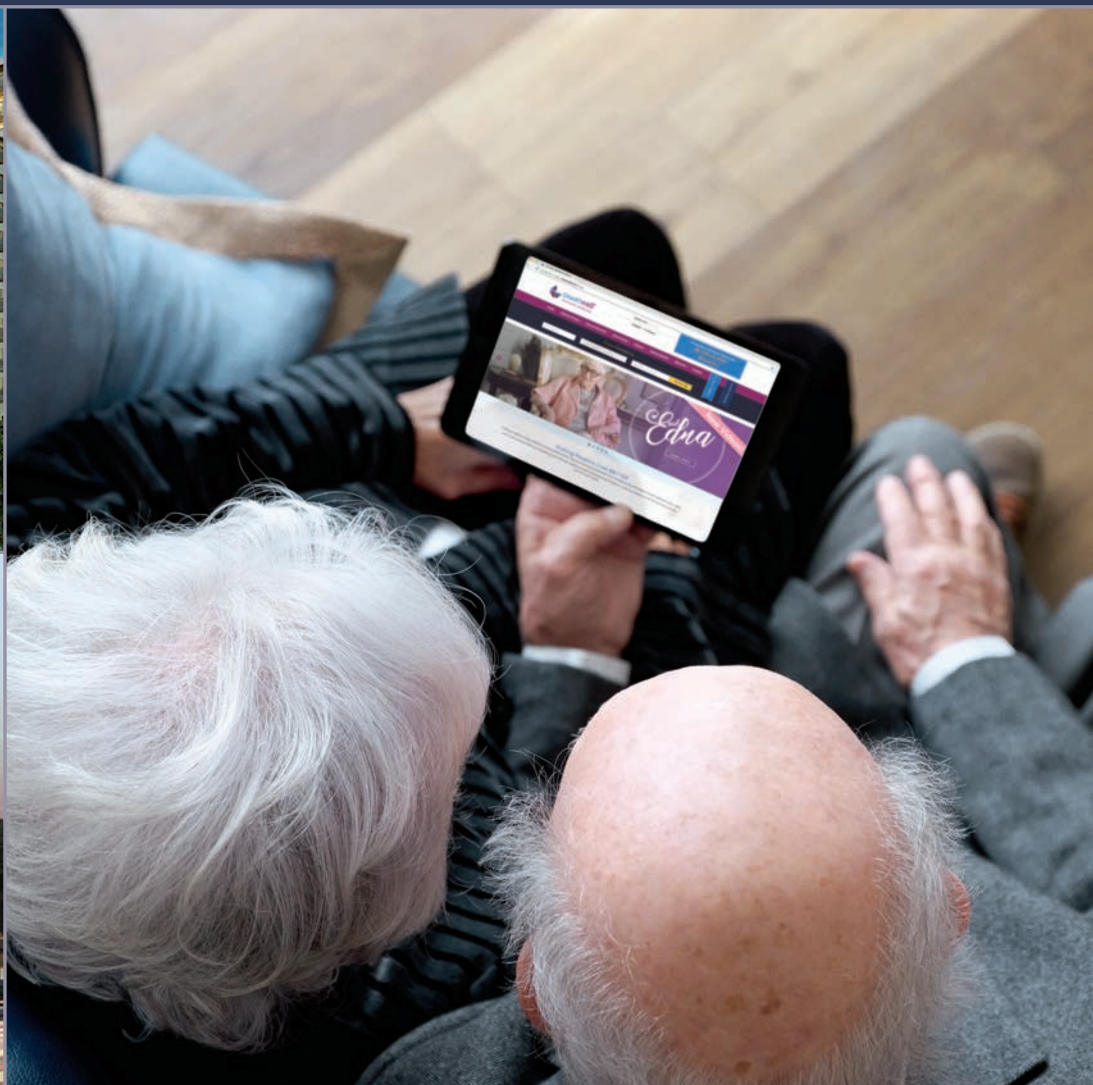
CHARTWELL® retirement residences

making people's lives BETTER®



2017
ANNUAL REPORT

Guided by our Vision, Mission and Values of Respect, we focus on providing exceptional services and quality care to our residents which we believe will translate into sustainable long-term value creation for our unitholders.

OUR **VISION**

making people's lives BETTER®

OUR **MISSION**

To provide a happier, healthier and more fulfilling life experience for seniors

To provide peace of mind for our residents' loved ones

To attract and retain employees who care about making a difference in our residents' lives

OUR **VALUES** RESPECT

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

Financial Highlights

CONSOLIDATED RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31	2017	2016
Same property adjusted Net Operating Income ("NOI") ($000s) (1)	261,906	251,093
Same property occupancy	93.0%	93.5%
Funds from Operations ("FFO") ($000s) (1)	182,502	172,637
FFO per unit diluted (1)	0.93	0.91
Distributions declared ($000s)	113,468	106,089
Distributions declared per unit	0.57	0.56

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

FINANCIAL POSITION AND CREDIT METRICS

YEARS ENDED DECEMBER 31	2017	2016
Liquidity ($000s) (1)	375,972	103,809
Unencumbered Asset Pool ($000s)	405,200	N/A
Interest Coverage Ratio (2)	3.5	3.7
Net Debt to Adjusted EBITDA (2)	6.9	7.3
Debt to Capitalization (3)	35.4%	40.3%
Credit Rating of Debentures	BBB(low)	N/A

(1) For a discussion of this metric, refer to the "Liquidity and Capital Resources" section of the MD&A contained in the Financial Report section of this Annual Report.

(2) Rolling 12 months, including proforma adjustments.

(3) At market value of Trust Units.

Message from the President & CEO*

Dear fellow unitholders,

Guided by our Vision of **Making People's Lives BETTER** and building on the successes achieved in 2016, our team produced another year of excellent operating results in 2017. I attribute this continued success to the everyday focus of our residence management and front-line employees on enhancing the resident experience by delivering exceptional services and quality care. We have come a long way in building Chartwell's culture, management capabilities and real estate portfolio and have created an exceptional business model to continue to build long-term sustainable value for our unitholders for the years to come.

Delivering on our unique value proposition of great customer experience in all our residences can only be possible with highly engaged employees; the people who interact with our residents on a daily basis, and the people in our regional and corporate offices who support them. In 2017, our employee engagement score increased to 41.4% "Strongly Agree" from 40% in 2016. We have put in place numerous programs in the areas of recruitment, retention, training and development of our employees and will continue to invest in these and new programs in the future. In order to improve efficiencies in managing our diverse workforce of over 13,500 employees, we are progressing with the implementation of our Human Capital Management System.

In 2017, we implemented several initiatives to drive customer satisfaction in our residences. Project 'Welcome to Chartwell' is one of these initiatives that had a very positive impact on how we support our new residents in their first 90 days at Chartwell. In 2017, our customer satisfaction scores increased to 53% "Very Satisfied" from 51.3% in 2016. For both employee engagement and customer satisfaction metrics, we only focus on highly engaged/very satisfied scores. Industry research indicates that highly engaged employees are more likely to go above and beyond in their service to our residents and very satisfied customers are four times more likely to recommend their residence than customers who are only satisfied.

In 2017, our same property portfolio occupancy was 93.0% compared to 93.5% in 2016. The decline in occupancy was a result of short term competitive pressures, particularly in Ontario and Quebec and higher than normal resident turnover in the winter months of 2017. We expect that over time higher customer satisfaction combined with our innovative marketing and sales initiatives, supported by the rapidly growing population of seniors will result in growing occupancies in our properties.

Despite the slight occupancy decline, our operating teams delivered strong same property NOI growth of 4.3% in 2017. Our FFO per unit grew to $0.93 in 2017 from $0.91 in 2016.

2017 was an important year for Chartwell in further improving its financial position. We received an investment grade credit rating of BBB(low) from the Dominion Bond Rating Services, arranged for two new credit facilities with maximum borrowing capacity of $400 million, completed the inaugural issuance of $200 million, Series A Senior Unsecured Debentures, completed over $300 million of property specific mortgage financings and completed a $270 million offering of Trust Units. We finished the year with $376 million of liquidity, consisting of cash and available capacity on our credit facilities.

Our development program has been generating and is expected to continue to generate substantial value for Chartwell. In 2017, we commenced operations at five newly built residences in Ontario, British Columbia and Quebec. In 2018, we expect to open six more developments. Our development pipeline has never been stronger and we continue to explore various opportunities to add to it. We understand that a development program of this size comes with risks and that strong execution, particularly in lease-up and new residence opening, is paramount to its success. In 2017, we created a special multidisciplinary real estate integration team which is tasked with the execution of these activities for all our development projects. This allows our operating teams to fully focus on our existing property portfolio and our development team to focus on growing our development pipeline, taking projects through required approvals and construction activities.

We are pleased to have been able to complete a number of strategic acquisitions in 2017, investing over $210 million and announcing another portfolio acquisition for $418 million, which closed in April 2018. We also made progress on optimizing our property portfolio by divesting of our interests in four non-core properties.

Today we are better-than-ever positioned to take Chartwell to the next phase of its disciplined and focused growth, more efficiently leveraging our unique management capabilities, strong financial position and high quality real estate portfolio.

In closing, I would like to extend my personal thanks to all Chartwell employees, who are making lives better for each one of our 27,000 residents and their families every day. I also thank you, my fellow unitholders for your trust and ongoing support.

Sincerely,

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.*

FINANCIAL REPORT
For the Year Ended December 31, 2017

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

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About this Management's Discussion and Analysis

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, 2017. This MD&A should be read in conjunction with Chartwell's audited, consolidated financial statements for the years ended December 31, 2017 and 2016, and the notes thereto (the "Financial Statements.") This material is available on Chartwell's website at www.chartwell.com. Additional information about Chartwell, including its Annual Information Form ("AIF") for the year ended December 31, 2017, can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of February 22, 2018.

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

In this document we refer to Chartwell's Joint Arrangements that are joint ventures as defined by International Financial Reporting Standards ("IFRS") in 'IFRS 11 – Joint Arrangements' and that are accounted for using the equity method as "Equity-Accounted JVs".

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; "2017" refers to the calendar year 2017; "2016" refers to the calendar year 2016; "2015" refers to the calendar year 2015; and "YTD" means year-to-date.

Unless otherwise indicated, all comparisons of results for 2017 and Q4 2017 are in comparison to results from 2016 and Q4 2016, respectively.

In this document we use a number of performance measures that are not defined in generally accepted accounting principles ("GAAP") such as Net Operating Income ("NOI"), Funds from Operations ("FFO"), "Net Debt", "Adjusted EBITDA", "Net Debt to Adjusted EBITDA Ratio", "Liquidity", "Imputed Cost of Capital", "Lease-up-Losses", "Adjusted Development Costs", "Unlevered Yield", "Adjusted Resident Revenue", "Adjusted Direct Property Operating Expense" and any related per unit amounts to measure, compare and explain the operating results and financial performance of the Trust (collectively, the "Non-GAAP Financial Measures"). These Non-GAAP Financial Measures do not have standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures used by other issuers. In February 2017, the Real Property Association of Canada ("REALPAC") issued white papers with recommendations for calculations of FFO, Adjusted Funds from Operations ("AFFO"), and Adjusted Cash Flow from Operations ("ACFO") (the "REALPAC Guidance"). Our FFO definition is substantially consistent with the definition adopted by REALPAC. Please refer to the "Additional Information on Non-GAAP Financial Measures" section of this MD&A for details. As part of our financial covenants reporting, we present AFFO in accordance with the definitions used in our credit agreements. This definition differs from the definition in the REALPAC Guidance.

In this document we use various financial metrics and ratios in our disclosure of financial covenants such as "Debt Service Coverage Ratio", "Total Leverage Ratio", "Adjusted Consolidated Unitholders' Equity Ratio", "Secured Indebtedness Ratio", "Unencumbered Property Asset Ratio", "Consolidated EBITDA to Consolidated Interest Expense Ratio", "Indebtedness Percentage", "Consolidated EBITDA", "Consolidated Interest Expense", "Regularly-Scheduled Debt Principal Repayments", "Consolidated Indebtedness", "Adjusted Consolidated Gross Book Value of Assets", "AFFO", "Secured Indebtedness", "Consolidated Unsecured Indebtedness", "Unencumbered Property Asset Value", and "Unencumbered Aggregate Adjusted Assets". These metrics are calculated in accordance with the definitions contained in our credit agreements and the trust indenture governing our outstanding debentures, and may be described using terms which differ from standardized meanings prescribed by GAAP. These metrics may not be comparable to similar metrics used by other issuers. Please refer to the "Liquidity and Capital Resources – Financial Covenants" section of this MD&A for details.

The results of operations of our United States Operations, which we disposed of in 2015, are reported as discontinued operations throughout this MD&A.

All dollar references, unless otherwise stated, are in Canadian dollars.

In our previous MD&A disclosures, we provided adjustments to our financial statements to present our Equity-Accounted JVs (described above) as though they were consolidated using the proportionate method, which we previously referred to as "Chartwell's Interest" and labeled as a non-GAAP financial measure in our MD&As. As a result of a continuous disclosure review of Chartwell's continuous disclosure documents by the Ontario Securities Commission, we have revised our approach with respect to our disclosure of non-GAAP financial measures in order to give greater prominence to GAAP financial measures. As part of this revised approach, we have restated certain historical disclosures in respect of each of December 31, 2016, Q1 2017 and Q2 2017, as necessary throughout this MD&A and in the "Summary of Select Financial Information" section on page 45 and, as such, we will no longer present our discussion and analysis using Chartwell's Interest. In addition, we have expanded the captions and descriptions presented throughout this document to clearly identify the nature of the financial measure being reported. There is no required restatement to our financial statements as a result of this continuous disclosure review.

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 on page 55 of this MD&A for more information.

Business Overview

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

Our Continuum of Care

- Independent living (“IL”) - Age-qualified suites/ townhouses/ bungalows with availability of providing meals and dining, housekeeping and laundry services without personal care services/personal assistance available.
- Independent supportive living (“ISL”) - Age-qualified suites/ townhouses/ bungalows with dining, housekeeping and laundry services with personal assistance services available.
- Assisted living (“AL”) - Age-qualified suites with a base level of personal assistance services included in the service fee, in a separate wing, floor or building. Additional care services may be added on top of base fee.
- Memory care (“MC”) - Age-qualified suites with personal care services included in base fee for persons with Alzheimer’s disease or some other form of dementia, in a separate/secure wing, floor or building.
- Long term care (“LTC”) - Access to 24-hour nursing care or supervision in a secure setting, assistance with daily living activities and high levels of personal care. Admission and funding is overseen by local government agencies in each province.

Our Vision is… Making People’s Lives Better

Our Mission is…

- to provide a happier, healthier and more fulfilled life experience for seniors;
- to provide peace of mind for our residents’ loved ones;
- to attract and retain employees who care about making a difference in our residents’ lives; and
- to provide an investment opportunity that benefits society with reasonable and growing returns to the unitholders.

Our Values are…

Respect – We honour and celebrate seniors

Empathy – We believe compassion is contagious

Service Excellence – We believe in providing excellence in customer service

Performance – We believe in delivering and rewarding results

Education – We believe in lifelong learning

Commitment – We value commitment to the Chartwell family

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

The following is the composition of our owned and managed portfolio of communities in our two operating segments at December 31, 2017:

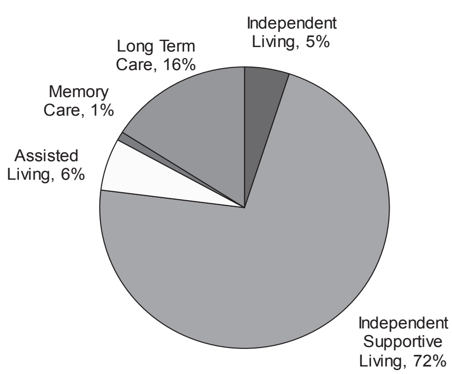
	Retirement Operations		Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Communities: (1)						
100% Owned – operating	114	14,101	24	3,133	138	17,234
Partially Owned – operating (2)	46	8,495	-	-	46	8,495
Total Owned	160	22,596	24	3,133	184	25,729
Managed Communities	6	1,188	4	608	10	1,796
Total	166	23,784	28	3,741	194	27,525

(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.

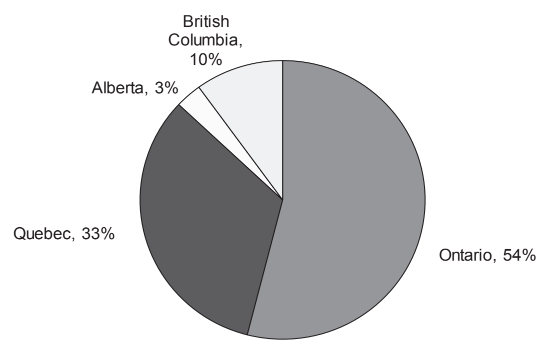
(2) We have a 50% ownership interest in these communities (7,793 suites) with the exception of four retirement communities (702 suites) and one medical office building in which we have an 85% ownership interest.

Composition of Portfolio of Owned Suites/Beds at Chartwell's Share of Ownership Interest, at December 31, 2017 by:

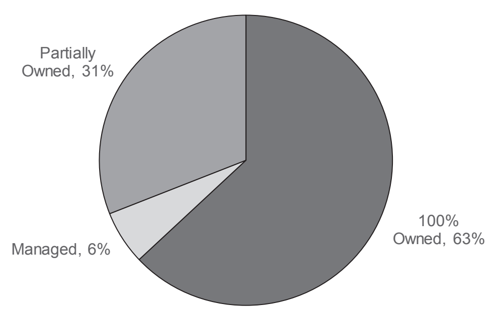
Level of Care



Geographic Location



Ownership



Business Strategy

Our business strategy is focused on providing exceptional services and quality care to our residents, which we believe will help us to achieve sustainable 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 prospect traffic, sales closing ratios and occupancy.
- Managing rental rates to ensure our properties are competitively positioned in the marketplace.
- Mitigating inflationary pressures on our operating costs through specific vendor management and cost-control initiatives.

Maintain a strong financial position by:

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

Improve quality and efficiency of our corporate support services by:

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

Build value of our real estate portfolio by:

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

2017 Update on Business Strategy

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

Grow core property portfolio contribution	• Retirement Adjusted NOI increased $6.4 million or 10.8% in Q4 2017 and $15.8 million or 6.6% in 2017. • Long term care Adjusted NOI increased $1.0 million or 15.5% in Q4 2017 and $0.5 million or 1.9% in 2017. • Same property Adjusted NOI (1) increased $4.7 million or 7.6% in Q4 2017 and $10.8 million or 4.3% in 2017. • Same property occupancy was 93.3% and 93.0% in Q4 2017 and 2017, respectively, compared to 93.8% and 93.5% in Q4 2016 and 2016, respectively.
Maintain a strong financial position	• At December 31, 2017, we had liquidity of $376.0 million (2) and $7.6 million in our Equity-Accounted JVs, at our share. • Interest Coverage Ratio for the Series A Debentures (3) remained strong at 3.5 in 2017. • Net Debt to Adjusted EBITDA Ratio (4) was 6.9 at December 31, 2017 compared to 7.3 at December 31, 2016.
Improve quality and efficiency of our corporate support services	• The second phase of implementation of our new Human Capital Management system is in progress. • Completed the rollout of Project Welcome in our retirement homes, which focuses on the customer experience of a resident's first 90 days at Chartwell.
Build value of our real estate portfolio	• Completed acquisitions of six residences for a total aggregate contractual purchase price of $210.5 million in 2017 and announced the acquisition of four other residences for $297.9 million. • Sold one non-core property in Quebec at a contractual sale price of $23.5 million in 2017 and interests in three other residences for $32.0 million in Q1 2018. • Opened five newly-developed residences. • Work continues on our development pipeline of 1,338 suites with five projects in construction and four projects in pre-development. • Options to acquire interests in development projects by Batimo Inc. ("Batimo") are expected to add another 2,784 suites to our portfolio over time.

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 16 of this MD&A for details.
(2) Includes cash, cash equivalents and amounts available under Credit Facilities. Refer to the "Liquidity and Capital Resources" section on page 27 of this MD&A for details.
(3) Non-GAAP; refer to the "Liquidity and Capital Resources – Financial Covenants – Series A Debentures" section on page 35 of this MD&A for details.
(4) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Net Debt to Adjusted EBITDA" section on page 52 of this MD&A for details.

2018 Outlook

Our 2018 outlook is based on our expectations of stable economic conditions, moderate growth of the Canadian economy, and a continuing strong labour market. As a result of this expected moderate economic growth, we anticipate continued gradual increases in interest rates in 2018.

We believe that the impact of various government initiatives to slow down the growth in housing prices has, for the most part, already been realized with home prices and sales volumes stabilizing. We expect housing market stability in 2018, which should continue to support the ability of our prospective customers to sell their properties prior to moving to a retirement residence.

The minimum wage legislations in Ontario and Alberta will result in some increase in our staff compensation costs. We expect to be able to offset most of these cost increases with growth in our revenue and therefore do not expect a material impact on our consolidated financial results in 2018.

Seniors housing development continues to be active in certain markets in Quebec, Ontario, Alberta and to a lesser degree in British Columbia. We expect that the impact of these new developments will be mitigated by the projected growth in the seniors population and the resulting growing demand in 2018 and beyond. We also believe that the quality of services and care that we offer at our properties, our strong national brand recognition, as well as the overall quality of our real estate portfolio, will allow us to successfully compete with these new entrants in most of our markets.

The Ontario government recently announced a comprehensive seniors strategy which includes the addition of 5,000 new LTC beds in the province over the next four years and 30,000 LTC beds over the next decade. We expect that some of these announced additional beds will be used to facilitate the redevelopment of the existing Class B and C LTC residences in Ontario by providing additional top-up beds. We received 92 top-up beds for the redevelopment of one of our residences and are currently reviewing the feasibility of redevelopment of the remaining eight Class B and C LTC residences with 776 beds in our portfolio. With the current 32,000 people on the LTC waiting list in Ontario and the expected rapid growth in the seniors population and retirement and LTC demand over the next 20+ years, we do not expect that the addition of these beds will have a significant negative impact on our retirement business in 2018 and in the future.

Retirement Operations

We believe that our experienced and dedicated retirement operations team, with their strong focus on enhancing customer experience in our residences, innovative branding, marketing and sales programs, will continue to build on successes achieved in 2017. We expect that with this focus and our ongoing investments in our property portfolio, we will improve occupancies and grow revenues, including from additional services and care. We will continue our focus on managing controllable costs through ongoing operations efficiency reviews, centralized purchasing and energy management programs while improving the quality of services provided to residents.

- In 2017, our same property portfolio occupancy in Ontario was impacted by significant turnover in the first quarter. The turnover improved in the remainder of the year, with occupancy reaching 90.1% in Q4 2017. Certain Ontario markets continue to be competitive with slower absorption of new inventory. While in 2018 we expect to continue to see short-term occupancy pressures in these select markets, overall, we expect our Ontario same property portfolio to deliver incremental improvements in occupancy with rental rate growth of approximately 3.5%, in line with competitive market conditions.

- Our Western Canada platform delivered exceptionally strong performance in the past two years with same property portfolio occupancy reaching 97.1% in Q4 2017. While our properties in British Columbia operated near full capacity, occupancies in our Alberta properties declined due to short-term competitive pressures. We expect that in 2018, our Western Canada same property portfolio will maintain high occupancy with average rental rate growth of approximately 3.0%, in line with competitive market conditions.

- In Quebec, a number of large operators continue to execute on their multi-year development programs. We also continue our development activities in the province in partnership with Batimo. We believe that this growth in inventory is a reflection of the strong demographic trends and the resulting increases in demand, as well as older existing inventory. In select markets, this growth has created occupancy pressures which we expect to be temporary in nature. Our Quebec same property portfolio occupancy declined to 92.9% in Q4 2017 from 94.5% in Q4 2016. In 2018, we expect incremental occupancy improvements in our Quebec same property portfolio with rental rate growth of approximately 2.75%, in line with competitive market conditions.

Long Term Care Operations

Our experienced long term care team is dedicated to providing the best possible care and services to our residents within the constraints of increasing regulations and limited government funding.

We expect continuing stable performance and high occupancies in our LTC portfolio in 2018 as there are over 32,000 people on the waiting list for LTC accommodation in Ontario.

General, Administrative and Trust Expenses

We continue to invest in our management platform to allow for enhanced corporate support to our operating teams and to appropriately resource the significant increase in our acquisitions and development activities in the past several years. At the same time, we will continue our efficiency reviews of corporate processes and purchasing practices for goods and services to mitigate inflationary pressures on our general, administrative and Trust (“G&A”) expenses.

Development

Development is and we expect will continue to be one of our core growth strategies. In 2017, we completed construction on and opened two new residences with 267 suites.

At this time, our development program consists of nine projects (1,338 suites) in construction or pre-development. We continue to source and evaluate other opportunities, including development opportunities on our owned lands with an estimated development and redevelopment potential of close to 2,800 additional suites.

In addition, in 2017, we opened and now manage operations of three residences (770 suites) built by Batimo. We are working with Batimo on design and pre-leasing for six other projects (2,014 suites) in various stages of development. We have rights and obligations to acquire these projects when they achieve pre-determined stabilized occupancy levels.

Acquisitions

In 2017, we acquired interests in six properties (1,038 suites) and announced an acquisition of four additional properties (775 suites) which is expected to close in Q1 2018, and a forward purchase agreement to acquire one additional property upon completion of its development which is expected in Q4 2019. We are evaluating a number of other potential acquisitions in our core markets and continue to proactively search for opportunities to add newer, well-located and well-built properties to our portfolio.

Dispositions

As part of ongoing reviews of our properties, we may identify assets that no longer fit with the strategic direction of our company due to their age, location or other attributes.

In Q1 2018, we completed the sale of our interests in three non-core residences in Quebec for $32.0 million.

Distributions

On February 22, 2018, we announced our fourth consecutive annual increase in monthly distributions. Monthly cash distributions will increase by 2.1% from $0.048 per unit ($0.5760 on an annualized basis) to $0.049 per unit ($0.5880 on an annualized basis) effective for the March 31, 2018 distribution payable on April 16, 2018.

Significant Events

The following events have had a significant effect on our financial results in 2017 and may be expected to affect our results in the future.

Development

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

Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Capital

In addition to monitoring development costs measured on a GAAP basis which include land costs, hard and soft development costs, costs of furniture, fixtures and equipment, we assess our return on investment in development activities using the non-GAAP financial measure 'Unlevered Yield'. Unlevered Yield should not be construed as an alternative to other GAAP metrics and may not be comparable to measures used by other entities.

Unlevered Yield is defined as the ratio of:

- the estimated NOI of a development property in the first year it achieves an expected stabilized occupancy level ("Estimated Stabilized NOI") which varies from project to project,
- divided by the estimated adjusted development costs (the "Adjusted Development Costs") which is the sum of:
    - development costs on a GAAP basis, plus
    - negative or positive NOI generated by the development property prior to achieving the expected stabilized occupancy (the "Lease-up-Losses"), plus
    - an imputed cost of capital calculated by applying our estimated weighted average cost of capital to our GAAP development costs plus Lease-up-Losses, compounded during the development of the property and up to achieving the expected stabilized occupancy (the "Imputed Cost of Capital").

