum amount of $52,315. As at December 31, 2013, outstanding balances on these loans were $47,632. At December 31, 2013, 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:

	As at and for the year ended 2013	2012
Current assets	$ 8,195	$ 7,920
Non-current assets	447,819	470,399
Total assets	$ 456,014	$ 478,319
Current liabilities	$ 79,408	$ 70,166
Non-current liabilities	211,680	209,152
Total liabilities	$ 291,088	$ 279,318
Total revenue	$ 40,933	$ 28,650
Total expenses	$ 52,031	$ 45,504

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

	2013	2012
Distributions received from joint ventures	$ 47,062	$ 2,987
Contributions to joint ventures	188	4,491

	2013	2012
Current assets	$ 9,894	$ 104,473
Non-current assets	47,332	49,512
Total assets	$ 57,226	$ 153,985
Current liabilities	$ 12,811	$ 111,245
Non-current liabilities	16,096	16,538
Total liabilities	$ 28,907	$ 127,783
Net Investment in joint ventures	$ 28,319	$ 26,202

Included in current assets is $3,086 (2012 - $5,284) in cash and cash equivalents.

	2013	2012
Revenue	$ 103,546	$ 93,464
Gain on disposal of assets	48,947	–
Expenses	(103,424)	(92,358)
Chartwell's share of net income from joint ventures	$ 49,069	$ 1,106

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, 2013, $517 (2012 - $1,205) of Chartwell's accounts receivable and $6,722 (2012 - $4,249) of Chartwell's accounts payable relate to entities in which it had an investments in joint ventures. For the year ended December 31, 2013, $5,041 (2012 - $3,417), of Chartwell's management fees and other income related to entities in which it had an investment in joint ventures.

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 acquired on May 1, 2012 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 is $2,927 (2012 - $1,441) as a result of transactions between properties landlords and Chartwell-HCN operators.

Chartwell-HCN operator has leased the real estate from the landlords under their respective lease agreements. The terms of these leases are for three-year periods, with automatic renewal terms as long as the joint arrangement between Chartwell and HCN is still in effect. Lease payments vary for each property and include annual adjustments based upon agreed financial ratios. As a result, Chartwell's 50% interest of the landlords' lease receipts, $31,386 for the year ended December 31, 2013 (2012 - $19,933), 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 loss.

On February 13, 2013, Chartwell's joint venture, Bristal Holdings LLC (U.S.), 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 Bristal Holdings LLC (U.S.) of $46,337 (U.S. $45,967) in the year ended December 31, 2013.

9. *Secured Debt*

(a) Mortgages payable:

Mortgages payable are secured by first and second charges on 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 15.

The mortgages payable as at December 31, 2013 are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total debt	Weighted average interest rate of maturing debt (%)
2014	$ 62,127	$ 156,437	$ 218,564	11	4.38
2015	52,003	317,594	369,597	18	4.84
2016	44,978	318,466	363,444	18	6.04
2017	35,668	214,529	250,197	13	5.62
2018	36,948	72,145	109,093	6	4.62
2019	36,220	10,591	46,811	2	4.53
2020	36,629	51,331	87,960	4	4.30
2021	34,773	50,150	84,923	4	4.59
2022	31,421	62,200	93,621	5	3.54
2023	26,374	58,992	85,366	4	4.25
2024	18,298	57,582	75,880	4	4.74
Thereafter	173,790	45,767	219,557	11	4.54
	$ 589,229	$ 1,415,784	2,005,013	100	
Mark-to-market adjustments on acquisition			16,905		
Financing costs			(17,682)		
			$ 2,004,236		
Current			$ 219,347		
Non-current			1,784,889		
			$ 2,004,236		

	2013	2012
Mortgages at fixed rates:		
Mortgages (principal)	$ 1,851,417	$ 1,790,673
Interest rates	1.96% - 10.00%	2.10% - 10.00%
Weighted average interest rate	5.10%	5.31%
Mortgages at variable rates:		
Mortgages (principal)	$ 153,596	$ 154,850
Interest rates	Lender COF plus 2.00% to prime plus 2.50%	Lender COF plus 2.00% to prime plus 2.50%
Weighted average interest rate	4.09%	4.35%
Blended weighted average rate	5.02%	5.23%

(b) Credit Facility:

