



CHARTwell
retirement residences

making people's
lives **BETTER**



For the year ended December 31, 2015
MANAGEMENT'S DISCUSSION & ANALYSIS

2015





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

For the Year Ended December 31, 2015

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Chartwell Retirement Residences (“Chartwell” or the “Trust”) has prepared the following management’s discussion and analysis (the “MD&A”) to provide information to assist its current and prospective investors’ understanding of the financial results of Chartwell for the year ended December 31, 2015. This MD&A should be read in conjunction with Chartwell’s audited, consolidated financial statements for the years ended December 31, 2015 and 2014, 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, 2015, can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of February 25, 2016.

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

In this document, “Q1” refers to the three-month period ended March 31; “Q2” refers to the three-month period ended June 30; “Q3” refers to the three-month period ended September 30; “Q4” refers to the three-month period ended December 31; “2015” refers to the calendar year 2015; “2014” refers to the calendar year 2014 and “YTD” means year-to-date.

Unless otherwise indicated, all comparisons of results for 2015 and Q4 2015 are in comparison to results from 2014 and Q4 2014, respectively.

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

The results of operations of our United States Operations segment (the “U.S. Portfolio”) are reported as discontinued operations throughout this MD&A. Unless otherwise indicated, all comparative amounts have been restated to conform to the current-period presentation.

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

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

Business Overview

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

Our Continuum of Care:

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

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

Our Mission is...

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

Our Values are...

Respect – We honour and celebrate seniors

Empathy – We believe compassion is contagious

Service Excellence – We believe in providing excellence in customer service

Performance – We believe in delivering and rewarding results

Education – We believe in lifelong learning

Commitment – We value commitment to the Chartwell family

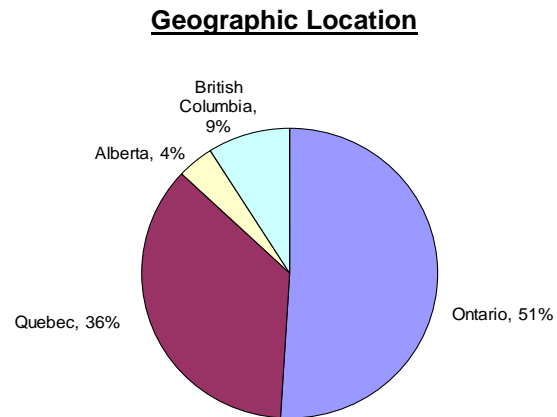
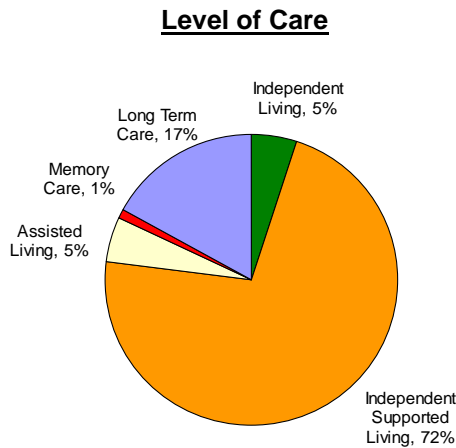
Trust – We believe in keeping our promises and doing the right thing

The following is the composition of our owned and managed portfolio of seniors housing communities in our two operating segments at December 31, 2015:

	Canadian Retirement Operations		Canadian Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Communities: ⁽¹⁾						
100% Owned – operating	107	13,371	24	3,134	131	16,505
Partially Owned – operating ⁽²⁾	47	8,368	-	-	47	8,368
Total Owned	154	21,739	24	3,134	178	24,873
Managed Communities	3	510	4	608	7	1,118
Total	157	22,249	28	3,742	185	25,991

- (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 with the exception of three retirement communities and one medical office building in which we have an 85% ownership interest.