We believe this is a useful measure as we believe it reflects our total economic cost of developing a new property.

Completed Projects

In June 2017, we completed the development of Chartwell Malaspina Care Residence in Nanaimo, British Columbia. The residence is comprised of 136 LTC beds and is now 100% occupied. Adjusted Development Costs were $27.5 million and we expect to achieve an Unlevered Yield of 9.3% on this project.

In December 2017, we completed the development of Chartwell Waterford Retirement Residence in Oakville, Ontario. The residence is comprised of 131 suites and is now 60% leased. Adjusted

Development Costs were $43.6 million and we expect to achieve an Unlevered Yield of 8.1% on this project.

Projects in Development

The following table summarizes projects that are in various stages of development to date:

Project	Location	Suites / Beds	Suite Type	Current Project Status [1]	Estimated Development Cost ($ millions)	Estimated Imputed Cost of Capital and Lease-up-Losses [2] ($millions)	Estimated Adjusted Development Costs [3] ($millions)	Adjusted Development Costs incurred as at December 31, 2017 [2] ($millions)	Actual / Expected Completion Date	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI [2] ($millions)	Expected Unlevered Yield [2]
Chartwell Carlton Gardens Retirement Residence	Burnaby, BC	105	IL	C	35.9	2.5	38.4	21.9	Q3 2018	Q3 2020	96%	2.9	7.5%
Chartwell Bankside Retirement Apartments	Kitchener, ON	58	IL	C	17.5	1.1	18.6	10.3	Q2 2018	Q3 2019	97%	1.4	7.3%
The Sumach by Chartwell [4]	Toronto, ON	332	IL	C	43.6	3.0	46.6	21.1	Q4 2018	Q4 2020	95%	3.2	6.8%
Chartwell Wescott Retirement Residence	Edmonton, AB	137	ISL / MC	C	42.4	5.7	48.1	10.5	Q4 2018	Q1 2021	95%	3.3	7.0%
Chartwell Meadowbrook Village	Lively, ON	55	IL / ISL	P	20.8	0.7	21.5	0.3	Q4 2019	Q4 2020	95%	1.5	7.0%
Chartwell Guildwood Retirement Residence [5]	Scarborough, ON	172	ISL / MC	P	33.0	3.1	36.1	6.1	Q4 2019	Q2 2021	92%	2.5	6.9%
Chartwell Montgomery Village	Orangeville, ON	122	IL	P	41.8	3.6	45.4	0.5	Q4 2019	Q3 2021	93%	3.1	6.9%
Chartwell Ballycliffe LTC [6]	Ajax, ON	192	LTC	P	41.9	2.7	44.6	0.6	Q2 2021	Q2 2021	100%	3.5	7.8%
		1,173			276.9	22.4	299.3	71.3					
Project by Signature Retirement Living ("Signature Living")													
Kingston Project [7]	Kingston, ON	165	ISL / AL	C	33.0	3.6	36.6	12.8	Q4 2018	Q1 2022	95%	2.6	7.0%
		1,338			**309.9**	**26.0**	**335.9**	**84.1**					

(1) Current project status is defined where 'C' means 'Construction' and 'P' means 'Pre-Development'.
(2) Non-GAAP. The definition of this metric and the discussion of its significance can be found at the beginning of this section on page 9 of this MD&A.
(3) Non-GAAP; represents the total of Estimated Development Costs and Estimated Imputed Cost of Capital and Lease-up-Losses.
(4) Chartwell owns a 45% interest in this project and manages pre-opening and lease-up.
(5) Redevelopment of the existing 83-suite residence to a 172-suite residence. Chartwell owns a 50% interest in this project.
(6) We filed an application with the Ontario Ministry of Health and Long Term Care (the "MOH") to redevelop the existing 100-bed Class C LTC and 40-suite retirement residence into a 192-bed LTC residence. The MOH agreed to provide the additional 92 licensed LTC beds. The retirement operations have been discontinued at this location, however, the existing LTC operations will continue during this phased redevelopment.
(7) The site includes excess land for potential development of 84 additional suites. Chartwell owns a 60% interest in this project and Signature Living and its affiliates own the remaining 40% interest and provide development and operations management services. Chartwell expects to acquire the remaining 40% interest upon the property achieving the expected stabilized occupancy. Signature Living is entitled to a promote payment if the project's return on equity exceeds certain targets. Estimated Development Costs here include such estimated promote payment to Signature Living.

Projects by Batimo

In addition to our own development activities, we have built an important pipeline of future acquisition opportunities by participating in certain development projects conducted by Batimo in the province of Quebec. Batimo carries out development activities and we provide leasing, marketing and management services to these projects and in some cases, provide mezzanine financing. Pursuant to our agreements with Batimo, we have certain call rights to acquire, and Batimo has certain put rights which may require us to acquire, an 85% ownership interest in these properties upon achievement of expected stabilized occupancy levels, subject to certain conditions, at purchase prices based on the appraisal mechanism described in such agreements.

The following table summarizes the status of projects by Batimo as of the date of this MD&A:

Project	Location	Suites / Beds	Suite Type	Current Project Status (1)	Actual / Expected Completion Date	Expected Stabilized Occupancy Date
Chartwell L'Unique III	St. Eustache, QC	163	ISL	O	March 2017	Q4 2018
Chartwell Le Prescott	Vaudreuil, QC	324	ISL	O	June 2017	Q4 2019
Chartwell Le Montcalm	Candiac, QC	283	ISL	O	September 2017	Q1 2020
Chartwell St. Gabriel	St. Hubert, QC	345	ISL / AL	C	Q2 2018	Q4 2018
Chartwell Le Teasdale II	Terrebonne, QC	221	IL	C	Q3 2018	Q4 2019
Chartwell Greenfield Park	Longueuil, QC	368	ISL / AL	P	Q3 2019	Q3 2020
Chartwell L'Envol	Cap Rouge, QC	360	ISL / AL	P	Q3 2019	Q1 2021
Charlesbourg Project	Quebec City, QC	381	ISL / AL	P	Q4 2019	Q2 2021
Square Children's	Montreal, QC	339	ISL / AL / MC	P	Q2 2021	Q3 2023
		2,784				

(1) Current project status is defined where 'O' means 'Operating', 'C' means 'Construction' and 'P' means 'Pre-Development'.

Potential Developments on Owned Lands

The following table summarizes additional development opportunities on our owned lands. While a number of these development projects are in advanced stages of feasibility assessments, others have a longer term development time horizon and, in some cases, may be subject to extensive municipal approval requirements.

Residence	Location	Ownership %	Vacant Land Size (acres)	Estimated Potential Number of Suites (1)	Book Value of Land ($millions)
Chartwell Cité-Jardin résidence pour retraités	Gatineau, QC	100	3.4	600	8.6
Chartwell Crescent Gardens Retirement Community	Surrey, BC	100	2.6	184	4.9
Chartwell Hartford Retirement Residence	Morrisburg, ON	100	1.8	94	-
Chartwell Muskoka Traditions Retirement Residence	Hunstville, ON	100	0.4	36	0.9
Chartwell Ridgepointe Retirement Residence	Kamloops, BC	100	4.5	135	1.6
Chartwell Ste-Marthe résidence pour retraités	Saint-Hyacinthe, QC	100	0.8	70	0.7
Chartwell Thunder Bay Retirement Residence	Thunder Bay, ON	100	1.2	9	-
Chartwell Wedgewood Retirement Residence	Brockville,ON	100	0.5	54	0.6
Chartwell Woodhaven Long Term Care Residence (2)	Markham, ON	100	1.4	108	-
Chartwell Belcourt résidence pour retraités	Ottawa, ON	50	0.2	31	0.3
Chartwell Domaine des Trembles résidence pour retraités	Gatineau, QC	50	1.5	182	1.2
Chartwell Héritage résidence pour retraités	Ottawa, ON	50	0.6	160	0.5
Chartwell Kingsville Retirement Residence	Kingsville, ON	50	1.6	55	0.3
Chartwell Manoir Pointe-aux-Trembles résidence pour retraités (3)	Montreal, QC	50	4.7	72	-
Chartwell Manoir Saint-Jérôme résidence pour retraités	Saint-Jérôme, QC	50	6.0	668	0.4
Chartwell Notre-Dame Victoriaville résidence pour retraités	Victoriaville, QC	50	1.1	66	0.1
Chartwell Royal Marquis Retirement Residence	Windsor, ON	50	0.6	45	0.3
Chartwell Royalcliffe Retirement Residence	London, ON	50	1.3	197	1.1
Chartwell Stillwater Creek Retirement Residence	Nepean, ON	100	0.5	32	0.6
Total (4)			34.7	2,798	22.1

(1) Numbers of potential suites to be developed are estimates and subject to change based on market conditions and municipal approval processes.
(2) Leased lands.
(3) Potential redevelopment of the existing 247-suite residence to a 319-suite residence; acreage is for the entire site.
(4) Excludes $0.6 million of land acquired to facilitate redevelopment of two LTC properties in Ontario.

In Q1 2017, we acquired a 4.66 acre parcel of land in Mississauga, Ontario for a purchase price of $6.6 million. The purchase price was settled by the issuance of $0.5 million of exchangeable Class B Units of Chartwell Master Care LP ("Class B Units"), with the remaining balance paid in cash. The land is being used to construct an office building to replace our current leased office space located in Mississauga, Ontario.

Acquisitions

On February 1, 2017, we acquired a 100% interest in the 107-suite The Orchards Retirement Residence located in Vineland, Ontario (rebranded as 'Chartwell Orchards Retirement Residence' post acquisition). The contractual purchase price before closing costs was $22.0 million and was settled in cash.

On March 1, 2017, we acquired a 100% interest in the 66-suite Hilldale Gardens Retirement Residence in Thunder Bay, Ontario (rebranded as 'Chartwell Hilldale Retirement Residence' post acquisition). The contractual purchase price before closing costs was $6.9 million and was settled in cash.

On July 4, 2017, we acquired a 100% interest in a portfolio of three properties in Ontario totalling 522 suites. The contractual purchase price before closing costs was $121.0 million and was settled in cash. The acquired residences were rebranded as 'Chartwell Lakeshore Retirement Residence,' 'Chartwell Stillwater Creek Retirement Residence' and 'Chartwell Riverpark Retirement Residence' post acquisition.

On July 20, 2017, we acquired an 85% interest in Chartwell Le Teasdale I in Terrebonne, Quebec from Batimo. Batimo retained the remaining 15% interest in the project. The contractual purchase price was $60.8 million and was settled by the assumption of a construction loan of $37.1 million, the settlement of Chartwell's mezzanine loan of $5.9 million and the remaining balance was paid in cash.

On November 15, 2017, we announced a definitive agreement to acquire four retirement communities in Edmonton, Alberta comprising 775 suites, including 52 suites in development, for a contractual purchase price of $297.9 million (the "Initial Portfolio") and a forward purchase agreement to acquire another 256-suite residence upon completion of its development expected in Q4 2019 for a contractual purchase price of $120.0 million. The vendor will provide $7.5 million of income support to Chartwell for two years after opening. The closing of the Initial Portfolio is expected in Q1 2018.

Dispositions

On May 3, 2017, we sold Chartwell Castel Royal résidence pour rétraites, a 250-suite retirement residence in Montreal, Quebec. The contractual sale price was $23.5 million, of which $2.5 million is held in escrow for two years after closing to support the purchaser's rental income and certain renovation costs.

On October 25, 2017, Chartwell and Batimo entered into a definitive agreement with a third party to sell Chartwell Les Monarques résidence pour rétraites in St. Eustache, Quebec. We own an 85% interest in the 100-suite Phase I of the residence which we acquired from Batimo in 2014 for $12.4 million, and Batimo owns the remaining 15% interest in Phase I and 100% of the 98-suite Phase II. The property provides assisted living and memory care services and contains 80 funded and 118 private-pay beds. Chartwell's share of the sale price, before closing costs and other adjustments, is $13.5 million payable in cash, and the closing, subject to regulatory and other approvals, is expected to occur in Q2 2018.

On February 6, 2018, we sold two 100%-owned and one 50%-owned non-core retirement residences in Quebec with an aggregate of 509 suites. The sale price, at Chartwell's share, was $32.0 million before closing costs and other adjustments and was settled in cash.

Financings

On May 29, 2017, we established a new secured credit facility and a new unsecured credit facility with a syndicate of Canadian financial institutions totalling $300 million with accordion options for an additional $150 million (the "Credit Facilities"). The Credit Facilities have a three year term, maturing in May 2020. They replaced the existing $200 million and $50 million credit facilities which were scheduled to mature in June 2018. On November 21, 2017, we exercised the accordion option on the secured credit facility, increasing the combined maximum capacity to $400 million.

On June 9, 2017, we issued $200 million of 3.786% Series A senior unsecured debentures (the "Series A Debentures") due on December 11, 2023. DBRS Limited ("DBRS") assigned a 'BBB (low)' credit rating with a 'Stable' trend to the Series A Debentures. The net proceeds of the Series A Debentures were used to fund acquisitions, repay amounts outstanding on our Credit Facilities and for general trust purposes.

On November 24, 2017, we completed a public offering of 17,732,000 of Trust Units at $15.20 per Trust Unit for total gross proceeds of $269.5 million. Underwriting commissions and other offering costs amounted to $11.0 million.

Please refer to the "Liquidity and Capital Resources" section on page 27 of this MD&A for details of our Credit Facilities and Series A Debentures.

Joint Arrangements

'IFRS 11 – Joint Arrangements' classifies joint arrangements either as a joint operation or as a joint venture. Joint operations are joint arrangements in which the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for using proportionate consolidation. Joint ventures are joint arrangements in which the parties have rights to the net assets relating to the arrangement. Generally, where the party holds its interest in the joint arrangement through a separate legal entity, the joint arrangement will be classified as a joint venture. Joint ventures are accounted for using the equity method of consolidation. Chartwell does not independently control its joint arrangements which are accounted for using the equity method, and Chartwell's proportionate share of the financial position and results of operations of its investment in such joint arrangements, where presented and discussed in this MD&A using the proportionate consolidation method, does not necessarily represent Chartwell's legal claim to such items.

The following table summarizes the classification of properties which are owned through our joint arrangements or which are partially owned:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Classification under IFRS 11
Held directly:				
Chartwell-Welltower Landlord ("CWL")	38	7,461	50%	Joint operation
The Sumach by Chartwell	1	332	45%	Joint operation
Batimo	5	702	85%	N/A
Chartwell Riverside Retirement Residence	1	138	50%	Joint operation
Chartwell Churchill House Retirement Residence	1	98	50%	Joint operation
Held through separate legal entities:				
Chartwell-Welltower Operator	Same as CWL	Same as CWL	50%	Joint venture
Chartwell Oakville Retirement Residence	1	147	50%	Joint venture
Chartwell Constantia Retirement Residence	1	121	50%	Joint venture
Clair Hills Retirement Residence (1)	1	120	Refer to note (1)	Joint venture
Oak Ridges Retirement Residence (1)	1	129	Refer to note (1)	Joint venture
Kingston Project	1	165	60%	Joint venture

(1) *These properties were acquired in a limited partnership structure in which Chartwell owns all outstanding Class C units of these partnerships and the affiliates of the vendors own all outstanding Class R units. Under the applicable partnership agreements, Class C units were entitled to quarterly distributions totalling $4.8 million for 2016 and increase by 3% per annum thereafter until December 31, 2018. Class R units are entitled to residual distributions up to a certain maximum. Once such maximum is reached, the remaining distributions will be made in the ratio of 65% to Class C units and 35% to Class R units. The vendors of these properties and their affiliates provided the limited partnerships with net operating income guarantees sufficient to effect the required Class C distributions. Signature Living, an affiliate of one of the vendors, will continue to manage these two properties until December 31, 2018. In January 2019, Chartwell will be required to acquire all outstanding Class R units. The purchase price will be equal to the excess of the actual combined net operating income achieved for the year ended December 31, 2018, over the guaranteed income for that year, divided by 6.25%. Chartwell's interest in these two properties is accounted for using the equity method of accounting.*

On May 1, 2012, Chartwell and Welltower Inc. ("Welltower") acquired undivided interests in a portfolio of 39 properties (of which one was subsequently sold) where each of Chartwell's and Welltower's interests in the real estate are held directly and where each of our interests in the operations are held through separate legal entities. Chartwell is the property manager for this portfolio. As the real estate is held directly by each of Chartwell and Welltower, it is classified as a joint operation and accounted for on a proportionate consolidation basis. The operations of the related properties, for which Chartwell is the manager, are held through a separate legal entity and as a result are classified as a joint venture and are accounted for using the equity method of consolidation.

In Q1 2017, we entered into a new joint arrangement with Signature Living to develop a 165-suite retirement residence in Kingston, Ontario (the "Kingston Project"). Chartwell owns a 60% interest and Signature Living owns the remaining 40% interest in the project. This joint arrangement is accounted for using the equity method of consolidation.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

($000s)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
Resident revenue	197,762	182,652	15,110	752,775	714,380	38,395
Direct property operating expense	136,966	128,177	8,789	520,376	495,227	25,149
Net income/(loss) - continuing operations	714	12,826	(12,112)	13,082	(710)	13,792
Total comprehensive income/(loss)	714	15,053	(14,339)	13,082	4,796	8,286

Resident revenue increased $38.4 million or 5.4% in 2017 and $15.1 million or 8.3% in Q4 2017, due to acquisitions and developments and revenue growth in our existing property portfolio.

Direct property operating expenses increased $25.1 million or 5.1% in 2017 and $8.8 million or 6.9% in Q4 2017, due to acquisitions and developments and increased expenses in our existing property portfolio.

In 2017, net income from continuing operations and total comprehensive income were each $13.1 million compared to net loss from continuing operations of $0.7 million and total comprehensive income of $4.8 million in 2016. The increase in net income from continuing operations was primarily due to higher resident revenues and lower negative changes in fair values of financial instruments, partially offset by higher direct property operating, G&A, depreciation and amortization expenses and finance costs. In addition, total comprehensive income in 2016 included $5.5 million of net income from discontinued operations.

For Q4 2017, net income from continuing operations and total comprehensive income were each $0.7 million compared to net income from continuing operations of $12.8 million and total comprehensive income of $15.1 million in Q4 2016. The decrease in Q4 2017 was primarily due to higher direct property operating expenses, negative changes in fair value of financial instruments, higher finance costs, G&A and other expenses, partially offset by higher resident revenues.

FFO

FFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by GAAP. FFO as presented may not be comparable to similar measures used by other issuers. We present FFO substantially consistent with the definition adopted by REALPAC. This definition is included in this MD&A in the section "Non-GAAP Financial Measures".

We believe that the use of FFO, combined with the required primary GAAP presentations, is 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 property, plant and equipment ("PP&E"), distributions on Class B Units recorded as interest expense, convertible debenture issue costs, changes in fair value of financial instruments, unrealized foreign exchange gains/losses, and adjustments for equity-accounted entities, FFO can assist the user of the financial information in comparing the financial and operating performance of our real estate portfolio between financial reporting periods.

Refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 48 of this MD&A for the reconciliation of Net Income/(Loss), the most closely comparable GAAP measure, to FFO and per unit amounts.

The following table presents FFO and FFO per unit diluted:

($000s, except per unit amounts)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
FFO	48,022	43,767	4,255	182,502	172,637	9,865
FFO per unit diluted [(1)]	0.24	0.23	0.01	0.93	0.91	0.02

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Per Unit Amounts" section on page 51 of this MD&A for a discussion of the calculation of the per unit amounts.

For 2017, FFO was $182.5 million or $0.93 per unit diluted, compared to $172.6 million or $0.91 per unit diluted in 2016. The following items impacted the change in FFO:

- higher adjusted NOI of $16.3 million consisting of a $10.8 million increase in same property adjusted NOI and a $5.5 million increase in contribution from acquisitions and developments; and
- higher other income of $1.1 million;

partially offset by:

- higher G&A expenses of $4.2 million primarily incurred to support growth in our portfolio and our increased development activities;
- higher financing costs of $2.3 million;
- higher depreciation of leasehold improvements and amortization of computer software of $0.9 million; and
- other items combined of $0.1 million.

In 2017, FFO was reduced by $3.7 million of Lease-Up-Losses related to our development projects (2016 – $0.1 million).

Fourth Quarter: For Q4 2017, FFO was $48.0 million or $0.24 per unit diluted, compared to $43.8 million or $0.23 per unit diluted in Q4 2016. The following items impacted the change in FFO:

- higher adjusted NOI of $7.4 million consisting of a $4.7 million increase in same property adjusted NOI and a $2.7 million increase in contribution from acquisitions and developments;

partially offset by:

- higher financing costs of $1.8 million;
- higher G&A expenses of $1.0 million; and
- lower management fee and interest income of $0.4 million.

For Q4 2017, FFO was reduced by $1.0 million of Lease-up-Losses related to our development projects (Q4 2016 – $0.1 million).

Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI

The tables on the following pages of this section summarize our adjusted resident revenue, adjusted direct property operating expense and adjusted NOI and also include supplemental disclosure of our same property portfolio and our acquisitions, development and other portfolio. The supplemental disclosure of our same property portfolio and our acquisitions, development and other portfolio is non-GAAP and should not be construed as an alternative to GAAP measures. We use these groupings of properties to evaluate and monitor our financial and operating performance and we believe that this additional disclosure enhances the ability to understand and assess our results of operations and particularly to compare such results from period to period. The following provides definitions for each of these portfolio groupings as well as the composition of the portfolio included in the respective grouping for the current reporting period.

Same Property Portfolio

Generally, our same property portfolio excludes properties that have not been owned or leased continuously since the beginning of the previous fiscal year or that are expected to be sold in the current fiscal year. In addition, to improve comparability, properties that are undergoing a significant redevelopment or where we have added or expect to add significant capacity in the current year are excluded from the same property portfolio.

The following table summarizes the composition of our same property portfolio as at December 31, 2017:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	141	20,183	16,328
Long Term Care Operations	23	2,984	2,984
Total same property portfolio	164	23,167	19,312

Acquisitions, Development and Other Portfolio

Our acquisitions, development and other portfolio includes properties that were acquired after January 1, 2016, newly developed properties, properties that are undergoing a significant redevelopment and properties where we have added or expect to add significant capacity in the current year. Generally, such properties are operating at occupancy levels below their expected stabilized occupancies.

The following table summarizes the composition of the acquisitions, development and other portfolio as at December 31, 2017:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	19	2,413	2,267
Long Term Care Operations	1	149	149
Total acquisitions, development and other portfolio	20	2,562	2,416

The following table reconciles resident revenue and direct property operating expense from our financial statements to adjusted resident revenue and adjusted direct property operating expense and identifies contributions from our same property and acquisition, development and other portfolios:

($000s, except occupancy rates)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
Resident revenue	**197,762**	**182,652**	**15,110**	**752,775**	**714,380**	**38,395**
Add: Share of resident revenue from joint ventures [1]	31,684	30,698	986	124,641	120,353	4,288
Adjusted resident revenue [2]	229,446	213,350	16,096	877,416	834,733	42,683
Comprised of:						
Same property [2]	*205,977*	*198,577*	*7,400*	*799,881*	*778,768*	*21,113*
Acquisitions, development and other [2]	*23,469*	*14,773*	*8,696*	*77,535*	*55,965*	*21,570*
Adjusted resident revenue [2]	*229,446*	*213,350*	*16,096*	*877,416*	*834,733*	*42,683*
Direct property operating expense	**136,966**	**128,177**	**8,789**	**520,376**	**495,227**	**25,149**
Add: Share of direct property operating expenses from joint ventures [3]	19,353	19,455	(102)	75,380	74,169	1,211
Adjusted direct property operating expense [2]	156,319	147,632	8,687	595,756	569,396	26,360
Comprised of:						
Same property [2]	*139,055*	*136,400*	*2,655*	*537,975*	*527,675*	*10,300*
Acquisitions, development and other [2]	*17,264*	*11,232*	*6,032*	*57,781*	*41,721*	*16,060*
Adjusted direct property operating expense [2]	*156,319*	*147,632*	*8,687*	*595,756*	*569,396*	*26,360*
Adjusted NOI [2]	**73,127**	**65,718**	**7,409**	**281,660**	**265,337**	**16,323**
Comprised of:						
Same property [2]	*66,922*	*62,177*	*4,745*	*261,906*	*251,093*	*10,813*
Acquisitions, development and other [2]	*6,205*	*3,541*	*2,664*	*19,754*	*14,244*	*5,510*
Adjusted NOI [2]	*73,127*	*65,718*	*7,409*	*281,660*	*265,337*	*16,323*
Weighted average occupancy rate - same property portfolio	93.3%	93.8%	(0.5pp)	93.0%	93.5%	(0.5pp)
Weighted average occupancy rate - total portfolio excluding discontinued operations	91.6%	92.2%	(0.6pp)	90.3%	92.1%	(1.8pp)

(1) Share of resident revenue from joint ventures represents Chartwell's pro rata share of the resident revenue of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 14 of this MD&A.

(2) Non-GAAP; refer to the preamble to this table and the "Results of Operations by Reportable Segment" section on page 19 of this MD&A for explanations and discussion of the significance of these metrics.

(3) Share of direct property operating expenses from joint ventures represents Chartwell's pro rata share of the direct property operating expenses of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 14 of this MD&A.

Adjusted resident revenue increased 5.1% in 2017, due to a 2.7% increase in same property adjusted resident revenue and a growing contribution from acquisitions and developments. Same property adjusted resident revenue increased primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies.

Adjusted direct property operating expense increased 4.6% in 2017, due to a 2.0% increase in same property adjusted direct operating expense and growth in acquisitions and developments. The increase in same property adjusted direct operating expense was primarily due to inflationary staffing and food cost increases, partially offset by lower utilities expenses.

Adjusted NOI increased $16.3 million or 6.2% in 2017, due to a $10.8 million or 4.3% growth in same property adjusted NOI and growing contributions from acquisitions and developments. In 2017, combined same property occupancy was 93.0% compared to 93.5% in 2016.

Fourth Quarter: For Q4 2017, adjusted NOI increased $7.4 million or 11.3% primarily due to a $4.7 million or 7.6% growth in same property adjusted NOI and growing contributions from acquisitions and developments. The increase in same property adjusted NOI was primarily due to rental rate increases in line with competitive market conditions and lower utilities expenses, partially offset by lower occupancies and inflationary increases in staffing costs and other expenses. Combined same property occupancy in Q4 2017 was 93.3% compared to 93.8% in Q4 2016.

Results of Operations by Reportable Segment

We monitor and operate our retirement and long term care properties separately. The Retirement Operations segment includes 160 communities that we own and operate in Canada. The retirement communities provide services to age-qualified residents at rates, in most cases, set by Chartwell based on the services provided and market conditions. The Long Term Care Operations segment represents 24 communities in Ontario. Admission and funding for the long term care communities is overseen by local government agencies in each province. 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.

The accounting policies of each of the segments are the same as those for Chartwell except that these segments include Chartwell's proportionate share of its joint ventures. Certain G&A expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.

The measure of segment profit or loss is adjusted NOI (which is resident revenue less direct property operating expense, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expense, respectively).