On June 22, 2013, Chartwell renewed its Credit Facility for a two-year term expiring on June 22, 2015 and increased the borrowing capacity to $95,000. Under the renewal terms, the Credit Facility bears interest at the bank's prime rate plus 0.95% or the applicable banker's acceptance rate plus 1.95%. Additional terms include minimum equity requirements and covenants requiring limitations on the amount of cash distributions that can be paid to unitholders. The Credit Facility is secured by charges on specific properties. At December 31, 2013, the maximum available borrowing capacity under the Credit Facility was $91,745 (2012 - $85,000) based on the security provided. Of this capacity, $2,686 (2012 - $2,807) has been allocated to support various letters of credit issued by Chartwell. As at December 31, 2013, $27,000 (2012 - $77,000) was outstanding under the Credit Facility.

10. 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, 2013 was $106.67 (2012 - $109.00).
Chartwell has the following series of convertible debentures outstanding:

	2013	2012
5.7% convertible debentures:		
Principal	$ 135,000	$ 135,000
Fair value	144,005	147,150

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.

11. Accounts Payable and Other Liabilities

	Note	2013	2012
Accounts payable and accrued liabilities		$ 104,518	$ 97,049
Resident deposits		3,220	3,688
Deferred revenue		9,827	9,753
Deferred Trust Units	(a)	6,080	5,292
Restricted Trust Units	(b)	856	732
LTIP option component	(c)	4,519	6,479
		$ 129,020	$ 122,993

(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(j)(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. Distributions on Deferred Trust Units are included in general, administrative and trust expenses in profit or loss. The liability is released to equity after retirement of the director. The market ask price of Trust Units as at December 31, 2013 was $10.00.

The following table summarizes the Deferred Trust Unit activity:

	Units outstanding	Amount
Balance, December 31, 2011	354,550	$ 3,013
Units granted	107,668	1,040
Reinvested distributions	23,287	221
Change in fair value	–	1,018
Balance, December 31, 2012	485,505	5,292
Units granted	94,378	958
Reinvested distributions	28,103	286
Change in fair value	–	(456)
Balance, December 31, 2013	607,986	$ 6,080

(b) Restricted Unit Plan:

Under the terms of the Restricted Unit Plan, qualified senior 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 was amended, effective January 1, 2012, to provide that the amounts payable to certain participants on vesting will be determined based on the extent to which Chartwell has achieved certain adjusted funds from operations targets over a three-year period.

During the year ended December 31, 2013, 79,880 notional Trust Units were issued (2012 - 85,841), 13,859 notional Trust units were cancelled (2012 - 15,269), 11,403 notional Trust units were issued related to reinvested distributions (2012 - 13,499), and 62,792 notional Trust units vested and were paid out (2012 - 97,734). At December31, 2013, 168,978 notional Trust Units remained outstanding (2012 - 154,346).

(c) LTIP (note 13(b)):

Chartwell's recourse on the LTIP receivable is limited to Chartwell Units it holds as security. The limited recourse nature of the LTIP receivable effectively provides a participant with a put option as the participant may elect to surrender the LTIP Units in full satisfaction of the LTIP receivable. The fair value of this option is measured using the Monte Carlo simulation method. The following table summarizes the assumptions used to determine the fair value of the LTIP option component:

	2013	2012
Expected volatility	16.65% - 21.65%	13.70% - 17.10%
Risk free rate	1.41% - 3.13%	1.50% - 2.20%
Distribution yield	5.76% - 6.48%	4.00% - 4.90%

12. 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, 2013 was $10.00 (2012 - $10.90).

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 loss.

	Units outstanding	Amount
Balance, December 31, 2011	1,681,525	$ 14,292
Exchange of Class B Units into Trust Units	(2,397)	(24)
Change in fair value	–	4,034
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

13. 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.

The following Trust Units are issued and outstanding:

	Number of voting Units	Amount
Balance, December 31, 2011	142,691,626	$ 1,456,238
Trust Units issued under DRIP	1,703,174	15,791
Trust Units issued in exchange of Class B Units	2,397	24
Trust Units released on settlement of LTIP receivable	131,533	1,127
Trust Units issued in exchange of subscription receipts, net of tax and transaction costs (d)	24,913,125	229,505
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

(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, which is payable over a term not to exceed 10 years. 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 LTIP Units 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. Participants may prepay the principal at their discretion and receive the units. Trust Units issued under the LTIP are held as security for the outstanding LTIP receivable. 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 LTIP Units in satisfaction of the outstanding receivable amounts. Chartwell's recourse is limited to Trust Units it holds as security.