**Composition of Portfolio of Owned Suites
at Chartwell's Share of Ownership Interest, at December 31, 2015 by:**



Business Strategy

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

Grow core property portfolio contribution by:

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

Maintain a strong financial position by:

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

Improve quality and efficiency of our corporate support services by:

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

Build value of our real estate portfolio by:

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

The following summarizes the progress we made in executing our strategy in 2015:

<p>Grow core property portfolio contribution</p>	<ul style="list-style-type: none"> Improved brand awareness and online and social media strategies continue to generate increased initial contacts and personal visits. Same property NOI ⁽¹⁾ increased \$3.7 million or 1.9% in 2015 and \$1.6 million or 3.2% in Q4 2015. Same property occupancy improved to 91.9% in 2015, compared to 90.4% in 2014, and reached 93.1% in Q4 2015, with all operating platforms posting strong occupancy gains.
<p>Maintain a strong financial position</p>	<ul style="list-style-type: none"> At December 31, 2015, we had cash on hand ⁽²⁾ of \$8.9 million and \$163.1 million of available borrowing capacity under our secured, revolving operating credit facility (“Credit Facility”). Interest Coverage Ratio ⁽¹⁾ increased to 2.84 in 2015 compared to 2.45 in 2014 and reached 3.18 in Q4 2015. Net Debt to Adjusted EBITDA Ratio ⁽¹⁾ decreased to 7.6 at December 31, 2015 compared to 8.5 at December 31, 2014. Indebtedness Ratio ⁽¹⁾ was 49.7% at December 31, 2015 compared to 55.0% at December 31, 2014.
<p>Improve quality and efficiency of our corporate support services</p>	<ul style="list-style-type: none"> Ongoing updates to our website generating significant improvements to several key online metrics with our monthly average web traffic increasing by 6% in 2015. Continued optimization of our unique call centre that now assists close to 1,400 prospective customers and their family members per month. Ongoing reviews of corporate support processes generate improved and more efficient services being provided to our operating teams.
<p>Build value of our real estate portfolio</p>	<ul style="list-style-type: none"> Completed the sale of the U.S. Portfolio for U.S.\$847.0 million on June 30, 2015. Proceeds from the sale, after repayment of debt, amounted to approximately \$416.0 million. Completed two development projects totalling 60 suites with an additional 12 projects totalling 2,121 suites in various stages of development. ⁽³⁾ Completed acquisitions of interests in 13 properties in Canada for \$585.2 million. ⁽⁴⁾ Divested three non-core properties in Canada.

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

(2) Non-GAAP; includes Chartwell’s Interest in equity accounted investments of \$5.9 million. Refer to the “Joint Arrangements” section of this MD&A for details.

(3) Includes projects by Batimo Inc.

(4) Excluding accounting adjustments, deferred and contingent future consideration.

2016 Outlook

Economic conditions in Canada remain challenging, particularly in the regions with oil-dependent economies. Our exposure to the Alberta market is limited to seven properties (755 suites) and these properties continue to exhibit high occupancy rates. We believe that the Alberta seniors housing market will remain strong and that the current economic weakness may create growth opportunities in the province.

The development activity in our markets has been and is expected to continue to be robust. We believe that the impact of these developments will be largely mitigated by the projected increasing growth in the seniors population in 2016 and beyond.

We expect that interest rates will continue to stay low with increases in 2016, if any, to be gradual, which should be positive for our ability to finance new acquisitions and developments and for refinancing of maturing debt. We also expect that, partly as a result of this low interest rate environment, the housing markets will continue to be stable.

Canadian Retirement Operations

We expect to generate moderate growth through occupancy increases and rate increases in line with competitive market conditions in our Canadian Retirement Operations segment.

We believe that our ongoing investments in branding, marketing and sales initiatives have allowed and will continue to allow us to increase awareness of Chartwell's name, prospect traffic to our residences and our occupancies. With our focus on enhancing customer experience at our residences, we expect to continue to grow our revenues including revenues from additional care and services. We expect to continue our focus on managing controllable costs through ongoing operations efficiency reviews, centralized purchasing and energy management programs.