Retirement Operations

The following table summarizes the composition of our Retirement Operations:

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same Property							
100% owned	101	771	10,525	581	111	484	12,472
50% owned	40	572	6,698	378	63	-	7,711
Total same property owned	141	1,343	17,223	959	174	484	20,183
Acquisitions, Development & Other							
100% owned – operating	13	40	1,167	363	59	-	1,629
Partially owned – operating (1)	6	-	652	115	17	-	784
Total acquisitions, development & other	19	40	1,819	478	76	-	2,413
Total	160	1,383	19,042	1,437	250	484	22,596

(1) We own an 85% interest in five of these properties (includes one medical office building) and a 50% interest in one property.

During Q4 2017, we opened one new 131-suite retirement residence and closed one 83-suite residence for redevelopment.

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

($000s, except occupancy rates)	Q4 2017	Q4 2016	Change	2017	2016	Change
Adjusted resident revenue	**169,748**	**155,850**	**13,898**	**649,989**	**610,962**	**39,027**
Comprised of:						
Same property (1)	*148,394*	*143,119*	*5,275*	*580,406*	*563,224*	*17,182*
Acquisitions, development and other (1)	*21,354*	*12,731*	*8,623*	*69,583*	*47,738*	*21,845*
Adjusted direct property operating expense	**103,963**	**96,489**	**7,474**	**396,493**	**373,254**	**23,239**
Comprised of:						
Same property (1)	*88,860*	*87,264*	*1,596*	*346,483*	*339,237*	*7,246*
Acquisitions, development and other (1)	*15,103*	*9,225*	*5,878*	*50,010*	*34,017*	*15,993*
Adjusted NOI	**65,785**	**59,361**	**6,424**	**253,496**	**237,708**	**15,788**
Comprised of:						
Same property (1)	*59,534*	*55,855*	*3,679*	*233,923*	*223,987*	*9,936*
Acquisitions, development and other (1)	*6,251*	*3,506*	*2,745*	*19,573*	*13,721*	*5,852*
Weighted average occupancy rate - same property	92.3%	92.9%	(0.6pp)	91.9%	92.6%	(0.7pp)
Weighted average occupancy rate - total portfolio	90.5%	91.2%	(0.7pp)	89.0%	91.0%	(2.0pp)

(1) Non-GAAP; refer to the preamble to this table and to the introduction in the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 16 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted resident revenue increased 6.4% in 2017, primarily due to a 3.1% increase in same property adjusted resident revenue and a growing contribution from our acquisitions and developments.

The increase in same property adjusted resident revenue was primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies and lower ancillary services revenues.

Adjusted direct property operating expense increased 6.2% in 2017, primarily due to a 2.1% increase in same property adjusted direct operating expense and growth in our acquisitions, development and other portfolio.

The increase in same property adjusted direct operating expense was primarily due to higher staffing costs as well as higher food and property tax expenses, partially offset by lower utilities expenses.

Same property adjusted NOI increased $9.9 million or 4.4% in 2017 as follows:

- Our Ontario platform same property adjusted NOI increased $5.8 million or 5.0%, as rental rate increases in line with competitive market conditions and lower utilities expenses were partially offset by lower occupancies and ancillary services revenues, and higher staffing costs and property tax expenses.
- Our Western Canada platform same property adjusted NOI increased $3.3 million or 7.2%, primarily due to rental rate increases in line with competitive market conditions and higher occupancies, partially offset by higher staffing costs and utilities expenses.
- Our Quebec platform same property adjusted NOI increased $0.8 million or 1.3%, primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies, higher staffing costs, marketing and administrative expenses.

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

	2017	2016	Change
Ontario	89.4%	89.6%	(0.2pp)
Western Canada	96.6%	95.6%	1.0pp
Quebec	92.8%	94.5%	(1.7pp)
Total	91.9%	92.6%	(0.7pp)

In 2017, occupancy in our retirement same property portfolio was 91.9%, a 0.7 percentage point decrease from 2016 primarily due to a 1.7 percentage point decrease in our Quebec same property occupancy primarily due to competitive market conditions in certain markets, partially offset by a strong 1.0 percentage point increase in our Western Canada same property occupancy.

Fourth Quarter: Adjusted resident revenue increased 8.9% in Q4 2017, due to growing contributions from our acquisitions and developments and a 3.7% increase in same property adjusted resident revenue.

The increase in same property adjusted resident revenue was primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies.

Adjusted direct property operating expense increased 7.7% in Q4 2017, due to growth in our acquisitions, development and other portfolio and a 1.8% increase in same property adjusted direct operating expense.

The increase in same property adjusted direct operating expense was primarily due to higher staffing costs as well as higher property tax and food expenses, partially offset by lower utilities expenses.

For Q4 2017, same property adjusted NOI increased $3.7 million or 6.6% as follows:

- Our Ontario platform same property adjusted NOI increased $2.3 million or 7.7%, as rental rate increases in line with competitive market conditions and lower utilities expenses were partially offset by higher staffing costs and property tax expenses.
- Our Western Canada platform same property adjusted NOI increased $1.0 million or 8.7%, primarily due to rental rate increases in line with competitive market conditions and higher occupancies, partially offset by higher staffing costs.
- Our Quebec platform same property adjusted NOI increased $0.4 million or 2.9%, primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies and higher staffing costs and food expenses.

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

	Q4 2017	Q4 2016	Change	Q3 2017	Change
Ontario	90.1%	90.0%	0.1pp	89.5%	0.6pp
Western Canada	97.1%	96.9%	0.2pp	96.9%	0.2pp
Quebec	92.9%	94.5%	(1.6pp)	92.6%	0.3pp
Total	92.3%	92.9%	(0.6pp)	92.0%	0.3pp

While all our operating platforms improved occupancies in Q4 2017 from Q3 2017, occupancies in our Quebec platform continue to be impacted by the new supply in certain markets, with Q4 2017 occupancy being 1.6 percentage points lower than Q4 2016.

Long Term Care Operations

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

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same property	23	-	84	-	-	2,900	2,984
Acquisitions, development and other [1]	1	-	49	-	-	100	149
Total	24	-	133	-	-	3,000	3,133

(1) Includes one Class C residence subject to redevelopment where certain pre-development activities have begun.

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

($000s, except occupancy rates)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
Adjusted resident revenue	**59,698**	**57,500**	**2,198**	**227,427**	**223,771**	**3,656**
Comprised of:						
Same property [1]	*57,583*	*55,458*	*2,125*	*219,475*	*215,544*	*3,931*
Acquisitions, development and other [1]	*2,115*	*2,042*	*73*	*7,952*	*8,227*	*(275)*
Adjusted direct property operating expenses	**52,356**	**51,143**	**1,213**	**199,263**	**196,142**	**3,121**
Comprised of:						
Same property [1]	*50,195*	*49,136*	*1,059*	*191,492*	*188,438*	*3,054*
Acquisitions, development and other [1]	*2,161*	*2,007*	*154*	*7,771*	*7,704*	*67*
Adjusted NOI	**7,342**	**6,357**	**985**	**28,164**	**27,629**	**535**
Comprised of:						
Same property [1]	*7,388*	*6,322*	*1,066*	*27,983*	*27,106*	*877*
Acquisitions, development and other [1]	*(46)*	*35*	*(81)*	*181*	*523*	*(342)*
Weighted average occupancy rate - same property	98.7%	98.6%	0.1pp	98.5%	98.8%	(0.3pp)
Weighted average occupancy rate - total portfolio	97.9%	98.0%	(0.1pp)	97.7%	98.4%	(0.7pp)

(1) Non-GAAP; refer to the preamble to this table and to the introduction in "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 16 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted NOI increased $0.5 million or 1.9% in 2017, primarily due to a 3.2% increase in adjusted NOI in the same property portfolio.

The increase in same property adjusted NOI was primarily due to higher preferred accommodation revenues and lower utilities expenses, partially offset by higher repairs and maintenance and other inflationary cost increases.

Weighted average occupancy in the same property portfolio was 98.5% in 2017 compared to 98.8% in 2016.

Fourth Quarter: Adjusted NOI increased $1.0 million or 15.5% in Q4 2017, primarily due a $1.1 million increase in adjusted NOI in the same property portfolio and a $0.1 million decrease in contribution from one property subject to redevelopment.

The increase in same property adjusted NOI in Q4 2017 was primarily due to higher preferred accommodation revenues, higher ancillary revenues and lower utilities expenses, partially offset by higher repairs and maintenance and other inflationary cost increases.

Management Fee Revenue

($000s)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
Welltower	1,692	1,931	(239)	6,417	6,676	(259)
Other	610	610	-	2,444	2,101	343
Total management fee revenue	2,302	2,541	(239)	8,861	8,777	84

Management fee revenue increased in 2017 primarily due to an increased number of Batimo development properties under management, offset by lower fees from Welltower. Management fee revenue decreased in Q4 2017 primarily due to lower incentive management fees.

Interest Income

($000s)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
Interest income on loans receivable	176	283	(107)	847	1,253	(406)
Interest income on capital funding	695	770	(75)	2,893	3,100	(207)
Other interest income	53	28	25	218	74	144
Total interest income	924	1,081	(157)	3,958	4,427	(469)

In 2017 and Q4 2017, interest income on loans receivable and capital funding decreased primarily due to lower receivable balances.

General, Administrative and Trust Expenses

($000s)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
G&A expenses	9,221	8,227	994	38,007	33,838	4,169

In 2017, G&A expenses increased $4.2 million primarily due to higher staffing costs incurred to support our growing property portfolio and our development activities, including management of Batimo projects. In addition, the increase in 2017 was partly driven by higher severance and recruitment costs, as well as higher non-cash, unit-based compensation costs resulting from an increase in the trading price of our Trust Units.

In Q4 2017, G&A expenses increased $1.0 million primarily due to higher non-cash, unit-based compensation costs resulting from an increase in the trading price of our Trust Units and higher listing fees related to the issuance of our Trust Units in Q4 2017, partially offset by timing of certain other expenses.

Finance Costs

($000s)	Q4 2017	Q4 2016	Change	2017	2016	Change
Contractual interest expense on mortgages *	15,924	15,731	193	63,223	63,598	(375)
Comprised of:						
*Same property * (1)*	*14,325*	*14,464*	*(139)*	*57,511*	*58,809*	*(1,298)*
*Acquisitions, development and other * (1)*	*1,599*	*1,267*	*332*	*5,712*	*4,789*	*923*
Convertible debentures	-	-	-	-	2,611	(2,611)
Series A Unsecured Debentures	1,909	-	1,909	4,274	-	4,274
Credit facility and other interest expense	941	1,280	(339)	4,743	3,912	831
	18,774	17,011	1,763	72,240	70,121	2,119
Amortization of financing costs and debt mark-to-market adjustments *	339	(239)	578	835	(1,162)	1,997
	19,113	16,772	2,341	73,075	68,959	4,116
Interest capitalized to properties under development	(942)	(419)	(523)	(2,908)	(1,085)	(1,823)
Distributions on Class B Units recorded as interest expense	236	229	7	955	904	51
Total finance costs	18,407	16,582	1,825	71,122	68,778	2,344

* *Q4 2016 and 2016 amounts have been restated as described on page 2 of this MD&A.*

(1) *Non-GAAP; refer to the “Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI” section on page 16 of this MD&A for explanations of ‘Same property’ and ‘Acquisitions, development and other’ and the significance of these metrics.*

Interest expense on the same property portfolio decreased $1.3 million in 2017 and $0.1 million in Q4 2017, primarily due to lower interest rates achieved on mortgage renewals and lower outstanding loan balances.

The convertible debentures were redeemed in Q2 2016.

Series A Debentures in the amount of $200 million were issued on June 9, 2017 and bear interest at an annual rate of 3.786%.

Credit facility and other interest expense increased $0.8 million in 2017 primarily due to higher average balances outstanding over the course of the year, and decreased $0.3 million in Q4 2017 as the balances outstanding on the Credit Facilities were repaid from the proceeds of the offering of our Trust Units completed in November 2017.

Amortization of financing costs and debt mark-to-market adjustments increased $2.0 million in 2017 and $0.6 million in Q4 2017, primarily due to accelerated amortization of financing costs and mark-to-market adjustments related to refinancing of certain mortgages and Credit Facilities.

Interest capitalized to properties under development increased $1.8 million in 2017 and $0.5 million in Q4 2017, primarily due to higher levels of development activity.

The following table provides supplemental information related to finance costs for our Equity-Accounted JVs:

($000s)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
Mortgage and loans payable	582	542	40	2,261	2,351	(90)
Comprised of:						
Same property (1)	*206*	*206*	*-*	*833*	*920*	*(87)*
Acquisitions, development and other (1)	*376*	*336*	*40*	*1,428*	*1,431*	*(3)*
Amortization of financing costs and debt mark-to-market adjustments	19	15	4	66	78	(12)
Interest capitalized to properties under development	(38)	-	(38)	(71)	-	(71)
Total finance costs	563	557	6	2,256	2,429	(173)

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 16 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Other Income/(Expense)

($000s)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
Transaction costs arising on business acquisitions and dispositions	(1,611)	95	(1,706)	(7,540)	(5,400)	(2,140)
Gain on remeasurement to fair value of existing interest	-	-	-	-	5,187	(5,187)
Gain/(loss) on sale of assets *	628	(80)	708	697	1,838	(1,141)
Other income	255	-	255	1,062	-	1,062
Impairment of PP&E	-	1,110	(1,110)	-	(6,390)	6,390
Property lease expense	(98)	(76)	(22)	(395)	(395)	-
Total other income/(expense)	(826)	1,049	(1,875)	(6,176)	(5,160)	(1,016)

* *Q4 2016 and 2016 amounts have been restated as described on page 2 of 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.

Gain on remeasurement to fair value of existing interest in 2016 relates to the acquisition of the remaining 50% interest in a co-owned property from our joint venture partner.

Gain on sale of assets in 2016 includes $0.7 million related to the sale of three non-core properties in Quebec.

Other income in 2017 represents certain contractual supplier incentive payments.

2016 includes an impairment provision of $3.0 million related to one LTC property in Ontario and $4.5 million related to one retirement property in Quebec as well as a reversal of the previously-recorded impairment provision of $1.1 million on another property.

Other Items

($000s)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
Depreciation of PP&E *	(40,436)	(38,249)	(2,187)	(151,565)	(145,586)	(5,979)
Amortization of intangible assets *	(408)	(285)	(123)	(1,784)	(1,169)	(615)
Changes in fair value of financial instruments and foreign exchange gain/(loss) *	(3,941)	6,693	(10,634)	(2,987)	(17,003)	14,016
Current income tax expense	(7)	(27)	20	(15)	(27)	12
Deferred income tax benefit	(28)	-	(28)	104	-	104

* *Q4 2016 and 2016 amounts have been restated as described on page 2 of this MD&A.*

Depreciation of PP&E increased $6.0 million in 2017 and $2.2 million in Q4 2017, primarily due to depreciation of properties acquired in 2016 and 2017.

Changes in fair value of financial instruments and foreign exchange loss result from changes in the market value of the underlying financial instruments and estimated values of amounts receivable under income guarantees. These amounts are expected to fluctuate from period to period due to changes in financial markets and operating performance of properties, subject to income guarantees. 2016 amounts include an $11.4 million charge for revaluation of our 5.7% convertible debentures which were redeemed in Q2 2016.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between 2017 and 2016 using our consolidated statements of cash flows:

Cash Provided by (Used in):	**Increase / (Decrease)** ($millions)	**Explanation**
Operating activities	23.6	Change in cash flows from operating activities is primarily due to higher adjusted NOI and changes in working capital balances.
Financing activities	35.4	Change in cash flows from financing activities is primarily due to proceeds from the offerings of our Trust Units and Series A Debentures and higher proceeds from mortgage financings, partially offset by higher mortgage repayments and repayments of amounts outstanding on our Credit Facilities.
Investing activities	(71.4)	Change in cash flows from investing activities is primarily due to higher cash used for acquisitions and capital investments in our properties, partially offset by higher proceeds from disposal of PP&E.

Liquidity and Capital Resources

Liquidity

Our liquidity and capital resources are used to fund capital investments in our properties, development and acquisition activities, servicing of our debt obligations, and distributions to our unitholders.

Our principal source of liquidity is net operating income generated from our property operations. We also finance our operations through the use of property-specific mortgages, secured and unsecured credit facilities, senior unsecured debentures, and equity financing.

At December 31, 2017 our liquidity was $376.0 million consisting of cash and cash equivalents of $44.8 million and $331.2 million available borrowing capacity under our Credit Facilities as presented in the following table:

($000s)	**December 31, 2017**	December 31, 2016
Cash and cash equivalents	44,751	30,050
Available under Credit Facilities	331,221	73,759
Total	375,972	103,809

In addition, at December 31, 2017, our share of cash and cash equivalents held in our Equity-Accounted JVs was $7.6 million.

As at December 31, 2017, our current liabilities totalled $327.9 million, exceeding current assets of $97.6 million, resulting in a working capital deficiency of $230.3 million. Current liabilities includes an amount of $165.3 million of current mortgages payable, comprised of $103.2 million related to maturing balances which are expected to be renewed on maturity and $59.5 million related to regular principal amortization and $2.6 million related to the balance of unamortized mark-to-market adjustments net of unamortized financing costs. These, and other contractual obligations and contingencies, including those resulting from the agreements with Batimo are discussed in the "Commitments and Contingencies" section on page 44 of this MD&A. We expect to be able to meet all of our obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from our property operations, (ii) property-specific mortgages, and (iii) secured and unsecured credit facilities. In addition, subject to market conditions, Chartwell may seek to raise funding through new senior unsecured debentures or equity financing.

Debt

Our debt portfolio currently consists of property-specific mortgages, credit facilities, and senior unsecured debentures. Our debt management objective is to maximize financial flexibility and to maintain a strong balance sheet by:

- accessing low-cost, long-term, fixed-rate debt and short-term, variable-rate construction financing;
- managing 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;
- proactively managing our short-term maturities and where appropriate, refinancing maturing mortgages with long-term debt; and
- growing our unencumbered asset pool.

The following table summarizes the components of the principal balance of our debt at December 31, 2017 and December 31, 2016:

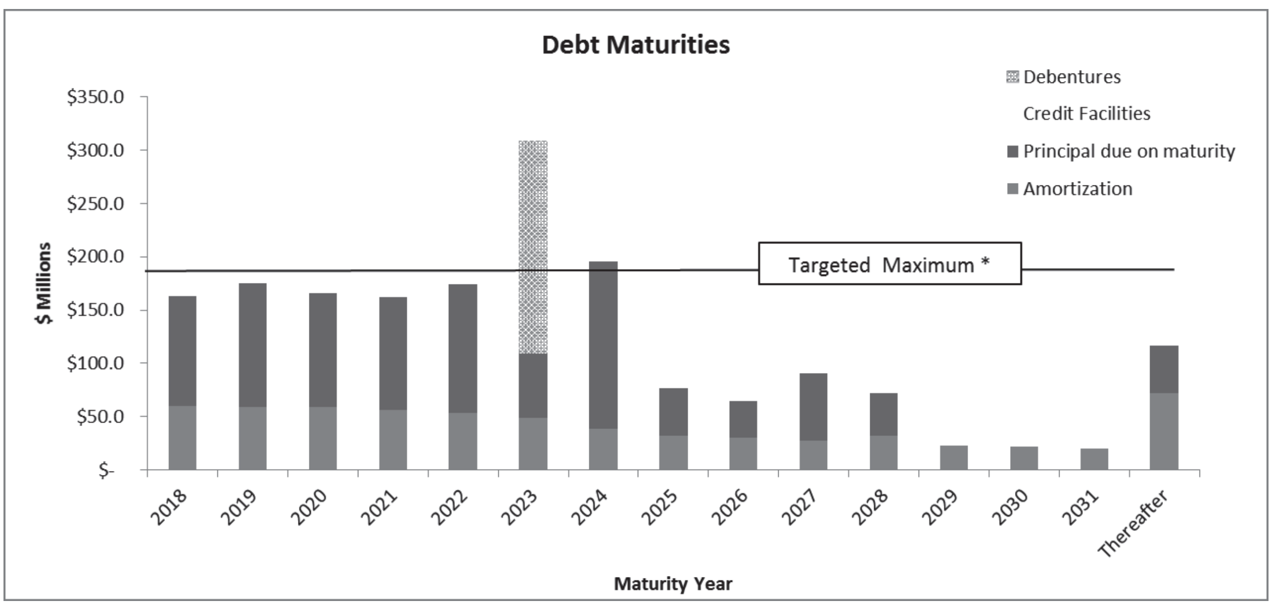
($000s)	**December 31, 2017**	December 31, 2016 *
Principal balance of mortgages payable	1,629,935	1,644,708
Credit Facilities	-	172,000
Principal balance of Series A Debentures	200,000	-
Principal balance of total debt	1,829,935	1,816,708

* *December 31, 2016 amounts have been restated as described on page 2 of this MD&A.*

The following table summarizes the scheduled principal maturity and weighted average interest rates for our debt portfolio:

($000s)	Regular Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate	Senior Unsecured Debentures	Weighted Average Interest Rate	Credit Facilities	Weighted Average Interest Rate	**Total**	Consolidated Weighted Average Interest Rate
2018	59,512	103,240	162,752	3.98%	-	-	-	-	162,752	3.98%
2019	58,822	116,224	175,046	3.39%	-	-	-	-	175,046	3.39%
2020	58,518	107,076	165,594	3.94%	-	-	-	-	165,594	3.94%
2021	56,472	105,353	161,825	4.10%	-	-	-	-	161,825	4.10%
2022	53,047	121,563	174,610	3.66%	-	-	-	-	174,610	3.66%
2023	48,823	60,419	109,242	4.17%	200,000	3.79%	-	-	309,242	3.92%
2024	38,947	156,797	195,744	3.98%	-	-	-	-	195,744	3.98%
2025	32,099	44,335	76,434	3.36%	-	-	-	-	76,434	3.36%
2026	30,473	33,830	64,303	3.25%	-	-	-	-	64,303	3.25%
2027	27,502	63,176	90,678	3.23%	-	-	-	-	90,678	3.23%
2028	32,083	40,154	72,237	4.05%	-	-	-	-	72,237	4.05%
2029	22,912	-	22,912	4.76%	-	-	-	-	22,912	4.76%
2030	21,567	-	21,567	4.89%	-	-	-	-	21,567	4.89%
2031	20,153	-	20,153	4.95%	-	-	-	-	20,153	4.95%
Thereafter	71,932	44,906	116,838	4.23%	-	-	-	-	116,838	4.23%
Total	632,862	997,073	1,629,935	3.86 %	200,000	3.79%	-	-	1,829,935	3.85 %

The following chart provides a breakdown of our debt maturities:



** 10% of total debt = $183.0 million*

Mortgage Debt

The following table summarizes the changes in the principal balance of our mortgage portfolio in 2017:

	Balance ($000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate of Maturing Debt	% CMHC Insured
Principal balance at December 31, 2016 *	1,644,708	7.1	3.89%	61%
Matured in the period	(107,270)	-	3.92%	17%
Bridge loans repaid prior to maturity	(191,957)	1.21	2.63%	-
Assumed on acquisitions of properties	37,060	0.4	3.50%	N/A
New mortgage financing	311,316	10.6	3.08%	66%
Regular amortizing principal repayments	(57,856)	N/A	N/A	N/A
Loan related to asset held for sale	(6,066)	0.91	4.00%	N/A
Principal balance at December 31, 2017	1,629,935	7.8	3.86%	72%
Mark-to-market adjustments arising on acquisitions	16,028			
Financing costs	(31,631)			
Mortgages payable at December 31, 2017	1,614,332			

* *December 31, 2016 amounts have been restated as described on page 2 of this MD&A.*

New mortgage financing includes additional financing on CMHC-insured mortgages totalling $231.6 million with a weighted average interest rate of 2.99% and weighted average term of 13.1 years, bridge loans on two non-stabilized properties totalling $68.7 million with a weighted average interest rate of 3.31% and weighted average term of 3.7 years and construction financing for one property under development of $11.0 million with a weighted average interest rate of 2.92% and weighted average term of 2.0 years.

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

	At December 31, 2017			At December 31, 2016 *
	Fixed Rate	Variable Rate	Total	Total
Principal amount ($000s)	1,614,304	15,631	1,629,935	1,644,708
Weighted average interest rate	3.86%	3.49%	3.86%	3.89%
Average term to maturity (years)	7.8	7.3	7.8	7.1

* *December 31, 2016 amounts have been restated as described on page 2 of this MD&A.*

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation (“CMHC”). As of December 31, 2017, approximately 72% of our total 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.

The following tables are supplemental information and summarize the components of our debt at December 31, 2017 and December 31, 2016 for our Equity-Accounted JVs:

($000s)	**December 31, 2017**	December 31, 2016 *
Principal balance of mortgages payable	83,954	77,802

* *December 31, 2016 amounts have been restated as described on page 2 of this MD&A.*

($000s)	Regular Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate
2018	112	20,464	20,576	3.9%
2019	-	-	-	-
2020	-	57,000	57,000	3.0%
2021	-	6,378	6,378	3.8%
2022 and thereafter	-	-	-	-
Total	112	83,842	83,954	3.3%

Credit Facilities

On May 29, 2017, we entered into agreements with a syndicate of Canadian financial institutions for the Credit Facilities totalling $300 million with accordion options for an additional $150 million. The Credit Facilities have three-year terms maturing in May 2020 and include annual extension options. In Q4 2017, we exercised our option to increase the maximum combined available borrowing capacity by another $100 million to $400 million. These new Credit Facilities replaced the $200 million and $50 million credit facilities which were scheduled to mature in June 2018.

The first credit facility is a $100 million unsecured facility (the "Unsecured Credit Facility") which can be increased by up to $50 million during its term. The amounts borrowed under the Unsecured Credit Facility will bear interest at rates ranging from Bankers' Acceptance rate ("BA") plus 180 basis points ("bps") to BA plus 210 bps or, Prime rate ("Prime") plus 80 bps to Prime plus 110 bps, based on Chartwell's overall leverage ratio, as defined in the credit agreement.

The second credit facility is a $300 million secured facility (the "Secured Credit Facility"). The facility is secured by charges over 34 properties. The amounts borrowed under the Secured Credit Facility will bear interest at rates ranging from BA plus 165 bps to BA plus 185 bps or, Prime plus 65 bps to Prime plus 85 bps, based on Chartwell's overall leverage ratio, as defined in the credit agreement.

As of December 31, 2017, no amounts were drawn and $331.2 million was available under the Credit Facilities based on security provided.

Based on our leverage ratio, in Q1 2018, the amounts drawn on our Secured Credit Facility would bear interest at BA plus 165 bps or Prime plus 65 bps. The amounts, if any, drawn on our Unsecured Credit Facility would bear interest at BA plus 180 bps or Prime plus 80 bps.

The Credit Facilities include covenants generally applicable to such facilities, such as limitations on certain investments and hedging arrangements, overall leverage ratio, debt service coverage ratio, distributions payout ratio and, in the case of the Unsecured Credit Facility, secured indebtedness ratio and unencumbered asset value ratio. Please refer to the “Financial Covenants” section of this MD&A for calculations of these covenants.