Subsequent to 2005, the LTIP was amended to include vesting provisions at the discretion of the Trustees. Since that time, all units issued to full-time employees have the following vesting provisions: one-third in the first year of employment; one-third in the third year of employment; and one-third in the fifth year of employment. In 2013, the LTIP was amended, so that all units issued subsequent to June 30, 2013 vest immediately.

An aggregate of 5,900,890 Trust Units are reserved for issuance pursuant to the LTIP, of which 2,838,530 were available to be issued at December 31, 2013.

The following table summarizes Trust Units issued under the LTIP:

	Number of Trust Units issued under LTIP	Amount
Balance, December 31, 2011	2,192,845	$ 25,476
Trust Units issued under LTIP	293,042	2,740
Trust Units surrendered for cancellation under LTIP	(146,890)	(1,664)
Trust Units released on settlement of LTIP receivable	(131,533)	(1,127)
Balance, December 31, 2012	2,207,464	25,425
Trust Units issued under LTIP	296,023	3,215
Trust Units surrendered for cancellation under LTIP	(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

The compensation expense attributable to the LTIP of $563 for the year ended December 31, 2013 (2012 - $240) 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%.

(d) Subscription receipts:

In March 2012, Chartwell completed a bought deal offering of 24,913,125 subscription receipts at a price of $8.20 per subscription receipt for gross cash proceeds of $204,287. Upon closing of the acquisition of the Maestro portfolio on May 1, 2012, each outstanding subscription receipt was exchanged for one unit of Chartwell. Immediately prior to conversion to Trust Units, the subscription receipts were adjusted to fair value and $229,505, net of tax and transaction costs, was recorded in unitholders' equity. Chartwell recognized a corresponding loss during the year ended December 31, 2012 of $29,647 due to the change in fair value. This loss has been recorded in the consolidated statements of comprehensive loss as changes in fair values of financial instruments and unrealized foreign exchange losses (gains) (note 20). Chartwell incurred transaction-related costs of $8,776, before tax effect, recorded in unitholders' equity.

14. Segmented Information

Chartwell monitors and operates its Canadian Retirement, Canadian Long Term Care and United States Operations separately. The accounting policies of each of the segments are the same as those for Chartwell. These segments include Chartwell's proportionate share of its joint ventures. The "Reconciliation" column adjusts the segmented results to account for these joint ventures using the equity method of accounting as applied in these consolidated financial statements. Certain general, administrative and trust expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.

2013	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Recon-ciliation	Total
Revenue:								
Resident	$ 487,081	$ 210,691	$ 224,888	$ 922,660	$ –	$ 922,660	$ (103,546)	$ 819,114
Management and other fees	–	–	–	–	7,925	7,925	–	7,925
Lease revenue from joint ventures	–	–	–	–	–	–	31,386	31,386
Mezzanine loan interest	–	–	–	–	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 joint venture income	–	–	–	–	–	–	(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 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 joint venture loss (income) and income tax expense (benefit).