- In Ontario, our same property occupancy improved to 87.6% in 2015 from 85.9% in 2014 and reached 89.1% in Q4 2015 as the pace of new supply has been more in line with the growth of the seniors population and the markets began to absorb excess inventory. With the sale of certain non-core assets in 2014, we repositioned our Ontario portfolio toward more modern and competitive properties and our 2015 acquisitions further improved its quality. We expect to see ongoing occupancy improvements in 2016 and average rental rate growth of approximately 2.5%.
- Our Western Canada platform delivered strong performance in 2015 with same property portfolio occupancy reaching 94.7% in Q4 2015. The supply/demand conditions remain generally stable in Western Canada. We expect consistently high occupancies in our Western Canada platform and average rental rate growth of approximately 3.0% in 2016.
- In Quebec, a number of large operators announced significant multiyear development programs. We also continue our development activities in the province in partnership with Batimo Inc. ("Batimo"). We believe that this anticipated growth in inventory is a reflection of the strong demographic trends and older existing inventory. Our Quebec portfolio occupancies gradually improved throughout 2015 with Q4 2015 occupancy in the same property portfolio reaching 93.0%. We expect consistently high occupancies in our Quebec platform and average rental rate growth of approximately 2.5% in 2016.

Canadian Long Term Care Operations

In 2015, our Canadian LTC same property portfolio NOI declined by 3.8%, driven by lower ancillary revenues, higher utilities and repairs and maintenance expenses, partially offset by higher preferred accommodation revenues. Our occupancies remain high at 98.7%. We expect stable performance and high occupancies in 2016 as there are approximately 25,000 people on the waiting list for LTC accommodation in Ontario. We continue our work with the industry association and the Ontario

government to develop a viable redevelopment program for the remaining Class B and Class C beds in the province. We have nine properties with 876 beds subject to redevelopment.

General, Administrative and Trust Expenses

We believe our G&A expenses are at a sustainable level that allows us to appropriately invest in training and development of our staff and in improving our information management systems and corporate support processes. We will continue our efficiency reviews of corporate processes and purchasing practices for goods and services to mitigate inflationary pressures on our G&A expenses.

Development

Development continues to be one of our core growth strategies. In 2015, we completed construction of two additions (60 suites) to existing residences in our Ontario Retirement Portfolio. We also acquired an 85% interest in another 90-suite addition to our existing residence in Quebec, constructed by Batimo. At this time our internal development pipeline consists of seven development projects with 951 suites and we are participating in five other projects by Batimo totalling 1,170 suites. We continue to source and evaluate other development opportunities, including partnerships with other developers.

Acquisitions

In 2015, we acquired interests in 13 properties. We are evaluating a number of other potential acquisitions in our core markets and continue to proactively search for additional opportunities to add newer, well-located and well-built properties to our portfolio.

Dispositions

As part of our ongoing review of our real estate portfolio, we may identify assets that no longer fit with the strategic direction of our company due to their age, location or other attributes. In 2015, in addition to the sale of the U.S. Portfolio, we completed sales of our interests in three non-core properties in Quebec.

Taxation

In 2015, 49.6% of our distributions were classified as non-eligible dividend, 37.2% as non-taxable capital dividend, 11.8% as other income and 1.4% as return of capital. In 2015, we incurred \$1.3 million of income taxes in one of our subsidiaries related to the capital gain on settlement of the foreign exchange swap arrangements entered into on the sale of the U.S. Portfolio. Based on our current forecasts, we expect to have sufficient deductions and losses carried forward to eliminate any specified investment flow through ("SIFT") taxes in 2016.

Distributions

On February 25, 2016, we announced our second annual increase in monthly distributions. Monthly cash distributions will increase by 2.0% from \$0.045900 per unit (\$0.550800 on an annualized basis) to \$0.046818 per unit (\$0.561816 on an annualized basis) effective for the March 31, 2016 distribution payable on April 15, 2016.

Significant Events

The following events have had a significant effect on our financial results in 2015 and may be expected to affect our results in the future.