Senior Unsecured Debentures

On June 9, 2017, we issued $200.0 million of 3.786% Series A Senior Unsecured Debentures (the “Series A Debentures”) due on December 11, 2023, with semi-annual interest payments due on June 11 and December 11 of each year commencing December 11, 2017. Debt financing costs of $1.5 million were incurred and recorded against the principal owing.

The following table summarizes the balance of our Series A Debentures:

($000s)	**As at December 31, 2017**	As at December 31, 2016
Series A Debentures outstanding	200,000	N/A
Unamortized financing costs	(1,407)	N/A
Carrying value	198,593	N/A

Convertible Debentures

On April 12, 2016, we issued a redemption notice to the holders of our 5.7% convertible debentures with an outstanding principal balance of $131.9 million. Under the terms of the trust indentures governing these debentures, before May 16, 2016 (the "Redemption Date") the holders had the right to convert their debentures into Trust Units at a conversion price of $11.00 per unit. We elected to satisfy our redemption obligations for any unconverted convertible debentures by issuing Trust Units at 95% of the market price on the Redemption Date, as provided for in the trust indentures. As a result, 11.9 million Trust Units were issued in satisfaction of the full amount of convertible debentures.

Credit Rating

Chartwell's credit rating for our senior unsecured debentures ("Senior Unsecured Debentures") is summarized below:

Debt	Rating Agency	Long-term Credit Rating	Trend
Senior Unsecured Debentures	DBRS	BBB (low)	Stable

Long-term ratings assigned by DBRS Limited ("DBRS") provide an opinion of DBRS on the risk of default; that is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. DBRS' long-term credit ratings scale ranges from "AAA" (typically assigned to obligations of the highest credit quality) to "D" (typically assigned to obligations when the issuer has filed under any applicable bankruptcy, insolvency or winding up statute or there is a failure to pay or satisfy an obligation after the exhaustion of grace periods where DBRS believes the default will subsequently be general in nature and include all obligations). A long-term obligation rated "BBB" by DBRS is the fourth highest-rated obligation after those rated "AAA", "AA" and "A" and is, in DBRS' view, of adequate credit quality. The capacity for payment of financial obligations is considered acceptable. DBRS indicates that "BBB" rated obligations may be vulnerable to future events. All DBRS rating categories other than "AAA" and "D" also contain subcategories "(high)" and "(low)". The addition of either a "(high)" or "(low)" designation indicates the relative standing within a rating category.

DBRS uses "rating trends" for its ratings in, among other areas, the real estate investment trust sector. DBRS' rating trends provide guidance in respect of DBRS' opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories: "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present circumstances continue, or in some cases, unless challenges are addressed. In general, DBRS assigns rating trends based primarily on an evaluation of the issuing entity or guarantor itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates. A "Positive" or "Negative" trend assigned by DBRS is not an indication that a rating change is imminent, but represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a "Stable" trend was assigned.

The above-mentioned rating assigned to our Senior Unsecured Debentures is not a recommendation to buy, sell or hold any securities of Chartwell and may be subject to revision or withdrawal at any time by DBRS. Chartwell has paid customary rating fees to DBRS in connection with the above-mentioned rating. There can be no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, withdrawn or revised by the rating agency if in its judgment circumstances so warrant.

Financial Covenants

Our Credit Facilities and Series A Debentures contain numerous financial covenants. Failure to comply with the covenants could result in a default, which, if not waived or cured, could result in adverse financial consequences. The following discussions provide the status of our various financial covenants related to our Credit Facilities and Series A Debentures.

All covenant calculations in this section are based on the definitions of various financial metrics as negotiated with the lenders and agents and as reflected in our Amended and Restated Credit Agreements for Secured and Unsecured Facilities dated May 29, 2017 (together, the "Credit Agreements"), and in the Trust Indenture (the "Trust Indenture") and the First Supplemental Trust Indenture (the" Supplemental Trust Indenture"), dated June 9, 2017 for the Series A Debentures. These covenants are calculated in accordance with the respective agreement and may not be comparable to similar metrics used by other entities or to any GAAP measure.

Credit Facilities

1. Debt Service Coverage Ratio for Credit Facilities

We are required to maintain a minimum debt service coverage ratio of 1.40 on a rolling 12-month basis.

($000s, except debt service coverage ratio)	**Rolling 12 months December 31, 2017**	Rolling 12 months December 31, 2016
Consolidated EBITDA for Credit Facilities (1)	262,928	250,687
Consolidated interest expense for Credit Facilities (2)	74,501	72,472
Consolidated regularly-scheduled debt principal payments for Credit Facilities (3)	58,238	52,881
Consolidated debt service payments for Credit Facilities	132,739	125,353
Debt service coverage ratio for Credit Facilities	1.98	2.00

(1) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Series A Debentures" section on page 36 of this MD&A for the calculation of consolidated EBITDA for Credit Facilities.

(2) Refer to the "Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Series A Debentures" section on page 36 of this MD&A for the calculation of consolidated interest expense for Credit Facilities.

(3) Refer to the "Supporting Covenant Calculations –

(4) 3. Regularly-Scheduled Debt Principal Payments for Credit Facilities*" section on page 37 of this MD&A for the calculation of consolidated regularly-scheduled debt principal payments for Credit Facilities.*

2. Total Leverage Ratio for Credit Facilities

We are required to maintain a total leverage ratio below 65%.

($000s, except total leverage ratio)	**As at December 31, 2017**	As at December 31, 2016
Consolidated indebtedness for Credit Facilities (1)	1,940,719	1,927,076
Adjusted consolidated gross book value of assets for Credit Facilities (2)	4,157,365	3,835,969
Total leverage ratio for Credit Facilities	46.7%	50.2%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Series A Debentures" section on page 37 of this MD&A for the calculation of consolidated indebtedness for Credit Facilities.

(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Series A Debentures" section on page 38 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.

3. Adjusted Consolidated Unitholders' Equity Ratio for Credit Facilities

We are required to maintain an adjusted consolidated unitholders' equity of at least $1.0 billion, plus 75% of the net proceeds raised by further issuance of units after June 30, 2016.

At December 31, 2017, the minimum adjusted consolidated unitholders' equity requirement was $1.194 million.

($000s)	**As at December 31, 2017**	As at December 31, 2016
Unitholders' equity per Financial Statements	1,010,167	824,983
Adjustment for accumulated depreciation and amortization for Credit Facilities (1)	785,563	681,207
Class B Units	26,808	23,871
DTUs	14,186	13,620
Adjusted consolidated unitholders' equity for Credit Facilities	1,836,724	1,543,681

(1) Includes accumulated depreciation and amortization of equity-accounted investments of $26.1 million at December 31, 2017 ($18.9 million at December 31, 2016) and fully amortized assets of $182.9 million at December 31, 2017 ($179.1 million at December 31, 2016).

4. Payment of Cash Distributions for Credit Facilities

We are required to not make cash distributions exceeding 100% of our AFFO for Credit Facilities.

($000s, except percentage of AFFO)	**2017**	2016
Distributions declared on Trust Units	112,025	104,701
Distributions on Class B Units	955	904
Distributions on DTUs	488	484
Total distributions for Credit Facilities	113,468	106,089
Less:		
Non-cash distributions settled by DRIP	20,115	19,725
Non-cash distributions applied to EUPP	861	874
Non-cash distributions applied to DTUs	488	484
Cash distributions for Credit Facilities	92,004	85,006
AFFO for Credit Facilities (1)	169,811	162,206
Cash distributions as a percentage of AFFO for Credit Facilities	54.2%	52.4%

(1) Refer to the "Supporting Covenant Calculations – 6. Adjusted Funds from Operations for Credit Facilities" section on page 38 of this MD&A for the calculation of AFFO for Credit Facilities.

5. Investment Restrictions for Credit Facilities

Our Credit Agreements include certain restrictions on investments in certain joint ventures, mortgage receivables and properties held for development as follows:

($000s)	Threshold as of December 31, 2017	**As at December 31, 2017**	As at December 31, 2016
Non-qualifying joint ventures and investments (1)	207,868	-	-
Mortgage receivables (2)	623,605	6,753	10,528
Investments in property held for development/construction as defined in the Credit Facilities (2)	623,605	114,175	82,714
Combined (3)	1,039,341	120,928	93,242

(1) Limit of 5% of adjusted consolidated gross book value of assets for Credit Facilities.
(2) Limit of 15% of adjusted consolidated gross book value of assets for Credit Facilities.
(3) Limit of 25% of adjusted consolidated gross book value of assets for Credit Facilities.

The following financial covenants are only applicable to the Unsecured Credit Facility:

6. Secured Indebtedness Ratio for the Unsecured Credit Facility

We are required to maintain a secured indebtedness to adjusted consolidated gross book value of assets ratio of below 55%.

($000s, except secured indebtedness ratio)	**As at December 31, 2017**	As at December 31, 2016
Secured indebtedness for the Unsecured Credit Facility (1)	1,713,889	1,894,667
Adjusted consolidated gross book value of assets for Credit Facilities (2)	4,157,365	3,835,969
Secured indebtedness ratio for the Unsecured Credit Facility	41.2%	49.4%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Series A Debentures" section on page 37 of this MD&A for the calculation of secured indebtedness for Credit Facilities.
(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Series A Debentures" section on page 38 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.

7. Unencumbered Property Asset Ratio for the Unsecured Credit Facility

We are required to maintain the unencumbered property asset value at more than 1.5 times our consolidated unsecured indebtedness. For the purposes of calculating the unencumbered property asset ratio covenant under our Unsecured Credit Facility, only wholly-owned assets with occupancy above 80% can be included, with valuations completed through third-party appraisals.

($000s, except unencumbered property asset ratio)	**December 31, 2017**	December 31, 2016
Unencumbered property asset value for the Unsecured Credit Facility (1)	405,200	N/A
Unsecured indebtedness for the Unsecured Credit Facility (2)	226,830	N/A
Unencumbered property asset ratio for the Unsecured Credit Facility	1.8	N/A

(1) Includes 17 properties valued at $405.2 million as of December 31, 2017 (Nil as of December 31, 2016) with valuations completed through third-party appraisals. Excludes seven properties valued at $144.5 million appraised as of January 31, 2018.
(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Series A Debentures" section on page 37 of this MD&A for the calculation of unsecured indebtedness for Credit Facilities.

Series A Debentures

1. Consolidated EBITDA to Consolidated Interest Expense Ratio for Series A Debentures ("Interest Coverage Ratio for Series A Debentures")

We are required at all times to maintain an Interest Coverage Ratio for Series A Debentures of not less than 1.65 on a proforma basis and calculated based on the definitions for the Series A Debentures.

($000s, except Interest Coverage Ratio)	**Rolling 12 months December 31, 2017**	Rolling 12 months December 31, 2016
Consolidated EBITDA for Series A Debentures (1)	266,831	256,353
Consolidated interest expense for Series A Debentures (2)	76,546	70,062
Interest Coverage Ratio for Series A Debentures	3.5	3.7

(1) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Series A Debentures" section on page 36 of this MD&A for the calculation of consolidated EBITDA for the Series A Debentures.
(2) Refer to the "Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Series A Debentures" section on page 36 of this MD&A for the calculation of consolidated interest expense for the Series A Debentures.

2. Indebtedness Percentage for Series A Debentures

We are required to maintain a ratio of consolidated indebtedness to aggregate adjusted assets of less than or equal to 65%.

($000s, except indebtedness percentage)	**December 31, 2017**	December 31, 2016
Consolidated indebtedness for Series A Debentures (1)	1,832,269	1,881,290
Aggregate adjusted assets for Series A Debentures (2)	4,074,842	3,819,681
Indebtedness percentage for Series A Debentures	45.0%	49.3%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Series A Debentures" section on page 37 of this MD&A for the calculation of consolidated indebtedness for the Series A Debentures.
(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Series A Debentures" section on page 38 of this MD&A for the calculation of aggregate adjusted assets for the Series A Debentures.

3. Coverage Ratio for Series A Debentures

We are required to maintain a ratio of unencumbered aggregate adjusted assets to the aggregate principal amount of outstanding consolidated unsecured indebtedness of not less than 1.3 on a proforma basis giving effect to the transactions completed from June 30, 2017 to the date of this MD&A and calculated based on the definition in the Supplemental Trust Indenture.

($000s, except ratio)	**December 31, 2017**	December 31, 2016
Unencumbered aggregate adjusted assets for Series A Debentures (1)	455,000	N/A
Unsecured indebtedness for Series A Debentures (2)	202,739	N/A
Coverage ratio for Series A Debentures	2.2	N/A

(1) Includes 22 properties valued at $455.0 million as of December 31, 2017 (Nil as of December 31, 2016) with valuations completed through third-party appraisals. Excludes seven properties valued at $144.5 million appraised as of January 31, 2018.
(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Series A Debentures" section on page 37 of this MD&A for the calculation of unsecured indebtedness for the Series A Debentures.

Supporting Covenant Calculations

1. Consolidated EBITDA for Credit Facilities and Series A Debentures

The following table provides the calculation of consolidated EBITDA for the Credit Facilities and Series A Debentures.

($000s)	**Rolling 12 months December 31, 2017**	Rolling 12 months December 31, 2016
Net income/(loss) – continuing operations	13,082	(710)
Loss/(gain) on sale of assets (1)	(704)	(1,961)
Transaction costs	7,540	5,400
Non-cash changes in fair value of financial instruments and foreign exchange gains/(losses) (1)	3,124	14,601
Impairment of PP&E	-	6,390
Gain on remeasurement of fair value of existing interest	-	(5,187)
Consolidated net income for Credit Facilities	23,042	18,533
Consolidated finance costs (1)	73,378	71,207
Consolidated depreciation and amortization (1)	160,935	154,631
Consolidated income tax expense/(benefit)	(89)	27
Principal portion of capital funding	5,662	6,289
Consolidated EBITDA for Credit Facilities	262,928	250,687
Proforma adjustments (2)	3,903	5,666
Consolidated EBITDA for Series A Debentures	266,831	256,353

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.
(2) Adjusted to reflect a full-year impact of acquisitions and dispositions completed during the reporting period and up to the date of this MD&A, on a proforma basis, and excludes assets held for sale and announced acquisitions which have not closed as of the date of this MD&A.

2. Consolidated Interest Expense for Credit Facilities and Series A Debentures

The following table provides the calculation of consolidated interest expense for Credit Facilities and Series A Debentures.

($000s)	**Rolling 12 months December 31, 2017**	Rolling 12 months December 31, 2016
Interest on mortgages (1)	65,484	65,949
Interest on convertible debentures	-	2,611
Interest on Series A Debentures	4,274	-
Interest on Credit Facilities	4,743	3,912
Consolidated interest expense for Credit Facilities	74,501	72,472
Proforma adjustments (2)	2,045	(2,410)
Consolidated interest expense for Series A Debentures	76,546	70,062

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.
(2) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period up to the date of this MD&A, on a proforma basis, and excludes assets held for sale and announced acquisitions which have not closed as of the date of this MD&A.

3. Regularly-Scheduled Debt Principal Payments for Credit Facilities

The following table summarizes regularly-scheduled principal debt payments for the Credit Facilities.

($000s)	**Rolling 12 months December 31, 2017**	Rolling 12 months December 31, 2016
Regularly-scheduled debt principal payments per Financial Statements	57,856	52,651
Regularly-scheduled debt principal payments for equity-accounted entities	382	230
Regularly-scheduled debt principal payments for Credit Facilities	58,238	52,881

4. Consolidated Indebtedness for Credit Facilities and Series A Debentures

The following table provides the calculation of consolidated indebtedness for Credit Facilities and Series A Debentures.

($000s)	**December 31, 2017**	December 31, 2016
Principal balance of mortgages payable	1,629,935	1,644,708
Principal balance of mortgages payable related to Equity-Accounted JVs	83,954	77,959
Outstanding amount on the Secured Credit Facility	-	172,000
Secured indebtedness for the Unsecured Credit Facility	1,713,889	1,894,667
Principal balance of Series A Debentures	200,000	-
Deferred purchase consideration	1,506	1,506
Capital lease obligations	1,233	1,405
Unsecured indebtedness for Series A Debentures	202,739	2,911
Outstanding letters of credit	4,655	4,241
Third-party guarantees	19,436	25,257
Unsecured indebtedness for Credit Facilities	226,830	32,409
Consolidated indebtedness for Credit Facilities	1,940,719	1,927,076
Add (Subtract):		
Outstanding letters of credit	(4,655)	(4,241)
Third-party guarantees	(19,436)	(25,257)
Cash and cash equivalents	(44,751)	(30,050)
Cash and cash equivalents of Equity-Accounted JVs	(7,608)	(8,238)
Proforma adjustments (1)	(32,000)	22,000
Consolidated indebtedness for Series A Debentures	1,832,269	1,881,290

(1) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period and up to the date of this MD&A on a proforma basis, and excludes assets held for sale and announced acquisitions which have not closed as of the date of this MD&A.

5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Series A Debentures

The following table provides the calculations of both the adjusted consolidated gross book value of assets for Credit Facilities and the aggregate adjusted assets for Series A Debentures.

($000s)	**December 31, 2017**	December 31, 2016
Book value of assets [1]	3,095,359	2,878,609
Gross book value adjustment on IFRS transition [2]	276,443	276,153
Accumulated depreciation and amortization	785,563	681,207
Adjusted consolidated gross book value of assets for Credit Facilities	4,157,365	3,835,969
Add (Subtract):		
Cash and cash equivalents for Series A Debentures	(52,359)	(38,288)
Proforma adjustments [3]	(30,164)	22,000
Aggregate adjusted assets for Series A Debentures	4,074,842	3,819,681

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.
(2) The change from December 31, 2016 is due to the sale of one property in Quebec in Q2 2017.
(3) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period and up to the date of this MD&A on a proforma basis, and excludes assets held for sale and announced acquisitions which have not closed as of the date of this MD&A.

6. Adjusted Funds from Operations for Credit Facilities

AFFO for Credit Facilities is calculated based on the definition used in our Credit Agreements and is likely not comparable to similar measures used by other entities. In accordance with the Credit Agreements, AFFO is calculated by adding or subtracting certain items measured to or from FFO as follows where, as required by the agreement, all such items are adjusted to account for our Equity-Accounted JVs using the proportionate consolidation method:

Principal portion of capital funding receivable: This item represents the principal portion of the long-term cash flow stream provided in the respective period by the Ontario Ministry of Health and Long Term Care ("MOHLTC") to communities which meet certain design criteria.

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 for non-cash interest expense items and to account for interest expense based on the contractual terms of the underlying debt.

Financing cost reserve: This reserve represents normalized costs of refinancing our mortgages, estimated at 60 basis points, applied to the debt balances outstanding at the end of the reporting period and 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.

Discontinued operations: This item represents the impact of the items above for our discontinued operations.

The following table provides the calculation of AFFO for Credit Facilities for the purposes of the covenant calculations in the Credit Agreements:

($000s)	**2017**	2016
FFO [1]	182,502	172,637
Add (Subtract) amounts as defined in the Credit Agreements:		
Principal portion of capital funding receivable	5,662	6,289
Amounts receivable under income guarantees	1,344	2,868
Amortization of financing costs and fair value adjustments on mortgages payable [2]	(612)	(1,564)
Financing cost reserve	(1,537)	(1,329)
AFFO for Credit Facilities before capital maintenance reserve	187,359	178,901
Capital maintenance reserve - 2% of property revenue	(17,548)	(16,695)
AFFO for Credit Facilities	169,811	162,206

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 48 of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(2) Non-GAAP; excludes amortization of financing costs incurred in respect of renewal of our Credit Facilities and Series A Debentures.

Unitholders' Equity

The following table summarizes changes in the number of outstanding units during 2017:

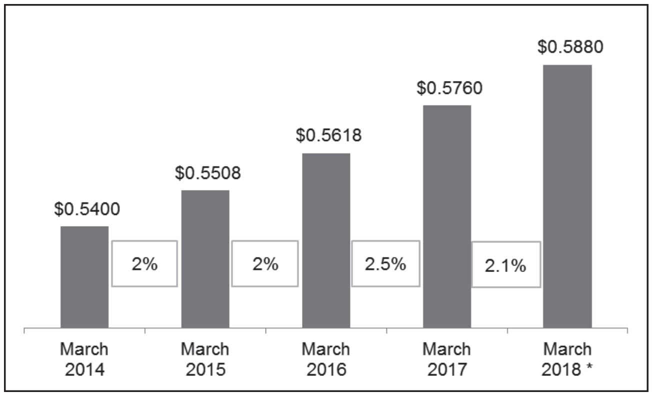
	Trust Units	**Trust Units under EUPP**	**Class B Units**	**Deferred Trust Units**	**Total**
Balance December 31, 2016	190,095,474	1,515,388	1,627,173	928,618	194,166,653
Trust Units issued pursuant to DRIP	1,348,980	-	-	-	1,348,980
Trust Units issued pursuant to public offering	17,732,000	-	-	-	17,732,000
Trust Units issued under EUPP	-	89,778	-	-	89,778
Trust Units surrendered for cancellation under EUPP	-	(12,638)	-	-	(12,638)
Trust Units released on settlement of EUPP receivable	140,439	(140,439)	-	-	-
Issuance of Class B Units	-	-	31,565	-	31,565
Exchange of Class B Units into Trust Units	10,000	-	(10,000)	-	-
DTUs issued	-	-	-	66,994	66,994
Distributions on DTUs	-	-	-	31,727	31,727
Exchange of DTUs into Trust Units	154,740	-	-	(154,740)	-
Balance December 31, 2017	209,481,633	1,452,089	1,648,738	872,599	213,455,059

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.

On February 22, 2018, the Trustees approved a 2.1% increase in our monthly distributions from annualized $0.5760 per unit to $0.5880 per unit effective for the March 31, 2018 distribution payable on April 16, 2018.

The following chart summarizes increases in our annualized per unit distributions since 2014:



** Effective for the March 31, 2018 distribution payable on April 16, 2018.*

Unitholders who are Canadian residents are eligible to participate in our 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 our DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In 2017, our average DRIP participation was 18.3% compared to 19.1% participation in 2016.

The following table summarizes distributions declared on Trust Units in Q4 2017, 2017, 2016 and 2015 in relation to net income/(loss) from continuing operations and cash flows from operating activities:

($000s)	**Q4 2017**	**2017**	2016	2015
Distributions declared on Trust Units	29,477	112,025	104,701	96,553
Cash flows from operating activities	50,822	181,958	158,373	115,821
Net income/(loss) from continuing operations	714	13,082	(710)	12,139
Excess cash flows from operating activities over distributions declared on Trust Units	21,345	69,933	53,672	19,268
Deficit of net income/(loss) from continuing operations over distributions declared on Trust Units	(28,763)	(98,943)	(105,411)	(84,414)

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

We believe our current distributions are sustainable.

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for December 31, 2017 compared to December 31, 2016.

	Increase / (Decrease) ($millions)	Explanation
Total assets	217.2	Total assets increased primarily due to the acquisition of properties and capital additions, partially offset by depreciation and amortization and property dispositions.
Total liabilities	32.0	Total liabilities increased primarily due to the issuance of Series A Debentures and higher accounts payable and other liabilities, partially offset by lower amounts outstanding under Credit Facilities.
Equity	185.2	The increase in equity is primarily due to the issuances of Trust Units under public offering, under the Distribution Reinvestment Plan ("DRIP"), under the Executive Unit Purchase Plan ("EUPP") and on vesting of Deferred Trust Units ("DTUs"), and net income for the period, partially offset by distributions.

Capital Investments

We regularly reinvest capital in our owned property portfolio. These investments are made with the goal of growing our property NOI. The strategic allocation of our resources to such capital investments is driven by three key objectives:

1. Improve competitive positioning of our properties in their markets to support growth in occupancies and resident revenue.
2. Improve operating efficiencies through provision of enhanced services to our residents and cost containment strategies, including investments in energy conservation projects.
3. Maintain the quality of our portfolio in compliance with applicable laws and regulations to maintain and grow the value of our real estate.

As part of our acquisition underwriting, we assess the long-term capital needs of the acquired properties and consider these capital requirements in our determination of the purchase price. We normally prepare a five-year capital plan for such properties, which often includes investments in property repositioning, such as suite and common area upgrades.

The following table summarizes our capital investments in 2017 and 2016:

($000s)	**2017** Properties Owned prior to January 1, 2013 (1)	Properties Acquired since January 1, 2013 (2)	Total	2016 * Properties Owned prior to January 1, 2013 (3)	Properties Acquired since January 1, 2013 (4)	Total
Building improvements	18,913	2,965	21,878	21,272	1,586	22,858
Mechanical and electrical ("M&E")	9,765	1,481	11,246	11,921	914	12,835
Suite improvements and upgrades	17,195	3,877	21,072	14,101	2,415	16,516
Interior improvements and upgrades	5,992	553	6,545	4,803	1,520	6,323
Furniture, fixtures and equipment	8,057	2,340	10,397	6,518	1,453	7,971
Communications and information systems	2,085	593	2,678	1,725	1,169	2,894
	62,007	11,809	73,816	60,340	9,057	69,397
Properties under development			93,386			45,423
Land held for development			30			8,615
Total capital investments			167,232			123,435

* *2016 amounts have been restated as described on page 2 of this MD&A.*
(1) *Includes 152 properties (21,657 suites at Chartwell's share of ownership).*
(2) *Includes 32 properties (4,072 suites at Chartwell's share of ownership).*
(3) *Includes 153 properties (21,799 suites at Chartwell's share of ownership).*
(4) *Includes 26 properties (3,093 suites at Chartwell's share of ownership).*

The following table is supplemental information and summarizes capital investments in our Equity-Accounted JVs in 2017 and 2016 not included in the table above:

($000s)	**2017** Properties Owned prior to January 1, 2013	Properties Acquired since January 1, 2013	Total (1)	2016 Properties Owned prior to January 1, 2013	Properties Acquired since January 1, 2013	Total
Capital investments in Equity-Accounted JVs	2,064	12,850	14,914	498	-	498

(1) *Includes $12.8 million related to one property under development.*

Building Improvements

This category primarily includes investments in facades, balconies, garages, elevators and parking lots. In addition to preserving the existing revenue generating capacity and value of the properties, these investments support occupancy growth due to improved physical appearance of the property, growth in ancillary property revenues (i.e. parking rates) and operating cost savings (i.e. energy efficient windows and doors, improved building insulation).

In 2017, we completed 101 major building improvement projects valued over $50,000 each, totalling $17.0 million. In 2016, we completed 80 projects for a total of $10.6 million.

In addition, this category includes the acquisitions of 10 condominium suites at some of our properties in British Columbia totalling $2.7 million. In 2016, we acquired 13 condominium suites for a total of $3.4 million.

Mechanical and Electrical

This category primarily includes investments in heating, air conditioning and ventilation systems, fire safety systems, including sprinklers and lighting systems. These investments are generally expected to result in energy cost savings and lower equipment maintenance costs over time.

In 2017, we completed 69 major M&E projects valued over $50,000, totalling $8.7 million. In 2016, we completed 52 projects for a total of $9.3 million.

Suite Improvements and Upgrades

This category includes capital investments in resident suites. Over the past three years we have developed a program of strategic capital allocation to resident suite upgrades. These discretionary investments are made to improve the competitive position of our properties in the market and to allow for higher rental rate increases on suite turnover. In most cases, in addition to regular painting, resident suite upgrades include flooring upgrades and often full renovations of bathroom and kitchen facilities.