2012	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Recon-ciliation	Total
Revenue:								
Resident	$ 429,609	$ 206,166	$ 238,728	$ 874,503	$ –	$ 874,503	$ (93,464)	$ 781,039
Management and other fees	–	–	–	–	7,725	7,725	–	7,725
Lease revenue from joint ventures	–	–	–	–	–	–	19,933	19,933
Mezzanine loan interest	–	–	–	–	1,493	1,493	–	1,493
	429,609	206,166	238,728	874,503	9,218	883,721	(73,531)	810,190
Expenses:								
Direct operating	276,673	179,307	159,334	615,314	–	615,314	(57,528)	557,786
General, administrative and trust	–	–	–	–	26,166	26,166	–	26,166
	276,673	179,307	159,334	615,314	26,166	641,480	(57,528)	583,952
Income (loss) before the undernoted[(1)]	152,936	26,859	79,394	259,189	(16,948)	242,241	(16,003)	226,238
Finance costs (recovery):								
Contractual interest	50,871	13,436	51,106	115,413	3,444	118,857	(7,922)	110,935
Other	44	(1,719)	1,132	(543)	8,853	8,310	(155)	8,155
Property lease expense	126	269	2,109	2,504	–	2,504	–	2,504
Other expense (income):								
Interest	(234)	(3,405)	–	(3,639)	(541)	(4,180)	69	(4,111)
Other	29,491	–	882	30,373	(5,899)	24,474	(148)	24,326
Depreciation and amortization	117,923	9,217	75,186	202,326	1,594	203,920	(6,741)	197,179
Share of joint venture income	–	–	–	–	–	–	(1,106)	(1,106)
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	–	(456)	–	(456)	49,835	49,379	–	49,379
	198,221	17,342	130,415	345,978	57,286	403,264	(16,003)	387,261
Income (loss) before income taxes	(45,285)	9,517	(51,021)	(86,789)	(74,234)	(161,023)	–	(161,023)
Income tax expense (recovery)	–	–	296	296	(21,977)	(21,681)	–	(21,681)
Net income (loss)	$ (45,285)	$ 9,517	$ (51,317)	$ (87,085)	$ (52,257)	$ (139,342)	$ –	$ (139,342)
Expenditures for non-current assets:								
Acquisition properties	$ 455,203	$ –	$ –	$ 455,203	$ –	$ 455,203	$ –	$ 455,203
Capital additions	63,678	18,960	10,549	93,187	4,389	97,576	(844)	96,732

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

2013	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Recon-ciliation	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

2012	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 1,859,174	$ 293,810	$ 844,878	$ 2,997,862	$ 7,426	$ 3,005,288	$ (120,487)	$ 2,884,801
Total liabilities	$ 1,183,718	$ 236,905	$ 763,281	$ 2,183,904	$ 267,259	$ 2,451,163	$ (120,487)	$ 2,330,676

15. *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:

	2013		2012	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	$ 2,004,236	$ 2,025,702	$ 1,949,615	$ 2,065,551
Credit Facility	27,000	27,000	77,000	77,000

Fair value represents management's estimates of the market value at a given point in time, which may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. The above table excludes cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, and distributions payable as the carrying amount of these assets and liabilities are a reasonable approximation of fair value and are disclosed elsewhere in these 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, 2013, the mortgages payable were discounted using rates between 2.03% and 5.49% (2012 - 1.94% and 4.86%). 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 risks that arise from the fluctuation of interest rates, the credit quality of its residents and borrowers pursuant to mezzanine loans, 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.

There have been no significant changes to Chartwell's risk management policies and strategies since December 31, 2012.

These 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 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.

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 represents 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.

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, 2013, outstanding residents receivables are $3,757 (2012 - $2,998), net of an impairment reserve of $1,620 (2012 - $1,390).

(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, 2013, Chartwell had $8,601 in cash and $62,059 available and undrawn on the Credit Facility (note 9(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 Canada Mortgage and Housing Corporation ("CMHC") insured mortgages.

There is also a risk that the Credit Facility 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, 2013 are detailed in note 22, Commitments and contingencies.

(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, 2013, $180,596 (2012 - $231,850) 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, 2013, Chartwell's interest-bearing financial instruments were:

	Carrying amount 2013	2012
Fixed-rate instruments:		
Financial liabilities	$ 1,986,417	$ 1,925,673
Variable-rate instruments:		
Financial liabilities	$ 180,596	$ 231,850

A change in interest rates at December 31, 2013 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, 2013 for the variable-rate financial instruments would have increased/decreased the loss for the year by $1,806 (on a pre-tax basis).

(b) Foreign currency rate risk:

At December 31, 2013, through its United States Operations, 24% (2012 - 28%) of Chartwell's assets and 28% (2012 - 32%) of Chartwell's mortgages payable were held in the United States and 24% (2012 - 27%) 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, 2013.

Chartwell is exposed to the following currency risk on cash, intercompany balances and its net investment in United States Operations at December 31, 2013:

	U.S. dollar
Cash	$ 8,283
Net loans receivable from United States Operations	1,750
Net investment in United States Operations	58,435
Net exposure	$ 68,468

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) for the year as follows:

	U.S. dollar
Change in loss	$ 306
Change in other comprehensive loss	584

(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, 2013, Chartwell received $190,218 (2012 - $183,618) in funding in respect of these licenses, which has been recorded as resident revenue and other income. Chartwell is exposed to risk related to this funding to the extent there are changes in legislation.

