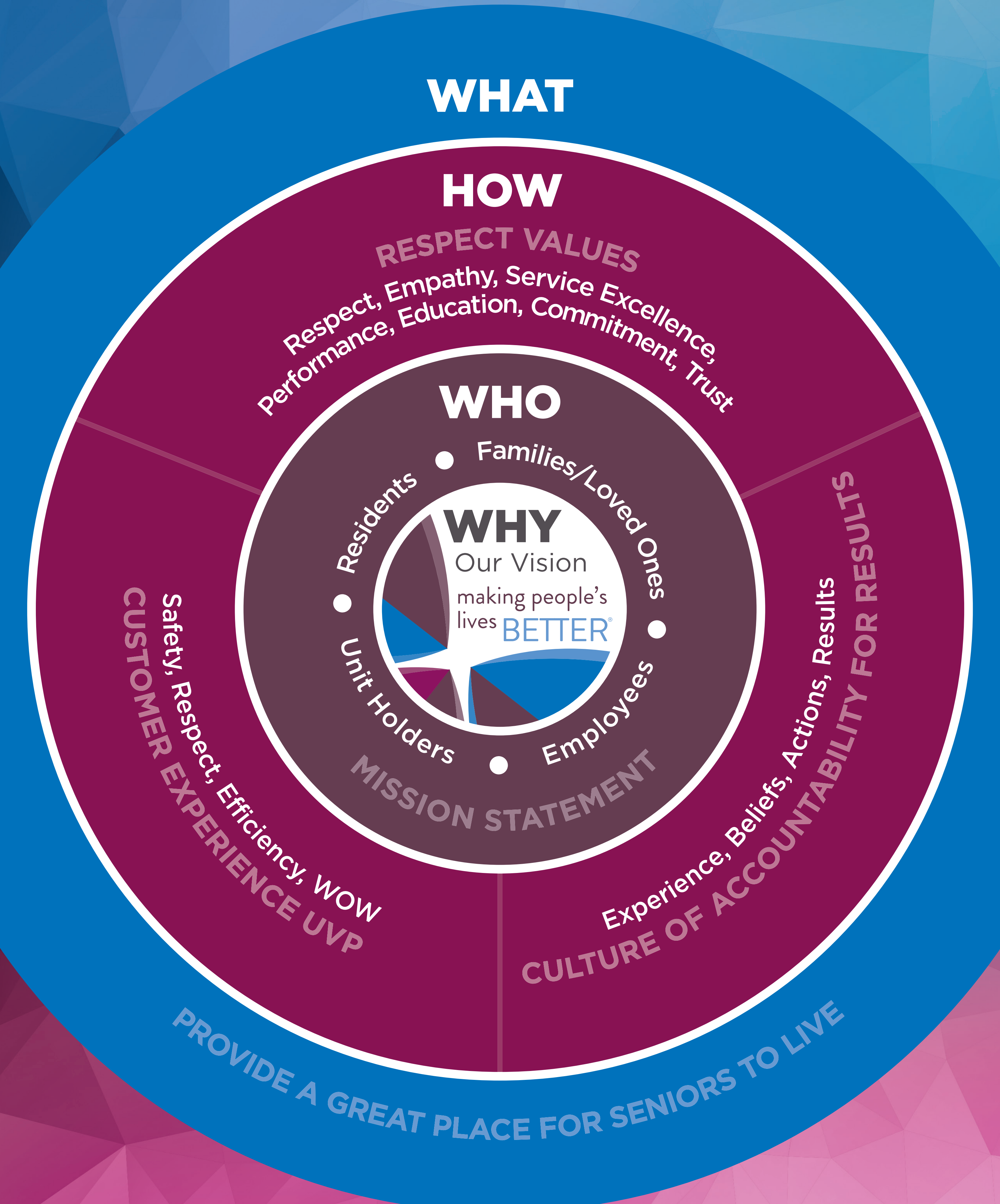
CHARTWELL® retirement residences

making people's lives BETTER®

2018 ANNUAL REPORT



WHAT
HOW
RESPECT VALUES
Respect, Empathy, Service Excellence,
Performance, Education, Commitment, Trust
WHO
Families/Loved Ones
Residents
Unit Holders
Employees
WHY
Our Vision
making people's lives BETTER®
MISSION STATEMENT
Safety, Respect, Efficiency, WOW
CUSTOMER EXPERIENCE UVP
Experience, Beliefs, Actions, Results
CULTURE OF ACCOUNTABILITY FOR RESULTS
PROVIDE A GREAT PLACE FOR SENIORS TO LIVE

IN 2023

WE WILL ACHIEVE

in our retirement residences, **Employee Engagement** of 55% (highly engaged), **Resident Satisfaction** of 67% (very satisfied) and **Same Property Occupancy** of 95% to drive strong **IFFOPU** growth by providing **exceptional resident experiences** through **personalized services** in our **upscale and mid-market** residences in **urban and suburban** locations.

Corporate Social Responsibility (CSR) at Chartwell

“TRUST THROUGH ACCOUNTABILITY”

We are proud to report the important progress we have made in 2018 on the five key areas by which we benchmark our CSR: Employee Engagement, Resident Experience, Environmental Stewardship, Corporate Governance and Community Investment.

To view our annual CSR objectives and results please visit:
CHARTWELL.COM/EN/ABOUT-US/CORPORATE-SOCIAL-RESPONSIBILITY

Message from the President & CEO*

Dear fellow unitholders,

It gives me great pleasure to share with you our 2018 achievements. Guided by our Vision of **Making People's Lives BETTER**, Chartwell's success is a direct result of our consistent focus on customer experience, engaging employees at every level of our organization and on our robust corporate governance.

This past year was important for us in building the foundation for our future. After ten years of stabilizing, improving and growing our company, we released an updated business strategy which clearly states our five-year targets, clarifies our competitive advantages, and defines the areas that we will focus on - helping us decide what we will and what we won't do.

Our new strategy statement is focused on delivering on our unique value proposition – *the resident experience* – through further engaging our employees, personalizing our services and optimizing our property portfolio. We set very ambitious targets for ourselves and work has already commenced to deliver on these.

Today, Chartwell has a strong corporate culture where our vision, mission, values and cultural beliefs are deeply embedded throughout the organization and reflected in the work we do every day.

We believe our culture differentiates us in the competition for top talent and will continue to help us to attract and retain the best qualified people who are driven to make people's lives better. We have the best people in the sector and it shows. In 2018 we significantly exceeded our own expectations in growing both our Resident Satisfaction and Employee Engagement scores.

We believe that highly engaged employees will go above and beyond to deliver personalized service and WOW moments, which is why we have decided to track only *highly engaged* scores. Our top score from among our close to 15,000 employees was for the statement, "My work makes an important contribution to Making People's Lives Better." In 2018 we exceeded our overall target of 42% and ended the year with 47% of employees who rated themselves as *'highly engaged'* versus 41% in 2017. This strong score puts our 2023 target of 55% *highly engaged* employees clearly within reach.

Our Resident Satisfaction score also exceeded our target of 54%. In 2018 we achieved a score of 58% very satisfied versus 53% in 2017. Looking ahead to 2023, we have set a stretch target of 67% very satisfied residents, which we believe is achievable through the dedication of our employees and our intensifying focus on customer experience.

We know that highly satisfied residents are four times more likely to recommend Chartwell to family and friends. We are focused on driving resident satisfaction in our residences to be able to achieve high occupancy rates across our portfolio. Our target is to achieve 95% occupancy in our stabilized property portfolio by 2023.

The third important contributor to our success, particularly as a publicly traded enterprise, is corporate governance. Our focus on governance has consistently been recognized by our investors and in several corporate governance studies and surveys over the years.

In 2018 the Globe and Mail Report on Business ranked Chartwell as the seventh best governed company in Canada overall and the top ranked real estate and healthcare company in their Board Games publication. Our Board of Directors are diverse thinkers, some with long tenured experience with the company and in our industry, as well as some newer members bringing fresh ideas and perspectives to the table.

Our financial results in 2018 reflect our investments in initiatives that we expect to generate significant financial returns in the future. Despite competitive pressures in some of our markets which reduced same property occupancy from 92.5% in 2017 to 91.7% in 2018, our operating teams delivered solid same property Adjusted NOI growth of 3.3%. FFO per unit was 0.90 in 2018 compared to 2017 FFO per unit of $0.93. The delays in closing of a large portfolio acquisition in the beginning of the year and our additional investments to support growth in our properties under management, including our newly acquired and development properties, and higher investments in our information systems were the primary drivers of changes in our FFO per unit in 2018.

Over the last number of years we have made significant progress in improving our financial position and liquidity and we intend to keep it this way. These areas allow us to execute on our growth objectives and will help us to navigate any downturn in the economy and business, should one occur.

We are willing to trade some short term profitability to avail Chartwell of this financial stability. At December 31, 2018 we had $415m of cash and available capacity on our credit facilities and $677 million of unencumbered assets. Our debt leverage and coverage metrics also remained strong with an interest coverage ratio of 3.2X, net debt to EBITDA ratio of 7.8X and debt to capitalization ratio of 43.4%.

2018 has been another busy year in growing and optimizing our real estate portfolio. We completed acquisitions of five properties and entered into a forward purchase agreement to acquire another property in Edmonton for the total consideration of $437 million. We opened three development projects and sold our interests in four non-core properties. In the first quarter of 2019 we have already opened three new developments delivering 574 suites to operations in Ontario, Alberta and B.C. Our development pipeline remains robust with four projects in construction and seven projects in planning totalling close to 2,000 suites. We also have options to acquire interests in nine projects being developed by Batimo in Quebec with over 2,700 suites.

The long term prospects of our sector in general and Chartwell specifically are promising. By 2036 in Canada our sector will need to add close to 600,000 new retirement and long term care suites to address the demand generated by the expected senior population growth. That is almost 150% growth.

We believe the demand in private pay retirement residences will be higher than suggested by the senior population growth alone. The new types of services being offered by the industry, from the flexible “a la carte” service model in independent supportive living to more care focused assisted living and private long term care, will bring more people to retirement residence settings than ever before.

Health care costs in all provinces are expected to increase dramatically due to the growth in the older adult population. Given the governments’ fiscal constraints, it is highly probable that private pay operators will be required to provide more of these much needed services to seniors.

The demand for our services is expected to grow significantly in the future and we are in a solid position to take advantage of this demand growth. Over the past year, the Chartwell brand has become stronger and our awareness among consumers has increased significantly. Recently, Leger Marketing published a list of Quebec's Most Trusted Brands and Chartwell ranked number one in our sector.

We have no doubt that Chartwell, with its strong corporate culture, winning business strategy, strong governance, significant management expertise and leading market position is best positioned to take advantage of this upcoming demand growth and generate sustainable long term value for all of its stakeholders.

In closing, I would like to extend my personal thanks to all Chartwell employees, who are making lives better for our residents and their families every single day. I'd like to also thank you, our 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 Highlights

CONSOLIDATED RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31	2018	2017
Same property adjusted Net Operating Income (“NOI”) ($000s) [1]	276,463	267,611
Same property occupancy	91.7%	92.5%
Funds from Operations (“FFO”) ($000s) [1]	193,581	182,502
FFO per unit [1]	0.90	0.93
Distributions declared ($000s)	125,504	113,468
Distributions declared per unit	0.59	0.57

(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	2018	2017
Liquidity ($000s) [1]	415,546	375,972
Unencumbered Asset Pool ($000s)	676,900	405,200
Interest Coverage Ratio [2]	3.2	3.5
Net Debt to Adjusted EBITDA [2]	7.8	6.9
Debt to Capitalization [3]	43.4%	35.4%
Credit Rating of Debentures	BBB(low)	BBB(low)

(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.

FINANCIAL REPORT
For the Year Ended December 31, 2018

Contents

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

CONSOLIDATED FINANCIAL STATEMENTS

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, 2018. This MD&A should be read in conjunction with Chartwell's audited, consolidated financial statements for the years ended December 31, 2018 and 2017, 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, 2018, can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of March 1, 2019.

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; "2018" refers to the calendar year 2018; "2017" refers to the calendar year 2017; and "2016" refers to the calendar year 2016.

Unless otherwise indicated, all comparisons of results for 2018 and Q4 2018 are in comparison to results from 2017 and Q4 2017, 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"), "Adjusted NOI", Funds from Operations ("FFO"), Internal Funds from Operations ("IFFO"), "Net Debt", "Adjusted EBITDA", "Net Debt to Adjusted EBITDA Ratio", "Liquidity", "Imputed Cost of Debt", "Lease-up-Losses", "Adjusted Development Costs", "Unlevered Yield", "Stabilized NOI" "Adjusted Resident Revenue", "Adjusted Direct Property Operating Expense", "Total Equity" 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. 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", "Interest 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", "Aggregate Adjusted Assets", "Unencumbered Aggregate Adjusted Assets", "Adjustment for accumulated depreciation and amortization", "Payment of cash distributions", "Investment restrictions", "Coverage ratio" and, "Amortization of finance costs and fair value adjustments on assumed mortgages". 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.

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

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 50 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 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

Our Continuum of Care

- Independent living ("IL") - Age-qualified suites/ townhouses/ bungalows/ apartments 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/ apartments 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.

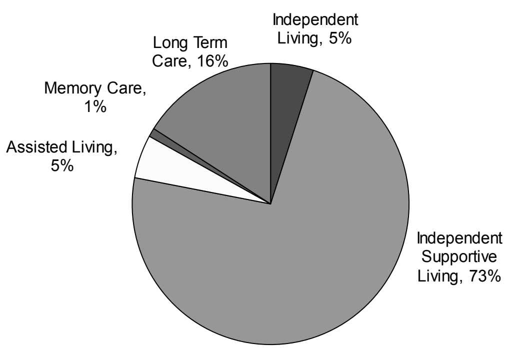
The following is the composition of our owned and managed portfolio of communities in our two operating segments at December 31, 2018:

	Retirement Operations		Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Communities: (1)						
100% Owned – operating	118	14,736	24	3,084	142	17,820
Partially Owned – operating (2)	44	8,179	-	-	44	8,179
Total Owned	162	22,915	24	3,084	186	25,999
Managed Communities	7	1,653	4	608	11	2,261
Total	169	24,568	28	3,692	197	28,260

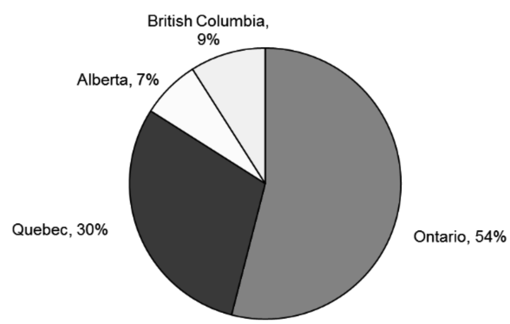
(1) Where a community provides more than one level of care, it has been designated according to the predominant level of care provided, type of licensing and funding received and internal management responsibility.
(2) We have a 50% ownership interest in these communities (7,577 suites) with the exception of three retirement communities (602 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, 2018 by:

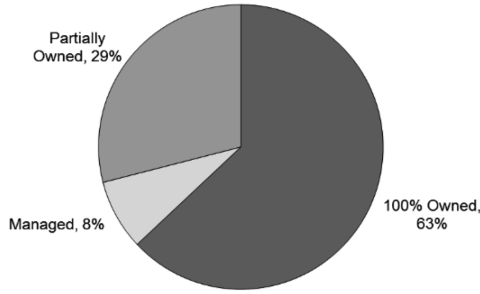
Level of Care



Geographic Location



Composition of Portfolio by Ownership, at December 31, 2018:



Business Strategy

In 2018, we updated our business strategy to establish our operating targets for the next five years and to define our scope and competitive advantage. We believe this clearly-defined strategy will support a better alignment of initiatives and resources across the organization and will help our managers and staff to choose and prioritize their activities.

Strategy Statement

"In 2023, we will achieve in our retirement residences, **Employee Engagement** of 55% (highly engaged), **Resident Satisfaction** of 67% (very satisfied) and Same Property **Occupancy** of 95% to drive strong **IFFOPU** growth by providing exceptional resident experiences through personalized services in our upscale and mid-market residences in urban and suburban locations."

Objectives:

We believe that only **highly engaged employees** will deliver the great resident experiences that drive high resident satisfaction scores. We know that **very satisfied residents** are much more likely to recommend their residence to their friends and be Chartwell ambassadors in their communities. We know that the majority of our new residents move in based on such recommendations. Therefore, by focusing our efforts and investments in the areas of employee engagement and resident satisfaction, we expect to generate **high occupancy rates** which, in turn, should drive strong growth in earnings. We elected to measure this earnings growth by utilizing an Internal Funds from Operations ("IFFO") metric on a per unit basis **("IFFOPU").** IFFO is calculated by adding to FFO the following: (a) lease-up-losses and imputed financing costs related to our development properties, (b) current income taxes, and (c) income guarantees due from vendors of certain acquired properties. The reconciliation of IFFO to net income/(loss) and FFO, explanations and rationale for adjustments can be found in the "Additional Information on Non-GAAP Financial Measures" section on page 45 of this MD&A.

Scope and Competitive Advantage:

Exceptional resident experience – Our customer is our resident. Our Unique Value Proposition is an exceptional resident experience and we achieve it by providing **personalized services**. Our service standards are 'Safety, Respect, Efficiency and WOW'.

Personalized services – We treat each resident as a unique individual. We get to know them well before they come to reside with us and we tailor our service offering to their individual preferences and needs.

Our residences – We own, operate and develop our residences. With a few specific exceptions we do not manage residences for third parties, nor do we invest in residences managed by others.

Upscale to Mid-market – We target the upscale and mid retirement market. We do not operate residences with base-level services and a limited staff complement due to high operating risks. We do not operate residences with premium upscale services due to the small size and narrow focus of this niche market.

Urban and suburban – We target residences in urban and suburban areas and will not operate in markets with populations less than 25,000 within a 10 km radius of our residences. In addition, to achieve management efficiencies we will not operate residences that generate less than $1million of Net Operating Income at stabilized occupancy. We expect to continue to operate in the four most populous provinces of Canada (Ontario, Quebec, British Columbia and Alberta) where we strive to be market leaders.

This strategy statement is centered on our retirement segment, which represents 84% of our total suites and 90% of our Adjusted Net Operating Income.

We are committed to maintaining our long term care operations which generate stable cash flows, meaningful economies of scale and significant operating expertise, particularly in the area of nursing care. Our LTC teams have been consistently implementing programs to drive employee engagement and resident satisfaction in their highly regulated environment. These “Rising above the Regs” programs resulted in a 43% Employee Engagement score and a 49% Resident Satisfaction score in 2018, compared to 36% and 44%, respectively, in 2017. Our LTC five-year operating targets are 50% Highly Engaged Employees and 57% of Very Satisfied Residents.

The following table highlights the progress made in 2018 on the key components of our new business strategy and our 2019 initiatives:

Employee Engagement	• In 2018, 47% of our employees reported to be highly engaged. This compares to 41% of highly engaged employees in 2017. • In 2019, in addition to continuation of the existing employee engagement programs, we plan to implement a profit sharing plan for our residence managers and complete our transition of payroll for all of our employees to our new Human Capital Management platform.
Resident Satisfaction	• In 2018, 58% of our residents reported to be very satisfied. This compares to 53% of very satisfied residents in 2017. • In 2018, we completed the rollout of our Welcome to Chartwell program at all of our retirement residences. The program is focused on the resident experience in the first 90 days after move in. We also implemented our proprietary Memory Living program at six of our residences and completed development and design of our proprietary Assisted Living program. • In 2019, we plan to develop and commence the implementation of resident experience training programs for our front line employees, delivered directly by new Chartwell customer experience trainers.
Occupancy	• In 2018, our same property occupancy was 90.5% in our Retirement Operations segment, compared to 2017 occupancy of 91.4%. The decrease is primarily attributable to the impact of new competition in a number of our markets. • In 2019, we will reposition more of our marketing budget to centralized branding initiatives, while increasing the focus of our residences on local community outreach. We will also enhance our sales cluster strategies in markets where we operate several properties. These strategies have been successfully piloted in 2018 in certain Ontario markets.
IFFOPU	• In 2018, Adjusted NOI (1) in our Retirement Operations segment increased $20.5 million or 8.1% and Adjusted NOI in our LTC Operations segment increased $2.6 million or 9.2%. • Same property Adjusted NOI (1) in our Retirement Operations segment increased $6.5 million or 2.7% in 2018. • FFO per unit (“FFOPU”) (2) was $0.90 in 2018, compared to $0.93 in 2017. • IFFOPU (2) was $0.94 in 2018, compared to $0.95 in 2017.