In 2017, 77 properties were subject to strategic suite upgrade programs (2016 – 67 properties).

Interior Improvements and Upgrades

This category includes investments in common areas of our properties that are made primarily to improve their marketability. This investment includes upgrades to property resident amenity areas, such as hallways, dining rooms, lounges, theatres, etc.

In 2017, 86 properties were subject to strategic common area upgrade programs (2016 – 67 properties).

Furniture, Fixtures and Equipment

This category primarily includes investments in resident area and model suite furnishings and equipment, including upgrades to commercial kitchens and investments in resident transportation programs. These investments are primarily made to improve competitiveness of our properties and to provide enhanced services to our residents.

Communication and Information Services

This category includes investments in telecommunication systems, including emergency call systems, computer hardware and software and the implementation costs of major new information systems.

Commitments and Contingencies

Contractual Obligations

The following table summarizes the principal amounts due under the contractual agreements for our major contractual obligations as at December 31, 2017:

($000s)	Total	2018	2019	2020	2021	2022	Thereafter
Mortgages payable	1,629,935	162,752	175,046	165,594	161,825	174,610	790,108
Accounts payable and other liabilities	143,981	143,981	-	-	-	-	-
Distributions payable	10,203	10,203	-	-	-	-	-
Deferred consideration on business combinations	1,760	1,760	-	-	-	-	-
Liabilities related to assets held for sale	6,641	6,641					
Unsecured debentures	200,000	-	-	-	-	-	200,000
Purchase obligations	315,880	277,004	38,876	-	-	-	-
Other operating leases	3,802	1,416	1,360	136	139	155	596
Land leases	13,690	395	395	395	395	395	11,715
Total contractual obligations	2,325,892	604,152	215,677	166,125	162,359	175,160	1,002,419

Purchase obligations relate to various construction contracts on our development projects of $110.6 million, estimated purchase price of $18.0 million of the vendors' remaining interests in two retirement residences which will occur on January 1, 2019, and estimated cash settlement of $187.3 million of acquisition of four retirement residences in Alberta.

Other operating leases relate to the agreements for office space in Mississauga, Montreal and Vancouver.

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

Guarantees

We remain a guarantor of mortgages on six properties sold in 2014, 2015 and 2016 with the aggregate outstanding balance as of December 31, 2017 of $19.4 million. The purchasers of these properties have indemnified us with respect to these guarantees.

As of December 31, 2017, together with our partners, we have jointly and severally guaranteed loans on certain co-owned properties to an aggregate maximum amount of $226.6 million. As at December 31, 2017, outstanding balances on these loans were $97.1 million.

Other Contracts

Pursuant to our agreements with Batimo, upon achievement of certain conditions, Batimo may require us to acquire an 85% interest in their development properties which we manage and, in some cases, provided mezzanine loans, at 99% of fair market value ("FMV") as defined in the agreements (the "Batimo Option"). The Batimo Option is for a five-year period commencing on the opening of the related facility. Upon expiry of the Batimo Option, we have a two-year option to acquire an 85% interest in the property at FMV. As of the date of this MD&A, there are nine projects with 2,784 suites that are subject to this arrangement, of which three are in lease-up, two are in construction and four are in pre-development.

Letters of Credit

As at December 31, 2017, we were contingently liable for letters of credit in the amount of $4.7 million.

Litigation and Claims

In the ordinary course of business activities, we may be contingently liable for litigation and claims from, among others, residents, partners and former employees. We believe 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, we believe, but cannot provide absolute assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on our financial position.

Summary of Select Financial Information

Annual Financial Information

The following table summarizes selected annual financial information for each of the past three years ended December 31:

($000s, except per unit amounts)	2017	2016	2015
Resident revenues	752,775	714,380	643,914
Total revenues *	800,294	761,387	689,357
Direct property operating expenses	520,376	495,227	463,535
Net income/(loss) – continuing operations	13,082	(710)	12,139
Net income/(loss)	13,082	4,796	362,233
Total assets	3,013,899	2,796,707	2,599,389
Total non-current financial liabilities	1,674,433	1,695,595	1,555,891
Total liabilities	2,003,732	1,971,724	1,869,869
Distributions declared per unit	0.57364	0.55998	0.5490

* *2016 and 2015 amounts have been restated as described on page 2 of this MD&A.*

Our annual results for the past three years have been primarily affected by the contribution of acquisitions and dispositions, particularly by the sale of the U.S. Portfolio in 2015 and the reinvestment of the net proceeds in debt reduction and in acquisitions of properties in Canada.

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

($000s, except per unit amounts)	2017				2016			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	209,724	204,538	193,856	192,176	194,802	191,400	189,357	185,828
Direct property operating expenses	(136,966)	(130,774)	(126,693)	(125,943)	(128,177)	(122,883)	(122,959)	(121,208)
Depreciation and amortization	(40,844)	(39,089)	(35,341)	(38,075)	(38,534)	(37,955)	(35,021)	(35,245)
Share of net income/(loss) from joint ventures	1,230	2,046	904	536	1,829	1,759	931	172
G&A expenses	(9,221)	(8,260)	(10,121)	(10,405)	(8,227)	(8,264)	(9,126)	(8,221)
Other income/(expense)	(826)	(3,426)	(553)	(1,371)	1,049	(5,180)	3,393	(4,422)
Finance costs	(18,407)	(18,517)	(17,614)	(16,584)	(16,582)	(16,630)	(17,440)	(18,126)
Changes in fair value of financial instruments and foreign exchange gains/(losses)	(3,941)	3,690	1,765	(4,501)	6,693	178	(5,546)	(18,328)
Current income tax (expense)/benefit	(7)	(8)	-	-	(27)	-	-	-
Deferred income tax (expense)/benefit	(28)	26	106	-	-	-	-	-
Net income/(loss) for the period – continuing operations	714	10,226	6,309	(4,167)	12,826	2,425	3,589	(19,550)
Net income/(loss) for the period	714	10,226	6,309	(4,167)	15,053	2,430	7,185	(19,872)
FFO – continuing operations [(1)]	48,022	50,517	41,856	42,106	43,767	46,222	42,304	40,344
Diluted FFO – continuing operations [(1)]	48,022	50,517	41,856	42,106	43,767	46,222	43,005	42,254
FFO per unit diluted – continuing operations [(1)]	0.24	0.26	0.21	0.22	0.23	0.24	0.22	0.22
Total FFO [(1)]	48,022	50,517	41,856	42,106	43,767	46,222	42,304	40,344
Total Diluted FFO [(1)]	48,022	50,517	41,856	42,106	43,767	46,222	43,005	42,254
Total FFO per unit diluted[(1)]	0.24	0.26	0.21	0.22	0.23	0.24	0.22	0.22

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures" section on page 48 of this MD&A.

Our results for the past eight quarters have primarily been affected by developments, acquisitions and dispositions as described in the "Significant Events" section on page 9 of this MD&A and in our 2016 MD&A, and changes in fair value of financial instruments and foreign exchange gains and losses.

Seasonal factors have a limited effect on our quarterly results as there is not a predictable pattern as to the effect of such factors. Seasonal factors include outbreaks and weather patterns.

As described earlier in this MD&A, in connection with a continuous disclosure review by the Ontario Securities Commission, we have revised our approach with respect to our disclosure of non-GAAP financial measures in order to give greater prominence to GAAP financial measures.

The following table restates previously-reported figures to a GAAP basis that have not been provided elsewhere in this MD&A. The restatement of these figures did not result in any material changes to trends and patterns previously disclosed.

	2017		2016				2016	2015
($000s)	Q2	Q1	Q4	Q3	Q2	Q1		
Finance Costs								
Contractual interest expense on mortgages	15,745	15,764	15,731	15,792	15,980	16,095	63,598	61,127
Comprised of:								
Same property (1)	*14,517*	*14,406*	*12,456*	*12,468*	*14,732*	*15,097*	*54,753*	*54,264*
Acquisitions, development and other (1)	*1,228*	*1,358*	*3,275*	*3,324*	*1,248*	*998*	*8,845*	*6,863*
Convertible debentures	-	-	-	-	701	1,910	2,611	7,690
Series A Unsecured Debentures	456	-	-	-	-	-	-	-
Credit facility and other interest expense	1,300	1,347	1,280	1,352	1,000	280	3,912	2,737
	17,501	17,111	17,011	17,144	17,681	18,285	70,121	71,554
Amortization of financing costs and debt mark-to-market adjustments	576	(206)	(239)	(375)	(284)	(264)	(1,162)	(193)
	18,077	16,905	16,772	16,769	17,397	18,021	68,959	71,361
Interest capitalized to properties under development	(701)	(564)	(419)	(368)	(175)	(123)	(1,085)	(240)
Distributions on Class B Units recorded as interest expense	238	243	229	229	218	228	904	956
Total finance costs	17,614	16,584	16,582	16,630	17,440	18,126	68,778	72,077
Other Income/(Expense)								
Transaction costs arising on business acquisitions and dispositions	(816)	(1,600)	95	(943)	(2,917)	(1,635)	(5,400)	(12,034)
Gain on remeasurement to fair value of existing interest	-	-	-	-	5,187	-	5,187	10,452
Gain on sale of assets	98	38	(80)	385	1,221	312	1,838	4,967
Other income	263	290	-	-	-	-	-	-
Impairment of PP&E	-	-	1,110	(4,500)	-	(3,000)	(6,390)	(3,755)
Property lease expense	(98)	(99)	(76)	(122)	(98)	(99)	(395)	(447)
Total other income/(expense)	(553)	(1,371)	1,049	(5,180)	3,393	(4,422)	(5,160)	(817)
Other Items								
Depreciation of PP&E	34,902	37,578	38,249	37,663	34,729	34,945	145,586	113,756
Amortization of limited life intangible assets	439	497	285	292	292	300	1,169	661
Changes in fair value of financial instruments and foreign exchange (gains)/losses	(1,765)	4,501	(6,693)	(178)	5,546	18,328	17,003	2,291
Deferred income tax expense/(benefit)	(106)	-	-	-	-	-	-	(8,216)

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 16 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Additional Information on Non-GAAP Financial Measures

As described in the relevant sections of this MD&A, where a Non-GAAP Financial Measure is discussed for the first time, we have described why we believe it is useful to investors and how management uses the Non-GAAP Financial Measure. Non-GAAP Financial Measures do not have any standardized meaning prescribed by GAAP and therefore, are unlikely to be comparable to similar measures used by other issuers. The following provides detailed definitions and reconciliations to the most closely comparable GAAP measure for any Non-GAAP Financial Measure that has not been provided elsewhere in this MD&A.

Funds from Operations

According to the REALPAC Guidance, FFO is defined as follows:

Profit or loss per GAAP 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. Property taxes accrued and expensed prior to the associated period of lease term revenue, wherein certain jurisdictions require the owner of a property at the time of tax assessment to irrevocably be solely liable for property taxes regardless of subsequent changes in ownership.
M. Gain or loss on the sale of an investment in a foreign operation.
N. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
O. Bargain purchase or goodwill impairment.
P. Effects of redeemable units classified as financial liabilities.
Q. Results of discontinued operations.
R. Adjustments for equity-accounted entities.
S. Non-controlling interests in respect of the above.
T. Incremental leasing costs.

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

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

	($000s, except per unit amounts)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
	Net income/(loss) - continuing operations	714	12,826	(12,112)	13,082	(710)	13,792
	Add (Subtract):						
B	Depreciation of PP&E *	40,436	38,249	2,187	151,565	145,586	5,979
D	Amortization of limited life intangible assets *	408	285	123	1,784	1,169	615
B	Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above	(574)	(356)	(218)	(2,326)	(1,431)	(895)
E	Loss/(gain) on sale of assets *	(628)	80	(708)	(697)	(1,838)	1,141
E	Gain on remeasure to fair value of existing interest	-	-	-	-	(5,187)	5,187
J	Transaction costs arising on business acquisitions and dispositions	1,611	(95)	1,706	7,540	5,400	2,140
G	Deferred income tax	28	-	28	(104)	-	(104)
O	Distributions on Class B Units recorded as interest expense	236	229	7	955	904	51
M& O	Changes in fair value of financial instruments and foreign exchange loss *	3,941	(6,693)	10,634	2,987	17,003	(14,016)
H	Impairment provision	-	(1,110)	1,110	-	6,390	(6,390)
R	FFO adjustments for Equity-Accounted JVs [(1)]	1,850	352	1,498	7,716	5,351	2,365
	FFO [(2)]	48,022	43,767	4,255	182,502	172,637	9,865
	FFO [(2)]	48,022	43,767	4,255	182,502	172,637	9,865
	Interest expense on 5.7% convertible debentures	-	-	-	-	2,611	(2,611)
	Diluted FFO [(3)]	48,022	43,767	4,255	182,502	175,248	7,254
	FFO per unit [(4)]						
	Basic	0.24	0.23	0.01	0.93	0.91	0.02
	Diluted	0.24	0.23	0.01	0.93	0.91	0.02

* *Q4 2016 and 2016 amounts have been restated as described on page 2 of this MD&A.*
(1) *Non-GAAP; see reconciliation table following for the calculation of these amounts.*
(2) *Non-GAAP; refer to the preamble to this table and to the "Consolidated Results of Operations – FFO" section on page 15 of this MD&A for a discussion of the significance of this metric.*
(3) *Non-GAAP; diluted FFO is solely utilized for the purposes of calculating FFO per unit diluted.*
(4) *Non-GAAP; refer to the "Per Unit Amounts" section on page 51 of this MD&A for a discussion of the calculation of the per unit amounts; FFO per unit diluted includes the dilutive impact of 5.7% convertible debentures in 2016.*

The following table provides supplemental information in respect of the adjustment to FFO for Equity-Accounted JVs which would have previously been included on each individual line of our FFO reconciliation and are now included in the 'Adjustment to FFO for Equity-Accounted JVs' line:

	($000s)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
B	Depreciation of PP&E	1,831	2,017	(186)	7,578	7,860	(282)
D	Amortization of limited life intangible assets	1	4	(3)	8	16	(8)
E	Gain on sale of assets	-	(2)	2	(7)	(123)	116
M& O	Changes in fair value of financial instruments and foreign exchange loss	18	(1,667)	1,685	137	(2,402)	2,539
R	FFO adjustments for Equity-Accounted JVs [(1)]	1,850	352	1,498	7,716	5,351	2,365

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

The following table restates the reconciliation of net income/(loss) to FFO for periods that had previously been presented on a non-GAAP basis. This restatement resulted in no changes to the previously-reported FFO or FFO per unit amounts.

($000s, except per unit amounts)	2017		2016				2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1		
Net income/(loss) - continuing operations	6,309	(4,167)	12,826	2,425	3,589	(19,550)	(710)	12,139
Add (Subtract):								
Depreciation of PP&E	34,902	37,578	38,249	37,663	34,729	34,945	145,586	113,756
Amortization of limited life intangible assets	439	497	285	292	292	300	1,169	661
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above	(603)	(545)	(356)	(633)	(223)	(219)	(1,431)	(669)
Loss/(gain) on sale of assets	(98)	(38)	78	(385)	(1,221)	(312)	(1,838)	(4,967)
Gain on remeasure to fair value of existing interest	-	-	-	-	(5,187)	-	(5,187)	(10,452)
Transaction costs arising on business acquisitions and dispositions	816	1,600	(95)	943	2,917	1,635	5,400	12,034
Tax on gains or losses on disposal of properties	-	-	-	-	-	-	-	1,338
Deferred income tax expense/(benefit)	(106)	-	-	-	-	-	-	(8,216)
Distributions on Class B Units recorded as interest expense	238	243	229	229	218	228	904	956
Changes in fair value of financial instruments and foreign exchange loss/(gain)	(1,765)	4,501	(6,693)	(178)	5,546	18,328	17,003	2,291
FFO adjustments for Equity-Accounted JVs (1)	1,724	2,437	354	1,366	1,644	1,989	5,351	5,677
Impairment of PP&E	-	-	(1,110)	4,500	-	3,000	6,390	3,755
FFO – continuing operations (2)	41,856	42,106	43,767	46,222	42,304	40,344	172,637	128,303
FFO – discontinued operations	-	-	-	-	-	-	-	18,014
Total FFO (2)	41,856	42,106	43,767	46,222	42,304	40,344	172,637	146,317
FFO – continuing operations (2)	41,856	42,106	43,767	46,222	42,304	40,344	172,637	128,303
Interest expense on 5.7% convertible debentures	-	-	-	-	702	1,910	2,611	7,690
Diluted FFO – continuing operations (3)	41,856	42,106	43,767	46,222	43,006	42,254	175,248	135,993
FFO – discontinued operations (2)	-	-	-	-	-	-	-	18,014
Total diluted FFO (3)	41,856	42,106	43,767	46,222	43,006	42,254	175,248	154,007
FFO per unit (4)								
Basic	0.21	0.21	0.21	0.24	0.22	0.22	0.91	0.72
Diluted	0.21	0.21	0.21	0.24	0.22	0.22	0.91	0.71
Total FFO per unit (4)								
Basic	0.21	0.21	0.21	0.24	0.22	0.22	0.91	0.82
Diluted	0.21	0.21	0.21	0.24	0.22	0.22	0.91	0.81

(1) Non-GAAP; see reconciliation table following for the calculation of these amounts.
(2) Non-GAAP; refer to the preamble to this table and to the "Consolidated Results of Operations – FFO" section on page 15 of this MD&A for a discussion of the significance of this metric.
(3) Non-GAAP; diluted FFO is solely utilized for the purposes of calculating FFO per unit diluted.
(4) Non-GAAP; refer to the "Per Unit Amounts" section on page 51 of this MD&A for a discussion of the calculation of the per unit amounts; FFO per unit diluted includes the dilutive impact of 5.7% convertible debentures in 2016 YTD.

The following table provides supplemental information in respect of the adjustments to FFO for Equity-Accounted JVs for selected previous periods:

($000s)	2017		2016				2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1		
Depreciation of PP&E	1,888	2,052	2,017	1,979	1,820	2,044	7,860	3,827
Amortization of limited life intangible assets	1	4	4	4	4	4	16	17
Loss/(gain) on sale of assets	(7)	2	-	(3)	(112)	(6)	(123)	(7)
Transaction costs arising on business acquisitions and dispositions	-	-	-	-	-	-	-	1,800
Changes in fair value of financial instruments and foreign exchange (gain)/loss	(158)	379	(1,667)	(614)	(68)	(53)	(2,402)	40
FFO adjustments for Equity-Accounted JVs (1)	1,724	2,437	354	1,366	1,644	1,989	5,351	5,677

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

Per Unit Amounts

In our calculations of FFO 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 Trust Units issued under DTU and EUPP. In our calculation of FFO per unit diluted, we consider the dilutive impact of the conversion of our convertible debentures.

Weighted Average Number of Units

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

(000s)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
Weighted average number of units (1)	202,664	193,971	8,693	196,774	189,222	7,552
Dilutive impact of 5.7% convertible debentures (2)	-	-	-	-	4,211	(4,211)
Weighted average number of units, diluted	202,664	193,971	8,693	196,774	193,433	3,341

(1) Includes Trust Units, Class B Units and Trust Units issued under EUPP and DTU.
(2) The 5.7% convertible debentures were converted into Trust Units in Q2 2016; refer to the "Debt – Convertible Debentures" section on page 31 of this MD&A for details.

Net Debt to Adjusted EBITDA

In addition to the financial covenants related to our Credit Facilities and Series A Debentures, we internally monitor the Net Debt to Adjusted EBITDA ratio as calculated based on the definitions of Consolidated Indebtedness and Consolidated EBITDA contained in the Trust Indenture and the Supplemental Trust Indenture.

The following table summarizes our Net Debt to Adjusted EBITDA ratio at December 31, 2017 and December 31, 2016:

($000s, except Net Debt to Adjusted EBITDA ratio)	**December 31, 2017**	December 31, 2016
Consolidated Indebtedness for Series A Debentures [1]	1,832,269	1,881,290
Consolidated EBITDA for Series A Debentures [2]	266,831	256,353
Net Debt to Adjusted EBITDA ratio	6.9	7.3

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Series A Debentures" section on page 37 of this MD&A for the calculation of this amount.

(2) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Series A Debentures" section on page 36 of this MD&A for the calculation of this amount.

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 95% of our assets. On an annual basis, and when indicators of impairment exist, we evaluate whether the recoverable amount of a cash generating unit ("CGU") exceeds its carrying amount. Factors which could indicate that impairment exists include significant underperformance relative to historical or projected operating results, significant changes in the manner or use of the assets, significant negative industry or economic trends, or a change in the strategy for our overall business. In some cases, these events are clear, however, in many cases, a clearly identifiable event indicating possible impairment does not occur. Instead, a series of individually insignificant events may occur over a period of time leading to an indication that an asset may be impaired. As a result, events occurring in these situations may not be known until a date subsequent to their occurrence.

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

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

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 the interpretation of tax legislation when recognizing and measuring current and deferred tax assets and liabilities. The impact of different interpretations and applications could potentially be material. Chartwell recognizes a tax benefit from an uncertain tax position when it is probable that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

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. Management's estimate of future taxable profits and the recognition of deferred tax assets are reviewed at each reporting date and deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Fair Value

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

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

Our financial statements are affected by fair value measures. The most significant areas affected are as follows:

- As discussed in the "Valuation of PP&E" section, an impairment loss is recognized when the carrying amount of an asset is not recoverable. The impairment loss is determined as the excess of carrying value over its recoverable amount.
- Intangible assets with indefinite lives are also required to be assessed at a minimum annually, comparing the recoverable amount to carrying value to determine if an impairment loss is required to be recognized.

Changes in Accounting Estimates and Changes in Accounting Policies

Our significant accounting policies are described in Note 2 of our Financial Statements. Notes 2 (n) and (o) outline 2017 accounting policy change and future accounting policy changes.

Controls and Procedures

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

Evaluation of 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 the Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of December 31, 2017, an evaluation was carried out, under the supervision of and with the participation of management, including the President and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of Chartwell's disclosure controls and procedures as defined under National Instrument 52-109. In making this assessment, the President and Chief Executive Officer and the Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of Chartwell's disclosure controls and procedures were effective December 31, 2017.

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, 2017, and based on that assessment determined that our internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the 2013 COSO framework as published by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no material changes in our internal controls over financial reporting that occurred during the year ended December 31, 2017 that have materially affected or are reasonably likely to materially 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”, “scheduled”, “estimates”, “intends”, “anticipates”, “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 and other similar expressions, identify forward-looking statements. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

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

- our assumptions concerning economic and regulatory conditions or state of the housing market and pace of new supply growth in seniors housing;
- our expectations regarding the strength of the labour market;
- our expectations related to future operating performance of our properties;
- our expectations regarding achievement of certain occupancy levels and rental rate increases at our LTC and retirement communities;
- our expectations of growth in the seniors population in our markets;
- information related to the stabilization of seniors housing communities in development and 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;
- our assessment that occupancy pressures due to new developments will be temporary;
- our estimates of the number of suites that could potentially be built on our owned lands which are subject to market demand and municipal and regulatory approval;
- information related to the expected completion date of communities under construction, which is subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities;
- our ability to realize expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs;
- our expectations regarding timing of closing of announced acquisitions and dispositions;
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing, or due to other general business risks;
- our ability to renew maturing debt and to obtain new financings at favourable rates, in due course;
- our assumptions regarding the direction of interest rate changes;

- our ability to access low-cost mortgage financing insured by CMHC; and
- our ability to realize benefits on technology investments.

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update this 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. 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**: We are 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 including the cost of utilities, 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 expected demographic trends will continue or that 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 our financial position and cash availability.

There are inherent legal, reputational and other risks involved in providing housing and health care services to seniors. The vulnerability and limited mobility of some seniors enhances such risks. Such risks include fires or other catastrophic events at a property which may result in injury or death, negligent or inappropriate acts by employees or others who come into contact with our residents, and unforeseen events at Chartwell or even non-Chartwell properties that result in damage to our brand or reputation or to the industry as a whole.

(b) **Real Property Ownership and Lack of Diversity**: Real property equity investments are relatively illiquid. This illiquidity will tend to limit our ability to respond to changing economic or investment conditions. By specializing in a particular type of real estate, we are exposed to adverse effects on that segment of the real estate market and do not benefit from a diversification of our portfolio by property type.

(c) **Geographic Concentration**: Our business and operations are conducted 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.

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

(d) **Maintenance of Assets**: We are committed to keeping our communities in a good state of repair. We fundamentally believe that investing back into our communities increases resident and staff satisfaction, which ultimately makes the business more profitable. In addition to recurring capital maintenance projects, these investments include large, often multi-phased, renovation projects and projects undertaken to comply with the requirements of various regulatory or government authorities, projects that improve the revenue-generating potential of our properties and projects identified during acquisition due diligence. The amount of these investments varies from time to time based on the volume of specific projects in progress. We take into account the capital maintenance requirements of our communities when determining future cash flows available for Distributions. A significant increase in capital maintenance requirements could adversely impact our cash availability.

(e) **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 our ability to find residents for our 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 operate may have an impact on the demand for our residences.

(f) **Government Regulation**: Health care in general is an area subject to extensive regulation and frequent regulatory change. In Canada, a number of provinces are promoting regionally managed and regulated health care systems. These changes favour larger operators having the resources to provide more cost effective management services and well developed staff training programs on a regional basis. However, there can be no assurance that future regulatory changes in health care, particularly those changes affecting the seniors housing industry, will not adversely affect our business.

In all provinces, LTC residences are subject to government oversight, regulation and licensing requirements, which may change or become more onerous in the future. For example, in Ontario, LTC residence licences are issued for a fixed term which shall not exceed 30 years, after which the operators of an LTC residence may or may not be issued a new licence. Therefore, such licences do not represent any guarantee of continued operation beyond the term of the licence. While we endeavour to comply with all regulatory requirements in our LTC residences, it is not unusual for stringent inspection procedures to identify deficiencies in operations. In such circumstances, it is our intention to correct deficiencies which have been legitimately identified within the time frames allowed.

Under the Ontario Long-Term Care Homes Act, 2007, the licence term for Class B and C long term care residences in Ontario has been set to expire in 2025 unless these homes are redeveloped to the new design standards. We have nine LTC Class B and C residences with 876 beds. In 2015, the Ministry of Health and Long-Term Care published a 'Construction Funding Subsidy Policy for Long-Term Care Homes'. The redevelopment of our Class B and C residences may include significant expenses which will not be adequately address by the funding provided by the government of Ontario.

The provincial regulation of LTC residences includes the control of long term care fees and the subsidization of LTC residents. There can be no assurance that the current level of such fees and subsidies will be continued or that such fees will increase commensurate with expenses. A reduction of such fees or subsidies could have an impact upon the value of our properties and our net income.

Provincial governments have recently introduced legislation relating to long term care, retirement residences, rent control and employment standards, all of which impacts Chartwell's operations. See our most recent AIF, dated February 22, 2018, for details on the current regulatory landscape.

(g) **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 us to enhance our 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.

(h) **Labour Relations**: We employ or supervise over 13,500 persons, of whom approximately 70% are represented by labour unions. Labour relations 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.