16. *Capital Structure Financial Policies*

Chartwell's primary objectives in managing capital are:

(a) to provide stable and growing distributions to unitholders;

(b) to achieve the lowest overall cost of capital consistent with the appropriate mix of capital elements by ensuring that Chartwell complies with externally imposed capital requirements;

(c) to ensure that Chartwell has sufficient capital to execute on its strategic objectives, including targeted capital maintenance expenditures;

(d) to meet its development and internal growth requirements; and

(e) to ensure that Chartwell has access to sufficient capital for strategic acquisitions.

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 a revolving Credit Facility that is secured by first and second charges on certain of its properties.

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 officers and senior management of Chartwell. The Board of Trustees also determines the level of any distributions that should be made.

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 by undertaking other activities, as deemed appropriate under specific circumstances.

Chartwell monitors capital based on the debt to adjusted gross book value ("GBV") ratio. It also monitors its interest coverage ratio. Chartwell's Declaration of Trust limits the amount of indebtedness that Chartwell can incur to 60% of GBV, excluding convertible debentures, or 65% of GBV, including convertible debentures.

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.

The following are the debt leverage ratios at December 31, 2013 and 2012:

	2013	2012	Increase (decrease)
Debt to GBV, excluding convertible debentures	53.1%	54.3%	(1.2)%
Debt to GBV, including convertible debentures	56.6%	57.9%	(1.3)%
Interest coverage ratio	2.12x	2.00x	0.12x

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.

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 the General Partner 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 transition date, and the related costs in respect of completed property acquisitions that were expensed in the period incurred.

17. Personnel Expenses

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

	2013	2012
Salaries and wages	$ 400,331	$ 379,681
Post-employment benefits (defined contribution plans)	4,864	4,907
Unit-based compensation	2,542	2,574
	$ 407,737	$ 387,162

18. *Other Expense (Income)*

	2013	2012
Reversal of previously recorded provisions for impairment of mezzanine loans and accounts receivable	$ –	$ (9,399)
Gain on disposal of assets	(22,186)	(325)
Interest income on loans and receivables	(4,025)	(4,111)
Other income	(26,211)	(13,835)
Impairment of PP&E (note 4)	11,502	21,203
Transaction costs arising on business acquisitions and dispositions	5,447	12,847
Other expense	16,949	34,050
Other expense (income)	$ (9,262)	$ 20,215

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).

During 2013, Chartwell recorded a gain on the disposal of various other assets for $223.

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).

In 2012, Chartwell recorded impairment of $21,203 for three properties located in Quebec and projects under development, where in all cases carrying values exceeded estimated fair value (note 4).

19. *Finance Costs*

	2013	2012
Contractual mortgage interest expense	$ 101,727	$ 100,879
Interest expense on convertible debentures	7,695	7,193
Credit Facility and other interest expense (a)	4,233	2,863
	113,655	110,935
Interest capitalized to properties under development	(1,286)	(1,843)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	452	1,484
Distributions on Class B Units recorded as interest expense	895	909
Distributions on subscription receipts	–	2,242
Convertible debenture issuance costs	–	5,363
Total finance costs	$ 113,716	$ 119,090

(a) In 2013 Chartwell early refinanced certain 2013 and 2014 maturing mortgages incurring early mortgage defeasance costs of $2,474, included in other interest expense.

20. Changes in Fair Values of Financial Instruments and Unrealized Foreign Exchange Losses (Gains)

	2013	2012
Changes in fair value of convertible debentures	$ (3,146)	$ 10,725
Changes in fair value of interest rate swap	(254)	(456)
Unrealized foreign exchange loss (gain)	(1,515)	1,710
Changes in fair value of LTIP option component	(2,716)	2,701
Changes in fair value of Class B Units	(1,491)	4,034
Changes in fair value of Deferred Trust Units	(458)	1,018
Change in fair value of subscription receipts (note 13)	–	29,647
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	$ (9,580)	$ 49,379

21. Income Taxes

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

	2013	2012
Deductible temporary differences	$ 20,685	$ 11,473
Losses carried forward	29,603	26,314
	$ 50,288	$ 37,787

Chartwell has non-capital loss carryforwards in Canada of $17,237, which will expire between 2015 and 2033. Chartwell also has capital loss carryforwards in Canada of $12,366, which can be carried forward indefinitely. 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 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 the following items:

	2013	2012
Deductible temporary differences	$ 129,221	$ 140,257
Net operating losses	82,125	77,097
Capital losses	–	23,125
Total	$ 211,346	$ 240,479

Net operating losses will expire between 2025 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.