(1) Non-GAAP; refer to the “Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI” section on page 17 of this MD&A for details.
(2) Non-GAAP; refer to the “Additional Information on Non-GAAP Financial Measures” section on page 45 of this MD&A for a discussion of the calculation of the per unit amounts.

2019 Outlook

Our 2019 outlook is based on our expectations of slowing growth in the Canadian economy, a continuing strong labour market and gradually rising interest rates.

The federal and provincial governments' measures to temper the escalation in housing prices observed in 2016 and 2017, together with higher mortgage rates, have resulted in a meaningful decline in the volume of housing sales and lower housing prices, particularly in Toronto and Vancouver. We expect relative housing market stability in 2019, which should continue to support the ability of our prospective customers to sell their properties prior to moving to a retirement residence.

Development of new retirement residences continues to be active in certain markets in Ontario, Alberta, Quebec 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 2019 and beyond. We also believe that the quality of services and care that we offer at our properties, our strong national brand, 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. Please refer to the "Supplemental Information" section on page 58 of this MD&A for details of demand and supply in our markets.

With the current low unemployment rates and the recent significant increases to minimum wages in Ontario and Alberta, it remains a challenge to attract and retain front line employees in certain of our markets. We have developed and are currently implementing various recruitment and retention strategies.

Retirement Operations

We believe that our experienced and dedicated retirement operations team, with its strong focus on enhancing customer experience, and our innovative branding, marketing and sales programs, will deliver solid operating results in 2019. With this focus and the ongoing investments in upgrading our property portfolio, we expect to achieve stable occupancy and moderate revenue growth in 2019. 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 our residents.

- In 2018, our same property portfolio occupancy in Ontario was impacted by significant resident turnover in the first quarter and by meaningful supply of new competitive suites in certain markets. While in 2019 we expect to continue to see short-term occupancy pressures in select markets, we expect our Ontario same property portfolio to deliver incremental improvements in occupancy with overall rental rate growth of approximately 3.3%, in line with competitive market conditions.

- Our Western Canada platform continued to perform at high occupancy levels in 2018. 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 2019, our Western Canada same property portfolio will maintain high occupancies, with revenue growth being partially offset by higher labour costs and increases in electricity costs in Alberta. We expect rental rate growth for our private-pay retirement suites to be approximately 3.4%, in line with competitive market conditions. We expect lower rental rate increases for our government-funded suites.

- 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 Inc. ("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. In 2019, we expect stable occupancies in our Quebec same property portfolio with rental rate growth of approximately 2.5%, 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 2019 as there are approximately 35,000 people on the waiting list for LTC accommodation in Ontario.

General, Administrative and Trust ("G&A") Expenses

In 2018, we continued investments in our management platform to improve services delivered to our operating teams and to support growth in our development activities, including management of Batimo developments in Quebec. We believe that the long-term value creation from these developments far outweighs the short-term dilutive impact of such required investments. While numerous new corporate initiatives are planned for 2019, the majority of funding for these costs is expected to come from the reallocation of already-existing resources. As a result, in 2019, we expect G&A growth to be in line with inflation.

Development

Development continues to be one of our core growth strategies. At this time, our development program consists of six projects (871 suites) in construction with a further five projects (767 suites) in pre-construction. 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 2,500 additional suites. We continue to add to our land bank with 2018 acquisitions of development lands in Pickering, Ontario and Calgary, Alberta for $11.3 million.

In 2019, we expect to complete construction on four of the six projects noted above (643 suites) for a total investment of $132.7 million, which are expected to generate NOI of $9.9 million upon stabilization, at our share of ownership.

The rapid increases in construction costs in 2017-2018 resulted in some projects being postponed. While we expect the growth in construction costs to moderate in 2019, we will continue our evaluation of projects in the pre-construction stage to ensure that reasonable investment returns are achievable with an acceptable level of risk.

Acquisitions

In 2018, we acquired interests in five properties with 879 suites and entered into a forward purchase agreement to acquire one additional property upon completion of its development which is expected in Q4 2019.

In addition to our own development activities, we have built an important pipeline of future acquisition opportunities with Batimo. Through this relationship, over time we expect to acquire an 85% interest in close to 2,800 suites currently in various stages of lease up, construction and pre-development in the province of Quebec.

Dispositions

In 2018, we completed the sale of our interests in four non-core residences in Quebec for $45.5 million.

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 location, earnings potential, age or other attributes.

Taxation

In 2018, 3.0% of our distributions were classified as non-eligible dividends and 97.0% as return of capital.

In December 2018, we settled with the CRA on an audit matter for the years 2013 through 2015. The settlement resulted in additional taxable income in the years 2013 through 2017 but did not result in any cash taxes. The additional taxable income was offset by previously unclaimed capital cost allowance of $43.5 million and utilization of $3.9 million non-capital loss carryforwards.

Based on our current forecasts, we expect to have sufficient deductions and losses carried forward to eliminate any cash specified investment flow through ("SIFT") taxes in 2019.

Distributions

On March 1, 2019, we announced our fifth consecutive annual increase in monthly distributions. Monthly cash distributions will increase by 2.0% from $0.049 per unit ($0.5880 on an annualized basis) to $0.050 per unit ($0.60 on an annualized basis) effective for the March 31, 2019 distribution payable on April 15, 2019.

Significant Events

The following events have had a significant effect on our financial results in 2018 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 Debt

In addition to monitoring development costs measured on a GAAP basis which include land, hard and soft development costs, 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
  - operating results generated by the development property, including pre-opening costs (the "Lease-up-Losses"), plus
  - an imputed cost of debt calculated by applying our estimated weighted average cost of debt to our GAAP development costs plus Lease-up-Losses, compounded during the development of the property (the "Imputed Cost of Debt").

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

Completed Projects

In Q2 2018, we completed development of the 58-suite Chartwell Bankside Retirement Apartments in Kitchener, Ontario, adjacent to the existing 99-suite retirement residence. The newly-developed property is currently 59% leased. Adjusted development costs were $18.6 million and we expect to achieve an Unlevered Yield of 7.3% on this project.

In Q1 2019, we completed the development of Chartwell Carlton Retirement Residence in Burnaby, British Columbia. The development is comprised of 105 ISL units and is currently 45% leased. Adjusted development costs were $44.7 million and we expect to achieve an Unlevered Yield of 6.5% on this project.

Projects in Construction

The following table summarizes projects that are currently in construction:

Project	Location	Suites / Beds	Suite Type	Estimated Development Cost (1) ($ millions)	Estimated Lease-up-Losses and Imputed Cost of Debt (1)(2) ($millions)	Estimated Adjusted Development Costs (1)(3) ($millions)	Adjusted Development Costs incurred as at December 31, 2018 (1)(2) ($millions)	Expected Completion Date	Expected Stabilized Occupancy Date	Reservations	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI (1)(2) ($millions)	Expected Unlevered Yield (2)
The Sumach by Chartwell (4)	Toronto, ON	332	IL	45.3	3.6	48.9	39.6	Q1 2019	Q2 2021	44%	95%	3.5	7.2%
Chartwell Wescott Retirement Residence	Edmonton, AB	137	ISL/ MC	42.4	5.7	48.1	36.8	Q1 2019	Q3 2021	25%	94%	3.4	7.0%
Chartwell Thunder Bay Senior Townhomes	Thunder Bay, ON	9	IL	3.8	0.1	3.9	0.9	Q4 2019	Q4 2019	-	100%	0.3	7.5%
Chartwell Guildwood Retirement Residence (5)	Scarborough, ON	172	IL/ISL/ MC	33.5	3.1	36.6	6.9	Q2 2020	Q4 2022	37%	92%	2.5	7.0%
Chartwell Meadowbrook Village	Lively, ON	56	IL/ISL	21.5	1.6	23.1	2.3	Q2 2020	Q2 2021	-	93%	1.6	6.9%
		706		146.5	14.1	160.6	86.5					11.3	7.0%
Project by Signature Retirement Living ("Signature Living")													
Kingsbridge Retirement Community (6)	Kingston, ON	165	ISL/ AL	28.9	2.9	31.8	22.4	Q2 2019	Q3 2021	25%	95%	2.7	7.0%
		871		**175.4**	**17.0**	**192.4**	**108.9**					**14.0**	**7.0%**

(1) Calculated at Chartwell's ownership interest in the project.
(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 Lease-up-Losses and Imputed Cost of Debt.
(4) Chartwell owns a 45% interest in this project and manages pre-opening and lease-up.
(5) Redevelopment of the 83-suite residence to a 172-suite residence. Chartwell owns a 50% interest in this project.
(6) 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. The expected unlevered yield calculation includes estimates of such promote payment.

Projects in Pre-Construction

The following table summarizes projects that are currently in pre-construction:

Project	Location	Suites / Beds	Suite Type	Estimated Development Cost [1] ($ millions)	Estimated Lease-up-Losses and Imputed Cost of Debt [1][2] ($millions)	Estimated Adjusted Development Costs [1][3] ($millions)	Adjusted Development Costs incurred as at December 31, 2018 [1][2] ($millions)	Expected Construction Commencement Date	Expected Completion Date	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI [1][2] ($millions)	Expected Unlevered Yield [2]
Chartwell Ridgepointe Retirement Residence	Kamloops, BC	89	IL	23.6	1.4	25.0	1.9	Q3 2019	Q4 2020	Q1 2022	97%	1.9	7.7%
Chartwell Montgomery Village	Orangeville, ON	122	IL	41.8	3.6	45.4	1.9	Q2 2019	Q4 2020	Q3 2022	93%	3.1	6.9%
Chartwell Royalcliffe Retirement Community [4]	London, ON	163	IL/MC	32.5	3.2	35.7	1.3	Q3 2019	Q4 2020	Q1 2023	93%	2.4	6.8%
Chartwell Wynfield Retirement Community	Oshawa, ON	201	IL/MC	75.5	7.3	82.8	6.7	Q3 2019	Q3 2021	Q4 2023	97%	5.7	6.9%
Chartwell Ballycliffe LTC [5]	Ajax, ON	192	LTC	46.7	2.3	49.0	3.0	Q4 2019	Q4 2022	Q4 2022	100%	3.5	7.1%
		767		**220.1**	**17.8**	**237.9**	**14.8**					**16.6**	**7.0%**

(1) Calculated at Chartwell's ownership interest in the project.
(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 Lease-up-Losses and Imputed Cost of Debt.
(4) Chartwell owns a 50% interest in this project.
(5) 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, and demolition of this section of the building has been completed. The existing LTC operations are expected to continue during the redevelopment. Estimated stabilized NOI for this project includes expected capital funding subsidy receipts.

In September 2018, we acquired a 90% interest in 1.33 acres of vacant land in Pickering, Ontario for the development of a 415-suite retirement residence (the "Pickering Project") as well as a 100% interest in 1.39 acres of vacant land in Calgary, Alberta for the development of a 384-suite retirement residence. Detailed design and municipal approval activities for these projects are currently in progress.

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	Q3 2019
Chartwell Le Prescott	Vaudreuil, QC	324	ISL	O	June 2017	Q3 2020
Chartwell Le Montcalm	Candiac, QC	283	ISL	O	September 2017	Q2 2020
Chartwell St. Gabriel	St. Hubert, QC	345	ISL / AL	O	May 2018	Q4 2019
Chartwell Le Teasdale II	Terrebonne, QC	221	ISL	O	October 2018	Q1 2020
Chartwell Greenfield Park	Longueuil, QC	368	ISL / AL	C	Q2 2019	Q1 2021
Chartwell L'Envol	Cap Rouge, QC	360	ISL / AL	C	Q3 2019	Q1 2021
Chartwell Atwater	Montreal, QC	321	ISL / AL / MC	P	Q2 2021	Q4 2023
Charlesbourg Project	Quebec City, QC	359	ISL / AL	P	Q4 2020	Q4 2022
		2,744				

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

Potential Developments on Owned and Leased 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 Ste-Marthe résidence pour retraités	Saint-Hyacinthe, QC	100	0.8	70	0.7
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 Stillwater Creek Retirement Residence	Nepean, ON	100	0.5	32	0.6
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
Total (4)			27.7	2,457	19.4

(1) Numbers of potential suites to be developed are estimates and subject to change based on market conditions and municipal approval processes.
(2) Leased land.
(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.

Acquisitions

On April 23, 2018, we completed the acquisition of four retirement communities in Edmonton, Alberta comprising 775 suites, for a contractual purchase price of $297.4 million (the “Alberta Initial Portfolio”) and entered into a forward purchase agreement, conditional on certain terms, to acquire an additional 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.

On June 1, 2018, we completed the acquisition of a 104-suite ISL residence in Edmonton, Alberta for a contractual purchase price of $20.0 million.

Dispositions

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.

On May 11, 2018, we completed the previously-announced sale of Chartwell Les Monarques résidence pour rétraités in St. Eustache, Quebec. The sale price, at Chartwell’s share, was $13.5 million before closing costs and other adjustments and was settled in cash.

Financings

On April 3, 2018, we entered into amending agreements with our banking syndicate to extend the maturity of our unsecured credit facility and our secured credit facility (collectively, the “Credit Facilities”) by one year to May 29, 2021, reduce interest rates and amend certain covenants related to our unsecured credit facility. Please refer to the “Liquidity and Capital Resources” section on page 26 of this MD&A for more details.

On April 27, 2018 we issued $150 million of 4.211% Series B senior unsecured debentures (the “Series B Debentures”) due on April 28, 2025. DBRS Limited (“DBRS”) assigned a “BBB (low)” credit rating with a “stable” trend to the Series B Debentures. The net proceeds were used to partially repay amounts outstanding on our Credit Facilities.

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”)	37	7,245	50%	Joint operation
The Sumach by Chartwell (1)	1	332	45%	Joint operation
Batimo	4	602	85%	Joint operation
Chartwell Riverside Retirement Residence	1	138	50%	Joint operation
Chartwell Churchill House Retirement Residence	1	98	50%	Joint operation
Pickering Project (2)	1	415	90%	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 (3)	1	120	Refer to note (3)	Joint venture
Oak Ridges Retirement Residence (3)	1	129	Refer to note (3)	Joint venture
Kingsbridge Retirement Community (1)	1	165	60%	Joint venture

(1) In construction; refer to the “Projects in Construction” section on page 10 of this MD&A.
(2) In pre-construction; refer to the “Projects in Pre-Construction” section on page 11 of this MD&A.
(3) 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. In Q1 2019, Chartwell acquired all outstanding Class R units of the partnerships for an aggregate purchase price of $10.1 million. Chartwell’s interest in these two properties was accounted for using the equity method of accounting in 2018.

On May 1, 2012, Chartwell and Welltower Inc. ("Welltower") acquired undivided interests in a portfolio of 39 properties (of which two were 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.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

($000s)	**Q4 2018**	Q4 2017	Change	**2018**	2017	Change
Resident revenue	212,536	197,762	14,774	814,262	752,775	61,487
Direct property operating expense	147,714	136,966	10,748	557,839	520,376	37,463
Net income/(loss)	(13,098)	714	(13,812)	18,519	13,082	5,437

Resident revenue increased $61.5 million or 8.2% in 2018 and increased $14.8 million or 7.5% in Q4 2018, due to acquisitions and developments and revenue growth in our existing property portfolio.

Direct property operating expenses increased $37.5 million or 7.2% in 2018 and increased $10.7 million or 7.8% in Q4 2018, due to acquisitions and developments and increased expenses in our existing property portfolio.

In 2018, net income was $18.5 million compared to $13.1 million in 2017. The increase in net income was primarily due to higher resident revenues, gain on sale of assets and positive changes in fair values of financial instruments, partially offset by higher direct property operating, G&A, depreciation and finance costs.

In Q4 2018, net loss was $13.1 million compared to net income of $0.7 million in Q4 2017. The decrease in net income was primarily due to higher deferred taxes, direct property operating expenses, depreciation and finance costs, partially offset by higher resident revenues and positive changes in fair value of financial instruments.

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 the "Additional Information on Non-GAAP Financial Measures" section on page 45 of this MD&A.

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 of intangible assets (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 of Chartwell Master Care LP ("Class B Units") recorded as interest expense, changes in fair value of financial instruments and foreign exchange losses/(gains), deferred income tax expense/(benefit), loss/(gain) on sale of assets and adjustments for equity-accounted JVs, 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 45 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 FFOPU:

($000s, except per unit amounts)	**Q4 2018**	Q4 2017	Change	**2018**	2017	Change
FFO (1)	48,513	48,022	491	193,581	182,502	11,079
FFOPU (1)	0.23	0.24	(0.01)	0.90	0.93	(0.03)

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures" section on page 45 of this MD&A for a discussion of the calculation of the per unit amounts.

For 2018, FFO was $193.6 million or $0.90 per unit, compared to $182.5 million or $0.93 per unit in 2017. The following items impacted the change in FFO:

- higher adjusted NOI of $23.0 million consisting of an $8.8 million increase in same property adjusted NOI and a $14.2 million increase in contribution from acquisitions and developments; and
- higher management fee revenue of $1.8 million;

partially offset by:

- higher G&A expenses of $5.9 million incurred to improve services delivered to our operating teams and to support growth in our portfolio and our increased development activities;
- higher finance costs of $5.7 million;
- lease cancellation fees of $1.8 million related to the termination of our head office lease; and
- other items combined of $0.3 million.

For 2018, FFO per unit amounts were impacted by the issuance of 17.7 million Trust Units in Q4 2017 to finance the acquisition of the Alberta Initial Portfolio which closed on April 23, 2018.

For 2018, FFO was reduced by $4.1 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (2017 – $3.8 million).

Fourth Quarter: For Q4 2018, FFO was $48.5 million or $0.23 per unit, compared to $48.0 million or $0.24 per unit in Q4 2017. The following items impacted the change in FFO:

- higher adjusted NOI of $4.0 million consisting of a $1.5 million increase in same property adjusted NOI and a $2.5 million increase in contribution from acquisitions and developments;

partially offset by:

- lease cancellation fees of $1.8 million;
- higher finance costs of $1.3 million;
- higher G&A expenses of $0.1 million; and
- other items combined of $0.3 million.