(i) **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. 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.

(j) **Acquisitions, Disposition and Development**: Acquisitions, sales and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on our operations and financial results. Representations and warranties given by such third parties to us may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties.

Moreover, the acquired properties may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

In addition, the letters of intent and purchase or sale agreements entered into with third parties with respect to such acquisitions or sales, as applicable, are generally subject to certain closing conditions, and in some cases, the granting of regulatory approvals. Such acquisitions or sales may not be completed due to the failure to satisfy closing conditions or the failure to receive required regulatory approvals and certain funds paid by us may not be recoverable.

We are pursuing numerous development activities alone and with partners. These activities create development-specific risks, including: liens, constructions delays, increasing costs, labour disputes, delays in obtaining municipal and regional approvals and disputes with developing partners.

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

We may not be able to renegotiate the terms of renewal of our debt at favourable rates. We currently have access to the government-backed mortgage insurance program through the National Housing Act, which is administered by CMHC. We entered into a Large Borrower Agreement with CMHC which contains certain financial covenants related to minimum adjusted equity requirements, maximum indebtedness, debt service coverage and minimum capital and maintenance investments in the properties securing CMHC-insured loans. There can be no guarantee that the provisions of the mortgage insurance program will not be changed in the future. 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 source 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.

(m) **Taxation**:

The SIFT Rules
The SIFT Rules, which relate to the federal income taxation of certain publicly-traded trusts and certain other publicly-traded flow-through entities, were enacted on June 22, 2007. Generally, under the SIFT Rules, certain distributions from a "SIFT trust" (as defined in the Tax Act) will not be deductible in computing the trust's taxable income, and the trust will be subject to tax on such distributions at a rate that is comparable to the general tax rate applicable to a Canadian corporation. To the extent that a distribution attracts this tax, it will be taxed in the hands of the receiving Unitholder as a taxable dividend from a taxable Canadian corporation, which dividend will be eligible for the enhanced dividend tax credit.

The SIFT Rules are not applicable to certain real estate investment trusts that meet certain conditions (as provided in the Tax Act) relating to the nature of their revenues and investments (the "REIT Conditions"). As currently structured, we do not meet the REIT Conditions. Chartwell has been a SIFT trust since 2007 and, unless we change our structure and the nature of our operations, we expect to be a SIFT trust for 2017 and future years.

In 2017, 1.0% of our distributions were classified as non-eligible dividends, 3.6% as non-taxable capital dividends, 95.4% as return of capital.

Tax Status
If we cease to qualify as a "mutual fund trust" for the purposes of the Tax Act or the Trust Units ceased to be "qualified investments" under the Tax Act, the Canadian federal income tax considerations applicable to us and our Unitholders would be materially and adversely different in certain respects.

We will endeavour to ensure that we continue to qualify as a mutual fund trust and the Trust Units continue to be qualified investments under the Tax Act for Plans but there is no assurance that we will be able to do so. Generally, Trust Units will be qualified investments for Plans if, at the relevant time (a) the Trust Units are listed on the TSX (or other designated stock exchanges for the purposes of the Tax Act), (b) the Trust Units are registered investments under the Tax Act or (c) if Chartwell qualifies as a mutual fund trust (as defined in the Tax Act). The Tax Act may impose penalties for the acquisition or holding of non-qualified investments by a Plan. Any property distributed to a Unitholder on an in specie redemption of Trust Units may not be a qualified investment under the Tax Act for a Plan. There can be no assurance that Canadian federal income tax laws (or the judicial interpretation thereof), the administrative and/or assessing practices of the CRA and/or the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders.

Net income and net realized capital gains of Chartwell in excess of the cash distributions it makes in a year may be distributed to Unitholders in the form of additional Trust Units. Unitholders will generally be required to include an amount equal to the fair market value of those Trust Units in their taxable income, notwithstanding that they do not directly receive a cash Distribution.

Although we are of the view that all expenses to be claimed by us and our subsidiaries will be reasonable and deductible, that the tax filing positions taken by us are reasonable, and that the cost amount and capital cost allowance claims of such entities will have been correctly determined and that the allocation of Master LP's income for tax purposes among its partners is reasonable, there can be no assurance that CRA will agree. If CRA successfully challenges us and/or our subsidiaries in any of these respects, the taxable income of Chartwell and the Unitholders, will increase or change.

Master LP has acquired many properties on a rollover basis with the result that the cost base for tax purposes in such properties was less than their fair market value at the time of acquisition. Master LP may acquire properties on a rollover basis in the future, with a similar result in their cost base. On a future sale of such properties for a sale price in excess of such cost base, income and capital gain will be realized which may result in SIFT tax being payable.

(n) **Liability and Insurance**: The businesses, which are carried on, directly or indirectly, by us, entail an inherent risk of liability. We expect that from time to time we may be subject to lawsuits as a result of the nature of such businesses. We maintain 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.

(o) **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. 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.

(p) **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.

(q) **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.

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

(s) **Distributions:** Our distributions are made at the discretion of the Trustees based on forward-looking cash flow information, including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate. 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 Facilities, distributions to unitholders are limited to 100% of our AFFO.

(t) **Management Contracts:** We earn management fees from non-owned residences that we manage for others. We will not earn this revenue if the management agreements with the residences' owners are terminated or not renewed upon their expiry. Such contracts are generally terminable upon 90 days' notice, with the exception of management agreements on the Welltower properties and management agreements on properties with mezzanine loans advanced by us.

(u) **Cyber Security**: Cyber security has become an increasingly problematic issue for businesses in Canada and around the world, including for us and the seniors housing industry. Cyber-attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. Such an attack could compromise our confidential information as well as that of our residents, employees, and third parties with whom we interact and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage. In particular, in connection with our business we maintain a large amount of personal health information about our residents. If we were to experience a security breach resulting in unauthorized access to our use or disclosure of such information, we could be exposed to complaints, investigations or litigation and our reputation may be negatively affected. As a result, we continually monitor for malicious threats and adapt accordingly in an effort to ensure we maintain high privacy and security standards. We invest in cyber defense technologies to support our business model and to protect our systems, residents and employees by employing industry best practices. Our investments continue to manage the risks we face today and position us for the evolving threat landscape.

(v) **Personal Information**: As a custodian of a large amount of personal information and personal health information relating to our employees and residents, we are exposed to the legal and reputational risk of the loss, misuse or theft of any such information. We mitigate this risk by deploying appropriate technology and training for our employees relating to the safeguarding of such information.

(w) **Conflicts of Interest**: Our Trustees, CSH Trustees and Directors will, from time to time, in their individual capacities deal with parties with whom we may be dealing, or may be seeking investments similar to those desired by us. The relevant constating documents of Chartwell, CSH Trust and Master LP contain conflict of interest provisions requiring our Trustees, CSH Trustees and Directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.

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 this 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 generally accepted auditing standards in Canada, 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 four 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 and Chief Investment 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, 2017 and December 31, 2016, the consolidated statements of comprehensive income, unitholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Chartwell Retirement Residences as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

February 22, 2018
Toronto, Canada

Consolidated Balance Sheets

(In thousands of Canadian dollars)

December 31, 2017 and 2016

	Note	2017	2016
Assets			
Current assets:			
Cash and cash equivalents		$ 44,751	$ 30,050
Trade and other receivables		11,840	18,339
Capital funding receivable	6	5,981	5,663
Other assets	7	24,860	14,900
Assets held for sale	15	10,113	–
Total current assets		97,545	68,952
Non-current assets:			
Other assets	7	2,863	3,449
Loans receivable	8	6,753	10,528
Capital funding receivable	6	48,530	54,510
Investment in joint ventures	9(b)	37,564	30,822
Intangible assets	5	56,034	57,598
Property, plant and equipment ("PP&E")	4	2,764,610	2,570,848
Total non-current assets		2,916,354	2,727,755
Total assets		$ 3,013,899	$ 2,796,707
Liabilities and Unitholders' Equity			
Current liabilities:			
Accounts payable and other liabilities	12	$ 143,981	$ 121,870
Distributions payable		10,203	9,046
Mortgages payable	10(a)	165,300	143,695
Deferred consideration on business combinations		1,760	–
Liabilities related to assets held for sale	15	6,641	–
Total current liabilities		327,885	274,611
Non-current liabilities:			
Mortgages payable	10(a)	1,449,032	1,498,077
Credit facilities	10(b)	–	172,000
Senior unsecured debentures	11	198,593	–
Deferred consideration on business combinations		–	1,647
Class B Units of Chartwell Master Care LP ("Class B Units")	16	26,808	23,871
Deferred tax liabilities	25	1,414	1,518
Total non-current liabilities		1,675,847	1,697,113
Total liabilities		2,003,732	1,971,724
Unitholders' equity	17	1,010,167	824,983
Subsequent events	29		
Total liabilities and unitholders' equity		$ 3,013,899	$ 2,796,707

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

Huw Thomas, Trustee

Sidney Robinson, Trustee

Consolidated Statements of Comprehensive Income

(In thousands of Canadian dollars)

Years ended December 31, 2017 and 2016

	Note	2017	2016
Revenue:			
Resident		$ 752,775	$ 714,380
Management and other fees		8,861	8,777
Lease revenue from joint ventures	9(b)	34,700	33,803
Interest income		3,958	4,427
		800,294	761,387
Expenses (income):			
Direct property operating	28	520,376	495,227
Depreciation of PP&E	4	151,565	145,586
Amortization of intangible assets	5	1,784	1,169
Share of net income from joint ventures	9(b)	(4,716)	(4,691)
General, administrative and trust	28	38,007	33,838
Other expense	22	6,176	5,160
Finance costs	23	71,122	68,778
Change in fair values of financial instruments and foreign exchange losses	24	2,987	17,003
		787,301	762,070
Income (loss) before income taxes		12,993	(683)
Income tax benefit (expense):	25		
Current		(15)	(27)
Deferred		104	–
		89	(27)
Income (loss) from continuing operations		13,082	(710)
Discontinued operations:			
Net income from discontinued operations, net of income taxes	14	–	5,506
Net income and comprehensive income		$ 13,082	$ 4,796

See accompanying notes to consolidated financial statements.

Consolidated Statements of Unitholders' Equity

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

Years ended December 31, 2017 and 2016

2017	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated gains (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2016	$ 1,973,499	$ 16,588	$ (12,004)	$ (154,508)	$ (1,005,151)	$ 6,559	$ 824,983
Net income	–	–	–	13,082	–	–	13,082
Distributions to unitholders	–	–	–		(112,025)	–	(112,025)
Issuance of Trust Units pursuant to public offering	258,482	–	–	–	–	–	258,482
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	20,115	–	–	–	–	–	20,115
Trust Units issued on exchange of Class B Units	157	–	–	–	–	–	157
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	2,759	(375)	(101)	–	–	(65)	2,218
Trust Units issued on settlement of Deferred Trust Units ("DTUs")	2,412	–	–	–	–	–	2,412
Interest on EUPP receivable	–	–	(118)	–	–	–	(118)
Distributions applied against EUPP receivable	–	–	861	–	–	–	861
Unitholders' equity, December 31, 2017	$ 2,257,424	$ 16,213	$ (11,362)	$ (141,426)	$ (1,117,176)	$ 6,494	$ 1,010,167

During the year ended December 31, 2017, distributions were declared and paid at $0.046818 per unit per month for the months of January and February, and $0.048 per unit per month from March to December. In the first two months of 2018, distributions were declared at $0.048 per unit per month totalling $16,763.

2016	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated gains (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2015	$ 1,778,496	$ 16,889	$ (12,657)	$ (159,304)	$ (900,450)	$ 6,546	$ 729,520
Net income	–	–	–	4,796	–	–	4,796
Distributions to unitholders	–	–	–	–	(104,701)	–	(104,701)
Trust Units issued under the DRIP	19,725	–	–	–	–	–	19,725
Trust Units issued on conversion of convertible debentures	173,194	–	–	–	–	–	173,194
Trust Units issued on exchange of Class B Units	202	–	–	–	–	–	202
Trust Units issued under the EUPP, net of cancellations and Trust Units released on settlement of EUPP receivable	1,882	(301)	(96)	–	–	13	1,498
Interest on EUPP receivable	–	–	(125)	–	–	–	(125)
Distributions applied against EUPP receivable	–	–	874	–	–	–	874
Unitholders' equity, December 31, 2016	$ 1,973,499	$ 16,588	$ (12,004)	$ (154,508)	$ (1,005,151)	$ 6,559	$ 824,983

During the year ended December 31, 2016, distributions were declared and paid at $0.0459 per unit per month for the months of January and February, and $0.046818 per unit per month from March to December.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31, 2017 and 2016

	Note	2017	2016
Cash provided by (used in):			
Operating activities:			
Net income		$ 13,082	$ 4,796
Items not affecting cash:			
Depreciation and amortization		153,349	146,755
Finance costs		71,122	68,778
Other expense		6,176	3,439
Transaction costs arising from business acquisitions and dispositions		(7,540)	(5,400)
Interest income		(3,958)	(4,427)
Change in fair values of financial instruments and foreign exchange losses (gains)		2,987	17,003
Current income taxes		15	(3,758)
Deferred income taxes benefit		(104)	–
Share of net income from joint ventures		(4,716)	(4,691)
Other		1,240	1,484
Change in trade and other receivables		9,556	(4,299)
Change in other assets		(6,953)	3,224
Change in accounts payable and other liabilities		15,679	4,243
		249,935	227,147
Interest income and other income received		4,836	4,338
Interest paid		(72,813)	(73,112)
		181,958	158,373
Financing activities:			
Proceeds from public offering		258,482	–
Proceeds from mortgage financing		311,316	208,970
Mortgage repayments		(299,227)	(106,243)
Scheduled mortgage principal repayments		(57,856)	(52,651)
Proceeds from issuance of senior unsecured debentures		200,000	–
Changes to credit facilities		(172,000)	140,000
Net additions to finance costs		(14,912)	(6,308)
Distributions paid		(90,010)	(83,424)
		135,793	100,344
Investing activities:			
Acquisition of assets under business combinations		(167,558)	(131,192)
Additions to PP&E and intangible assets		(159,031)	(122,350)
Proceeds from disposal of PPE		21,792	2,460
Proceeds from capital funding receivable		5,662	6,289
Collection of loans receivable		1,487	7,925
Advances of loans receivable		(3,569)	(2,689)
Change in restricted cash		193	26
Contributions to joint ventures	9(b)	(9,202)	(1,053)
Distributions received from joint ventures	9(b)	7,176	8,915
		(303,050)	(231,669)
Increase in cash		14,701	27,048
Cash and cash equivalents, beginning of year		30,050	3,002
Cash and cash equivalents, end of year		$ 44,751	$ 30,050

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

Years ended December 31, 2017 and 2016

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

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, which in turn owns 56.9% 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. Class B Units of Master LP are held by non-controlling investors. Chartwell also has direct ownership of 43.1% of Class A Units of Master LP.

The 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 debt, including mortgages.

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

1. Basis of Preparation

(a) Statement of compliance:

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

On February 22, 2018, the Board of Trustees authorized the consolidated financial statements for issue.

(b) Functional currency:

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

(c) Basis of measurement:

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

(i) derivative financial instruments are measured at fair value;

(ii) financial instruments classified as fair value through profit or 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 year in which the estimates are revised and in any future years 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 of property, plant and equipment;

(ii) notes 2(e) and 5 - Impairment of indefinite life intangible assets; and

(iii) notes 2(k) and 25 - Income taxes; availability of future taxable profit for the recognition of deferred income tax assets.

In the process of applying the accounting policies, Chartwell makes various judgments, apart from those involving estimations, that can significantly affect the amounts it recognized 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 note:

(i) note 2(d)(i) - Intangible assets - licenses: assessment of indefinite useful life.

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) Joint arrangements:

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

These consolidated financial statements include Chartwell's proportionate share of each of the assets, liabilities, revenue 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.

(iii) Business combinations:

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

Transaction costs, other than those associated with the issue of debt or equity securities incurred in connection with the acquisition are expensed as incurred.

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

(b) Foreign currency:

(i) Foreign currency transactions:

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

(ii) Foreign operations:

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

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

Exchange gains and losses arising from translation of the financial statements of foreign operations are deferred and included in other comprehensive income. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to the foreign operation is reclassified to profit or loss.

(c) Property, plant and equipment:

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

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

Properties under development and land held for development are carried at cost and are not subject to depreciation. Cost includes initial acquisition costs, other direct costs, realty taxes and interest 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 or loss as incurred.

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

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

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

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

The value associated with in-place resident contracts, which represents the avoided cost of originating the acquired resident contracts plus the value of the avoided loss of 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, which include licenses, goodwill arising on business combinations and other intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, except in the case of goodwill and 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. Given the current demographic of the Canadian markets, as well as the expectation that the demand for licensed beds will increase beyond its current supply, management has determined that the licenses have an indefinite life.

(ii) Other intangible assets:

Other intangible assets consist of software costs and management contracts.

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.

(iii) Goodwill:

Goodwill represents the excess amount of consideration given over the fair value of the underlying net assets acquired in a business combination and is measured at cost less any accumulated impairment losses. An impairment loss, once recorded, cannot be reversed in subsequent years.

(e) Impairment:

(i) Financial assets:

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 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 accounts 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 deferred tax assets:

The carrying amounts of Chartwell's PP&E are assessed at each reporting date to determine if any events have occurred 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 or 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. The determination of recoverable amounts can be significantly impacted by estimates related to current market valuations, current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. Estimates and assumptions used in the determination of the recoverable amounts were based upon information that was known at the time, along with the future outlook. Chartwell completes the assessment of fair value using financial performance and current capitalization rates.

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.

Goodwill is tested for impairment at least annually or whenever indicators of impairment of the CGU to which the goodwill relates have occurred.

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.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed (except 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 receivable:

Grants received from the Government of Ontario for the construction costs of long-term care properties are initially recorded at fair value as capital funding receivable, with an offset to the cost of the related PP&E. These grants are received over time and the accretion of the receivables is recognized in profit or loss as interest income over the life of the grant.

(g) Assets held for sale and discontinued operations:

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 asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. Immediately before classification as held-for-sale, the assets, or components of the disposal group are remeasured in accordance with Chartwell's accounting policies, and are subsequently measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss until the completion of sale.

A discontinued operation is a component of Chartwell's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as discontinued operations occurs upon disposal or earlier, if the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income (loss) is restated as if the operations had been discontinued from the start of the comparative year.

(h) Financial instruments:

(i) Non-derivative financial assets:

Chartwell has classified its non-derivative financial assets into the following categories: loans and receivables, and financial assets at FVTPL.

Trade and other receivables, loans receivable, cash and restricted cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are classified as loans and receivables. 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.

Receivables related to income guarantees are classified as FVTPL and any gains and losses arising on remeasurement are recognized in profit or loss.

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.

(ii) Non-derivative financial liabilities:

Non-derivative financial liabilities have been classified into the following categories:

Other financial liabilities:

Other financial liabilities primarily consist of accounts payable and other liabilities, distributions payable, mortgages payable, senior unsecured debentures and credit facilities. 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.

Financial liabilities at FVTPL:

Financial liabilities elected to be measured at fair value are designated as FVTPL.

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

The liabilities related to unit-based payment plans, Class B Units and deferred consideration are designated as FVTPL. Any gains or losses arising on remeasurement are recognized in profit or loss. Interest paid on convertible debentures and distributions paid to Class B unitholders are recognized as interest expense under finance costs in profit or loss.

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

(iii) Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Derivative financial instruments are subsequently remeasured to their fair value at the end of each reporting date, with any resulting gain or loss recognized in profit or loss immediately.

Chartwell enters into interest rate swap arrangements from time to time in order to reduce the impact of fluctuating interest rates on long-term debt. These swap agreements require periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These swap arrangements are not designated as hedging instruments under IFRS.

(i) Fair value measurement:

Fair value is 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 under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by Chartwell.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

Chartwell uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(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) Unit-based payment plans:

Chartwell maintains an EUPP, Deferred Trust Unit Plan ("DTU"), and Restricted Unit Plans ("RTU") for its employees, directors and Trustees. While the EUPP and DTU Plan require settlement in Trust Units and RTU plan is settled in cash, all these plans are accounted for as cash-settled awards, as Chartwell's Trust Units are puttable. 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 (recovery) comprises current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in unitholders' equity or in other comprehensive income (loss).

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

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

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

Judgement is required to assess the interpretation of tax legislation when recognizing and measuring current and deferred tax assets and liabilities. The impact of different interpretations and applications could potentially be material. Chartwell recognizes a tax benefit from an uncertain tax position when it is probable that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

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. Management's estimate of future taxable profits and the recognition of deferred tax assets are reviewed at each reporting date and deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Revenue recognition:

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

(i) Retirement community resident revenue:

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

(ii) Long-term care community resident revenue:

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

In Canada, the provinces or regional health authorities (collectively, the "funding agency") regulate the amounts charged to residents of long-term care communities, a substantial portion of which are funded by provincial or regional programs. Such revenue earned 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 expenditures or levels of labour hours. In such cases, 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) Fee revenue:

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 to third parties and is recognized when services are performed in accordance with the terms of the management contract.

(iv) Lease revenue from joint ventures:

Chartwell earns revenue under lease arrangements with operating entities which are jointly owned with Welltower Inc. (note 9). The leases are accounted for as operating leases and lease revenue is recognized over the term of the underlying leases.

(m) Lease payments:

Chartwell is obligated to make payments under land and equipment leases. Such leases are classified as operating leases and not recognized in the consolidated balance sheets as substantially all of the risks and rewards of ownership are not transferred to Chartwell. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(n) IFRS amendments adopted in 2017:

(i) Amendments to IAS 7, Statement of Cash Flows ("IAS 7"):

The amendments apply prospectively for annual periods beginning on or after January 1, 2017 and require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Chartwell adopted the amendments to IAS 7 in 2017 (note 13).

(ii) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12, Income Taxes ("IAS 12")):

The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. Chartwell adopted the amendments to IAS 12 on January 1, 2017. The adoption of these amendments did not have a material impact on the consolidated financial statements.

(o) IFRS standards and amendments issued but not yet effective:

(i) Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2, Share-based Payment, ("IFRS 2")):

The amendments to IFRS 2 clarify how to account for certain types of share-based payment transactions and apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled, share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Chartwell will adopt the amendments to IFRS 2 in its consolidated financial statements for the year beginning on January 1, 2018 and does not expect the amendment will have a material impact on the consolidated financial statements.

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

Chartwell will adopt IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), in its consolidated financial statements for the annual period beginning on January 1, 2018, the mandatory effective date. IFRS 9 will generally be applied retrospectively without restatement of comparative information.

IFRS 9 contains a new classification and measurement approach for financial assets to be classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and FVTPL, and eliminates the existing IAS 39 category of held to maturity, loans and receivables and available for sale.

For impairment of financial assets, IFRS 9 replaces the 'incurred loss' impairment model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as FVTPL are recognized in profit or loss, whereas under IFRS 9 the amount of change in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. Chartwell does not currently apply hedge accounting in its consolidated financial statements.

Management does not expect the adoption of IFRS 9 to have a material impact on the consolidated financial statements.

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

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and will replace IAS 11, Construction Contracts, IAS 18, Revenue, International Financial Reporting Interpretations Committee ("IFRIC") 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC 31, Revenue - Barter Transactions Involving Advertising Services. Chartwell will adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018.

IFRS 15 contains a single, control-based model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. IFRS 15 also includes additional disclosure requirements for revenue accounted for under the standard.

Chartwell will adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. Chartwell plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognized at January 1, 2018. As a result, Chartwell will not apply the requirements of IFRS 15 to the comparative period presented. Management does not expect that the adoption of IFRS 15 will have a material impact on the consolidated financial statements.

However, additional disclosure requirements may result in separate disclosure of revenue for service components that are part of a lease (i.e. a non-lease component).

(iv) IFRS 16, Leases ("IFRS 16"):

IFRS 16 will replace IAS 17, Leases ("IAS 17"). The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A

lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset and a lease liability, representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16.
Chartwell is still evaluating the impact of IFRS 16. In particular, Chartwell is assessing how the new standard may impact the allocation of consideration to each lease and non-lease component. The standard requires this allocation to be completed in accordance with the guidance in IFRS 15, that is, on the basis of relative standalone selling prices.

(v) IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ("IFRIC 23"):

On June 7, 2017, the IASB issued IFRIC 23, which provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

IFRIC 23 requires (i) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (ii) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (iii) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

Chartwell intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the Interpretation has not yet been determined.

(vi) Annual Improvements to IFRS Standards (2015-2017) Cycle:

On December 12, 2017, the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements. Amendments were made to the following standards:

- IFRS 3, Business Combinations and IFRS 11, Joint Arrangements - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;

- IAS 12, Income Taxes - to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and

- IAS 23, Borrowing Costs - to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

Chartwell intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the amendments has not yet been determined.

3. Acquisitions

(a) Acquisitions during the year ended December 31, 2017:

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. The acquisitions were accounted for as business combinations under IFRS 3, Business Combinations:

Date of acquisition	February 1, 2017	March 1, 2017	July 4, 2017	July 20 2017	
Segment	Canadian Retirement Operations				
Location	Province of Ontario	Province of Ontario	Province of Ontario	Province of Quebec	
Number of properties (suites)	1 (107 suites)	1 (66 suites)	3 (522 suites)	1 (343 suites)	Total
PP&E	$ 22,000	$ 6,950	$ 120,750	$ 59,927	$ 209,627
Net assets acquired	$ 22,000	$ 6,950	$ 120,750	$ 59,927	$ 209,627
Cash consideration	$ 22,000	$ 6,950	$ 120,750	$ 17,858	$ 167,558
Construction loan assumed	–	–	–	37,060	37,060
Mezzanine loan settled	–	–	–	5,857	5,857
Income support receivable	–	–	–	(848)	(848)
Total consideration transferred	$ 22,000	$ 6,950	$ 120,750	$ 59,927	$ 209,627

On February 1, 2017, Chartwell acquired a 100% interest in a 107-suite retirement residence located in Vineland, Ontario. The purchase price before working capital adjustments and closing costs was $22,000 and was settled in cash. The property has contributed revenue of $4,110 and net loss of $1,322 since acquisition. Chartwell incurred acquisition-related costs of $881, which have been expensed in the consolidated statements of comprehensive income.

On March 1, 2017, Chartwell acquired a 100% interest in a 66-suite retirement residence located in Thunder Bay, Ontario. The purchase price before working capital adjustments and closing costs was $6,950 and was settled in cash. The property has contributed revenue of $1,456 and net loss of $449 since acquisition. Chartwell incurred acquisition-related costs of $158, which have been expensed in the consolidated statements of comprehensive income.

On July 4, 2017, Chartwell acquired a 100% interest in a portfolio of three properties in Ontario totalling 522 suites. The purchase price before working capital adjustments and closing costs was $120,750 and was settled in cash. The properties have contributed revenue of $11,104 and net loss of $2,895 since acquisition. Chartwell incurred acquisition-related costs of $2,762 which have been expensed in the consolidated statements of comprehensive income.