The provision for income taxes in the consolidated statements of comprehensive loss represents an effective tax rate different than the Canadian SIFT tax rate of 49.53% (2012 - 49.53%) The differences for the years ended December 31 are as follows:

	2013	2012
Income (loss) before income taxes	$ 24,144	$ (161,023)
Income tax recovery at Canadian SIFT tax rates	$ 11,959	$ (79,755)
Effect of permanent differences	(9,757)	785
Tax benefits not recognized	5,275	31,408
International income tax rate differences	(4,768)	5,897
Prior year adjustments	(21)	(489)
Fair value adjustments	(3,130)	19,996
Other	702	477
	$ 260	$ (21,681)

With the adoption of IFRS 11 consolidated financial statements commencing January 1, 2013, certain jointly controlled properties are reported under the equity method. The following table reflects the adjustments as a result of the application of IFRS 11 to the prior period disclosure in the consolidated financial statements relating to the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities for the year ended December 31, 2012:

	Pre IFRS 11	Post IFRS 11
Deferred tax assets:		
Mortgages payable	$ 7,825	$ 7,885
Issue costs	7,585	7,585
PP&E	18,360	21,905
Other	4,367	4,310
	38,137	41,685
Deferred tax liabilities:		
Capital funding receivable	(23,531)	(23,531)
Intangible assets	(13,129)	(13,129)
Investment in joint ventures	–	(3,548)
Other	(1,477)	(1,477)
	(38,137)	(41,685)
	$ –	$ –

Chartwell has temporary differences associated with its outside investment in these jointly controlled properties. No deferred taxes have been provided with respect to such temporary differences since Chartwell is able to control the timing of the reversal of these temporary differences, and such reversal is not probable in the foreseeable future.

22. *Commitments and Contingencies*

Chartwell's major contractual obligations as at December 31, 2013 are detailed in the following table:

	Note	Total	2014	2015	2016	2017	2018	Thereafter
Mortgages payable	9(a)	$ 2,005,013	$ 218,564	$ 369,597	$ 363,444	$ 250,197	$ 109,093	$ 694,118
Accounts payable and other liabilities	11	130,627	130,627	–	–	–	–	–
Distributions payable		7,884	7,884	–	–	–	–	–
Convertible debentures	10	135,000	–	–	–	–	135,000	–
Credit Facility	9(b)	27,000	–	27,000	–	–	–	–
Purchase obligations	22(b)	9,498	9,498	–	–	–	–	–
Property operating leases	22(a)(i)	6,804	1,701	1,701	1,701	1,701	–	–
Other operating leases	22(a)(iii)	10,096	1,321	1,306	1,164	1,129	1,129	4,047
Land leases	22(a)(ii)	15,270	395	395	395	395	395	13,295
Total contractual obligations		$ 2,347,192	$ 369,990	$ 399,999	$ 366,704	$ 253,422	$ 245,617	$ 711,460

(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 $1,701 (U.S. $1,597) per annum and a total of $6,802 (U.S. $6,389) for the remaining 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.

(ii) Land leases:

Chartwell owns one property in Alberta, Canada subject to a land lease. This lease expires on July 17, 2061, with annual payments of $126. Pursuant to the Regency Care portfolio acquisition, Chartwell assumed one land lease expiring August 31, 2044, with annual payments of $113 through to August 31, 2024, and $136 for the remainder of the term, and one land lease expiring May 31, 2048, with annual payments of $156, negotiated to market every 15 years thereafter, after lease expiration date.

(iii) Other operating leases:

In addition, 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 $1,321 over the remaining term 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.

(b) Purchase obligations:

Chartwell has entered into various construction contracts related to various development and asset improvement projects. As at December 31, 2013, the remaining commitments under these contracts amounted to approximately $9,498.