For Q4 2018, FFO was reduced by $1.3 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (Q4 2017 – $1.0 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 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, 2018:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	142	20,155	16,408
Long Term Care Operations	23	2,984	2,984
Total same property portfolio	165	23,139	19,392

Acquisitions, Development and Other Portfolio

Our acquisitions, development and other portfolio includes properties that were acquired after January 1, 2017, 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, 2018:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	20	2,760	2,629
Long Term Care Operations	1	100	100
Total acquisitions, development and other portfolio	21	2,860	2,729

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 2018**	Q4 2017	Change	**2018**	2017	Change
Resident revenue	**212,536**	**197,762**	**14,774**	**814,262**	**752,775**	**61,487**
Add: Share of resident revenue from joint ventures [1]	31,965	31,684	281	125,101	124,641	460
Adjusted resident revenue [2]	244,501	229,446	15,055	939,363	877,416	61,947
Comprised of:						
Same property [2]	*216,157*	*209,262*	*6,895*	*839,540*	*813,677*	*25,863*
Acquisitions, development and other [2]	*28,344*	*20,184*	*8,160*	*99,823*	*63,739*	*36,084*
Adjusted resident revenue [2]	*244,501*	*229,446*	*15,055*	*939,363*	*877,416*	*61,947*
Direct property operating expense	**147,714**	**136,966**	**10,748**	**557,839**	**520,376**	**37,463**
Add: Share of direct property operating expenses from joint ventures [3]	19,694	19,353	341	76,831	75,380	1,451
Adjusted direct property operating expense [2]	167,408	156,319	11,089	634,670	595,756	38,914
Comprised of:						
Same property [2]	*146,497*	*141,079*	*5,418*	*563,077*	*546,066*	*17,011*
Acquisitions, development and other [2]	*20,911*	*15,240*	*5,671*	*71,593*	*49,690*	*21,903*
Adjusted direct property operating expense [2]	*167,408*	*156,319*	*11,089*	*634,670*	*595,756*	*38,914*
Adjusted NOI [2]	**77,093**	**73,127**	**3,966**	**304,693**	**281,660**	**23,033**
Comprised of:						
Same property [2]	*69,660*	*68,183*	*1,477*	*276,463*	*267,611*	*8,852*
Acquisitions, development and other [2]	*7,433*	*4,944*	*2,489*	*28,230*	*14,049*	*14,181*
Adjusted NOI [2]	*77,093*	*73,127*	*3,966*	*304,693*	*281,660*	*23,033*
Weighted average occupancy rate - same property portfolio	92.0%	92.9%	(0.9pp)	91.7%	92.5%	(0.8pp)
Weighted average occupancy rate - total portfolio	90.9%	91.6%	(0.7pp)	90.6%	90.3%	0.3pp

(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 7.1% in 2018, due to a 3.2% 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 6.5% in 2018, due to a 3.1% 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 higher staffing costs and higher communication, marketing and food expenses, partially offset by lower utilities expenses.

Adjusted NOI increased $23.0 million or 8.2% in 2018, due to an $8.9 million or 3.3% growth in same property adjusted NOI and growing contributions from acquisitions and developments. In 2018, same property occupancy was 91.7% compared to 92.5% in 2017.

Fourth Quarter: For Q4 2018, adjusted resident revenue increased 6.6% due to a 3.3% 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 and higher ancillary revenues, partially offset by lower occupancies.

For Q4 2018, adjusted direct property operating expense increased 7.1% due to a 3.8% 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 higher staffing costs and higher marketing and food expenses.

For Q4 2018, adjusted NOI increased $4.0 million or 5.4% due to a $1.5 million or 2.2% growth in same property adjusted NOI and growing contributions from acquisitions and developments. In Q4 2018, same property occupancy was 92.0% compared to 92.9% in Q4 2017.

Results of Operations by Reportable Segment

We monitor and operate our retirement and long term care properties separately. The Retirement Operations segment includes 162 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 includes 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	103	771	10,593	678	134	484	12,660
50% owned	39	572	6,502	358	63	-	7,495
Total same property owned	142	1,343	17,095	1,036	197	484	20,155
Acquisitions, Development & Other							
100% owned – operating	15	98	1,700	245	33	-	2,076
Partially owned – operating (1)	5	-	652	32	-	-	684
Total acquisitions, development & other	20	98	2,352	277	33	-	2,760
Total	162	1,441	19,447	1,313	230	484	22,915

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

During 2018, we sold four non-core retirement residences in Quebec with an aggregate 609 suites.

The following table presents the results of our Retirement Operations:

($000s, except occupancy rates)	**Q4 2018**	Q4 2017	Change	**2018**	2017	Change
Adjusted resident revenue	**182,256**	**169,748**	**12,508**	**705,021**	**649,989**	**55,032**
Comprised of:						
Same property (1)	*156,086*	*151,679*	*4,407*	*612,928*	*594,202*	*18,726*
Acquisitions, development and other (1)	*26,170*	*18,069*	*8,101*	*92,093*	*55,787*	*36,306*
Adjusted direct property operating expense	**113,318**	**103,963**	**9,355**	**431,070**	**396,493**	**34,577**
Comprised of:						
Same property (1)	*94,472*	*90,884*	*3,588*	*366,835*	*354,574*	*12,261*
Acquisitions, development and other (1)	*18,846*	*13,079*	*5,767*	*64,235*	*41,919*	*22,316*
Adjusted NOI	**68,938**	**65,785**	**3,153**	**273,951**	**253,496**	**20,455**
Comprised of:						
Same property (1)	*61,614*	*60,795*	*819*	*246,093*	*239,628*	*6,465*
Acquisitions, development and other (1)	*7,324*	*4,990*	*2,334*	*27,858*	*13,868*	*13,990*
Weighted average occupancy rate - same property portfolio	90.8%	91.8%	(1.0pp)	90.5%	91.4%	(0.9pp)
Weighted average occupancy rate - total portfolio	89.7%	90.5%	(0.8pp)	89.4%	89.0%	0.4pp

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 17 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted resident revenue increased 8.5% in 2018, due to a 3.2% 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 and higher ancillary revenues, partially offset by lower occupancies.

Adjusted direct property operating expense increased 8.7% in 2018, due to a 3.5% 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, and higher communication, food and marketing expenses, partially offset by lower utilities expenses.

Same property adjusted NOI increased $6.5 million or 2.7% in 2018, as follows:

- Our Ontario platform same property adjusted NOI increased $4.4 million or 3.4%, as rental rate increases in line with competitive market conditions, higher ancillary revenues and lower utilities expenses were partially offset by lower occupancies and higher staffing costs, communication, marketing and property tax expenses.
- Our Western Canada platform same property adjusted NOI increased $2.6 million or 5.2%, primarily due to rental rate increases in line with competitive market conditions, and higher ancillary revenues, partially offset by lower occupancies and higher staffing costs.
- Our Quebec platform same property adjusted NOI decreased $0.5 million or 0.8%, primarily due to higher staffing costs and lower occupancies partially offset by rental rate increases in line with competitive market conditions.

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

	2018	2017	Change
Ontario	87.1%	88.3%	(1.2pp)
Western Canada	96.2%	96.6%	(0.4pp)
Quebec	92.3%	93.1%	(0.8pp)
Combined	90.5%	91.4%	(0.9pp)

In 2018, occupancy in our retirement same property portfolio was 90.5%, a 0.9 percentage point decrease from 2017, primarily due to competitive market conditions in certain markets within Ontario and Quebec.

Fourth Quarter: Adjusted resident revenue increased 7.4% in Q4 2018, due to a 2.9% 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 and higher ancillary revenues, partially offset by lower occupancies.

Adjusted direct property operating expense increased 9.0% in Q4 2018, due to a 3.9% 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, marketing and communication expenses.

Same property adjusted NOI increased $0.8 million or 1.3% in Q4 2018, as follows:

- Our Ontario platform same property adjusted NOI increased $1.0 million or 2.9%, as rental rate increases in line with competitive market conditions, higher ancillary revenues and lower utilities expenses were partially offset by lower occupancies, higher staffing costs, food, communication and marketing expenses.
- Our Western Canada platform same property adjusted NOI increased $0.4 million or 3.5%, primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies, higher staffing, marketing and administrative expenses.
- Our Quebec platform same property adjusted NOI decreased $0.6 million or 4.0%, primarily due to lower occupancies, higher staffing costs, marketing, utilities and repairs and maintenance expenses, partially offset by rental rate increases in line with competitive market conditions.

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

	Q4 2018	Q4 2017	Change	Q3 2018	Change
Ontario	87.5%	88.8%	(1.3pp)	86.5%	1.0pp
Western Canada	96.3%	97.1%	(0.8pp)	96.2%	0.1pp
Quebec	92.4%	93.2%	(0.8pp)	92.4%	-
Combined	90.8%	91.8%	(1.0pp)	90.3%	0.5pp

While Ontario and Western Canada showed improved occupancies in Q4 2018 from Q3 2018, occupancies in certain markets continue to be impacted by new supply which is largely driving the 1.0 percentage point decline in occupancy from Q4 2017 to Q4 2018.

Long Term Care Operations

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

	Properties	Composition of Suites IL	ISL	AL	MC	LTC	Total
Same property	23	-	84	-	-	2,900	2,984
Acquisitions, development and other (1)	1	-	-	-	-	100	100
Total	24	-	84	-	-	3,000	3,084

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

In Q1 2018, we ceased operations of 49 retirement suites attached to an LTC residence to facilitate its redevelopment.

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

($000s, except occupancy rates)	**Q4 2018**	Q42017	Change	**2018**	2017	Change
Adjusted resident revenue	**62,245**	**59,698**	**2,547**	**234,342**	**227,427**	**6,915**
Comprised of:						
Same property (1)	*60,071*	*57,583*	*2,488*	*226,612*	*219,475*	*7,137*
Acquisitions, development and other (1)	*2,174*	*2,115*	*59*	*7,730*	*7,952*	*(222)*
Adjusted direct property operating expenses	**54,090**	**52,356**	**1,734**	**203,600**	**199,263**	**4,337**
Comprised of:						
Same property (1)	*52,025*	*50,195*	*1,830*	*196,242*	*191,492*	*4,750*
Acquisitions, development and other (1)	*2,065*	*2,161*	*(96)*	*7,358*	*7,771*	*(413)*
Adjusted NOI	**8,155**	**7,342**	**813**	**30,742**	**28,164**	**2,578**
Comprised of:						
Same property (1)	*8,046*	*7,388*	*658*	*30,370*	*27,983*	*2,387*
Acquisitions, development and other (1)	*109*	*(46)*	*155*	*372*	*181*	*191*
Weighted average occupancy rate - same property portfolio	98.5%	98.7%	(0.2pp)	98.2%	98.5%	(0.3pp)
Weighted average occupancy rate - total portfolio	98.5%	97.9%	0.6pp	98.2%	97.7%	0.5pp

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 17 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted NOI increased $2.6 million or 9.2% in 2018, primarily due to an 8.5% increase in adjusted NOI in the same property portfolio.

The increase in same property adjusted NOI was primarily due to higher preferred accommodation and ancillary revenues.

Weighted average occupancy in the same property portfolio was 98.2% in 2018 compared to 98.5% in 2017.

Fourth Quarter: Adjusted NOI increased $0.8 million or 11.1% in Q4 2018, primarily due to an 8.9% increase in adjusted NOI in the same property portfolio.

The increase in same property adjusted NOI was primarily due to higher preferred accommodation, ancillary revenues and a positive adjustment to certain reserves of $0.3 million.

Weighted average occupancy in the same property portfolio was 98.5% in Q4 2018 compared to 98.7% in Q4 2017.

Management and Other Fees

($000s)	**Q4 2018**	Q4 2017	Change	**2018**	2017	Change
Welltower	1,633	1,692	(59)	7,556	6,417	1,139
Other	826	610	216	3,152	2,444	708
Total management and other fees	2,459	2,302	157	10,708	8,861	1,847

In 2018, management and other fees increased primarily due to higher development management fees from Welltower and a higher number of properties managed for Batimo.

Interest Income

($000s)	**Q4 2018**	Q4 2017	Change	**2018**	2017	Change
Interest income on loans receivable	313	176	137	987	847	140
Interest income on capital funding	612	695	(83)	2,573	2,893	(320)
Other interest income	47	53	(6)	291	218	73
Total interest income	972	924	48	3,851	3,958	(107)

In 2018, and Q4 2018, interest income on loans receivable increased primarily due to higher loan balances.

In 2018, and Q4 2018, interest income on capital funding decreased primarily due to lower receivable balances.

General, Administrative and Trust Expenses

($000s)	**Q4 2018**	Q4 2017	Change	**2018**	2017	Change
G&A expenses	9,348	9,221	127	43,890	38,007	5,883

In 2018, G&A expenses increased $5.9 million, primarily due to higher staffing and education costs incurred to enhance services provided to our operating teams and to support the growing property portfolio and development activities, including management of Batimo projects which we expect to acquire upon stabilization.

Finance Costs

($000s)	**Q4 2018**	Q4 2017	Change	**2018**	2017	Change
Contractual interest expense on mortgages	17,157	15,924	1,233	65,438	63,223	2,215
Comprised of:						
Same property (1)	*14,698*	*15,009*	*(311)*	*58,625*	*60,370*	*(1,745)*
Acquisitions, development and other (1)	*2,459*	*915*	*1,544*	*6,813*	*2,853*	*3,960*
Interest expense on Debentures	3,501	1,909	1,592	11,881	4,274	7,607
Credit facility and other interest expense	420	941	(521)	2,827	4,743	(1,916)
	21,078	18,774	2,304	80,146	72,240	7,906
Amortization of finance costs and mark-to-market adjustments on assumed mortgages	228	339	(111)	886	835	51
	21,306	19,113	2,193	81,032	73,075	7,957
Interest capitalized to properties under development	(1,798)	(942)	(856)	(5,218)	(2,908)	(2,310)
Distributions on Class B Units recorded as interest expense	241	236	5	964	955	9
Total finance costs	19,749	18,407	1,342	76,778	71,122	5,656

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 17 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 $1.7 million in 2018 and $0.3 million in Q4 2018, primarily due to lower interest rates achieved on mortgage renewals.

Interest expense on Debentures is higher due to the issuance of two series of senior unsecured debentures (collectively, the "Debentures"); the "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%; and the "Series B Debentures" in the amount of $150 million were issued on April 27, 2018 and bear interest at an annual rate of 4.211%.

Credit facility and other interest expense decreased $1.9 million in 2018 and $0.5 million in Q4 2018, primarily due to lower average balances outstanding on our Credit Facilities in 2018.

Interest capitalized to properties under development increased $2.3 million in 2018 and $0.9 million in Q4 2018, 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 2018**	Q4 2017	Change	**2018**	2017	Change
Contractual interest expense on mortgages	882	582	300	2,403	2,261	142
Comprised of:						
Same property (1)	*272*	*206*	*66*	*887*	*833*	*54*
Acquisitions, development and other (1)	*610*	*376*	*234*	*1,516*	*1,428*	*88*
Amortization of finance costs	12	19	(7)	116	66	50
Interest capitalized to properties under development	(208)	(38)	(170)	(502)	(71)	(431)
Total finance costs	686	563	123	2,017	2,256	(239)

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 17 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 2018**	Q4 2017	Change	**2018**	2017	Change
Transaction costs arising on business acquisitions and dispositions	(351)	(1,611)	1,260	(3,873)	(7,540)	3,667
Gain/(loss) on sale of assets	656	628	28	17,519	697	16,822
Other income	373	255	118	793	1,062	(269)
Property lease expense	(102)	(98)	(4)	(399)	(395)	(4)
Lease termination costs	(1,806)	-	(1,806)	(1,806)	-	(1,806)
Total other income/(expense)	(1,230)	(826)	(404)	12,234	(6,176)	18,410

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 sale of assets in 2018 includes $15.2 million related to the sale of four non-core properties in Quebec and land in British Columbia.

In connection with the development of our new headquarters, we provided a notice of termination of our current head office lease and incurred a $1.8 million termination payment.

Other Items

($000s)	**Q4 2018**	Q4 2017	Change	**2018**	2017	Change
Depreciation of PP&E	(44,398)	(40,436)	(3,962)	(170,588)	(151,565)	(19,023)
Amortization of intangible assets	(726)	(408)	(318)	(1,767)	(1,784)	17
Changes in fair value of financial instruments and foreign exchange losses/(gains)	3,537	(3,941)	7,478	8,219	(2,987)	11,206
Current income tax expense	(19)	(7)	(12)	(63)	(15)	(48)
Deferred income tax benefit/(expense)	(19,226)	(28)	(19,198)	(19,145)	104	(19,249)

Depreciation of PP&E increased $19.0 million in 2018 and $4.0 million in Q4 2018, primarily due to depreciation of properties acquired in 2017 and 2018.

Changes in fair value of financial instruments and foreign exchange 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.

Deferred income tax expense increased $19.2 million in 2018 and Q4 2018, primarily due to a settlement agreement with Canada Revenue Agency (“CRA”) on an audit matter for the years 2013 to 2015.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between 2018 and 2017 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase / (Decrease) ($millions)	Explanation
Operating activities	29.0	Change in cash flows from operating activities is primarily due to higher adjusted NOI and change in non-cash working capital, partially offset by higher G&A expenses.
Financing activities	1.9	Change in cash flows from financing activities is primarily due to lower debt repayments net of new financings, partially offset by higher distributions.
Investing activities	(60.6)	Change in cash flows from investing activities is primarily due to increased acquisitions net of disposals and increased capital investments in our existing residences and new developments.

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, 2018 our liquidity was $415.5 million as presented in the following table:

($000s)	**December 31, 2018**	December 31, 2017
Cash and cash equivalents	29,779	44,751
Available under Credit Facilities	385,767	331,221
Total	415,546	375,972

In addition, at December 31, 2018, our share of cash and cash equivalents held in our Equity-Accounted JVs was $10.3 million.

As at December 31, 2018, our current liabilities totalled $371.9 million, exceeding current assets of $65.7 million, resulting in a working capital deficiency of $306.2 million. Current liabilities includes an amount of $183.6 million of current mortgages payable, comprised of $115.3 million related to maturing balances, and $68.3 million related to principal amortization and unamortized mark-to-market adjustments net of unamortized finance costs. We expect to refinance these mortgages in normal course at, or in some cases prior to, their maturities. 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 43 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 operations, (ii) property-specific mortgages, and (iii) secured and unsecured credit facilities. In addition, subject to market conditions, Chartwell may dispose of certain non-core assets and 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 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 financing;
- managing interest rate risk by spreading debt maturities over time with the target of having no more than approximately 10% of our total principal 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, 2018 and December 31, 2017:

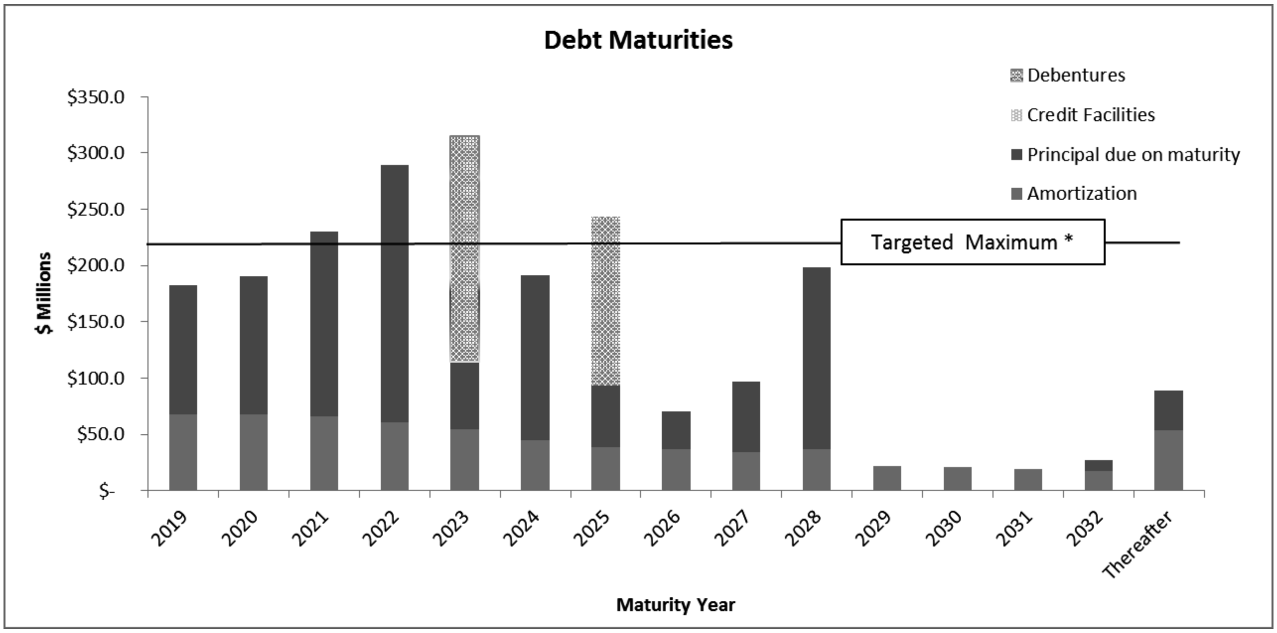
($000s)	**December 31, 2018**	December 31, 2017
Principal balance of mortgages payable	1,836,904	1,629,935
Credit Facilities	-	-
Principal balance of Series A Debentures	200,000	200,000
Principal balance of Series B Debentures	150,000	-
Principal balance of total debt	2,186,904	1,829,935

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

($000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate	Debentures	Weighted Average Interest Rate	Credit Facilities (1)	Weighted Average Interest Rate	**Total**	Consolidated Weighted Average Interest Rate
2019	67,653	115,341	182,994	3.39%	-	-	-	-	182,994	3.39%
2020	67,602	123,107	190,709	3.98%	-	-	-	-	190,709	3.98%
2021	65,758	164,130	229,888	4.15%	-	-	-	-	229,888	4.15%
2022	61,077	227,943	289,020	3.74%	-	-	-	-	289,020	3.74%
2023	54,580	60,419	114,999	4.11%	200,000	3.79%	-	-	314,999	3.90%
2024	44,877	146,289	191,166	3.99%	-	-	-	-	191,166	3.99%
2025	38,343	54,705	93,048	3.23%	150,000	4.21%	-	-	243,048	3.83%
2026	36,759	33,830	70,589	3.22%	-	-	-	-	70,589	3.22%
2027	33,974	63,176	97,150	3.44%	-	-	-	-	97,150	3.44%
2028	36,538	161,889	198,427	3.44%	-	-	-	-	198,427	3.44%
2029	22,261	-	22,261	4.75%	-	-	-	-	22,261	4.75%
2030	20,883	-	20,883	4.88%	-	-	-	-	20,883	4.88%
2031	19,434	-	19,434	4.94%	-	-	-	-	19,434	4.94%
2032	17,884	9,654	27,538	4.92%	-	-	-	-	27,538	4.92%
Thereafter	53,547	35,251	88,798	3.98%	-	-	-	-	88,798	3.98%
Total	641,170	1,195,734	1,836,904	3.80%	350,000	3.97%	-	-	2,186,904	3.83%

(1) At December 31, 2018, no amounts were drawn on our Credit Facilities.