On July 20, 2017, Chartwell acquired an 85% interest in a 343-suite retirement residence located in Quebec from entities affiliated with Batimo Inc. ("Batimo"). The purchase price before working capital and closing costs was $60,775 and was settled through assumption of a construction loan of $37,060, settlement of the Chartwell mezzanine loan to Batimo of $5,857 and cash. Batimo has committed to provide income support if the operating results fall below a certain threshold with an estimated fair value of $848. This amount has been recorded as a reduction of consideration paid. The property has contributed revenue of $3,559 and net loss of $926 since acquisition. Chartwell incurred acquisition-related costs of $1,199, which have been expensed in the consolidated statements of comprehensive income.

(b) Acquisitions during the year ended December 31, 2016:

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. The acquisitions were accounted for as business combinations under IFRS 3, Business Combinations:

Date of acquisition	March 15, 2016	April 21, 2016	May 2, 2016	June 2, 2016	September 1, 2016			
Segment	Canadian Retirement Operations							
Location	Province of Ontario	Province of British Columbia	Province of Ontario	Province of Ontario	Province of Ontario			
Number of properties (suites)	1 (105 suites)	1 (97 suites)[1]	1 (109 suites)	1 (127 suites)	1 (121 suites)	Subtotal	Step accounting adjustments[1]	Total
PP&E	$ 66,166	$ 11,841	$ 37,405	$ 70,324	$ 31,501	$ 217,237	$ 11,841	$ 229,078
Goodwill	–	1,017	–	–	–	1,017	–	1,017
Deferred tax liability	–	(1,518)	–	–	–	(1,518)	–	(1,518)
Net assets acquired	$ 66,166	$ 11,340	$ 37,405	$ 70,324	$ 31,501	$ 216,736	$ 11,841	$ 228,577
Cash consideration	$ 30,251	$ 5,925	$ 17,252	$ 46,263	$ 31,501	$ 131,192	$ –	$ 131,192
Mortgages assumed	35,915	5,415	20,153	24,061	–	85,544	5,416	90,960
Fair value of previously held interest	–	–	–	–	–	–	6,425	6,425
	$ 66,166	$ 11,340	$ 37,405	$ 70,324	$ 31,501	$ 216,736	$ 11,841	$ 228,577

(1) Chartwell acquired the remaining interest in one previously held investment in a joint arrangement. These figures represent the fair value of the remaining interest acquired. Step acquisition adjustments are included under the heading "Step accounting adjustments".

On March 15, 2016, Chartwell acquired a 100% interest in a 105-unit retirement residenc located in Ottawa, Ontario. The purchase price before working capital adjustments, closin costs and mortgage mark-to-market adjustment was $63,650 and was settled by th assumption of a $33,399 mortgage, bearing interest at 4.41% and maturing on September 1 2024 and cash. Chartwell recorded a mortgage mark-to-market adjustment of $2,516 wit respect to the assumed mortgage. The property has contributed revenue of $5,028 and ne loss of $3,725 since the acquisition. Chartwell incurred acquisition-related costs of $1,808 which have been expensed in the consolidated statements of comprehensive income.

On April 21, 2016, Chartwell acquired from its partner all outstanding shares of a corporatio that owns a 50% interest in a 97-suite Chartwell Kamloops Retirement Residenc ("Kamloops"). The purchase price, before closing costs, was $5,925, representing the agreec upon value of the 50% interest in Kamloops of $11,150, net of the company's share of th mortgage debt of $5,225 and was settled in cash. The assumed mortgage bears interest a 3.95% and matures on October 1, 2019. Chartwell recorded a mortgage mark-to-marke adjustment of $190 with respect to the assumed mortgage. Chartwell also recorded a deferre tax liability of $1,518 and goodwill of $1,017. Upon completion of this transaction, Chartwe owns 100% interest in the property. As the Kamloops acquisition was completed in steps Chartwell has remeasured its original 50% interest to fair value. This remeasurement ha resulted in an increase in value of $5,187, which has been recognized as a gain in othe expense (income) in consolidated statements of comprehensive income. Kamloops ha contributed revenue of $2,660 and net income of $122 since the acquisition date. Chartwe incurred acquisition-related costs of $19, which have been expensed in the consolidate statements of comprehensive income.

On May 2, 2016, Chartwell acquired a 100% interest in a 109-suite retirement residenc located in Brockville, Ontario. The purchase price before working capital adjustments, closin costs and mortgage mark-to-market adjustment was $37,100 and was settled by th assumption of a $19,848 mortgage, bearing interest at 4.29% and maturing on April 1, 201 and cash. Chartwell recorded a mortgage mark-to-market adjustment of $305 with respect t the assumed mortgage. The property has contributed revenue of $3,762 and net loss o $1,342 since acquisition. Chartwell incurred acquisition-related costs of $709, which have bee expensed in the consolidated statements of comprehensive income.

On June 2, 2016, Chartwell acquired a 100% interest in a 127-unit retirement residence locate in Ottawa, Ontario. The purchase price before working capital adjustments, closing costs an mortgage mark-to-market adjustment was $68,350 and was settled by assumption of a $22,08 mortgage, bearing interest at 4.56% and maturing on March 1, 2020 and cash. Chartwe recorded a mortgage mark to market adjustment of $1,974 with respect to the assume mortgage. The property has contributed revenue of $4,158 and net loss of $2,882 sinc acquisition. Chartwell incurred acquisition-related costs of $1,910, which have been expense in the consolidated statements of comprehensive income.

On September 1, 2016, Chartwell acquired a 100% interest in a 121-unit retirement residenc located in Midland, Ontario. The purchase price before working capital adjustments an closing costs was $31,501 and was settled in cash. The property has contributed revenue o $1,130 and net loss of $937 since acquisition. Chartwell incurred acquisition-related costs o $563, which have been expensed in the consolidated statements of comprehensive income.

4. Property, Plant and Equipment

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost						
Balance, December 31, 2015	$ 276,857	$ 2,567,935	$ 84,530	$ 14,745	$ 18,876	$ 2,962,943
Additions	–	58,018	11,379	45,423	8,615	123,435
Additions through business combinations	12,155	211,812	4,511	–	600	229,078
Disposals	(4,378)	(37,823)	(1,729)	–	–	(43,930)
Derecognition	–	(218,664)	(1,221)	–	–	(219,885)
Capital subsidy receivable	–	(5,021)	–	–	–	(5,021)
Transfers	426	981	1,177	1,911	(5,034)	(539)
Balance, December 31, 2016	285,060	2,577,238	98,647	62,079	23,057	3,046,081
Additions	26	61,588	12,202	93,386	30	167,232
Additions through business combinations	17,567	184,742	6,678	–	640	209,627
Disposals	(4,175)	(33,665)	(1,077)	–	–	(38,917)
Derecognition	–	(38,165)	(407)	(2,422)	–	(40,994)
Transfers	2,464	53,099	6,809	(61,595)	(1,000)	(223)
Transfers to assets held for sale	(1,190)	(9,362)	(867)	–	–	(11,419)
Balance, December 31, 2017	$ 299,752	$ 2,795,475	$ 121,985	$ 91,448	$ 22,727	$ 3,331,387
Accumulated depreciation and impairment losses						
Balance, December 31, 2015	$ –	$ 509,226	$ 51,927	$ 2,422	$ –	$ 563,575
Depreciation	–	133,039	12,547	–	–	145,586
Disposals	–	(19,020)	(1,413)	–	–	(20,433)
Derecognition	–	(218,664)	(1,221)	–	–	(219,885)
Impairment, net	–	6,390	–	–	–	6,390
Balance, December 31, 2016	–	410,971	61,840	2,422	–	475,233
Depreciation	–	136,905	14,660	–	–	151,565
Disposals	–	(16,872)	(951)	–	–	(17,823)
Derecognition	–	(38,165)	(407)	(2,422)	–	(40,994)
Transfer to assets held for sale	–	(846)	(358)	–	–	(1,204)
Balance, December 31, 2017	$ –	$ 491,993	$ 74,784	$ –	$ –	$ 566,777
Carrying amounts						
Balance, December 31, 2016	$ 285,060	$ 2,166,267	$ 36,807	$ 59,657	$ 23,057	$ 2,570,848
Balance, December 31, 2017	299,752	2,303,482	47,201	91,448	22,727	2,764,610

During the year ended December 31, 2017, two properties were transferred from properties under development to operating (2016 - none).

During the year ended December 31, 2017, Chartwell transferred $1,000 (2016 - $3,349) from land held for development to properties under development related to a project that is currently under development.

On February 28, 2017, Chartwell acquired vacant land in Mississauga, Ontario. The purchase price was $6,571 before closing costs. The purchase price was settled by the issuance of $500 of Class B Units and cash. This was included in properties under development.

Chartwell capitalized $2,908 of borrowing costs related to development projects under construction for the year ended December 31, 2017, at an average interest rate of 3.74% (2016 - $1,085 at an average interest rate of 4.05%).

Since January 1, 2010, the cost and accumulated depreciation of PP&E has been reduced by $184,492 (2016 - $176,795) to remove fully amortized resident contracts.

Chartwell completes regular assessments of PP&E to determine if any events have occurred that would indicate possible impairment of PP&E.

For the year ended December 31, 2016, Chartwell recorded impairment provisions of $7,500 on two properties located in Ontario and Quebec and reversed a previously recorded impairment provision of $1,110 on one property in Quebec.

5. Intangible Assets

	Goodwill	Licenses	Other[1]	Total
Cost				
Balance, December 31, 2015	$ 8,216	$ 44,334	$ 11,512	$ 64,062
Additions	–	–	10	10
Acquisitions	1,017	–	–	1,017
Disposals	–	–	(1)	(1)
Transfers	–	–	539	539
Balance, December 31, 2016	9,233	44,334	12,060	65,627
Disposals	–	–	(3)	(3)
Transfers	–	–	223	223
Balance, December 31, 2017	$ 9,233	$ 44,334	$ 12,280	$ 65,847
Accumulated amortization and impairment losses				
Balance, December 31, 2015	$ –	$ –	$ 6,860	$ 6,860
Amortization	–	–	1,169	1,169
Balance, December 31, 2016	–	–	8,029	8,029
Amortization	–	–	1,784	1,784
Balance, December 31, 2017	$ –	$ –	$ 9,813	$ 9,813
Carrying amounts				
Balance, December 31, 2016	$ 9,233	$ 44,334	$ 4,031	$ 57,598
Balance, December 31, 2017	9,233	44,334	2,467	56,034

[1] Other intangible assets consist of the allocated cost of acquired management contracts and software costs.

Chartwell completed its annual impairment assessment of the carrying value of licenses, which are intangible assets with indefinite useful lives, on November 30, 2017, and November 30, 2016. Licenses do not generate cash inflows that are largely independent of those of other assets and Chartwell completed the assessment of the recoverable amount of these licenses by comparing the fair value less costs to sell of the related CGUs containing the licenses, determined using the direct capitalization method, to their carrying values. The direct capitalization method divides the estimated stabilized net operating income by an appropriate market capitalization rate. The key assumptions used in the analysis include capitalization rates between 8% and 12% derived from a combination of third-party information and the observation of industry trends. Chartwell determined that the fair value less costs to sell exceeded the carrying value of the CGUs for the years ended December 31, 2017 and 2016.

6. Capital Funding Receivable

The following table summarizes the capital funding receivable activity:

	Amount
Balance, December 31, 2015	$ 61,441
Capital funding increase	5,021
Capital funding applied to receivable	(6,289)
Balance, December 31, 2016	60,173
Capital funding applied to receivable	(5,662)
Balance, December 31, 2017	$ 54,511
Current	$ 5,981
Non-current	48,530
	$ 54,511

The capital funding receivable of $54,511 (2016 - $60,173) 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 8.2 years. The discount rate used on the receivables above is based on applicable Ontario Government Bond Rates. The receipt of funding for the remaining terms of the agreements is subject to the condition that the homes continue to operate as long-term care communities for the remaining period. During 2017, capital funding receipts amounted to $8,555 (2016 - $9,389) of which $2,893 (2016 - $3,100) was recorded as interest income and $5,662 (2016 - $6,289) as a reduction of capital funding receivable. During 2016, Chartwell received an increase in capital funding on three long-term care properties in Ontario retroactive to the date of completion. Additional capital funding was recorded as a reduction in PP&E cost.

7. Other Assets

	2017	2016
Prepaid expenses and deposits	$ 17,785	$ 10,963
Restricted cash	2,366	2,173
Other assets	7,572	5,213
	$ 27,723	$ 18,349
Current	$ 24,860	$ 14,900
Non-current	2,863	3,449
	$ 27,723	$ 18,349

Other assets include receivables of $2,659 recorded at their fair value, related to income guarantees provided by vendors of certain acquired properties (2016 - $1,245). Income guarantees are considered Level 3 in the fair value hierarchy. For the year ended December 31, 2017, $1,295 (2016 - $2,803) of income guarantees were collected.

Included in prepaid expenses and deposits is $5,900 related to Chartwell's acquisition of a portfolio of residences in Alberta.

8. Loans Receivable

	2017	2016
Vendor take back ("VTB") loans	$ –	$ 1,457
Mezzanine and other loans	6,753	9,071
	$ 6,753	$ 10,528

Mezzanine and other loans are due from Batimo, mature between October 2019 and July 2022, bear interest at rates ranging from 8% to 10%, and are secured by first and second charges on Batimo's interests in certain operating and development seniors' housing projects and vacant land, as well as by Batimo's corporate guarantee and contain certain cross-collateralization and cross-default provisions.

9. Joint Arrangements

As at December 31, 2017, the following are Chartwell's joint arrangements:

Joint arrangements	Number of properties	Location	Chartwell ownership	Consolidation type
Chartwell-Welltower Landlord(1)	38	Canada	50%	Joint operation
Chartwell-Welltower Operator(1)	38	Canada	50%	Joint venture(2)
Batimo	5	Canada	85%	Joint operation
Chartwell Oakville Retirement Residence	1	Canada	50%	Joint venture(2)
Chartwell Constantia Retirement Residence	1	Canada	50%	Joint venture(2)
Chartwell Riverside Retirement Residence	1	Canada	50%	Joint operation
Chartwell Churchill Retirement Residence	1	Canada	50%	Joint operation
Chartwell Oak Ridges Retirement Residence (3)	1	Canada	(3)	Joint venture(2)
Chartwell Clair Hills Retirement Residence (3)	1	Canada	(3)	Joint venture(2)
The Sumach by Chartwell	1	Canada	45%	Joint operation
Kingston Project	1	Canada	60%	Joint venture(2)

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

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

(3) Chartwell owns 100% of Class C Units in these limited partnerships, which were formed on acquisition of two properties in 2015. Affiliates of the vendors of the properties hold Class R Units in the limited partnerships. In January 2019, Chartwell will be required to acquire all outstanding Class R Units. The purchase price will be equal to the excess of the actual combined net operating income achieved for the year ended December 31, 2018, over the guaranteed income for that year, divided by 6.25%.

Chartwell has entered into joint arrangements in respect of certain of its seniors housing operations, as detailed in the table above. 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. There are risks which arise from the joint arrangements, 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.

(a) At December 31, 2017, Chartwell has an interest in a number of joint operations, 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, which is included line by line in the consolidated financial statements at Chartwell's share:

	2017	2016
Current assets	$ 9,954	$ 27,429
Non-current assets	484,932	423,564
Total assets	$ 494,886	$ 450,993
Current liabilities	$ 54,222	$ 53,162
Non-current liabilities	308,640	252,826
Total liabilities	$ 362,862	$ 305,988
Total revenue	$ 50,726	$ 48,317
Total expenses	$ 43,789	$ 35,783

In 2016, Chartwell entered into a new joint arrangement with Welltower Inc. ("Welltower") and Daniels Corporation ("Daniels") to develop The Sumach by Chartwell, a 332-suite apartment building in Toronto, Ontario. Welltower and Chartwell each owns a 45% interest and Daniels owns a 10% interest.

In 2016, Chartwell acquired the remaining 50% ownership in Kamloops and now owns 100% of the property. Previously, Chartwell accounted for Kamloops as a joint operation.

(b) The following tables summarize the information about Chartwell's investment in joint ventures, which have been accounted for under the equity method:

	2017	2016
Contributions to joint ventures	$ 9,202	$ 1,053
Distributions received from joint ventures	7,176	8,915

	2017	2016
Cash and cash equivalents	$ 7,608	$ 8,238
Trade and other receivables	3,481	2,474
Other assets	5,144	6,175
Current assets	16,233	16,887
PP&E and intangible assets	107,979	100,427
Total assets	$ 124,212	$ 117,314
Accounts payable and other liabilities	$ 2,811	$ 8,690
Mortgages payable - current	20,575	320
Current liabilities	23,386	9,010
Mortgages payable - non-current	63,262	77,482
Total liabilities	$ 86,648	$ 86,492
Net investment in joint ventures	$ 37,564	$ 30,822

	2017	2016
Revenue	$ 124,768	$ 120,444
Direct property operating expense	(75,380)	(74,169)
Lease expense	(34,700)	(33,803)
Finance cost	(2,256)	(2,429)
Depreciation of PPE	(7,586)	(7,876)
Change in fair value of financial instruments and foreign exchange (losses) gains	(137)	2,402
Other income	7	122
Chartwell's share of net income from joint ventures	$ 4,716	$ 4,691

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 revenue, as applicable. As of December 31, 2017, $719 (2016 - $787) of Chartwell's accounts receivable and $7,360 (2016 - $4,642) of Chartwell's accounts payable relate to its investment in joint ventures. For the year ended December 31, 2017, $6,097 (2016 - $6,338) of Chartwell's management fees related to its investment in joint ventures.

Chartwell and Welltower (referred to as the "landlords") each owns a 50% direct beneficial interest in the real estate assets and are obligated for the related mortgages for a portfolio of 38 properties, which under IFRS 11, Joint Arrangements ("IFRS 11"), are accounted for as joint operations. Chartwell's 50% interest in the operations of these properties is held through separate legal entities (collectively referred to as "Chartwell-Welltower Operator"), which under IFRS 11 are accounted for as joint ventures using the equity method.

Chartwell-Welltower Operator has leased the real estate from the landlords under their respective lease agreements. The terms of these leases are for three-year periods, with automatic renewals as long as the joint arrangement between Chartwell and Welltower is still in effect. As a result, Chartwell's 50% share of the landlords' lease receipts, $34,700 for the year ended December 31, 2017 (2016 - $33,803), is reported as lease revenue and is included in lease revenue from joint ventures. Chartwell-Welltower Operator lease expense is included in the share of net income from joint ventures in the consolidated statements of comprehensive income.

On January 10, 2017, Chartwell entered into a new joint venture with Signature Retirement Living to develop a 165-suite retirement residence in Kingston, Ontario. Chartwell owns a 60% interest and Signature Retirement Living owns the remaining 40% interest.

10. Secured Debt and Credit Facilities

(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 and liquidity risks, see note 19.

The mortgages payable as at December 31, 2017 are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total debt
2018	$ 59,512	$ 103,240	$ 162,752	10
2019	58,822	116,224	175,046	11
2020	58,518	107,076	165,594	10
2021	56,472	105,353	161,825	10
2022	53,047	121,563	174,610	11
2023	48,823	60,419	109,242	7
2024	38,947	156,797	195,744	12
2025	32,099	44,335	76,434	5
2026	30,473	33,830	64,303	4
2027	27,502	63,176	90,678	6
2028	32,083	40,154	72,237	4
2029	22,912	–	22,912	1
2030	21,567	–	21,567	1
2031	20,153	–	20,153	1
Thereafter	71,932	44,906	116,838	7
	$ 632,862	$ 997,073	1,629,935	100
Mark-to-market adjustments on acquisition			16,028	
Financing costs			(31,631)	
			$ 1,614,332	
Current			$ 165,300	
Non-current			1,449,032	
			$ 1,614,332	

	2017	2016
Mortgages at fixed rates:		
Mortgages (principal)	$ 1,614,304	$ 1,612,233
Interest rates	1.90% to 7.85%	1.79% to 8.51%
Weighted average interest rate	3.86%	3.91%
Mortgages at variable rates:		
Mortgages (principal)	$ 15,631	$ 32,475
Interest rates	Bankers' acceptance plus 1.50% to prime plus 2.00%	Bankers' acceptance plus 1.50% to prime plus 2.00%
Weighted average interest rate	3.49%	2.89%
Blended weighted average rate	3.86%	3.89%

Mortgages totalling $135,448 (2016 - $287,305) have interest rates fixed through interest rate swap contracts with an equivalent notional value, maturing between 2018 and 2021. The swaps have a fair value liability of nil (2016 - $135) included in accounts payable and other accrued liabilities and fair value asset of $2,457 (2016 - $1,624) included in trade and other receivables.

(b) Credit facilities:

(i) Secured credit facility

Chartwell has a $300,000 secured revolving credit facility with a syndicate of Canadian financial institutions. The amounts outstanding on the secured credit facility bear interest ranging from the bank's prime rate plus 0.65% to bank's prime rate plus 0.85% or banker's acceptance rate plus 1.65% to banker's acceptance rate plus 1.85%, depending on Chartwell's overall leverage ratio as defined in the credit agreement. The secured credit facility is secured by second-ranked charges on specific properties. The secured credit facility is subject to various financial covenants including among others, minimum equity requirements and limitations on entering into certain investments and on the amount of cash distributions that can be paid to unitholders. The credit facility matures on May 29, 2020. At December 31, 2017, the maximum available borrowing capacity under the credit facility was $292,573, based on the security provided. Of this capacity, as at December 31, 2017, $4,655 (2016 - $4,241) has been allocated to support various letters of credit issued by Chartwell. At December 31, 2017, no amounts were drawn on this line.

Previously, Chartwell had a revolving credit facility with a borrowing capacity of $200,000 bearing interest ranging from the bank's prime rate plus 0.65% to bank's prime rate plus 0.80% or banker's acceptance rate plus 1.65% to banker's acceptance rate plus 1.80%, depending on the ratio of Chartwell's debt to adjusted gross book value of assets ("D/GBV"), as defined in the credit agreement. In addition, Chartwell had a credit facility with a borrowing capacity of $50,000 bearing interest ranging from bank's prime rate plus 0.60% to bank's prime rate plus 0.75% or banker's acceptance rate plus 1.60% to banker's acceptance rate plus 1.75% depending on the ratio of Chartwell's D/GBV, as defined in the credit agreement. The amounts outstanding under these previous credit facilities were repaid from the proceeds of the new secured credit facility.

(ii) Unsecured credit facility:

Chartwell has a $100,000 unsecured credit facility with a syndicate of Canadian banks. The amounts outstanding on the unsecured credit facility bear interest ranging from the bank's prime rate plus 0.80% to bank's prime rate plus 1.10% or banker's acceptance rate plus 1.80% to banker's acceptance rate plus 2.10% depending on Chartwell's leverage ratio as defined in the credit agreement. The unsecured credit facility is subject to various financial covenants including among others, minimum equity requirements, minimum unencumbered asset ratio, limitations on entering into certain investments and on the amount of cash distributions that can be paid to unitholders and limitation on the amount of secured indebtedness. At December 31, 2017, the maximum available borrowing capacity under the unsecured credit facility was $43,303. At December 31, 2017, no amounts were drawn on this line.

11. Senior Unsecured Debentures

	December 31, 2017	December 31, 2016
Senior unsecured debentures principal	$ 200,000	$ –
Financing costs, net	(1,407)	–
Carrying value	$ 198,593	$ –

On June 9, 2017, Chartwell issued $200,000 of 3.786% Series A senior unsecured debentures due on December 11, 2023, with semi-annual interest payments due on June 11 and December 11 of each year. Debt financing costs of $1,538 were incurred and are being amortized using the effective interest method. The debentures are redeemable at the option of Chartwell, at any time, subject to a yield maintenance payment if such redemption is prior to October 11, 2023 as well as through certain other events which may trigger redemption. Under the terms of the indenture, Chartwell is required to meet certain financial covenants. These covenants include debt service coverage, indebtedness and unencumbered asset ratios and other covenants.

12. Accounts Payable and Other Liabilities

	Note	2017	2016
Accounts payable and accrued liabilities		$ 106,382	$ 89,099
Resident deposits		2,932	2,596
Deferred revenue		571	115
Deferred Trust Units ("DTU")	(a)	14,186	13,620
Restricted Trust Units ("RTU")	(b)	6,547	4,935
EUPP option component	(c)	13,363	11,505
		$ 143,981	$ 121,870

(a) DTU Plan:

Chartwell provides a DTU 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 DTU. 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 Trust Units, as defined in the plan, on the award date.

The DTUs earn additional DTUs related to distributions that would otherwise have been paid if Trust Units, as opposed to DTUs, had been issued on the date of the grant. The number of DTUs 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. DTUs cannot be distributed to the directors until after they retire from the board.

As described in note 2(j)(ii), the value of issued units is recorded as a liability on the consolidated balance sheets. DTU values are initially calculated based on the grant date fair value. Fair value is determined using the market prices for listed Trust Units since there is a one-for-one conversion feature. The liability is remeasured to fair value at each reporting date until the liability is settled. The liability is released after settlement upon retirement of the director. The market price of Trust Units as at December 31, 2017 was $16.26 (2016 - $14.67).

The following table summarizes the DTU activity:

	Units outstanding	Amount
Balance, December 31, 2015	823,166	$ 10,501
Units granted	71,573	1,068
Change in fair value and distributions	33,879	2,051
Balance, December 31, 2016	928,618	13,620
Units granted	66,994	1,039
Change in fair value and distributions	31,727	1,939
DTU settled by the issuance of Trust Units	(154,740)	(2,412)
Balance, December 31, 2017	872,599	$ 14,186

The non-cash compensation expense attributable to DTUs granted of $1,039 for the year ended December 31, 2017 (2016 - $1,068) is included in general, administrative and trust expenses.

(b) RTU Plan:

Under the terms of the RTU Plan, qualified employees are granted notional Trust Units on an annual basis which will vest three years after the date of any grant and will be paid out in cash ("RTU payout"). 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. The value of outstanding RTUs is recognized as compensation expense over the vesting 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 amount of RTU payout to certain participants is also dependent on the extent to which Chartwell has achieved certain targets over a three-year period.

During the year ended December 31, 2017, 208,503 notional Trust Units were granted (2016 - 207,943), 19,078 notional Trust units were cancelled (2016 - 29,295), 21,902 notional Trust units were issued in regard to distributions (2016 - 22,214), and 181,678 notional Trust units vested and were paid out (2016 - 138,090). At December 31, 2017, 526,195 notional Trust Units remained outstanding (2016 - 496,546).

The compensation expense attributable to the RTU Plan of $4,334 for the year ended December 31, 2017 (2016 - $3,734) is included in general, administrative and trust expenses.

(c) EUPP option component:

The description of the EUPP is included in note 17(b). The fair value of the EUPP option component is recognized as an expense with a corresponding increase in liability over the employee service period. The liability is remeasured at each reporting date and at settlement date. Any change in liability is recognized in profit and loss.