(c) Letters of credit:

As at December 31, 2013, Chartwell was contingently liable for letters of credit in the amount of $2,686 (2012 - $2,807). Chartwell was also contingently liable for letters of credit relating to its obligation under certain mortgages in the US of $9,644 ($9,067 U.S.).

(d) Other contracts:

Brookdale is the manager of 39 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) 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.

23. Key Management Personnel Compensation

The remuneration of key management personnel of Chartwell during the years ended December 31, 2013 and 2012 was as follows:

	2013	2012
Officers' and Directors compensation	$ 4,302	$ 4,918
Post-employment benefits	58	64
Other long term benefits	458	936
Unit-based payments	105	87

Chartwell management has a senior executive committee, comprised of 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.

24. Subsequent Events:

On January 2, 2014, Chartwell completed the acquisition of the remaining 66.67% interest in Robert Speck, a 113-unit independent living residence located in Mississauga, Ontario. The purchase price before closing costs was $21,333 and was partially settled through the assumption of a $15,203 mortgage, with the remaining portion of the purchase price, net of working capital adjustments, settled in cash.

On February 27, 2014, Chartwell entered into a definitive agreement to sell 100% of a property located in Ontario for $24,500. Chartwell owns a 50% interest in this property. The closing is expected in Q3 2014.

25. IFRS 11 Impact on the Consolidated Financial Statements:

Chartwell adopted IFRS 11 for the annual consolidated financial statements commencing January 1, 2013 (notes 2 and 8). The following tables detail the impact of the adoption of IFRS 11 on the consolidated balance sheet as at December 31, 2012 and the consolidated statement of comprehensive loss for the year ended December 31, 2012 and the consolidated balance sheet as at January 1, 2012:

Consolidated balance sheet information:

December 31, 2012	As previously reported (Pre-IFRS 11)	Add (deduct) proportionately consolidated joint ventures	Investment in joint ventures under IFRS	As restated (Post-IFRS 11)
Assets				
Current assets:				
Cash and cash equivalents	$ 5,309	$ (5,284)	$ –	$ 25
Trade and other receivables	20,296	674	–	20,970
Capital funding receivable	4,396	–	–	4,396
Other assets	28,318	(2,459)	–	25,859
Assets held for sale	97,404	(97,404)	–	–
Total current assets	155,723	(104,473)	–	51,250
Non-current assets:				
Other assets	7,186	–	–	7,186
Capital funding receivable	56,661	–	–	56,661
Investment in joint ventures	–	–	33,498	33,498
Intangible assets	50,775	–	–	50,775
PP&E	2,734,943	(49,512)	–	2,685,431
Total non-current assets	2,849,565	(49,512)	33,498	2,833,551
Total assets	$ 3,005,288	$ (153,985)	$ 33,498	$ 2,884,801
Liabilities and Unitholders' Equity				
Current liabilities:				
Credit Facility	$ 77,000	$ –	$ –	$ 77,000
Accounts payable and other liabilities	121,072	1,921	–	122,993
Distributions payable	7,800	–	–	7,800
Mortgages payable	282,223	(13,197)	–	269,026
Deferred consideration on business combinations	520	–	–	520
Liabilities held for sale	99,969	(99,969)	–	–
Obligations to joint ventures	–	–	7,296	7,296
Total current liabilities	588,584	(111,245)	7,296	484,635
Non-current liabilities:				
Mortgages payable	1,697,127	(16,538)	–	1,680,589
Convertible debentures	147,150	–	–	147,150
Class B Units	18,302	–	–	18,302
Total non-current liabilities	1,862,579	(16,538)	–	1,846,041
Total liabilities	2,451,163	(127,783)	7,296	2,330,676
Untiholders' equity	554,125	–	–	554,125
Total liabilities and untiholders' equity	$ 3,005,288	$ (127,783)	$ 7,296	$ 2,884,801

Consolidated statement of comprehensive loss information for the year:

December 31, 2012	As previously reported (Pre-IFRS 11)	Deduct (add) proportionately consolidated joint ventures	Investment in joint ventures under IFRS	As restated (Post-IFRS 11)
Revenue:				
Resident	$ 874,503	$ 93,464	$ –	$ 781,039
Management and other fees	7,725	–	–	7,725
Lease revenue from joint ventures	–	(19,933)	–	19,933
Mezzanine loan interest	1,493	–	–	1,493
	883,721	73,531	–	810,190
Expenses:				
Direct operating	615,314	57,528	–	557,786
General, administrative and Trust	26,166	–	–	26,166
	641,480	57,528	–	583,952
Income before the undernoted[(1)]	242,241	16,003	–	226,238
Finance costs	127,167	8,077	–	119,090
Property lease expense	2,504	–	–	2,504
Other expense	20,294	79	–	20,215
Depreciation of PP&E	200,383	6,741	–	193,642
Amortization of intangible assets	3,537	–	–	3,537
Changes in fair values of financial instruments and unrealized foreign exchange losses	49,379	–	–	49,379
Share of joint venture gain	–	–	1,106	(1,106)
Loss before income taxes	(161,023)	1,106	(1,106)	(161,023)
Income tax expense (benefit):				
Current	296	–	–	296
Deferred	(21,977)	–	–	(21,977)
	(21,681)	–	–	(21,681)
Loss for the period	(139,342)	1,106	(1,106)	(139,342)
Other comprehensive loss:				
Unrealized foreign currency loss on translation of foreign operations	(1,504)	–	–	(1,504)
Total comprehensive loss	$ (140,846)	$ 1,106	$ (1,106)	$ (140,846)

[(1)] Refers to income before finance costs, property lease expense, other expense, depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments, unrealized foreign exchange losses, share of joint venture and associates loss and income tax expense (benefit).

Consolidated balance sheet information:

January 1, 2012	December 31, 2011, as previously reported (Pre-IFRS 11)	Deduct proportionately consolidated joint ventures	Investment in joint ventures under IFRS	January 1, 2012 (Post-IFRS 11)
Assets				
Current assets:				
Cash and cash equivalents	$ 10,687	$ (1,847)	$ –	$ 8,840
Trade and other receivables	13,144	(2,554)	–	10,590
Capital funding receivable	3,743	–	–	3,743
Mezzanine loans	9,653	–	–	9,653
Other assets	27,153	(1,642)	–	25,511
Total current assets	64,380	(6,043)	–	58,337
Non-current assets:				
Other assets	7,344	–	–	7,344
Capital funding receivable	55,377	–	–	55,377
Investment in joint ventures	–	–	27,963	27,963
Intangible assets	52,879	–	–	52,879
PP&E	2,526,541	(146,831)	–	2,379,710
Total non-current assets	2,642,141	(146,831)	27,963	2,523,273
Total assets	$ 2,706,521	$ (152,874)	$ 27,963	$ 2,581,610
Liabilities and Unitholders' Equity				
Current liabilities:				
Credit facility	$ 53,000	$ –	$ –	$ 53,000
Accounts payable and other liabilities	112,497	(590)	–	111,907
Distributions payable	6,596	–	–	6,596
Mortgages payable	205,373	(14,223)	–	191,150
Convertible debentures	76,425	–	–	76,425
Deferred consideration on business combinations	5,328	–	–	5,328
Obligations to joint venture	–	–	6,676	6,676
Total current liabilities	459,219	(14,813)	6,676	451,082
Non-current liabilities:				
Mortgages payable	1,670,893	(116,774)	–	1,554,119
Class B units	14,292	–	–	14,292
Deferred tax liabilities	26,325	–	–	26,325
Total non-current liabilities	1,711,510	(116,774)	–	1,594,736
Total liabilities	2,170,729	(131,587)	6,676	2,045,818
Unitholders' equity	535,792	–	–	535,792
Total liabilities and unitholders' equity	$ 2,706,521	$ (131,587)	$ 6,676	$ 2,581,610

Corporate and Unitholder Information

Trustees and/or Directors

Officers and Senior Management

Brent Binions
President and Chief Executive Officer

Karen Sullivan
Chief Operating Officer

Vlad Volodarski
Chief Financial Officer

Sheri Chateauvert
Chief Administrative Officer

Jonathan Boulakia
Chief Legal Officer

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.

Unitholder Information

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Auditors
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Legal Counsel
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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
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Unitholder and Investor Contact
Vlad Volodarski, Chief Financial Officer
Email: investorrelations@chartwell.com

Annual Meeting of Unitholders
4:30pm ET - Thursday, May 15, 2014
St. Andrew's Club and Conference Centre
150 King Street West, Toronto, Ontario

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