The following chart provides a breakdown of our debt maturities:



** 10% of total principal debt = $218.7 million*

Mortgage Debt

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). As of December 31, 2018, approximately 68% 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 table summarizes the changes in the principal balance of our mortgage portfolio in 2018:

	Balance ($000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate of Maturing Debt	% CMHC Insured
Principal balance at December 31, 2017	1,629,935	7.8	3.86%	72%
Matured in the period	(149,957)	N/A	4.26%	57%
Assumed on acquisitions of properties	100,676	2.8	3.95%	-
New mortgage financing	320,083	6.9	3.53%	60%
Amortizing principal repayments	(63,833)	N/A	N/A	N/A
Principal balance at December 31, 2018	1,836,904	7.1	3.80%	68%
Mark-to-market adjustments on assumed mortgages	12,460			
Finance costs	(37,030)			
Mortgages payable at December 31, 2018	1,812,334			

New mortgage financing includes new CMHC-insured mortgages of $191.9 million with a weighted average interest rate of 3.15% and a weighted average term to maturity of 9.8 years; construction funding for one property under development of $16.3 million with interest at the Bankers' Acceptance rate ("BA") plus 155 basis points ("bps") and a weighted average term to maturity of 1.3 years; and one conventional mortgage on newly acquired property of $59.1 million with an interest rate of 4.42% and a term to maturity of 2.08 years, and top-up financings of $52.8 million on two assumed mortgages with a weighted average interest rate of 3.97% and a weighted average term to maturity of 3.5 years.

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

	At December 31, 2018			At December 31, 2017
	Fixed Rate	Variable Rate	Total	Total
Principal amount ($000s)	1,805,176	31,728	1,836,904	1,629,935
Weighted average interest rate	3.80%	4.10%	3.80%	3.86%
Average term to maturity (years)	7.1	3.5	7.1	7.8

The following tables are supplemental information and summarize the components of our debt at December 31, 2018 and December 31, 2017 for our Equity-Accounted JVs:

($000s)	**December 31, 2018**	December 31, 2017
Principal balance of mortgages payable	99,783	83,954
Finance costs	(1,416)	(117)
Mortgages payable at December 31, 2018	98,367	83,837

($000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate
2019	1,116	-	1,116	3.52%
2020	1,155	30,000	31,155	2.39%
2021	1,128	30,023	31,151	4.40%
2022	819	11,150	11,969	4.29%
2023 and thereafter	5,326	19,066	24,392	3.13%
Total	9,544	90,239	99,783	3.44%

Credit Facilities

At December 31, 2018, our Credit Facilities had a total maximum borrowing capacity of $400.0 million. The following table summarizes the available borrowing capacity on these Credit Facilities:

($000s)	Maximum Capacity	Available Capacity	Utilized for Letters of Credit	Borrowed	Available
Unsecured credit facility (1)	100,000	100,000	-	-	100,000
Secured credit facility	300,000	291,765	5,998	-	285,767
Total Credit Facilities	400,000	391,765	5,998	-	385,767

(1) An option to increase borrowing capacity by an additional $50.0 million is available, subject to certain conditions.

On April 3, 2018, we entered into amending agreements with our banking syndicate with the following key terms:

- Maturity date of the Credit Facilities was extended by one year to May 29, 2021.
- Pricing of the Credit Facilities was amended to tie to Chartwell's credit rating. At the current BBB(low) rating, amounts borrowed under the secured credit facility will bear interest at the banks' prime rate ("Prime") plus 65 bps or BA plus 165 bps, and amounts borrowed under the unsecured credit facility will bear interest at Prime plus 70 bps or BA plus 170 bps.
- Unencumbered asset coverage covenant under the unsecured credit facility was amended to allow certain non-stabilized and jointly-owned assets to be included in the unencumbered asset pool and the coverage requirement was reduced from 1.5 to 1.3.

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.

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 finance costs of $1.6 million were incurred and recorded against the principal owing.

On April 27, 2018, we issued $150 million of 4.211% Series B senior unsecured debentures (the "Series B Debentures") due on April 28, 2025, with semi-annual interest payments due on April 28 and October 28 of each year commencing October 28, 2018. Debt finance costs of $1.1 million were incurred and recorded against the principal owing.

The following table summarizes the balance of our Debentures:

($000s)	**As at December 31, 2018**	As at December 31, 2017
Series A Debentures outstanding	200,000	200,000
Series B Debentures outstanding	150,000	-
Unamortized finance costs	(2,117)	(1,407)
Carrying value	347,883	198,593

Credit Rating

Chartwell's credit rating for our Debentures is summarized below:

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

Long-term ratings assigned by 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 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 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 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 April 3, 2018 (together, the "Credit Agreements"), and in the trust indentures for the 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, 2018**	Rolling 12 months December 31, 2017
Consolidated EBITDA for Credit Facilities (1)	280,312	262,928
Consolidated interest expense for Credit Facilities (2)	82,549	74,501
Consolidated regularly-scheduled debt principal payments for Credit Facilities (3)	64,331	58,238
Consolidated debt service payments for Credit Facilities	146,880	132,739
Debt service coverage ratio for Credit Facilities	1.91	1.98

(1) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 35 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 Debentures" section on page 35 of this MD&A for the calculation of consolidated interest expense for Credit Facilities.
(3) Refer to the "Supporting Covenant Calculations – 3. Regularly-Scheduled Debt Principal Payments for Credit Facilities" section on page 36 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, 2018**	As at December 31, 2017
Consolidated indebtedness for Credit Facilities (1)	2,296,833	1,940,719
Adjusted consolidated gross book value of assets for Credit Facilities (2)	4,601,517	4,157,365
Total leverage ratio for Credit Facilities	49.9%	46.7%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 36 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 Debentures" section on page 37 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, 2018, the minimum adjusted consolidated unitholders' equity requirement was $1,194 million.

($000s)	**As at December 31, 2018**	As at December 31, 2017
Unitholders' equity per Financial Statements	933,520	1,010,167
Adjustment for accumulated depreciation and amortization for Credit Facilities (1)	919,881	785,563
Class B Units	22,456	26,808
Deferred Trust Units ("DTUs")	13,313	14,186
Adjusted consolidated unitholders' equity for Credit Facilities	1,889,170	1,836,724

(1) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of $25.1 million at December 31, 2018 ($26.1 million at December 31, 2017) and fully amortized assets of $228.0 million at December 31, 2018 ($182.9 million at December 31, 2017).

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)	**2018**	2017
Distributions declared on Trust Units	124,006	112,025
Distributions on Class B Units	964	955
Distributions on DTUs	534	488
Total distributions for Credit Facilities	125,504	113,468
Less:		
Non-cash distributions settled by DRIP	21,253	20,115
Non-cash distributions applied to Executive Unit Purchase Plan ("EUPP")	889	861
Non-cash distributions applied to DTUs	534	488
Cash distributions for Credit Facilities	102,828	92,004
AFFO for Credit Facilities (1)	182,631	169,811
Cash distributions as a percentage of AFFO for Credit Facilities	56.3%	54.2%

(1) Refer to the "Supporting Covenant Calculations – 6. Adjusted Funds from Operations for Credit Facilities" section on page 37 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, loans receivable and properties held for development as follows:

($000s)	Threshold as of December 31, 2018	**As at December 31, 2018**	As at December 31, 2017
Non-qualifying joint ventures and investments (1)	230,076	-	-
Loans receivable (2)	690,228	14,905	6,753
Investments in property held for development/construction as defined in the Credit Facilities (2)	690,228	235,960	114,175
Combined (3)	1,150,379	250,865	120,928

(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. December 31, 2018 amount includes $22.4 million related to our interest in one Equity-Accounted JV.
(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, 2018**	As at December 31, 2017
Secured indebtedness for the unsecured credit facility (1)	1,936,687	1,713,889
Adjusted consolidated gross book value of assets for Credit Facilities (2)	4,601,517	4,157,365
Secured indebtedness ratio for the unsecured credit facility	42.1%	41.2%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 36 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 Debentures" section on page 37 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 1.3 times (1.5 times at December 31, 2017) our consolidated unsecured indebtedness.

($000s, except unencumbered property asset ratio)	**December 31, 2018**	December 31, 2017
Unencumbered property asset value for the unsecured credit facility (1)	676,900	405,200
Unsecured indebtedness for the unsecured credit facility (2)	360,146	226,830
Unencumbered property asset ratio for the unsecured credit facility	1.9	1.8

(1) Includes 33 properties valued at $676.9 million as of December 31, 2018 (17 properties valued at $405.2 million as of December 31, 2017) with valuations completed through third-party appraisals.
(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 36 of this MD&A for the calculation of unsecured indebtedness for the Credit Facilities.

Debentures

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

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

($000s, except Interest Coverage Ratio)	**Rolling 12 months December 31, 2018**	Rolling 12 months December 31, 2017
Consolidated EBITDA for Debentures (1)	286,658	266,831
Consolidated interest expense for Debentures (2)	89,922	76,546
Interest Coverage Ratio for Debentures	3.2	3.5

(1) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 35 of this MD&A for the calculation of consolidated EBITDA for Debentures.
(2) Refer to the "Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Debentures" section on page 35 of this MD&A for the calculation of consolidated interest expense for Debentures.

2. Indebtedness Percentage for 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, 2018**	December 31, 2017
Consolidated indebtedness for Debentures (1)	2,248,178	1,832,269
Aggregate adjusted assets for Debentures (2)	4,561,410	4,074,842
Indebtedness percentage for Debentures	49.3%	45.0%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 36 of this MD&A for the calculation of consolidated indebtedness for Debentures.
(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures" section on page 37 of this MD&A for the calculation of aggregate adjusted assets for Debentures.

3. Coverage Ratio for 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 to the date of this MD&A and calculated based on the definition in the Supplemental Trust Indentures.

($000s, except ratio)	**December 31, 2018**	December 31, 2017
Unencumbered aggregate adjusted assets for Debentures (1)	676,900	455,000
Unsecured indebtedness for Debentures (2)	351,598	202,739
Coverage ratio for Debentures	1.9	2.2

(1) Includes 33 properties valued at $676.9 million as of December 31, 2018 (22 properties valued at $455.0 million as of December 31, 2017) with valuations completed through third-party appraisals.
(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 36 of this MD&A for the calculation of unsecured indebtedness for the Debentures.

Supporting Covenant Calculations

1. Consolidated EBITDA for Credit Facilities and Debentures

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

($000s)	**Rolling 12 months December 31, 2018**	Rolling 12 months December 31, 2017
Net income/(loss)	18,519	13,082
Loss/(gain) on sale of assets (1)	(17,492)	(704)
Transaction costs	3,873	7,540
Non-cash changes in fair value of financial instruments and foreign exchange loss/(gain) (1)	(7,548)	3,124
Consolidated net income for Credit Facilities	(2,648)	23,042
Consolidated finance costs (1)	78,795	73,378
Consolidated depreciation of PP&E and amortization of intangible assets (1)	178,977	160,935
Consolidated income tax expense/(benefit)	19,208	(89)
Principal portion of capital funding	5,980	5,662
Consolidated EBITDA for Credit Facilities	280,312	262,928
Proforma adjustments (2)	6,346	3,903
Consolidated EBITDA for Debentures	286,658	266,831

(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 Debentures

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

($000s)	**Rolling 12 months December 31, 2018**	Rolling 12 months December 31, 2017
Interest on mortgages (1)	67,841	65,484
Interest on Debentures	11,881	4,274
Interest on Credit Facilities	2,827	4,743
Consolidated interest expense for Credit Facilities	82,549	74,501
Proforma adjustments (2)	7,373	2,045
Consolidated interest expense for Debentures	89,922	76,546

(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, 2018**	Rolling 12 months December 31, 2017
Regularly-scheduled debt principal payments per Financial Statements	63,833	57,856
Regularly-scheduled debt principal payments for equity-accounted entities	498	382
Regularly-scheduled debt principal payments for Credit Facilities	64,331	58,238

4. Consolidated Indebtedness for Credit Facilities and Debentures

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

($000s)	**December 31, 2018**	December 31, 2017
Principal balance of mortgages payable	1,836,904	1,629,935
Principal balance of mortgages payable related to Equity-Accounted JVs	99,783	83,954
Outstanding amount on the secured credit facility	-	-
Secured indebtedness for the unsecured credit facility	1,936,687	1,713,889
Principal balance of Debentures	350,000	200,000
Deferred purchase consideration	-	1,506
Capital lease obligations	1,598	1,233
Unsecured indebtedness for Debentures	351,598	202,739
Outstanding letters of credit	5,998	4,655
Third-party guarantees	2,550	19,436
Unsecured indebtedness for Credit Facilities	360,146	226,830
Consolidated indebtedness for Credit Facilities	2,296,833	1,940,719
Add (Subtract):		
Outstanding letters of credit	(5,998)	(4,655)
Third-party guarantees	(2,550)	(19,436)
Cash and cash equivalents	(29,779)	(44,751)
Cash and cash equivalents of Equity-Accounted JVs	(10,328)	(7,608)
Proforma adjustments (1)	-	(32,000)
Consolidated indebtedness for Debentures	2,248,178	1,832,269

(1) *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.*

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

($000s)	**December 31, 2018**	December 31, 2017
Book value of assets [1]	3,410,672	3,095,359
Gross book value adjustment on IFRS transition [2]	270,964	276,443
Adjustment for accumulated depreciation and amortization for Credit Facilities [3]	919,881	785,563
Adjusted consolidated gross book value of assets for Credit Facilities	4,601,517	4,157,365
Add (Subtract):		
Cash and cash equivalents	(29,779)	(44,751)
Cash and cash equivalents of Equity-Accounted JVs	(10,328)	(7,608)
Proforma adjustments [4]	-	(30,164)
Aggregate adjusted assets for Debentures	4,561,410	4,074,842

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.
(2) The change from December 31, 2017 is due to the sale of three properties in Quebec in Q1 2018.
(3) Includes accumulated depreciation of PP&E and amortization of intangible assets for Equity-Accounted JVs of $25.1 million at December 31, 2018 ($26.1 million at December 31, 2017) and fully amortized assets of $228.0 million at December 31, 2018 ($182.9 million at December 31, 2017).
(4) 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 finance costs and fair value adjustments on assumed mortgages: Adjustments for non-cash interest expense items and to account for interest expense based on the contractual terms of the underlying debt.

Finance 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.

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

($000s)	2018	2017
FFO [1]	193,581	182,502
Add (Subtract) amounts as defined in the Credit Agreements:		
Principal portion of capital funding receivable	5,980	5,662
Income guarantees [2]	3,572	1,344
Amortization of finance costs and fair value adjustments on assumed mortgages [3]	(230)	(612)
Finance cost reserve	(1,485)	(1,537)
AFFO for Credit Facilities before capital maintenance reserve	201,418	187,359
Capital maintenance reserve - 2% of property revenue	(18,787)	(17,548)
AFFO for Credit Facilities	182,631	169,811

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 45 of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(2) Non-GAAP; refer to the preamble to this table. Includes Chartwell's proportionate share of Equity-Accounted JVs.
(3) Non-GAAP; excludes $1.2 million of amortization of finance costs incurred in respect of renewal of our Credit Facilities and Debentures (2017 - $1.2 million).

Total Equity

The following table summarizes changes in the number of outstanding units during 2018:

	Trust Units	Trust Units under EUPP	Class B Units	DTUs	Total Equity [1]
Balance December 31, 2017	209,481,633	1,452,089	1,648,738	872,599	213,455,059
Trust Units issued pursuant to DRIP	1,460,800	-	-	-	1,460,800
Trust Units issued under EUPP	-	115,348	-	-	115,348
Trust Units surrendered for cancellation under EUPP	-	(1,161)	-	-	(1,161)
Trust Units released on settlement of EUPP receivable	43,117	(43,117)	-	-	-
Exchange of Class B Units into Trust Units	6,000	-	(6,000)	-	-
DTUs issued	-	-	-	65,830	65,830
Distributions on DTUs	-	-	-	35,634	35,634
Balance December 31, 2018	210,991,550	1,523,159	1,642,738	974,063	215,131,510

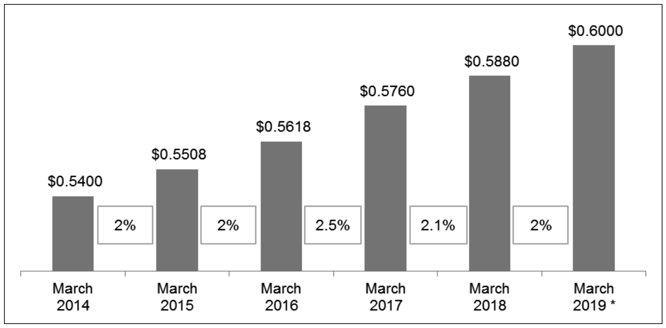
(1) Non-GAAP; includes Class B Units and DTUs which are classified as liabilities in our Financial Statements.

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 March 1, 2019, the Trustees approved a 2.0% increase in our monthly distributions from annualized $0.5880 per unit to $0.6000 per unit effective for the March 31, 2019 distribution paid on April 15, 2019.

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



** Effective for the March 31, 2019 distribution paid on April 15, 2019.*

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 2018, our average DRIP participation was 17.3% compared to 18.3% participation in 2017.

The following table summarizes distributions declared on Trust Units in Q4 2018, 2018, 2017 and 2016 in relation to net income/(loss) from continuing operations and cash flows from operating activities:

($000s)	**Q4 2018**	**2018**	2017	2016
Distributions declared on Trust Units	31,192	124,006	112,025	104,701
Cash flows from operating activities	64,002	219,359	190,363	164,648
Net income/(loss)	(13,098)	18,519	13,082	(710)
Excess cash flows from operating activities over distributions declared on Trust Units	32,810	95,353	78,338	59,947
Deficit of net income/(loss) over distributions declared on Trust Units	(44,290)	(105,487)	(98,943)	(105,411)

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, distributions on Class B Units recorded as interest expense, 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, 2018 compared to December 31, 2017.