The fair value of the EUPP option component is measured using the Monte Carlo simulation method. The following table summarizes the assumptions used to determine the fair value of the EUPP option component:

	2017	2016
Expected volatility	10.99% - 15.99%	18.42% - 23.42%
Risk-free rate	2.30% - 2.55%	1.76% - 2.32%
Distribution yield	3.73% - 3.97%	4.28% - 4.75%

13. Reconciliation of Changes in Liabilities Arising from Financing Activities

	Mortgages payable	Credit facilities	Senior unsecured debentures	Total
Balance, December 31, 2016	$ 1,641,772	$ 172,000	$ –	$ 1,813,772
Proceeds from financing	311,316	–	200,000	511,316
Repayments	(299,227)	(172,000)	–	(471,227)
Scheduled principal payments	(57,856)	–	–	(57,856)
Financing costs paid	(13,374)	–	(1,538)	(14,912)
Assumed on acquisition	37,060	–	–	37,060
Held for sale classification	(6,061)	–	–	(6,061)
Amortization of financing costs and mark to market adjustments	702	–	131	833
Balance, December 31, 2017	$ 1,614,332	$ –	$ 198,593	$ 1,812,925

14. Discontinued Operations

On June 30, 2015, Chartwell completed the sale of 100% of its shares in CSH Master Care USA Inc. (the "U.S. Subsidiary"), through a series of transactions, to a newly formed joint venture between HCP, Inc. and Brookdale Senior Living Inc. ("Brookdale").

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

The gross sale price was U.S. $847,449 ($1,058,464). The related debt of U.S. $477,939 ($596,946) was settled on sale.

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

	2017	2016
Other income	$ –	$ 1,721
Income before income taxes	–	1,721
Current income tax benefit (note 25)	–	3,785
Net income from discontinued operations	$ –	$ 5,506

During the year ended December 31, 2016, Chartwell agreed to settle certain liabilities for which estimates were made on closing of the sale of U.S. portfolio. As the agreed upon settlement amounts were lower than previously estimated, Chartwell recorded other income of $1,721.

15. Assets Held for Sale and Related Liabilities

On October 25, 2017, Chartwell entered into a definitive agreement to sell a retirement residence located in St. Eustache, Quebec, included in the Retirement Segment. The sale price is $13,515 before closing costs and working capital adjustments and will be settled in cash. The transaction is expected to close in the second quarter of 2018.

The following table summarizes the significant assets held for sale and related liabilities on December 31, 2017:

Assets:	
Cash and cash equivalents	$ 2
Trade and other receivables	(133)
Other assets	29
PP&E, net	10,215
	$ 10,113
Liabilities:	
Accounts payable and other liabilities	$ 580
Mortgages payable	6,061
	$ 6,641

16. 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. 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. Class B Units are considered Level 2 in the fair value hierarchy.

Holders of the Class B Units are entitled to receive distributions equal to those provided to holders of Trust Units. These distributions are included in finance costs in the consolidated statements of comprehensive income.

	Units outstanding	Amount
Balance, December 31, 2015	1,641,323	$ 20,943
Exchange of Class B Units into Trust Units	(14,150)	(202)
Change in fair value	–	3,130
Balance, December 31, 2016	1,627,173	23,871
Exchange of Class B Units into Trust Units	(10,000)	(157)
Change in fair value	–	2,594
Class B Units issued (note 4)	31,565	500
Balance, December 31, 2017	1,648,738	$ 26,808

17. Unitholders' Equity and EUPP

(a) Trust Units:

Chartwell is authorized to issue an unlimited number of Trust Units.

Trust Units are redeemable at any time, in whole or in part, on demand by holders. Upon receipt of a 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 may be satisfied by way of a distribution in species of assets held by Chartwell.

The following Trust Units are issued and outstanding:

	Number of Trust Units	Amount
Balance, December 31, 2015	176,401,201	$ 1,778,496
Trust Units issued under DRIP	1,418,778	19,725
Trust Units issued on conversion and redemption of debt	12,157,779	173,194
Trust Units issued in exchange of Class B Units	14,150	202
Trust Units released on settlement of EUPP receivable	103,566	1,882
Balance, December 31, 2016	190,095,474	1,973,499
Trust Units issued under DRIP	1,348,980	20,115
Trust Units issued on vesting of DTU	154,740	2,412
Trust Units issued in exchange of Class B Units	10,000	157
Trust Units released on settlement of EUPP receivable	140,439	2,759
Trust Units issued pursuant to public offering	17,732,000	258,482
Balance, December 31, 2017	209,481,633	$ 2,257,424

On November 24, 2017 Chartwell completed a public offering of 17,732,000 Trust Units at $15.20 per Trust Unit for gross proceeds of $269,526. Underwriting commission and other offering related costs amounted to $11,044.

(b) Trust Units issued under EUPP:

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

An aggregate of 5,900,890 Trust Units are reserved for issuance pursuant to the EUPP, of which 2,802,905 were available to be issued at December 31, 2017.

The following table summarizes Trust Units issued under the EUPP:

	Number of Trust Units issued under EUPP	Amount
Balance, December 31, 2015	1,553,634	$ 16,889
Trust Units issued under EUPP	79,454	1,072
Trust Units surrendered for cancellation under EUPP	(14,134)	(151)
Trust Units released on settlement of EUPP receivable	(103,566)	(1,222)
Balance, December 31, 2016	1,515,388	16,588
Trust Units issued under EUPP	89,778	1,369
Trust Units surrendered for cancellation under EUPP	(12,638)	(133)
Trust Units released on settlement of EUPP receivable	(140,439)	(1,611)
Balance, December 31, 2017	1,452,089	$ 16,213

The non-cash compensation expense attributable to the EUPP of $335 for the year ended December 31, 2017 (2016 - $303) is included in general, administrative and trust expenses with a corresponding amount included in accounts payable and other liabilities. Trust Units issued under EUPP and EUPP receivable are recorded in unitholders' equity.

(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%.

18. Segmented Information

Chartwell monitors and operates its Retirement and Long-Term Care properties separately. The Retirement Operations segment includes 160 communities that Chartwell owns and operates in Canada. The retirement communities provide services to residents at rates set by Chartwell based on the services provided and market conditions. The Long-Term Care Operations segment represents the 24 long-term care communities in Ontario. Admission and funding for the long-term care communities is overseen by local government agencies in each province. Where a community provides more than one level of care, it has been designated to a segment according to the predominant level of care, type of licensing and funding and internal management responsibility.

The accounting policies of each of the segments are the same as those for Chartwell, except these segments include Chartwell's proportionate share of its joint ventures. The "Reconciliation" column shows the adjustments to account for these joint ventures using the equity method, as applied in these 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.

The measure of segment profit or loss is adjusted net operating income which is resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' revenue and direct property operating expenses, respectively.

2017	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Revenue:							
Resident	$ 649,989	$ 227,427	$ 877,416	$ –	$ 877,416	$(124,641)	$ 752,775
Management and other fees	–	–	–	8,861	8,861	–	8,861
Lease revenue from joint ventures	–	–	–	–		34,700	34,700
Interest income	–	–	–	4,085	4,085	(127)	3,958
	649,989	227,427	877,416	12,946	890,362	(90,068)	800,294
Expenses (income):							
Direct property operating	396,493	199,263	595,756	–	595,756	(75,380)	520,376
Adjusted net operating income[1]	253,496	28,164	281,660				
Depreciation of PP&E							151,565
Amortization of intangible assets							1,784
Share of net income from joint ventures							(4,716)
General, administrative and trust							38,007
Other expense							6,176
Finance costs							71,122
Change in fair values of financial instruments and foreign exchange losses							2,987
							266,925
Income before income taxes							12,993
Income tax benefit (expense):							
Current							(15)
Deferred							104
							89
Net income							$ 13,082
Expenditures for non-current assets:							
Acquisition of properties	$ 209,627	$ –	$ 209,617	$ –	$ 209,627	$ –	$ 209,627
Capital additions	160,713	6,043	166,756	15,390	182,146	(14,914)	167,232

[1] Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell`s proportionate share of its joint ventures` resident revenue and direct property operating expenses, respectively.

2016	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Revenue:							
Resident	$ 610,962	$ 223,771	$ 834,733	$ –	$ 834,733	$(120,353)	$ 714,380
Management and other fees	–	–	–	8,777	8,777	–	8,777
Lease revenue from joint ventures	–	–	–	–	–	33,803	33,803
Interest income	–	–	–	4,518	4,518	(91)	4,427
	610,962	223,771	834,733	13,295	848,028	(86,641)	761,387
Expenses (income):							
Direct property operating	373,254	196,142	569,396	–	569,396	(74,169)	495,227
Adjusted net operating income[1]	237,708	27,629	265,337				
Depreciation of PP&E							145,586
Amortization of intangible assets							1,169
Share of net income from joint ventures							(4,691)
General, administrative and trust							33,838
Other expense							5,160
Finance costs							68,778
Change in fair values of financial instruments and foreign exchange losses							17,003
							762,070
Loss before income taxes							(683)
Income tax expense							(27)
Loss from continuing operations							(710)
Net income from discontinued operations, net of income taxes							5,506
Net income							$ 4,796
Expenditures for non-current assets:							
Acquisition of properties	$ 230,095	$ –	$ 230,095	$ –	$ 230,095	$ –	$ 230,095
Capital additions	112,481	8,242	120,723	3,220	123,943	(498)	123,445

[1] Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell`s proportionate share of its joint ventures` resident revenue and direct property operating expenses, respectively.

2017	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 2,737,248	$ 262,826	$ 3,000,074	$ 95,285	$ 3,095,359	$ (81,460)	$ 3,013,899
Total liabilities	$ 1,630,850	$ 167,896	$ 1,798,746	$ 286,446	$ 2,085,192	$ (81,460)	$ 2,003,732

2016	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 2,542,070	$ 265,193	$ 2,807,263	$ 71,346	$ 2,878,609	$ (81,902)	$ 2,796,707
Total liabilities	$ 1,607,945	$ 199,333	$ 1,807,278	$ 246,348	$ 2,053,626	$ (81,902)	$ 1,971,724

19. Financial Instruments and Financial Risk Management

(a) Carrying values and fair values of financial instruments:

The carrying amounts and fair values of financial instruments, excluding liabilities related to unit-based payment plans, Class B Units, income guarantees and deferred consideration on business combinations, as shown in the consolidated balance sheets, are shown in the table below. The table below excludes cash and cash equivalents, trade and other receivables, accounts payable and other liabilities, and distributions payable, as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value.

	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Financial assets recorded at amortized cost:				
Loans receivable	$ 6,753	$ 6,753	$ 10,528	$ 10,528
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgage payable related to assets held for sale	6,061	6,061	–	–
Mortgages payable	1,614,332	1,680,549	1,641,772	1,688,374
Credit Facilities	–	–	172,000	172,000
Senior unsecured debentures	198,593	201,478	–	–

Fair value represents management's estimates of the fair market value at a given point in time, which may not reflect fair value in the future. These calculations are subjective, involve uncertainties and are a matter of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The 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, 2017, the mortgages payable were discounted using rates between 2.68% and 4.46% (2016 - 1.89% and 4.56%). 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 values of the loan receivables and credit facilities approximates their carrying values and are considered Level 2 in the fair value hierarchy as inputs are observable directly or indirectly.

The fair value of senior unsecured debentures is an estimate made at a specific point in time, based on a quoted market price. As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of senior unsecured debentures is Level 2 in the fair value hierarchy.

(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 and unitholder returns. Chartwell is exposed to financial instrument risks that arise from the fluctuation of interest rates, the credit quality of its residents and borrowers pursuant to mezzanine and other loans.

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, 2016.

These financial instrument risks are managed as follows:

(i) Credit risk:

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

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.

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

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, 2017, outstanding residents receivables were $1,397 (2016 - $1,326), net of an impairment reserve of $1,238 (2016 - $960).

(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 property improvements, leasing costs and distributions to unitholders, and property development and acquisition funding requirements.

As at December 31, 2017, current liabilities totaled $327,885, exceeding current assets of $97,545, resulting in a working capital deficiency of $230,340. Current liabilities includes an amount of $165,300 of current mortgages payable, comprised of $103,240 related to maturing balances which are expected to be renewed on maturity, $59,512 related to regular principal payments and $2,548 related to the balance of unamortized mark-to-market adjustments net of unamortized financing costs. These and other contractual obligations and contingencies, including those related to agreements with Batimo, are disclosed in note 26. Chartwell expects to be able to meet all of its obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from property operations, (ii) property specific mortgages, and (iii) secured and unsecured credit facilities, under which $331,221 was available and undrawn at December 31, 2017 (note 10(b)). In addition, subject to market conditions, Chartwell may seek to raise funding through new senior unsecured debentures or equity financing. The particular features and quality of the underlying assets and the debt and equity market parameters existing at the time of financing may impact the ability for financing.

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 Canadian Mortgage and Housing Corporation's ("CMHC") insured mortgages.

On December 5, 2015, Chartwell entered into a large borrower agreement ("LBA") with CMHC. The LBA provides among other things, the cross-collateralization of mortgage loans for Chartwell's largest CMHC insured lenders, and contains certain financial and operating covenants.

There is also a risk that the credit facilities will not be renewed or that the senior unsecured debentures may not be refinanced on terms and conditions acceptable to Chartwell or on any terms at all.

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, 2017, Chartwell received $193,247 (2016 - $192,238) in funding in respect of these licenses, which has been recorded as resident revenue, interest income and capital funding receivable, as applicable.

(iii) Market risk:

Chartwell is exposed to market risk, which is the risk arising from its financial instruments, principally related to interest rates and equity prices.

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. 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, 2017, Chartwell's interest-bearing financial instruments were as follows:

	Carrying amount	
	2017	2016
Fixed-rate financial liabilities	$ 1,814,304	$ 1,612,233
Variable-rate financial liabilities	$ 15,631	$ 204,475

An increase/decrease of 100-basis-points in interest rates at December 31, 2017 for the variable-rate financial instruments would have decreased/increased income before income tax for the year by $156.

20. Capital Structure Financial Policies

Chartwell's primary objectives in managing capital are:

(a) to ensure that Chartwell has sufficient capital to execute on its strategic objectives, including targeted investments in maintenance and improvements of its property portfolio, development and acquisitions activities;

(b) to achieve the lowest overall cost of capital consistent with the appropriate mix of capital elements while ensuring that Chartwell complies with certain financial and non-financial covenants included in debt agreements; and

(c) to provide growing distributions to unitholders.

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

Management defines capital as Chartwell's total unitholders' equity, Class B Units and long-term debt. Chartwell's long-term debt includes mortgages payable, senior unsecured debentures and borrowings under its credit facilities.

The Board of Trustees is responsible for overseeing Chartwell's capital management and does so through quarterly Trustees' meetings, annual budget reviews and regular reviews of financial information. The Board of Trustees also determines the level of any distributions to unitholders.

Chartwell's Declaration of Trust limits the ratio of indebtedness ("Indebtedness Ratio") that Chartwell can incur to 65% of adjusted gross book value ("GBV").

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

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 liabilities, any capital lease obligation and any similar obligations of third parties guaranteed by Chartwell or for which Chartwell is responsible or liable, to the extent included in the consolidated balance sheet, adjusted for Chartwell's line-by-line share of its joint ventures. Indebtedness is determined on a consolidated basis for Chartwell and its consolidated subsidiaries.

The following are the Indebtedness ratios at December 31, 2017 and 2016:

	2017	2016	Increase (decrease)
Indebtedness ratio	44.8%	48.9%	(4.1) %

Chartwell's capital management is conducted in accordance with policies stated under the Declaration of Trust and 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. There have been no changes in Chartwell's capital management strategy during the year.

21. Personnel Expenses

The analysis of employee benefits expense for the years ended December 31, 2017 and 2016, included in the consolidated statements of comprehensive income under direct operating expenses and general, administrative and trust expenses, is as follows:

	2017	2016
Salaries and wages	$ 379,905	$ 359,032
Post-employment benefits (defined contribution plans)	5,867	5,404
Unit-based compensation	5,708	5,104
	$ 391,480	$ 369,540

22. Other Expense

	2017	2016
Property lease expense	$ 395	$ 395
Impairment of PP&E, net of reversals (note 4)	–	6,390
Transaction costs arising on acquisitions and dispositions	7,540	5,400
Other expense	7,935	12,185
Gain on sale of assets (a)	(697)	(1,838)
Gain recorded on remeasurement of previously held interest on acquisition (note 3)	–	(5,187)
Other income	(1,062)	–
Other income	(1,759)	(7,025)
Other expense	$ 6,176	$ 5,160

(a) Gain on sale of assets:

On May 3, 2017, Chartwell sold a property located in Quebec. The sale price for the property was $23,500, of which $2,500 is held in escrow to support the purchaser's rental income and certain renovation costs, with the balance settled in cash. A former Chartwell director was an officer and director of the purchaser of this property.

On June 30, 2016, Chartwell sold three non-core properties in Quebec, included in the Canadian Retirement Segment. On closing, the purchaser assumed mortgages encumbering these properties in amount of $17,872, bearing interest of 3.99%. Under the terms of the transaction, an amount of $1,721 was to be made available to the purchaser upon satisfaction of certain conditions subsequent to closing, of which $914 has been released with the remainder included in accounts payable and other liabilities in the consolidated balance sheet. For the year ended December 31, 2016, Chartwell recorded a gain on sale of these assets of $686.

For the year ended December 31, 2016, Chartwell completed other disposals of assets and recorded a gain of $1,152.

23. Finance Costs

	2017	2016
Contractual interest expense on mortgages	$ 63,223	$ 63,598
Interest expense on convertible debentures	–	2,611
Interest expense on senior unsecured debentures	4,274	–
Credit facility and other interest expense	4,743	3,912
	72,240	70,121
Interest capitalized to properties under development	(2,908)	(1,085)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	835	(1,162)
Distributions on Class B Units recorded as interest expense	955	904
Total finance costs	$ 71,122	$ 68,778

24. Changes in Fair Values of Financial Instruments and Foreign Exchange Losses

	2017	2016
Change in fair value of convertible debentures	$ –	$ 11,441
Change in fair value of interest rate swaps	(2,739)	(2,245)
Foreign exchange losses (gains)	271	(202)
Change in fair value of EUPP option component	2,670	3,499
Change in fair value of Class B Units	2,595	3,130
Change in fair value of DTUs	1,939	2,051
Change in fair value of deferred purchase consideration	113	113
Change in fair value of income guarantees	(1,862)	(784)
Change in fair values of financial instruments and foreign exchange losses	$ 2,987	$ 17,003

25. Income Taxes

Chartwell recorded current income tax expense of $15 and a deferred tax recovery of $104 during the year ended December 31, 2017 in a corporate subsidiary. The deferred tax liability is primarily attributable to the reversal of temporary differences between the accounting and tax basis of the PP&E held by the subsidiary.

The income tax expense (benefit) - continuing operations in the consolidated statements of comprehensive income represents an effective tax rate different than the Canadian tax rate applicable to trusts on undistributed income of 53.53% (2016 - 53.53%). The differences for the years ended December 31 are as follows:

	2017	2016
Income (loss) before income taxes from continuing operations	$ 12,993	$ (683)
Income tax expense (recovery) at Canadian tax rate	$ 6,955	$ (366)
Non-deductible expenses	3,161	1,651
Recognition of previously unrecognized tax benefits	(14,663)	(11,603)
Effect of tax rates in corporate subsidiary	56	–
Non-deductible fair value changes	3,915	10,749
Other	487	(404)
Income tax expense (benefit) - continuing operations	$ (89)	$ 27

Movement in deferred tax balances during the year are as follows:

	Balance, January 1, 2017	Recognized in net income (loss)	Recognized in Unitholders' equity	Balance, December 31, 2017
Property, plant and equipment	$ 43,273	$ (15,383)	$ –	$ 27,890
Intangible assets	(13,946)	(435)	–	(14,381)
Losses available for carryforward	7,367	532	–	7,899
Other	(1,515)	727	6,006	5,218
Gross deferred tax asset (tax effected)	35,179	(14,559)	6,006	26,626
Deferred tax assets not recognized	(36,697)	14,663	(6,006)	(28,040)
Net deferred tax liability	$ (1,518)	$ 104	$ –	$ (1,414)

	Balance, January 1, 2016	Recognized in net income (loss)	Acquired in business combination	Balance, December 31, 2016
Property, plant and equipment	$ 56,504	$ (11,665)	$ (1,566)	$ 43,273
Intangible assets	(13,479)	(467)	–	(13,946)
Losses available for carryforward	7,919	(552)	–	7,367
Other	(2,644)	1,081	48	(1,515)
Gross deferred tax asset (tax effected)	48,300	(11,603)	(1,518)	35,179
Deferred tax assets not recognized	(48,300)	11,603	–	(36,697)
Net deferred tax liability	$ –	$ –	$ (1,518)	$ (1,518)

Deferred tax assets have not been recognized for the following:

	2017	2016
Deductible temporary differences	$ 17,791	$ 33,818
Non-capital and capital losses carried forward	21,306	19,318
	$ 39,097	$ 53,136

Chartwell has non-capital losses carried forward of $13,130, which will expire between 2027 and 2029, and capital losses carried forward of $8,176. The capital losses carried forward and 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.

26. Commitments and Contingencies

Chartwell's major contractual obligations as at December 31, 2017 are detailed in the following table:

	Note	Total	2018	2019	2020	2021	2022	Thereafter
Mortgages payable	10(a)	$ 1,629,935	$ 162,752	$ 175,046	$ 165,594	$ 161,825	$ 174,610	$ 790,108
Accounts payable and other liabilities	12	143,981	143,981	–	–	–	–	–
Distributions payable		10,203	10,203	–	–	–	–	–
Deferred consideration on business combinations		1,760	1,760	–	–	–	–	–
Liabilities related to assets held for sale	15	6,641	6,641	–	–	–	–	–
Senior unsecured debentures	11	200,000	–	–	–	–	–	200,000
Purchase obligations	26(b)	315,880	277,004	38,876	–	–	–	–
Operating leases	26(a)(i)	3,802	1,416	1,360	136	139	155	596
Land leases	26(a)(ii)	13,690	395	395	395	395	395	11,715
Total contractual obligations		$ 2,325,892	$ 604,152	$ 215,677	$ 166,125	$ 162,359	$ 175,160	$ 1,002,419

(a) Lease obligations:

(i) Operating leases:

Chartwell has operating leases on office space in Canada that expire on various dates up to July 31, 2022. In aggregate, annual payments on these leases vary from $1,129 to $1,217 over the remaining terms of the leases.

(ii) Land leases:

Chartwell has commitments related to three properties located on lands subject to long-term land leases. A land lease on a property in Alberta, Canada expires on July 17, 2061, and requires annual payments of $126. A land lease on a property in Ontario expires on August 31, 2044, and requires annual payments of $113 through to August 31, 2024, and $136 for the remainder of the term. A land lease on another property in Ontario expires on May 31, 2048 with minimum lease payments of $156, to be negotiated to market on May 31, 2018, and every 15-year anniversary thereafter.

For the above leases, legal title does not pass to Chartwell. 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 its development projects. As at December 31, 2017, the remaining commitments under these contracts amounted to approximately $110,607 (2016 - $106,490).

In January 2019, Chartwell will be required to acquire all outstanding Class R Units of its joint venture partner (note 9). The purchase price is based on 2018 joint venture operating results and is estimated to be $18,000.

As at December 31, 2017, Chartwell has entered into a definitive agreement to acquire four retirement residences in Alberta and a forward purchase agreement to acquire one additional retirement residence upon completion of its development. The purchase price for the initial four retirement residences, before closing costs and working capital adjustments is $297,900, with settlement estimated by cash of $187,273 and the remainder through the assumption of mortgages. The purchase price for the remaining development property is $120,000.

Under Chartwell's agreements with Batimo, upon achievement of certain conditions, Batimo may require Chartwell to acquire an 85% interest in their development properties in which Chartwell participates as the operations manager and, in some cases, as the mezzanine lender, at 99% of Fair Market Value ("FMV"), as defined in the agreements ("Batimo Option"). Batimo's Option is for a five-year period commencing on opening of the related facility. Upon expiry of the Batimo Option, Chartwell has a two-year option to require Batimo to sell an 85% interest in the property at FMV, as defined in the agreements. At December 31, 2017, there are nine projects with 2,784 suites that are subject to this arrangement.

(c) Letters of credit:

As at December 31, 2017, Chartwell was contingently liable for letters of credit in the amount of $ 4,655 (2016 - $4,241).

(d) Guarantees:

As a result of the purchasers' assumption of certain mortgages on two properties sold in 2014 and one property sold in 2015 and three properties sold in 2016, Chartwell remains a guarantor of these mortgages. As at December 31, 2017, outstanding balance on these loans was $19,436 (2016 - $25,257). The purchasers have indemnified Chartwell with respect to these guarantees.

Chartwell, with its partners, has jointly and severally guaranteed loans on two properties, which are 50% owned by Chartwell, two development properties owned 60% and 45% by Chartwell, respectively, and three properties, which are 85% owned by Chartwell, to a maximum amount of $226,638. As at December 31, 2017, outstanding balances on these loans totalled $97,131 ($36,995 of which represents partners share).

(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 cannot provide absolute assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of Chartwell.

27. Key Management Personnel Compensation

The remuneration of key management personnel of Chartwell during the years ended December 31, 2017 and 2016 was as follows:

	2017	2016
Officers' and directors' compensation	$ 4,937	$ 4,587
Post-employment benefits	54	67
Other long-term benefits	2,816	1,847
Unit-based payments	302	241

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

28. Expenses by Nature

	2017	2016
Wages and benefits	$ 391,480	$ 369,540
Food and supplies	55,513	53,062
Realty taxes	26,863	26,132
Utilities	28,103	29,049
Other	56,424	51,282
	$ 558,383	$ 529,065
Included in the consolidated statements of income:		
Direct property operating	$ 520,376	$ 495,227
General, administrative and trust	38,007	33,838
	$ 558,383	$ 529,065

29. Subsequent Events

On February 6, 2018, Chartwell sold three retirement residences in Quebec. The purchase price before working capital adjustments and closing costs was $32,000 at Chartwell's ownership and was settled in cash.

On February 22, 2018, Chartwell announced a 2.1% increase in the monthly cash distributions from $0.048 per unit ($0.576 per unit on an annualized basis) to $0.049 per unit ($0.5880 per unit on an annualized basis) effective for the March 31, 2018 distribution payable on April 16, 2018.

Corporate and Unitholder Information

TRUSTEES AND/OR DIRECTORS

Michael Harris, Chair (1)

André Kuzmicki (2)

Ann Davis (2) (3)

Huw Thomas (3)

Lise Bastarache (2) (3)

Sharon Sallows (1) (2)

Sidney Robinson (1) (3)

Brent Binions

(1) Compensation, Governance and Nominating Committee

(2) Investment Committee

(3) Audit Committee

OFFICERS AND SENIOR MANAGEMENT

Brent Binions
President and Chief Executive Officer

Karen Sullivan
Chief Operating Officer

Vlad Volodarski
Chief Financial Officer and
Chief Investment Officer

Sheri Chateauvert
Chief Administrative Officer

Jonathan Boulakia
Chief Legal Officer

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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Legal Counsel
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Toronto, Ontario

Stock Exchange Listing
Toronto Stock Exchange (CSH.UN)

Transfer Agent and Registrar
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Annual Meeting of Unitholders
4:30pm ET - Thursday, May 17, 2018
Vantage Venues
150 King Street West, Toronto, Ontario

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