	Increase / (Decrease) ($millions)	Explanation
Total assets	305.0	Total assets increased primarily due to acquisitions and additions to PP&E, partially offset by depreciation and amortization.
Total liabilities	381.6	Total liabilities increased primarily due to debt used to finance acquisitions and developments.
Equity	(76.6)	The decrease in equity is primarily due to distributions, partially offset by net income for the period.

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 sustain 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 2018 and 2017:

($000s)	2018 Properties Owned prior to January 1, 2014 (1)	2018 Properties Acquired since January 1, 2014 (2)	2018 Total	2017 Properties Owned prior to January 1, 2014 (3)	2017 Properties Acquired since January 1, 2014 (4)	2017 Total
Building improvements	21,282	4,070	25,352	22,315	2,749	25,064
Mechanical and electrical ("M&E")	9,925	2,483	12,408	9,008	1,386	10,394
Suite improvements and upgrades	16,167	4,548	20,715	17,518	2,863	20,381
Interior improvements and upgrades	4,560	1,283	5,843	4,941	808	5,749
Furniture, fixtures and equipment	8,882	2,509	11,391	7,941	2,091	10,032
Communications and information systems	2,217	227	2,444	1,614	556	2,170
	63,033	15,120	78,153	63,337	10,453	73,790
Properties under development			107,813			79,904
Land			6,125			56
Chartwell Hub (5)			24,641			13,482
Total capital investments			216,732			167,232

(1) Includes 154 properties (17,703 suites at Chartwell's share of ownership).
(2) Includes 32 properties (4,418 suites at Chartwell's share of ownership).
(3) Includes 157 properties (18,163 suites at Chartwell's share of ownership).
(4) Includes 27 properties (3,565 suites at Chartwell's share of ownership).
(5) Cost incurred for the development of Chartwell's new head office ("Chartwell Hub").

The following table is supplemental information and summarizes capital investments in our Equity-Accounted JVs in 2018 and 2017 not included in the table above:

($000s)	2018 Properties Owned prior to January 1, 2014	2018 Properties Acquired since January 1, 2014	2018 Total	2017 Properties Owned prior to January 1, 2014	2017 Properties Acquired since January 1, 2014	2017 Total
Capital investments in Equity-Accounted JVs (1)	2,417	9,840	12,257	2,064	12,850	14,914

(1) 2018 amount includes $9.3 million related to one property under development (2017 - $12.8 million).

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 2018, we completed 110 major building improvement projects valued over $50,000 each, totalling $20.2 million. In 2017, we completed 101 projects for a total of $17.0 million.

In addition, this category includes the acquisitions of four condominium suites at two of our properties in British Columbia totalling $1.3 million. In 2017, we acquired 10 condominium suites for a total of $2.7 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 2018, we completed 83 major M&E projects valued over $50,000 each, totalling $11.6 million. In 2017, we completed 69 projects for a total of $8.7 million.

Suite Improvements and Upgrades

This category includes capital investments in resident suites. Over the past four 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 2018, 82 properties were subject to strategic suite upgrade programs (2017– 77 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 2018, 68 properties were subject to strategic common area upgrade programs (2017– 86 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 maturities on major financial liabilities as at December 31, 2018:

($000s)	Total	2019	2020	2021	2022	2023	Thereafter
Mortgages payable	1,836,904	182,994	190,709	229,888	289,020	114,999	829,294
Debentures	350,000	-	-	-	-	200,000	150,000
Accounts payable and other liabilities	144,281	144,281	-	-	-	-	-
Distributions payable	10,493	10,493	-	-	-	-	-
Operating leases	2,327	1,302	136	139	155	155	440
Land leases	24,943	376	376	376	376	376	23,063
Total maturities	2,368,948	339,446	191,221	230,403	289,551	315,530	1,002,797

Operating leases relate to the agreements for office spaces in Mississauga, Montreal and Vancouver.

Land leases relate to three properties and expire between 2044 and 2076.

Guarantees

We remain a guarantor of mortgages on two properties sold in 2014 with the aggregate outstanding balance as of December 31, 2018 of $2.6 million. The purchasers of these properties have indemnified us with respect to these guarantees.

As of December 31, 2018, together with our partners, we have jointly and severally guaranteed loans on certain joint arrangements to an aggregate maximum amount of $239.4 million. As at December 31, 2018, outstanding balances on these loans were $161.1 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 2,744 suites that are subject to this arrangement, of which five are in lease-up, two are in construction and two are in pre-construction. Under our agreements with Welltower, Welltower may participate as Chartwell's equal partner in acquisitions of interests in three of these projects.

In Q2 2018, we entered into a forward purchase agreement to acquire a 256-suite residence conditional upon completion of its development which is expected in Q4 2019, for a contractual purchase price of $120.0 million.

At December 31, 2018, the remaining commitments under various construction contracts related to our development projects amounted to approximately $76.0 million.

Letters of Credit

As at December 31, 2018, we were contingently liable for letters of credit in the amount of $6.0 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)	2018	2017	2016
Resident revenues	814,262	752,775	714,380
Total revenues	866,654	800,294	761,387
Direct property operating expenses	557,839	520,376	495,227
Net income/(loss) – continuing operations	18,519	13,082	(710)
Net income/(loss)	18,519	13,082	4,796
Total assets	3,318,848	3,013,899	2,796,707
Total non-current liabilities	2,013,434	1,675,847	1,697,113
Total liabilities	2,385,328	2,003,732	1,971,724
Distributions declared per unit	0.58600	0.57364	0.55998

Our annual results for the past three years have been primarily affected by the contribution of acquisitions and dispositions.

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

($000s, except per unit amounts)	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	225,828	219,698	214,578	206,550	209,724	204,538	193,856	192,176
Direct property operating expenses	(147,714)	(138,877)	(135,901)	(135,347)	(136,966)	(130,774)	(126,693)	(125,943)
Depreciation and amortization	(45,124)	(45,262)	(41,194)	(40,775)	(40,844)	(39,089)	(35,341)	(38,075)
Share of net income from joint ventures	(53)	881	353	301	1,230	2,046	904	536
G&A expenses	(9,348)	(9,960)	(12,052)	(12,530)	(9,221)	(8,260)	(10,121)	(10,405)
Other income/(expense)	(1,230)	232	312	12,920	(826)	(3,426)	(553)	(1,371)
Finance costs	(19,749)	(19,924)	(19,572)	(17,533)	(18,407)	(18,517)	(17,614)	(16,584)
Changes in fair value of financial instruments and foreign exchange loss/(gain)	3,537	2,338	436	1,908	(3,941)	3,690	1,765	(4,501)
Current income tax benefit/(expense)	(19)	(18)	(18)	(8)	(7)	(8)	-	-
Deferred income tax benefit/(expense)	(19,226)	27	26	28	(28)	26	106	-
Net income/(loss) for the period	(13,098)	9,135	6,968	15,514	714	10,226	6,309	(4,167)
FFO (1)	48,513	53,329	48,919	42,820	48,022	50,517	41,856	42,106
FFOPU (1)	0.23	0.25	0.23	0.20	0.24	0.26	0.21	0.22

(1) Non-GAAP; refer to the “Additional Information on Non-GAAP Financial Measures” section on page 45 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 2017 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.

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 and Internal Funds from Operations

FFO

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.
D. Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination.
E. Gains or losses from sales of investment properties and owner-occupied properties, including the gain or loss included within discontinued operations (if applicable).
F. Tax on profits or losses on disposals of properties.
G. Deferred taxes.
H. Impairment losses or reversals recognized on land and depreciable real estate properties, excluding those relating to properties used exclusively for administrative purposes.
I. Revaluation gains or losses recognized in profit or loss on owner-occupied properties, excluding those relating to properties used exclusively for administrative purposes.
J. Transaction costs expensed as a result of the purchase of a property being accounted for as a business combination.
K. Foreign exchange gains or losses on monetary items not forming part of a net investment in a foreign operation.
L. Gain or loss on the sale of an investment in a foreign operation.
M. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
N. Negative goodwill or goodwill impairment.
O. Effects of puttable instruments classified as financial liabilities.

P. Results of discontinued operations.
Q. Adjustments for equity-accounted entities.
R. Incremental leasing costs.
S. Property taxes accounted for under IFRIC 21.
T. Operational revenue and expenses from Right of Use assets.
U. Non-controlling interests.

IFFO

IFFO is a Non-GAAP Financial Measure used to evaluate management performance and does not have a standardized meaning prescribed by IFRS; therefore, is not comparable to similar measures presented by other income trusts or other companies. IFFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. Chartwell calculates IFFO by adding or subtracting the following items to or from its FFO: (a) Lease-up-Losses and Imputed Cost of Debt on development properties; (b) income guarantees due from vendors of certain acquired properties; and (c) current income taxes. These adjustments to FFO are made to ensure management is not incented to make short-term decisions for Chartwell by not developing new properties or acquiring properties with long-term value creation potential.

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

	($000s, except per unit amounts)	**Q4 2018**	Q4 2017	Change	**2018**	2017	Change
	Net income/(loss)	(13,098)	714	(13,812)	18,519	13,082	5,437
	Add (Subtract):						
B	Depreciation of PP&E	44,398	40,436	3,962	170,588	151,565	19,023
D	Amortization of limited life intangible assets	726	408	318	1,767	1,784	(17)
B	Depreciation of of PP&E and amortization of intangible assets used for administrative purposes included in depreciation of PP&E and amortization of intangible assets above	(1,045)	(574)	(471)	(2,857)	(2,326)	(531)
E	Gain on sale of assets	(656)	(628)	(28)	(17,519)	(697)	(16,822)
J	Transaction costs arising on business acquisitions and dispositions	351	1,611	(1,260)	3,873	7,540	(3,667)
G	Deferred income tax	19,226	28	19,198	19,145	(104)	19,249
O	Distributions on Class B Units recorded as interest expense	241	236	5	964	955	9
M	Changes in fair value of financial instruments and foreign exchange loss/(gain)	(3,537)	3,941	(7,478)	(8,219)	2,987	(11,206)
Q	FFO adjustments for Equity-Accounted JVs (1)	1,907	1,850	57	7,320	7,716	(396)
	FFO (2)	48,513	48,022	491	193,581	182,502	11,079
	Add (Subtract):						
	Lease-up-Losses and Imputed Cost of Debt (3)	1,256	1,034	222	4,110	3,754	356
	Income guarantees (4)	653	351	302	3,572	1,344	2,228
	Current income tax	19	7	12	63	15	48
	IFFO (5)	50,441	49,414	1,027	201,326	187,615	13,711
	FFOPU (6)	0.23	0.24	(0.01)	0.90	0.93	(0.03)
	IFFOPU (6)	0.23	0.24	(0.01)	0.94	0.95	(0.01)

(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; refer to the "Significant Events – Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Debt " section on page 9 of this MD&A. Includes Chartwell's proportionate share of Equity-accounted JVs.
(4) Non-GAAP; refer to the preamble to this table. Includes Chartwell's proportionate share of Equity-Accounted JVs.
(5) Non-GAAP; refer to the preamble to this table and to the "Business Strategy" section on page 5 of this MD&A.
(6) Non-GAAP; refer to the "Per Unit Amounts" section on page 47 of this MD&A for a discussion of the calculation of the per unit amounts.

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 2018**	Q4 2017	Change	**2018**	2017	Change
B	Depreciation of PP&E	1,430	1,831	(401)	6,622	7,578	(956)
D	Amortization of limited life intangible assets	-	1	(1)	-	8	(8)
E	Loss/(gain) on sale of assets	(2)	-	(2)	27	(7)	34
M	Changes in fair value of financial instruments and foreign exchange loss/(gain)	479	18	461	671	137	534
R	FFO adjustments for Equity-Accounted JVs (1)	1,907	1,850	57	7,320	7,716	(396)

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

Per Unit Amounts

In our calculations of FFO per unit and IFFO 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 EUPP and DTUs.

Weighted Average Number of Units

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

(000s)	**Q4 2018**	Q4 2017	Change	**2018**	2017	Change
Weighted average number of units (1)	214,927	202,664	12,263	214,320	196,774	17,546

(1) Includes Trust Units, Class B Units, Trust Units issued under EUPP and DTUs.

Net Debt to Adjusted EBITDA

In addition to the financial covenants related to our Credit Facilities and 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 indentures for our Debentures.

The following table summarizes our Net Debt to Adjusted EBITDA ratio at December 31, 2018 and December 31, 2017:

($000s, except Net Debt to Adjusted EBITDA ratio)	**December 31, 2018**	December 31, 2017
Consolidated Indebtedness for Debentures (1)	2,248,178	1,832,269
Consolidated EBITDA for Debentures (2)	286,658	266,831
Net Debt to Adjusted EBITDA ratio	7.8	6.9

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 36 of this MD&A for the calculation of this amount.
(2) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 35 of this MD&A for the calculation of this amount.

Critical Accounting Policies and Estimates

Our significant accounting policies for the year ended December 31, 2018 are referred to in Note 2 of our Financial Statements. 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. Our estimates are based on past experience and other factors that we believe 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 and Intangibles

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.

Our Financial Statements are affected by fair value measures. The most significant areas affected are as follows:

- 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.

PP&E makes up approximately 93% of our assets. On an annual basis, and when indicators of impairment exist, we evaluate whether the recoverable amount of a cash generating unit ("CGU") exceeds its carrying amount. Factors which could indicate that 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.

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.

The cost of a business combination is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. We recognize assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination.

Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income. The excess of the purchase price over the fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition goodwill is recorded as an asset.

When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values.

Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period", which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date. Subsequent changes in fair value of contingent consideration classified as assets or liabilities that do not qualify as measurement period adjustments are recognized as a gain or loss in net income.

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 2018 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, 2018, 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, 2018.

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, 2018, 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, 2018 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 expectations regarding employee engagement and resident satisfaction;
- our expectations regarding the continuous operations in Ontario, Quebec, Alberta, and British Columbia;
- our expectations regarding growth in our G&A expenses;
- 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;
- our ability to realize benefits on technology investments; and
- our expectations regarding future income tax obligations.

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

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

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.

(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 March 1, 2019, 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 close to 15,000 persons, of whom approximately 80% 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 of mortgages on our retirement and LTC communities, Debentures 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 2019 and future years.

In 2018, 3.0% of our distributions were classified as non-eligible dividends and 97.0% 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 in excess of the cash distributions 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.

In December 2018, we settled with the CRA on an audit matter for the years 2013 through 2015. The settlement resulted in additional taxable income in the years 2013 through 2017 but did not result in any cash taxes. The additional taxable income was offset by previously unclaimed capital cost allowance of $43.5 million and utilization of $3.9 million non-capital loss carryforwards.

(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, cash 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.

Supplemental Information

Significant Future Demand

Based on the current ratios of existing retirement suites to the population of people over the age of 75 (the "penetration rate"), by 2038 the demand for retirement suites is expected to grow by approximately 247,000 suites in the four provinces in which we operate.

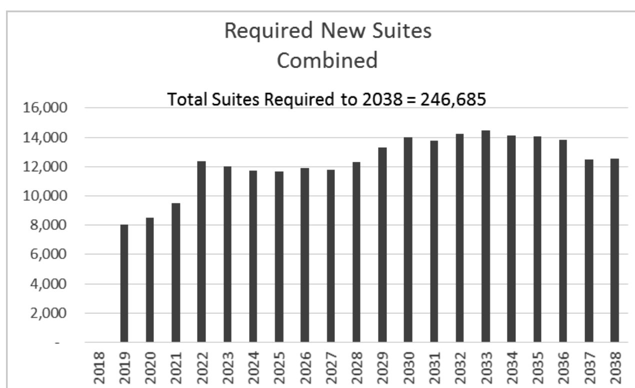
It is possible that the actual demand may exceed these estimates for the following reasons:

- The above estimate does not account for the demand growth for government-funded long term care spaces. If governments are unable to fully address such demand growth, there may be additional demand for retirement suites. Today there are approximately 35,000 people on the wait list for LTC accommodation in Ontario alone.
- The existing inventory of 225,180 retirement suites includes a number of smaller and older properties which may become obsolete over time, further increasing demand for newer suites.
- The acceptance of retirement living is significantly higher in Quebec, with a penetration rate of 17.9% compared to penetration rates of 5.5% in Ontario, 5.7% in Alberta and 8.3% in British Columbia. We believe the introduction of more flexible service offering and pricing options, including a la carte services, across the country, may increase the acceptance of retirement living and further drive demand.

The following tables outline estimated future demand for retirement suites in Ontario, Quebec, Alberta and British Columbia:

Combined

Year	Population of 75+	Demand Growth	Total Suites	Required New Suites
2018	2,353,500		225,180	-
2019	2,435,800	3.5%	233,220	8,040
2020	2,521,100	3.5%	241,715	8,495
2021	2,619,300	3.9%	251,236	9,521
2022	2,754,300	5.2%	263,581	12,345
2023	2,885,500	4.8%	275,617	12,036
2024	3,011,700	4.4%	287,365	11,749
2025	3,138,400	4.2%	299,058	11,692
2026	3,267,100	4.1%	310,950	11,892
2027	3,396,400	4.0%	322,754	11,804
2028	3,532,500	4.0%	335,059	12,305
2029	3,678,500	4.1%	348,334	13,275
2030	3,833,000	4.2%	362,318	13,985
2031	3,986,600	4.0%	376,089	13,770
2032	4,144,500	4.0%	390,345	14,256
2033	4,304,800	3.9%	404,801	14,457
2034	4,463,000	3.7%	418,916	14,115
2035	4,623,000	3.6%	433,003	14,087
2036	4,782,300	3.4%	446,845	13,842
2037	4,928,600	3.1%	459,352	12,508
2038	5,076,400	3.0%	471,866	12,513
				246,685



Ontario

Year	Population of 75+ (1)	Demand Growth	Total Suites (2)	Required New Suites
2018	1,058,100		58,196	-
2019	1,092,200	3.2%	60,071	1,875
2020	1,126,700	3.2%	61,969	1,898
2021	1,168,300	3.7%	64,257	2,288
2022	1,230,000	5.3%	67,650	3,394
2023	1,288,500	4.8%	70,868	3,217
2024	1,343,500	4.3%	73,893	3,025
2025	1,398,500	4.1%	76,918	3,025
2026	1,454,300	4.0%	79,987	3,069
2027	1,510,900	3.9%	83,100	3,113
2028	1,570,400	3.9%	86,372	3,273
2029	1,633,800	4.0%	89,859	3,487
2030	1,701,400	4.1%	93,577	3,718
2031	1,768,500	3.9%	97,268	3,691
2032	1,838,400	4.0%	101,112	3,845
2033	1,909,400	3.9%	105,017	3,905
2034	1,980,900	3.7%	108,950	3,933
2035	2,055,100	3.7%	113,031	4,081
2036	2,130,600	3.7%	117,183	4,152
2037	2,201,600	3.3%	121,088	3,905
2038	2,274,300	3.3%	125,087	3,998
				66,891

Quebec

Year	Population of 75+ (1)	Demand Growth	Total Suites (2)	Required New Suites
2018	681,600		122,006	-
2019	706,600	3.7%	126,481	4,475
2020	734,000	3.9%	131,386	4,905
2021	763,500	4.0%	136,667	5,281
2022	797,700	4.5%	142,788	6,122
2023	831,200	4.2%	148,785	5,997
2024	864,900	4.1%	154,817	6,032
2025	897,800	3.8%	160,706	5,889
2026	931,500	3.8%	166,739	6,032
2027	964,300	3.5%	172,610	5,871
2028	997,900	3.5%	178,624	6,014
2029	1,034,700	3.7%	185,211	6,587
2030	1,073,200	3.7%	192,103	6,891
2031	1,110,400	3.5%	198,762	6,659
2032	1,149,700	3.5%	205,796	7,035
2033	1,189,500	3.5%	212,921	7,124
2034	1,227,700	3.2%	219,758	6,838
2035	1,264,900	3.0%	226,417	6,659
2036	1,300,500	2.8%	232,790	6,372
2037	1,331,700	2.4%	238,374	5,585
2038	1,362,100	2.3%	243,816	5,442
				121,810

Alberta

Year	Population of 75+ (1)	Demand Growth	Total Suites (2)	Required New Suites
2018	229,500		13,082	-
2019	238,600	4.0%	13,600	519
2020	248,200	4.0%	14,147	547
2021	259,600	4.6%	14,797	650
2022	275,600	6.2%	15,709	912
2023	292,200	6.0%	16,655	946
2024	308,400	5.5%	17,579	923
2025	325,400	5.5%	18,548	969
2026	343,200	5.5%	19,562	1,015
2027	362,100	5.5%	20,640	1,077
2028	383,300	5.9%	21,848	1,208
2029	406,400	6.0%	23,165	1,317
2030	431,100	6.1%	24,573	1,408
2031	456,900	6.0%	26,043	1,471
2032	482,500	5.6%	27,503	1,459
2033	508,700	5.4%	28,996	1,493
2034	534,900	5.2%	30,489	1,493
2035	561,300	4.9%	31,994	1,505
2036	587,600	4.7%	33,493	1,499
2037	612,300	4.2%	34,901	1,408
2038	636,800	4.0%	36,298	1,396
				23,216

British Columbia

Year	Population of 75+ (1)	Demand Growth	Total Suites (2)	Required New Suites
2018	384,300		31,897	-
2019	398,400	3.7%	33,067	1,170
2020	412,200	3.5%	34,213	1,145
2021	427,900	3.8%	35,516	1,303
2022	451,000	5.4%	37,433	1,917
2023	473,600	5.0%	39,309	1,876
2024	494,900	4.5%	41,077	1,768
2025	516,700	4.4%	42,886	1,809
2026	538,100	4.1%	44,662	1,776
2027	559,100	3.9%	46,405	1,743
2028	580,900	3.9%	48,215	1,809
2029	603,600	3.9%	50,099	1,884
2030	627,300	3.9%	52,066	1,967
2031	650,800	3.7%	54,016	1,950
2032	673,900	3.5%	55,934	1,917
2033	697,200	3.5%	57,868	1,934
2034	719,500	3.2%	59,719	1,851
2035	741,700	3.1%	61,561	1,843
2036	763,600	3.0%	63,379	1,818
2037	783,000	2.5%	64,989	1,610
2038	803,200	2.6%	66,666	1,677
				34,769

(1) Sources: Statistics Canada and CMHC.
(2) Total Suites = Population of 75+ multiplied by penetration rate (5.5% for Ontario; 17.9% for Quebec; 5.7% for Alberta; 8.3% for British Columbia).

Chartwell Top 15 Markets – Supply and Demand Data

Supply

Location (4)	Chartwell Portfolio (1)			Existing Inventory (2)		Immediate Competition Impact (3)				
	Total			Total		Chartwell Exposure			Competition 5km to Chartwell Property	
	# of Properties	# of Suites	2018 Adjusted NOI at Share ($Millions)	# of Properties	# of Suites	# of Properties	# of Suites	2018 Adjusted NOI at Share ($Millions)	# of Properties	# of Suites
Greater Montreal Area	14	3,104	20.3	380	55,515	2	442	1.9	2	777
Gatineau	9	1,737	18.4	22	3,523	1	263	2.7	2	460
Greater Vancouver Area	13	1,589	25.8	145	15,113	1	163	2.7	2	350
Quebec City	5	1,543	10.6	142	15,943	1	247	1.4	1	360
Greater Ottawa Area	12	1,458	17.7	74	8,140	9	990	13.3	6	951
Edmonton	7	993	11.3	42	5,524	1	48	0.7	1	256
Ontario North	10	913	15.4	39	3,028	3	337	4.9	2	64
Kitchener/Waterloo/Cambridge/Guelph	9	911	15.0	58	4,587	5	446	5.2	3	469
Toronto	6	836	13.6	61	7,198	2	287	4.2	2	612
York	7	741	14.7	33	3,721	4	435	8.9	2	156
Calgary	5	641	13.6	41	5,374	4	525	11.3	5	749
Durham	6	602	11.6	27	2,810	3	279	4.8	7	1,164
Windsor/Essex County	6	603	8.6	26	2,292	1	112	2.4	1	120
Halton	5	566	7.4	28	2,886	1	147	1.3	1	151
Peel	3	517	8.1	30	3,338	2	404	5.5	2	586
Subtotal (Top 15 Markets)	**117**	**16,754**	**212.1**	**1,148**	**138,992**	**40**	**5,125**	**71.4**	**39**	**7,225**
Other	45	6,161	61.9							
Grand Total	**162**	**22,915**	**274.0**							

(1) Includes Retirement Operations segment only.
(2) Sources: CMHC Seniors Housing Report 2018 and CBRE.
(3) Summarizes Chartwell's existing properties impacted by competing properties in construction located within a five kilometer radius.
(4) Locations follow CMHC's region and naming convention except for Greater Vancouver Area (CMHC region "Lower Mainland"), Greater Montreal Area (CMHC region "Montreal"), Greater Ottawa Area (CMHC region "Ottawa"), and Kitchener/Waterloo/Cambridge/Guelph (CMHC region "Waterloo/Wellington/Dufferin).

Demand

Location (3)	Demographic Information (1)				Demographic Data 75+ yrs (1)		
	2018				2018		
	Total Population	Median Household Income ($)	Avg House Value ($)	Unemployment Rate %	Total Population	10 yr Growth %	Penetration Rate (2)
Greater Montreal Area	4,302,332	60,711	528,145	5.9%	317,019	32.5%	17.5%
Gatineau	346,339	75,454	445,721	4.6%	19,792	60.9%	17.8%
Greater Vancouver Area	2,911,927	74,800	1,401,721	4.1%	200,117	50.7%	7.6%
Quebec City	825,766	66,646	398,874	3.8%	70,791	46.1%	22.5%
Greater Ottawa Area	1,058,552	97,150	713,649	4.6%	69,231	50.3%	11.8%
Edmonton	1,443,534	93,094	636,461	6.2%	73,838	51.6%	7.5%
Ontario North	764,870	70,123	371,416	6.3%	67,293	30.3%	4.5%
Kitchener/Waterloo/Cambridge/Guelph	857,074	84,157	804,005	5.1%	55,949	45.8%	8.2%
Toronto	2,933,262	61,634	1,064,990	6.2%	215,371	26.9%	3.3%
York	1,205,143	96,705	1,592,783	6.2%	76,449	74.0%	4.9%
Calgary	1,529,575	90,241	786,157	7.9%	67,804	65.0%	7.9%
Durham	690,240	94,086	904,865	6.2%	41,844	57.8%	6.7%
Windsor/Essex County	410,235	69,395	455,965	6.0%	32,701	38.6%	7.0%
Halton	593,060	110,616	1,358,329	6.2%	39,909	48.0%	7.2%
Peel	1,522,353	84,861	1,128,600	6.2%	81,531	72.2%	4.1%
Subtotal/Average (Top 15 Markets)	**21,394,262**	**81,978 (4)**	**839,445 (4)**	**5.7% (4)**	**1,429,639**	**50.1% (4)**	**9.2% (4)**

(1) Sources: CMHC Seniors Housing Report 2018, CBRE utilizing Environics Analytics demographics, and Statistics Canada projections.
(2) Penetration rate is calculated as ratio of existing inventory of retirement suites over total 75+ years population.
(3) Locations follow CMHC's region and naming convention except for Greater Vancouver Area (CMHC region "Lower Mainland"), Greater Montreal Area (CMHC region "Montreal"), Greater Ottawa Area (CMHC region "Ottawa"), and Kitchener/Waterloo/Cambridge/Guelph (CMHC region "Waterloo/Wellington/Dufferin).
(4) Average.

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
President and Chief Executive Officer

Vlad Volodarski
Chief Financial Officer and Chief Investment Officer

Independent Auditors' Report

To the Unitholders of Chartwell Retirement Residences

Opinion

We have audited the consolidated financial statements of Chartwell Retirement Residences (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of net income and comprehensive income for the years then ended;
- the consolidated statements of unitholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditors' Responsibilities for the Audit of the Financial Statements"* section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Thomas Rothfischer.

Toronto, Canada

March 1, 2019

Consolidated Balance Sheets

(In thousands of Canadian dollars)

December 31, 2018 and 2017

	Note	2018	2017
Assets			
Current assets:			
Cash and cash equivalents		$ 29,779	$ 44,751
Trade and other receivables		13,092	11,840
Capital funding receivable	6	6,317	5,981
Other assets	7	16,006	24,860
Loans receivable	8	494	–
Asset held for sale	14	–	10,113
Total current assets		65,688	97,545
Non-current assets:			
Other assets	7	2,417	2,863
Loans receivable	8	14,411	6,753
Capital funding receivable	6	42,214	48,530
Investment in joint ventures	9(b)	34,865	37,564
Intangible assets	5	65,507	56,034
Property, plant and equipment ("PP&E")	4	3,093,746	2,764,610
Total non-current assets		3,253,160	2,916,354
Total assets		$ 3,318,848	$ 3,013,899
Liabilities and Unitholders' Equity			
Current liabilities:			
Accounts payable and other liabilities	12	$ 177,752	$ 143,981
Distributions payable		10,493	10,203
Mortgages payable	10(a)	183,649	165,300
Deferred consideration on business combinations		–	1,760
Liabilities related to asset held for sale	14	–	6,641
Total current liabilities		371,894	327,885
Non-current liabilities:			
Mortgages payable	10(a)	1,628,685	1,449,032
Senior unsecured debentures	11	347,883	198,593
Class B Units of Chartwell Master Care LP ("Class B Units")	15	22,456	26,808
Deferred tax liabilities	25	14,410	1,414
Total non-current liabilities		2,013,434	1,675,847
Total liabilities		2,385,328	2,003,732
Unitholders' equity	16	933,520	1,010,167
Total liabilities and unitholders' equity		$ 3,318,848	$ 3,013,899

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

Huw Thomas, Trustee

Lise Bastarache, Trustee

Consolidated Statements of Comprehensive Income

(In thousands of Canadian dollars)

Years ended December 31, 2018 and 2017

	Note	2018	2017
Revenue:			
Resident	20	$ 814,262	$ 752,775
Management and other fees	20	10,708	8,861
Lease revenue from joint ventures	9(b)	37,833	34,700
Interest income		3,851	3,958
		866,654	800,294
Expenses (income):			
Direct property operating	28	557,839	520,376
Depreciation of PP&E	4	170,588	151,565
Amortization of intangible assets	5	1,767	1,784
Share of net income from joint ventures	9(b)	(1,482)	(4,716)
General, administrative and trust	28	43,890	38,007
Other expense (income)	22	(12,234)	6,176
Finance costs	23	76,778	71,122
Change in fair values of financial instruments and foreign exchange losses (gains)	24	(8,219)	2,987
		828,927	787,301
Income before income taxes		37,727	12,993
Income tax expense (benefit):	25		
Current		63	15
Deferred		19,145	(104)
		19,208	(89)
Net income and comprehensive income[1]		$ 18,519	$ 13,082

[1] Referred to as “Net income" throughout the consolidated financial statements

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, 2018 and 2017

2018	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, 2017	$ 2,257,424	$ 16,213	$ (11,362)	$ (141,426)	$ (1,117,176)	$ 6,494	$ 1,010,167
Net income	–	–	–	18,519	–	–	18,519
Distributions to unitholders	–	–	–	–	(124,006)	–	(124,006)
Issue costs related to Trust Units pursuant to public offering	(267)	–	–	–	–	–	(267)
Deferred tax asset recognized through equity (Note 25)	6,149	–	–	–	–	–	6,149
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	21,253	–	–	–	–	–	21,253
Trust Units issued on exchange of Class B Units	87	–	–	–	–	–	87
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	1,090	1,306	(1,460)	–	–	(87)	849
Interest on EUPP receivable	–	–	(120)	–	–	–	(120)
Distributions applied against EUPP receivable	–	–	889	–	–	–	889
Unitholders' equity, December 31, 2018	$ 2,285,736	$ 17,519	$ (12,053)	$ (122,907)	$ (1,241,182)	$ 6,407	$ 933,520

During the year ended December 31, 2018, distributions were declared and paid at $0.048 per unit per month for the months of January and February, and $0.049 per unit per month from March to December. In the first two months of 2019, distributions were declared at $0.049 per unit per month.

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	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	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.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31, 2018 and 2017

	Note	2018	2017
Cash provided by (used in):			
Operating activities:			
Net income		$ 18,519	$ 13,082
Items not affecting cash:			
Depreciation and amortization	4, 5	172,355	153,349
Finance costs	23	76,778	71,122
Other expense (income)	22	(12,234)	6,176
Interest income	20	(3,851)	(3,958)
Change in fair values of financial instruments and foreign exchange losses (gains)	24	(8,219)	2,987
Deferred income taxes expense (benefit)	25	19,145	(104)
Share of net income from joint ventures	9(b)	(1,482)	(4,716)
Other		942	1,240
Change in trade and other receivables		(2,928)	9,556
Change in other assets		12,802	(6,953)
Change in accounts payable and other liabilities		22,328	17,514
		294,155	259,295
Interest income and other income received		4,519	4,836
Interest paid		(79,315)	(73,768)
		219,359	190,363
Financing activities:			
Proceeds from public offering	16(a)	–	269,526
Issue costs on public offering	16(a)	(267)	(11,044)
Proceeds from mortgage financing	13	239,220	311,316
Mortgage repayments	13, 14	(75,175)	(299,227)
Scheduled mortgage principal repayments	13	(63,833)	(57,856)
Proceeds from issuance of senior unsecured debentures	11	150,000	200,000
Changes to credit facilities		–	(172,000)
Net additions to finance costs	13	(10,547)	(14,912)
Distributions paid on Trust Units		(102,585)	(90,875)
		136,813	134,928
Investing activities:			
Acquisition of assets under business combinations	3(a)	(216,724)	(167,558)
Additions to PP&E and intangible assets		(200,624)	(159,031)
Proceeds from disposal of PPE		49,287	21,792
Proceeds from capital funding receivable	6	5,980	5,662
Collection of loans receivable		–	1,487
Advances of loans receivable	8	(8,152)	(3,569)
Transaction costs arising from business acquisitions and dispositions	22	(3,873)	(7,540)
Change in restricted cash		(1,219)	193
Contributions to joint ventures	9(b)	(28,057)	(9,202)
Distributions received from joint ventures	9(b)	32,238	7,176
		(371,144)	(310,590)
Increase (decrease) in cash		(14,972)	14,701
Cash and cash equivalents, beginning of year		44,751	30,050
Cash and cash equivalents, end of year		$ 29,779	$ 44,751

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, 2018 and 2017

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 51.98% 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 48.02% 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 March 1, 2019, 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) financial instruments classified as fair value through profit or loss ("FVTPL") are measured at fair value (note 2(h)); and

(ii) 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(a)(iii) and 3 - The estimate of the fair value of assets and liabilities acquired in a business combination.

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; and

(ii) note 2(c) - Componentization of property, plant and equipment.

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 net income and comprehensive income.

(iii) Business combinations:

The cost of a business combination is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. Chartwell recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination.

Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income. The excess of the purchase price over the fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition goodwill is recorded as an asset. When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values.

Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period", which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date. Subsequent changes in fair value of contingent consideration classified as assets or liabilities that do not qualify as measurement period adjustments are recognized as a gain or loss in net income.

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:

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.

(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 are accounted for as separate components of the property, based on management's judgement of what components constitute a significant cost in relation to the total cost of an asset and whether these components have similar or dissimilar patterns of consumption and useful lives for purposes of calculating depreciation and amortization. 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	3 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 in accordance with the requirements for determining when a performance obligation is satisfied under IFRS 15.

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) Software:

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

(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 of non-financial 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:

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.

(h) Financial instruments:

Financial instruments are generally measured at fair value on initial recognition. The classification and measurement of financial assets consists of the following categories: (i) measured at amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVTOCI"). Financial assets classified at amortized cost are measured using the effective interest method. Financial assets classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statement of net income. Financial assets classified as FVTOCI are measured at fair value with gains or losses recognized through other comprehensive income, except for gains and losses pertaining to impairment or foreign exchange recognized through net income.

The classification and measurement of financial liabilities consists of the following categories: (i) measured at amortized cost and (ii) FVTPL. Financial liabilities classified at amortized cost are measured using the effective interest method. Financial liabilities classified as FVTPL are measured at fair value with changes in fair value attributable to changes in the credit risk of the liability presented in other comprehensive income, and the remaining amount of change in fair value presented in the consolidated statement of net income.

Chartwell has made the following classifications for its financial instruments:

Account	Measurement
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Restricted cash	Amortized cost
Income guarantee receivable	FVTPL
Loans receivable	FVTPL
Accounts payable and other liabilities	Amortized cost
Distributions payable	Amortized cost
Mortgages payable	Amortized cost
Credit facilities	Amortized cost
Senior unsecured debentures	Amortized cost
Derivative Instruments	FVTPL
Class B Units	FVTPL

Chartwell derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Chartwell derecognizes a financial liability when, and only when, Chartwell's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized through net income.

Chartwell adopted the practical expedient to determine expected credit losses ("ECL") on trade and other receivables using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL. Impairment losses are recorded in the consolidated statements of net income and comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include, discounts or premiums relating to assumed debt, fees and commissions paid to agents, brokers advisers, lenders and insurers, transfer taxes and duties.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or 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 asset or liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derivative financial instruments:

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.

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.

Trust Units:

Trust Units are redeemable at the holder's option and therefore are considered to be a puttable instrument in accordance with IAS 32, Financial Instruments: Presentation ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. The Trust Units meet the exemption conditions of IAS 32 and are presented as equity.

As a result of the redemption feature of the Trust Units, they meet the definition of a financial liability under IAS 32 and may not be considered as equity for the purposes of calculating net income on a per unit basis in accordance with IAS 33, Earnings Per Share. Chartwell has therefore elected to not report an earnings per unit calculation, permitted under IFRS.

Class B Units:

The Class B Units of the Partnership are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Trust Units and are exchangeable at the holder's option into Units. One Special Trust Voting Unit in Chartwell is issued to the holder of Class B Units for each Class B Unit held. However, the limited IAS 32 exception for presentation as equity does not extend to the Class B Units. As a result, the Class B Units have been classified as financial liabilities and are measured at FVTPL. The fair value of the Class B Units is measured every period by reference to the traded value of the Trust Units, with changes in measurement recorded in net income. Distributions on the Class B LP Units are recorded as a finance cost in the consolidated statements of net income and comprehensive income in the period in which they become payable.

(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.

(ii) 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.

(iii) Unit-based payment plans:

Chartwell maintains an EUPP, Deferred Trust Unit ("DTU") Plan, and Restricted Trust 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 relevant service periods. 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.

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.

Judgment 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:

Chartwell charges for (a) the rental of retirement accommodation and (b) care services provided to residents of retirement communities. Base rent amounts are allocated to lease components based on relative stand-alone selling prices. The stand-alone selling prices of the rental component is determined using an adjusted market assessment approach and the stand-alone selling price of the care services components are determined using both adjusted market assessment and expected cost plus a margin approaches.

(a) Rental revenue:

Revenue from rental components is recognized on a straight-line basis over the lease term. Revenue recognition commences when a resident has the right to use the retirement community and revenue is recognized pursuant to the terms of the lease agreement. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are deferred.

(b) Services revenue:

Revenue related to the care service components of Chartwell's leases is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). These services consist primarily of the provision of meals, nursing services, housekeeping and laundry services, programs, amenities and the recovery of utilities and property maintenance costs and are recognized over time, typically on a monthly basis, which is when the services are provided. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are recorded as contract liabilities.

In certain jurisdictions, residents of retirement communities are eligible for government subsidies and the rates of these subsidies are regulated. 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 services provided to residents of long-term care communities is accounted for in accordance with IFRS 15. These services consist primarily of the provision of meals, nursing services, housekeeping and laundry services, programs, amenities and the recovery of utilities and property maintenance costs.

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 is recognized over time, typically on a monthly basis, which is when the services are provided to residents. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are recorded as contract liabilities.

In certain cases, Chartwell is only entitled to funding when it has achieved predetermined occupancy levels and has met additional criteria, which may include achieving certain levels of expenditures or levels of labour hours. Revenue in respect of such variable consideration is recognized based on management's best estimate of the most likely amount to which Chartwell will ultimately be entitled.

(iii) Fee revenue:

Chartwell provides property and development management services for both third party and jointly owned operating entities. Property management services revenue relates to providing certain operations management and asset management services. Fees related to these services are variable in nature and are not estimated, but rather are allocated to the distinct service periods to which they specifically relate and are recognized when services are performed. Payments are due at the beginning of each month.

(iv) Lease revenue from joint ventures:

Chartwell earns revenue under lease arrangements with operating entities which are jointly owned with Welltower Inc. The leases are accounted for as operating leases and lease revenue is recognized over the term of the underlying leases. Payments are due at the beginning of each month.

(m) Lease payments:

Chartwell is obligated to make payments under land and office space 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 2018:

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

Chartwell adopted IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), beginning on January 1, 2018, the mandatory effective date. The adoption of IFRS 9 was applied retrospectively, without restatement of comparative information. There was no material impact from the adoption of IFRS 9.

IFRS 9 contains a new classification and measurement approach which requires financial assets to be classified and measured based on the business model in which they are managed 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 and fair value through profit or loss, and eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost as described above are measured at fair value through profit or loss.

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 fair value through profit or loss 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.

The following table summarizes the classification impacts upon adoption of IFRS 9.

Asset/liability	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Income guarantee receivables	FVTPL	FVTPL
Loans receivable	Amortized cost	FVTPL
Accounts payable and other liabilities	Other liabilities at amortized cost	Amortized cost
Distributions payable	Other liabilities at amortized cost	Amortized cost
Mortgages payable	Other liabilities at amortized cost	Amortized cost
Deferred consideration on business combinations	FVTPL	FVTPL
Credit facilities	Other liabilities at amortized cost	Amortized cost
Senior unsecured debentures	Other liabilities at amortized cost	Amortized cost
Class B Units	FVTPL	FVTPL
Derivative instruments	FVTPL	FVTPL

For impairment of financial assets, IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets except for investments in equity instruments, and to contract assets, lease receivables, loan commitments and financial guarantee contracts.

Chartwell adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL.

Impairment losses are recorded in the consolidated statements of net income and comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

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.

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

Chartwell has adopted IFRS 15 for the year beginning on January 1, 2018, using the cumulative effect method. The adoption of IFRS 15 did not result in changes to opening equity as at January 1, 2018.

IFRS 15 replaced 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.

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. Disaggregation of revenue has been disclosed in Note 20.

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

Chartwell adopted the amendments to IFRS 2 on January 1, 2018, the mandatory effectiv date. There was no material impact from the adoption of the amendments to IFRS 2.

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

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

IFRS 16 will replace IAS 17, Leases ("IAS 17"). The new standard introduces a singl lessee accounting model and requires a lessee to recognize assets and liabilities for a leases with a term of more than 12 months, unless the underlying asset is of low value. lessee is required to recognize a right-of-use asset, representing its right to use th 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 leas accounting model have been impacted, including the definition of a lease. Transitiona provisions have been provided. The new standard is effective for annual periods beginnin 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 will adopt IFRS 16 from the beginning of January 1, 2019. The adoption of IFRS 16 will result in the recognition of right-of-use assets and lease liabilities of approximatel $12,000. The right-of-use assets and lease liabilities primarily relate to the land leases.

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

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

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

Chartwell intends to adopt the Interpretation in its consolidated financial statements for th annual period beginning on January 1, 2019. The adoption of this standard will have n material impact on the consolidated financial statements.

(iii) Definition of a business (Amendments to IFRS 3, Business Combinations):

On October 22, 2018, the IASB issued amendments to IFRS 3, Business Combination ("IFRS 3"), that seek to clarify whether a transaction is to be accounted for as an asse acquisition or a business acquisition. The amendments apply to businesses acquired i annual reporting periods beginning on or after January 1, 2020. Earlier application i permitted. The amendments include an election to use a concentration test. This is simplified assessment that results in an asset acquisition if substantially all of the fair valu of the gross assets is concentrated in a single identifiable asset or a group of simila identifiable assets. If a preparer chooses not to apply the concentration test, or the test i failed, then the assessment focuses on the existence of a substantive process.

Chartwell intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2020, when the standard becomes effective. Chartwell is currently in the process of evaluating the impact of this standard on its financial statements.

(iv) 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 ("IFRS 11") - 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. They also clarify that an entity includes funds borrowed specifically to obtain an asset other than a qualifying asset as part of general borrowings.

Chartwell intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2019. The adoption of these amendments will have no material impact on the consolidated financial statements.

3. Acquisitions

(a) Acquisitions during the year ended December 31, 2018:

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	April 23, 2018	June 1, 2018	Total
Segment	Retirement Operations		
Location	Province of Alberta	Province of Alberta	
Number of properties (suites)	4 (775 suites)	1 (104 suites)	
PP&E	$ 295,776	$ 20,000	$ 315,776
Net assets acquired	$ 295,776	$ 20,000	$ 315,776
Cash consideration	$ 196,724	$ 20,000	$ 216,724
Mortgage assumed	100,676	–	100,676
Income guarantee receivable (note 7)	(1,624)	–	(1,624)
Total consideration transferred	$ 295,776	$ 20,000	$ 315,776

On April 23, 2018, Chartwell acquired a 100% interest in a portfolio of four properties in Alberta totaling 775 suites. The purchase price before working capital adjustments and closing costs was $297,400 and was settled through the assumption of mortgages and cash. The vendor has provided Chartwell with an income support guarantee of up to $1,624 on one property if operating results fall below certain threshold amounts (note 7). The properties have contributed revenue of $23,366 and net loss of $5,989 since acquisition. Chartwell incurred acquisition-related costs of $2,577, which have been expensed in the consolidated statements of net income and comprehensive income. Chartwell entered into a forward purchase agreement to acquire a 256 suite residence conditional upon completion of its development which is expected in the fourth quarter of 2019 for a contractual purchase price of $120,000.

On June 1, 2018, Chartwell acquired a 100% interest in a 104 suite retirement residence located in Edmonton, Alberta. The purchase price before working capital adjustments and closing costs was $20,000 and was settled in cash. The property has contributed revenue of $1,832 and net loss of $46 since acquisition. Chartwell incurred acquisition-related costs of $152, which have been expensed in the consolidated statements of net income and comprehensive income.

(b) 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:

Date of acquisition	February 1, 2017	March 1, 2017	July 4, 2017	July 20 2017	Total
Segment	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)	
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. In 2017, the property contributed revenue of $4,110 and net loss of $1,322. Chartwell incurred acquisition-related costs of $881, which have been expensed in the consolidated statements of net income and 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. In 2017, the property contributed revenue of $1,456 and net loss of $449. Chartwell incurred acquisition-related costs of $158, which have been expensed in the consolidated statements of net income and 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. In 2017, the properties contributed revenue of $11,104 and net loss of $2,895. Chartwell incurred acquisition-related costs of $2,762 which have been expensed in the consolidated statements of net income and 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. In 2017, the property contributed revenue of $3,559 and net loss of $926. Chartwell incurred acquisition-related costs of $1,199, which have been expensed in the consolidated statements of net income and 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, 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
Additions	–	64,318	13,835	132,454	6,125	216,732
Additions through business combinations	16,268	293,160	6,348	–	–	315,776
Disposals	(6,434)	(20,315)	(1,217)	–	–	(27,966)
Derecognition	–	(74,338)	(1,013)	–	–	(75,351)
Transfers	804	24,113	3,030	(30,354)	(8,825)	(11,232)
Balance, December 31, 2018	$ 310,390	$ 3,082,413	$ 142,968	$ 193,548	$ 20,027	$ 3,749,346
Accumulated depreciation and impairment losses						
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
Depreciation	–	151,301	19,287	–	–	170,588
Disposals	–	(5,380)	(1,034)	–	–	(6,414)
Derecognition	–	(74,338)	(1,013)	–	–	(75,351)
Balance, December 31, 2018	$ –	$ 563,576	$ 92,024	$ –	$ –	$ 655,600
Carrying amounts						
Balance, December 31, 2017	$ 299,752	$ 2,303,482	$ 47,201	$ 91,448	$ 22,727	$ 2,764,610
Balance, December 31, 2018	310,390	2,518,837	50,944	193,548	20,027	3,093,746

On January 15, 2018, Chartwell disposed of vacant land in Nanaimo, British Columbia; with a net book value of $2,462.

On February 6, 2018, Chartwell disposed of three properties in Quebec, with a net book value of $17,570.

On March 7, 2018, Chartwell acquired vacant land in Oshawa, Ontario for $6,000. The purchase price was settled in cash and is included in properties under development.

On May 11, 2018, Chartwell disposed of a property in Quebec, with a net book value of $10,809; which was classified as held for sale at December 31, 2017.

On September 26, 2018, Chartwell acquired 90% interest in vacant land in Pickering, Ontario for $5,508. The purchase price was settled in cash and is included in properties under development.

On September 27, 2018, Chartwell acquired vacant land in Calgary, Alberta for $5,750. The purchase price was settled in cash and is included in properties under development.

During the year ended December 31, 2018, one property was transferred from properties under development to other components of PP&E.
Chartwell commenced the development of three projects during the year ended December 31, 2018 on previously owned lands and transferred $8,825 (2017 - $1,000) from land held for development to properties under development and transferred costs related to completed development projects from properties under development to other components of PP&E.

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.

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. Of the $2,500 held in escrow, $700 was received and has been reflected in gain on sale of assets for the year ended December 31, 2018. A former Chartwell director was an officer and director of the purchaser of this property.

Chartwell capitalized $5,218 of borrowing costs related to development projects under construction for the year ended December 31, 2018, at an average interest rate of 3.85% (2017 - $2,908 at an average interest rate of 3.74%) (note 23).

Since January 1, 2010, the cost and accumulated depreciation of PP&E has been reduced by $218,624 (2017 - $184,492) 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. No impairment provisions were recorded for the years ended December 31, 2018 and December 31, 2017.

5. Intangible Assets

	Goodwill	Licenses	Software[1]	Total
Cost				
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
Additions	–	–	8	8
Disposals	–	–	(14)	(14)
Derecognition	–	–	(395)	(395)
Transfers	–	–	11,232	11,232
Balance, December 31, 2018	$ 9,233	$ 44,334	$ 23,111	$ 76,678
Accumulated amortization and impairment losses				
Balance, December 31, 2016	$ –	$ –	$ 8,029	$ 8,029
Amortization	–	–	1,784	1,784
Balance, December 31, 2017	–	–	9,813	9,813
Disposals	–	–	(14)	(14)
Derecognition	–	–	(395)	(395)
Amortization	–	–	1,767	1,767
Balance, December 31, 2018	$ –	$ –	$ 11,171	$ 11,171
Carrying amounts				
Balance, December 31, 2017	$ 9,233	$ 44,334	$ 2,467	$ 56,034
Balance, December 31, 2018	9,233	44,334	11,940	65,507

[1] The 2018 balance includes $8,385 in software under development.

Chartwell completed its annual impairment assessment of the carrying value of licenses and goodwill which are classified as intangible assets with indefinite useful lives. The impairment assessment on the carrying value of licenses was completed in November for the years ended December 31, 2018 and 2017 and, for goodwill, the impairment assessment was completed in December for the years ended December 31, 2018 and 2017. These intangible assets 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 intangible assets by comparing the fair value less costs to sell of the related CGUs containing these intangible assets 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 impairment assessment include capitalization rates ranging from 8% -12% for licenses and for goodwill, the capitalization rates used ranged from 6.0% - 6.5%. The capitalization rates used were 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, 2018 and 2017.

6. Capital Funding Receivable

The following table summarizes the capital funding receivable activity:

	2018	2017
Opening Balance	$ 54,511	$ 60,173
Capital funding applied to receivable	(5,980)	(5,662)
Closing Balance	$ 48,531	$ 54,511
Current	$ 6,317	$ 5,981
Non-current	42,214	48,530
	$ 48,531	$ 54,511

The capital funding receivable of $48,531 (2017 - $54,511) 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 7.2 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 2018, capital funding receipts amounted to $8,555 (2017 - $8,555) of which $2,575 (2017 - $2,893) was recorded as interest income and $5,980 (2017 - $5,662) as a reduction of capital funding receivable.

7. Other Assets

	2018	2017
Prepaid expenses and deposits	$ 7,672	$ 17,785
Restricted cash	1,147	2,366
Other assets	9,604	7,572
	$ 18,423	$ 27,723
Current	$ 16,006	$ 24,860
Non-current	2,417	2,863
	$ 18,423	$ 27,723

Other assets include receivables of $2,619 recorded at their fair value, related to income guarantees provided by vendors of certain acquired properties (2017 - $2,659). Income guarantees are considered Level 3 in the fair value hierarchy. Fair value is determined by discounting the applicable expected future income from these properties. As a result, the fair value of the income guarantees is based on level 3 inputs. For the year ended December 31, 2018, $2,383 (2017 - $1,295) of income guarantees were collected. During the year ended December 31, 2018, Chartwell recorded an income guarantee receivable of $1,624 related to the acquisition of a property in Alberta (note 3).

8. Loans Receivable

	2018	2017
Mezzanine and other loans- current	$ 494	$ –
Mezzanine and other loans- non-current	14,411	6,753
	$ 14,905	$ 6,753

On March 23, 2018, Chartwell advanced a mezzanine loan of $3,969 for development of a 221 suite retirement residence in Quebec.

On November 23, 2018, Chartwell advanced a mezzanine loan of $4,183 for development of a 360 suite retirement residence in Quebec.

Mezzanine and other loans are due from Batimo, mature between October 2019 and November 2023, 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.

Loans receivable are measured at FVTPL and are considered Level 3 in the fair value hierarchy.

9. Joint Arrangements

As at December 31, 2018, the following are Chartwell's joint arrangements:

Joint arrangements	Number of properties	Location	Chartwell ownership	Consolidation type
Chartwell-Welltower Landlord[(1)]	37	Canada	50%	Joint operation
Chartwell-Welltower Operator[(1)]	37	Canada	50%	Joint venture[(2)]
Batimo	4	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 House Retirement Residence	1	Canada	50%	Joint operation
Oak Ridges Retirement Residence[(3)]	1	Canada	[(3)]	Joint venture[(2)]
Clair Hills Retirement Residence[(3)]	1	Canada	[(3)]	Joint venture[(2)]
The Sumach by Chartwell[(4)]	1	Canada	45%	Joint operation
Kingsbridge Retirement Community[(4)]	1	Canada	60%	Joint venture[(2)]
Pickering Project[(4)]	1	Canada	90%	Joint operation

(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. Subsequent to the year end all class R Units were acquired by Chartwell. Refer to note 30 for more details.

(4) Properties under development

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, 2018, 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:

	2018	2017
Current assets	$ 16,789	$ 9,954
Non-current assets	481,942	484,932
Total assets	$ 498,731	$ 494,886
Current liabilities	$ 32,458	$ 54,222
Non-current liabilities	335,029	308,640
Total liabilities	$ 367,487	$ 362,862
Total revenue	$ 57,415	$ 50,726
Total expenses	$ 40,184	$ 43,789

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

	2018	2017
Contributions to joint ventures	$ 28,057	$ 9,202
Distributions received from joint ventures	32,238	7,176

	2018	2017
Cash and cash equivalents	$ 10,328	$ 7,608
Trade and other receivables	4,586	3,481
Other assets	6,481	5,144
Current assets	21,395	16,233
PP&E and intangible assets	113,780	107,979
Total assets	$ 135,175	$ 124,212
Accounts payable and other liabilities	$ 1,943	$ 2,811
Mortgages payable - current	1,099	20,575
Current liabilities	3,042	23,386
Mortgages payable - non-current	97,268	63,262
Total liabilities	$ 100,310	$ 86,648
Net investment in joint ventures	$ 34,865	$ 37,564

	2018	2017
Revenue	$ 125,483	$ 124,768
Direct property operating expense	(76,831)	(75,380)
Lease expense	(37,833)	(34,700)
Finance cost	(2,017)	(2,256)
Depreciation of PPE	(6,622)	(7,586)
Change in fair value of financial instruments and foreign exchange gains (losses)	(671)	(137)
Other income (expense)	(27)	7
Chartwell's share of net income from joint ventures	$ 1,482	$ 4,716

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, 2018, $221 (2017 - $719) of Chartwell's accounts receivable and $8,926 (2017 - $7,360) of Chartwell's accounts payable relate to its investment in joint ventures. For the year ended December 31, 2018, $7,456 (2017 - $6,097) of Chartwell's management fees were 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 37 properties, which under 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, $37,833 for the year ended December 31, 2018 (2017 - $34,700), 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.

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 18.

The mortgages payable as at December 31, 2018 are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total debt
2019	$ 67,653	$ 115,341	$ 182,994	10
2020	67,602	123,107	190,709	10
2021	65,758	164,130	229,888	13
2022	61,077	227,943	289,020	16
2023	54,580	60,419	114,999	6
2024	44,877	146,289	191,166	11
2025	38,343	54,705	93,048	5
2026	36,759	33,830	70,589	4
2027	33,974	63,176	97,150	5
2028	36,538	161,889	198,427	11
2029	22,261	–	22,261	1
2030	20,883	–	20,883	1
2031	19,434	–	19,434	1
2032	17,884	9,654	27,538	1
Thereafter	53,547	35,251	88,798	5
	$ 641,170	$ 1,195,734	$ 1,836,904	100
Mark-to-market adjustments on assumed mortgages			$ 12,460	
Financing costs			(37,030)	
			$ 1,812,334	
Current			$ 183,649	
Non-current			1,628,685	
			$ 1,812,334	

	2018	2017
Mortgages at fixed rates:		
Mortgages (principal)	$1,805,176	$1,614,304
Interest rates	1.90% to 7.85%	1.90% to 7.85%
Weighted average interest rate	3.80%	3.86%
Mortgages at variable rates:		
Mortgages (principal)	$31,728	$15,631
Interest rates	Bankers' acceptance plus 1.55% to prime plus 2.10%	Bankers' acceptance plus 1.50% to prime plus 2.00%
Weighted average interest rate	4.10%	3.49%
Blended weighted average rate	3.80%	3.86%

Mortgages totaling $166,432 (2017 - $135,448) have interest rates fixed through interest rate swap contracts with an equivalent notional value, maturing between 2019 and 2021 are included under mortgages at fixed rates. The swaps have a fair value liability of $694 (2017 - nil) included in accounts payable and other accrued liabilities and fair value asset of $1,483 (2017 - $2,457) 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 at the bank's prime rate plus 0.65% or banker's acceptance rate plus 1.65% based on Chartwell's current credit rating. 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, 2021. At December 31, 2018, the maximum available borrowing capacity under the credit facility was $291,765, based on the security provided. Of this capacity, as at December 31, 2018, $5,998 (2017 - $4,655) has been allocated to support various letters of credit issued by Chartwell. At December 31, 2018, no amounts were drawn on this line.

(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 at the bank's prime rate plus 0.70% or banker's acceptance rate plus 1.70% based on Chartwell's current credit rating. 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, 2018, the maximum available borrowing capacity under the unsecured credit facility was $100,000. At December 31, 2018, nil amounts were drawn on this line. The unsecured credit facility matures on May 29, 2021.

11. Senior Unsecured Debentures

	2018	2017
Senior unsecured debentures principal	$ 350,000	$ 200,000
Financing costs, net	(2,117)	(1,407)
Carrying value	$ 347,883	$ 198,593

On April 27, 2018, Chartwell issued $150,000 of 4.211% Series B senior unsecured debentures due on April 28, 2025, with semi-annual interest payments due on April 28 and October 28 of each year commencing October 28, 2018. Financing costs of $1,052 were incurred and are being amortized using the effective interest method (note 23). The debentures are redeemable at the option of Chartwell, at any time, subject to a yield maintenance payment if such redemption is prior to February 25, 2025.

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 $1,571 were incurred and are being amortized using the effective interest method (note 23). 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.
Under the terms of the indentures, Chartwell is required to meet certain financial covenants. These covenants include required interest coverage ratio, indebtedness percentage ratio and unencumbered asset ratio.

12. Accounts Payable and Other Liabilities

	Note	2018	2017
Accounts payable and accrued liabilities		$ 144,281	$ 106,382
Resident deposits		3,500	2,932
Deferred revenue		1,505	571
Deferred Trust Units	(a)	13,313	14,186
Restricted Trust Units	(b)	4,755	6,547
EUPP option component	(c)	10,398	13,363
		$ 177,752	$ 143,981

(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)(iii), 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, 2018 was $13.67 (2017 - $16.26).

The following table summarizes the DTU activity:

	Units outstanding	Amount
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
Units granted	65,830	975
Change in fair value and distributions	35,634	(1,848)
Balance, December 31, 2018	974,063	$ 13,313

The non-cash compensation expense attributable to DTUs granted of $975 for the year ended December 31, 2018 (2017 - $1,039) 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, 2018, 247,225 notional Trust Units were granted (2017 - 208,503), 17,908 notional Trust units were cancelled (2017 - 19,078), 25,106 notional Trust units were issued in regard to distributions (2017 - 21,902), and 204,433 notional Trust units vested and were paid out (2017 - 181,678). At December 31, 2018, 576,185 notional Trust Units remained outstanding (2017 - 526,195).

The compensation expense attributable to the RTU Plan of $1,982 for the year ended December 31, 2018 (2017 - $4,334) is included in general, administrative and trust expenses.

(c) EUPP option component:

The description of the EUPP is included in note 16(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:

	2018	2017
Expected volatility	20.23% - 25.23%	10.99% - 15.99%
Risk-free rate	2.32% - 2.60%	2.30% - 2.55%
Distribution yield	4.61% - 5.18%	3.73% - 3.97%

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(1)	(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(1)	702	–	131	833
Balance, December 31, 2017	1,614,332	–	198,593	1,812,925
Proceeds from financing	239,220	–	150,000	389,220
Repayments	(69,110)	–	–	(69,110)
Scheduled principal payments	(63,833)	–	–	(63,833)
Financing costs paid(1)	(9,462)	–	(1,085)	(10,547)
Assumed on acquisition	100,676	–	–	100,676
Amortization of financing costs and mark to market adjustments on assumed mortgages(1)	511	–	375	886
Balance, December 31, 2018	$ 1,812,334	$ –	$ 347,883	$ 2,160,217

(1)Mortgages payable includes credit facilities related costs of $496 (2017 - $2,727) in relation to financing costs paid and $857 (2017 - $1,381) in relation to amortization of financing costs.

14. Assets Held for Sale and Related Liabilities

There were no assets classified as held for sale at December 31, 2018. The asset held for sale at December 31, 2017 with a net book value of $10,809 was disposed on May 11, 2018 for gross proceeds of $13,515 (note 22).

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

	2018	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

15. 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 net income and comprehensive income.

	Units outstanding	Amount
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
Exchange of Class B Units into Trust Units	(6,000)	(87)
Change in fair value	–	(4,265)
Balance, December 31, 2018	1,642,738	$ 22,456

16. 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, 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
Trust Units issued under DRIP	1,460,800	21,253
Trust Units issued in exchange of Class B Units	6,000	87
Trust Units released on settlement of EUPP receivable	43,117	1,090
Issue costs related to Trust Units pursuant to public offering	–	(267)
Deferred tax asset recognized through equity (note 25)	–	6,149
Balance, December 31, 2018	210,991,550	$ 2,285,736

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 $11,311 including the $267 additional costs recorded during the year ended December 31, 2018.

(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 2,688,718 were available to be issued at December 31, 2018.

The following table summarizes Trust Units issued under the EUPP:

	Number of Trust Units issued under EUPP	Amount
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
Trust Units issued under EUPP	115,348	1,787
Trust Units surrendered for cancellation under EUPP	(1,161)	(12)
Trust Units released on settlement of EUPP receivable	(43,117)	(469)
Balance, December 31, 2018	1,523,159	$ 17,519

The non-cash compensation expense attributable to the EUPP of $413 for the year ended December 31, 2018 (2017 - $335) 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%.

17. Segmented Information:

Chartwell monitors and operates its Retirement and Long-Term Care properties separately. The Retirement Operations segment includes 162 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.

2018	Retirement Operations	Long-Term Care Operations	Segment total	Other[2]	Subtotal	Recon-ciliation	Total
Revenue:							
Resident	$ 705,021	$ 234,342	$ 939,363	$ –	$ 939,363	$ (125,101)	$ 814,262
Management and other fees	–	–	–	10,708	10,708	–	10,708
Lease revenue from joint ventures	–	–	–	–	–	37,833	37,833
Interest income	–	–	–	4,233	4,233	(382)	3,851
	705,021	234,342	939,363	14,941	954,304	(87,650)	866,654
Expenses (income):							
Direct property operating	431,070	203,600	634,670	–	634,670	(76,831)	557,839
Adjusted net operating income[1]	273,951	30,742	304,693				
Depreciation of PP&E							170,588
Amortization of intangible assets							1,767
Share of net income from joint ventures							(1,482)
General, administrative and trust							43,890
Other expense (income)							(12,234)
Finance costs							76,778
Change in fair values of financial instruments and foreign exchange losses (gains)							(8,219)
							271,088
Income before income taxes							37,727
Income tax benefit (expense):							
Current							(63)
Deferred							(19,145)
							(19,208)
Net income							$ 18,519
Expenditures for non-current assets:							
Acquisition of properties	$ 315,776	$ –	$ 315,776	$ –	$ 315,776	$ –	$ 315,776
Capital additions	189,183	11,225	200,408	28,581	228,989	(12,257)	216,732

[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.
[2]Items included under 'other' are not monitored at the segment level.

2017	Retirement Operations	Long-Term Care Operations	Segment total	Other[(2)]	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	$ –	$ 209,627	$ –	$ 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.
(2) Items included under 'other' are not monitored at the segment level.

2018	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 3,047,776	$ 250,564	$ 3,298,340	$ 112,332	$ 3,410,672	$ (91,824)	$ 3,318,848
Total liabilities	$ 1,882,199	$ 155,051	$ 2,037,250	$ 439,902	$ 2,477,152	$ (91,824)	$ 2,385,328

2017	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 2,744,034	$ 256,040	$ 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

18. 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 loans receivable, interest rate swaps, liabilities related to Class B Units, income guarantees and deferred consideration on business combinations, are shown in the table below. The table below excludes cash and cash equivalents, restricted cash, 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.

	2018		2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgage payable related to assets held for sale	$ –	$ –	$ 6,061	$ 6,061
Mortgages payable	1,812,334	1,882,491	1,614,332	1,680,549
Senior unsecured debentures	347,883	349,198	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 outflows using the rates currently prevailing for similar instruments of similar maturities. At December 31, 2018, the mortgages payable were discounted using rates between 2.86% and 4.38% (2017 - 2.68% and 4.46%). 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 credit facilities approximates their carrying values and is considered Level 2 in the fair value hierarchy as inputs are observable directly or indirectly.

The fair value of senior unsecured debentures are estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. At December 31, 2018, senior unsecured debentures were discounted using a rate of 4.03% (2017 - 3.65%). 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, 2017.

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 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.

Chartwell adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL. At December 31, 2018, outstanding residents receivables were $1,638 (2017 - $1,397), net of ECL of $1,301 (2017 - $1,238).

(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, 2018, current liabilities totalled $371,894, exceeding current assets of $65,688, resulting in a working capital deficiency of $306,206. Current liabilities includes an amount of $183,649 of current mortgages payable, comprised of $115,341 related to maturing balances which are expected to be renewed on maturity, $67,653 related to regular principal payments and $655 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 $385,767 was available and undrawn at December 31, 2018 (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, 2018, Chartwell received $197,365 (2017 - $193,247) 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 20 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, 2018, Chartwell's interest-bearing financial instruments were as follows:

	Carrying amount 2018	Carrying amount 2017
Fixed-rate financial liabilities	$ 2,155,176	$ 1,814,304
Variable-rate financial liabilities	$ 31,728	$ 15,631

An increase/decrease of 100-basis-points in interest rates at December 31, 2018 for the variable-rate financial instruments would have decreased/increased income before income tax for the year by $317.

19. 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 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, 2018 and 2017:

	2018	2017	Increase (decrease)
Indebtedness ratio	48.3%	44.8%	3.5%

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.

20. Revenue:

	2018
Lease revenue[1]	$ 322,914
Services revenue[2]	529,181
Interest income	3,851
Management and other fees	10,708
Total revenue	$ 866,654

[1] Includes resident lease revenue and lease revenue from the joint venture partners.

[2] Includes property services element in accordance with IFRS 15 and long-term care services revenue.

21. Personnel Expenses:

The analysis of employee benefits expense for the years ended December 31, 2018 and 2017, included in the consolidated statements of net income and comprehensive income under direct operating expenses and general, administrative and trust expenses, is as follows:

	2018	2017
Salaries and wages	$ 410,017	$ 379,905
Post-employment benefits (defined contribution plans)	6,229	5,867
Unit-based compensation	3,370	5,708
	$ 419,616	$ 391,480

22. Other Expense (Income):

	2018	2017
Property lease expense	$ 399	$ 395
Lease termination costs (a)	1,806	–
Transaction costs arising on acquisitions and dispositions	3,873	7,540
Other expense	6,078	7,935
Gain on sale of assets (b)	(17,519)	(697)
Other income	(793)	(1,062)
Other income	(18,312)	(1,759)
Other expense (income)	$ (12,234)	$ 6,176

(a) Lease termination costs:

In connection with its development of the new headquarters Chartwell provided a notice of termination of its current head office lease and incurred a $1,806 termination payment.

(b) Gain on sale of assets:

On January 15, 2018, Chartwell sold vacant land in Nanaimo, British Columbia. The sale price before working capital adjustments and closing costs was $3,300 and was settled in cash. Chartwell recorded a gain on sale of these assets of $838.

On February 6, 2018, Chartwell sold three retirement residences in Quebec. The sale price before working capital adjustments and closing costs was $32,000 at Chartwell's ownership and was settled in cash. Chartwell recorded a gain on sale of these assets of $11,641.

On May 11, 2018, Chartwell sold its 85% interest in a retirement residence in Quebec. The sale price before working capital adjustments and closing costs was $13,515 at Chartwell's ownership and was settled in cash. Chartwell recorded a gain on sale of $2,706. This asset was classified as an asset held for sale on December 31, 2017.

For the year ended December 31, 2018 Chartwell completed other disposals of assets and recorded a gain on sale of assets of $1,634.

On May 3, 2017, Chartwell sold a property located in Quebec. The sale price for the property was $23,500, of which $2,500 was held in escrow to support the purchaser's rental income and certain renovation costs, with the balance settled in cash. Of the $2,500 held in escrow, $700 was received and has been reflected in gain on sale of assets for the year ended December 31, 2018. A former Chartwell director was an officer and director of the purchaser of this property.

23. Finance Costs:

	2018	2017
Contractual interest expense on mortgages	$ 65,438	$ 63,223
Interest expense on senior unsecured debentures	11,881	4,274
Credit facility and other interest expense	2,827	4,743
	80,146	72,240
Interest capitalized to properties under development	(5,218)	(2,908)
Amortization of financing costs and mark-to-market adjustments on assumed mortgages and senior unsecured debentures	886	835
Distributions on Class B Units recorded as interest expense	964	955
Total finance costs	$ 76,778	$ 71,122

24. Changes in Fair Values of Financial Instruments and Foreign Exchange Losses (Gains):

	2018	2017
Change in fair value of interest rate swaps	$ 1,668	$ (2,739)
Foreign exchange losses (gains)	(383)	271
Change in fair value of EUPP option component	(2,757)	2,670
Change in fair value of Class B Units	(4,265)	2,595
Change in fair value of DTUs	(1,848)	1,939
Change in fair value of deferred purchase consideration	85	113
Change in fair value of income guarantees	(719)	(1,862)
Change in fair values of financial instruments and foreign exchange losses (gains)	$ (8,219)	$ 2,987

25. Income Taxes:

For the year ended December 31, 2018, Chartwell recorded current income tax expense of $63 (2017 - $15) and deferred tax expense of $19,145 (2017 - $104 recovery). The current income tax expense relates to a corporate subsidiary. The deferred income tax expense is primarily related to adjustments to deferred tax balances as a result of the settlement of a Canada Revenue Agency ("CRA") audit net of the recognition of previously unrecognized deductible timing differences.

The income tax expense (benefit) - 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% (2017 - 53.53%). The differences for the years ended December 31 are as follows:

	2018	2017
Income before income taxes	$ 37,727	$ 12,993
Income tax expense at Canadian tax rate	$ 20,195	$ 6,955
Non-deductible and non-taxable items	(502)	3,161
Recognition of previously unrecognized tax benefits	(21,213)	(14,663)
Effect of tax rates in corporate subsidiary	–	56
Non-deductible fair value changes	(4,748)	3,915
Adjustment to deferred tax balances	25,372	–
Other	104	487
Income tax expense (benefit)	$ 19,208	$ (89)

During the year ended December 31, 2018, Chartwell settled with the CRA on an audit matter for the 2013 to 2015 taxation years. The settlement resulted in additional taxable income in the 2013 to 2017 taxation years that was offset by additional tax depreciation claimed for PP&E and the utilization of non-capital losses available for carryforward. As a result, Chartwell recognized a deferred income tax expense of $25,372 in the year ended December 31, 2018 due to a decrease of $43,461 in the deductible temporary differences between the accounting and tax basis of property, plant and equipment and a decrease of $3,937 in non-capital losses available for carryforward.

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

	Balance, January 1, 2018	Recognized in net income (loss)	Recognized in unitholders' equity	Balance, December 31, 2018
Property, plant and equipment	$ 27,890	$ (32,841)	$ –	$ (4,951)
Intangible assets	(14,381)	(398)	–	(14,779)
Losses available for carryforward	7,899	8,426	–	16,325
Other	5,218	(15,545)	143	(10,184)
Deferred tax asset (liability)	26,626	(40,358)	143	(13,589)
Deferred tax assets recognized/(not recognized)	(28,040)	21,213	6,006	(821)
Net deferred tax liability	$ (1,414)	$ (19,145)	$ 6,149	$ (14,410)

	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
Deferred tax asset (liability)	35,179	(14,559)	6,006	26,626
Deferred tax assets recognized/(not recognized)	(36,697)	14,663	(6,006)	(28,040)
Net deferred tax liability	$ (1,518)	$ 104	$ –	$ (1,414)

Deferred tax assets have not been recognized for the following:

	2018	2017
Deductible temporary differences	$ 269	$ 17,791
Non-capital losses carried forward	–	13,130
Net capital losses carried forward	2,576	8,176
	$ 2,845	$ 39,097

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.

Chartwell also has non-capital losses carried forward of $31,670.

26. Commitments and Contingencies:

Chartwell's maturities on major financial liabilities as at December 31, 2018 are detailed in the following table:

	Note	Total	2019	2020	2021	2022	2023	Thereafter
Mortgages payable	10(a)	$ 1,836,904	$ 182,994	$ 190,709	$ 229,888	$ 289,020	$ 114,999	$ 829,294
Senior unsecured debentures	11	350,000	–	–	–	–	200,000	150,000
Accounts payable and accrued liabilities	12	144,281	144,281	–	–	–	–	–
Distributions payable		10,493	10,493	–	–	–	–	–
Operating leases	26(a)(i)	2,327	1,302	136	139	155	155	440
Land leases	26(a)(ii)	24,943	376	376	376	376	376	23,063
Total maturities		$ 2,368,948	$ 339,446	$ 191,221	$ 230,403	$ 289,551	$ 315,530	$ 1,002,797

(a) Lease obligations:

(i) Operating leases:

Chartwell has operating leases on office spaces in Canada that expire on various dates up to October 31, 2026. In aggregate, annual payments on these leases vary from $30 to $1,035 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 has an option to extend for 15 years thereafter. Annual payments on this lease vary from $138 to $394. A land lease on a property in Ontario expires on August 31, 2044. Annual payments on this lease vary from $100 to $120. A land lease on another property in Ontario expires on May 31, 2048 with annual payments of $138.

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) Other:

On April 23, 2018, Chartwell entered into a forward purchase agreement to acquire a 256 suite residence conditional upon completion of its development which is expected in Q4 2019 for a contractual purchase price of $120,000 (note 3).

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 property. 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, 2018, nine projects with 2,744 suites are subject to this arrangement. Under Chartwell's agreement with Welltower, Welltower may participate as Chartwell's equal partner in the acquisition of interests in three of these projects.

Chartwell has entered into various construction contracts related to its development projects. As at December 31, 2018, the remaining commitments under these contracts amounted to approximately $76,019 (2017 - $110,607).

(c) Letters of credit:

As at December 31, 2018, Chartwell was contingently liable for letters of credit in the amount of $5,998 (2017 - $4,655).

(d) Guarantees:

As a result of the purchasers' assumption of certain mortgages on two properties sold in 2014, Chartwell remains a guarantor of these mortgages. As at December 31, 2018, outstanding balance on these mortgages was $2,550 (2017 - $19,436). The purchasers have indemnified Chartwell with respect to these guarantees.

Chartwell, with its partners, has jointly and severally guaranteed loans on three properties, which are 50% owned by Chartwell, two development properties owned 60% and 45% by Chartwell, respectively, and two properties, which are 85% owned by Chartwell, to a maximum amount of $239,397. As at December 31, 2018, outstanding balances on these mortgages totalled $161,145 ($72,073 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, 2018 and 2017 was as follows:

	2018	2017
Officers' and directors' compensation	$ 5,191	$ 4,937
Post-employment benefits	69	54
Other long-term benefits	1,623	2,816
Unit-based payments	328	302

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:

	2018	2017
Wages and benefits	$ 419,616	$ 391,480
Food and supplies	59,108	55,513
Realty taxes	28,412	26,863
Utilities	28,037	28,103
Other	66,556	56,424
	$ 601,729	$ 558,383
Included in the consolidated statements of comprehensive income:		
Direct property operating	$ 557,839	$ 520,376
General, administrative and trust	43,890	38,007
	$ 601,729	$ 558,383

29. Comparative Consolidated Statements:

Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2018 consolidated financial statements.

30. Subsequent Events:

On January 31 2019, Chartwell acquired all outstanding Class R Units of the limited partnership holding for the Clair Hills Retirement Residence for a purchase price of $9,695.

On February 1, 2019, Chartwell acquired all outstanding Class R units of the limited partnership for Oak Ridges Retirement Residence for a purchase price of $374.

On March 1, 2019, Chartwell announced a 2% increase in the monthly distributions from $0.049 per unit ($0.5880 per unit on an annualized basis) to $0.050 per unit ($0.60 on an annualized basis) effective for the March 31, 2019 distribution payable on April 15, 2019.

Corporate and Unitholder Information

OFFICERS AND SENIOR MANAGEMENT

Brent Binions
President and Chief Executive Officer

Karen Sullivan
Chief Operating Officer

Vlad Volodarski
Chief Financial Officer and
Chief Investment Officer

Sheri Chateauvert
Chief Administrative Officer

Jonathan Boulakia
Chief Legal Officer

UNITHOLDER INFORMATION

Chartwell Retirement Residences
100 Milverton Drive, Suite 700
Mississauga, Ontario L5R 4H1
Telephone: (905) 501-9219
Toll free: (888) 584-2386
Facsimile: (905) 501-0813
chartwell.com

Auditors
KPMG LLP,
Toronto, Ontario

Legal Counsel
Osler, Hoskin & Harcourt LLP,
Toronto, Ontario

Stock Exchange Listing
Toronto Stock Exchange (CSH.UN)

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

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

Annual Meeting of Unitholders
4:30pm ET - Thursday, May 16, 2019
Vantage Venues
150 King Street West, Toronto, Ontario

DISTRIBUTION REINVESTMENT PLAN

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

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

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

making people's
lives BETTER®