Acquisitions

On May 4, 2015, we completed the acquisition of a 94-suite retirement residence in Thunder Bay, Ontario. The purchase price was \$22.1 million before closing costs and was settled in cash.

On June 1, 2015, we completed the acquisition of our joint-venture partner's 50% interests in the 117-suite Chartwell Pickering City Centre Retirement Residence ("Pickering") and the 151-suite Chartwell Valley Vista Retirement Residence ("Valley Vista"), both located in Ontario, for \$40.1 million. We now own 100% interests in these properties. The purchase price was partially settled by the assumption of our partner's share of mortgages, totalling \$19.8 million, with the remainder paid in cash. A mortgage mark-to-market adjustment of \$2.1 million was recorded on one of the assumed mortgages.

On July 31, 2015, we completed the acquisition of The Grenadier Retirement Residence (257 suites and 66,800 square feet of commercial space) in Toronto, Ontario for \$84.0 million. The purchase price was settled in cash.

On August 5, 2015, we completed the acquisition of an 85% interest in Chartwell L'Unique Phase II Retirement Residence ("Phase II") in Ste. Eustache, Quebec for \$15.4 million. The vendor, Batimo, has retained a 15% interest in the property. This 90-suite Phase II addition is connected to the 169-suite Chartwell L'Unique Retirement Residence co-owned by Chartwell and Batimo. Phase II opened in April 2015 and was 70% leased at the time of acquisition. The purchase price was settled by the assumption of an 85% share of the construction loan of \$10.9 million, settlement of our mezzanine loan to Batimo of \$1.5 million, with the remainder paid in cash. The construction loan bears interest at 5.0% and is expected to be refinanced with a long-term, fixed-rate mortgage upon the property achieving stabilized occupancy. On closing, Batimo provided us with a 12-month NOI guarantee of \$0.2 million.

On September 11, 2015, we acquired from three separate vendor groups, three retirement residences in Ontario totalling 447 suites for an aggregate purchase price of \$171.7 million. One of the acquired properties has excess land for the potential development of up to 69 additional suites. Included in the purchase price for this property is \$1.0 million related to this excess land and a deferred payment of \$1.9 million due on the third anniversary of closing. The vendor of another property provided us with a 24-month occupancy support of up to \$2.5 million and undertook, at their cost, to convert certain common spaces in the building into four additional suites within 12 months.

On November 9, 2015, we acquired from separate groups of vendors, five retirement residences in Ontario totalling 616 suites for an aggregate purchase price of \$253.9 million before closing costs, mortgage mark-to-market and tax adjustments. The purchase price was settled by the assumption of two mortgages totalling \$51.5 million bearing interest at a weighted average rate of 4.5% with the average term to maturity of 4.6 years, the issuance of \$15.0 million of exchangeable Class B Units of Chartwell Master Care LP, with the remaining balance paid in cash. One of the acquired properties is subject to a land lease that expires in 2056. We recorded a mortgage mark-to-market adjustment of \$5.1 million with respect to the assumed mortgages. We also recorded a deferred tax liability and goodwill in the amount of \$8.2 million.

The acquisitions of two properties have been structured as acquisitions of interests in limited partnerships that own the related retirement residences. We own all outstanding Class C units of these partnerships and the affiliates of the vendors own all outstanding Class R units. Under the partnership agreements Class C units are entitled to quarterly distributions totalling \$4.8 million for 2016, increasing by 3% per annum thereafter until December 31, 2018. Class R units are entitled to residual distributions up to a certain maximum. Once such maximum is reached, the remaining distributions will be made in the ratio of 65% to Class C units and 35% to Class R units. The vendors of these properties and their affiliates

provided the limited partnerships with net operating income guarantees sufficient to effect the required Class C distributions. Signature Senior Living, an affiliate of one of the vendors, will continue to manage these two properties until December 31, 2018. In January 2019, we will be required to acquire all outstanding Class R units. The purchase price will be equal to the excess of the actual combined net operating income achieved for the year ended December 31, 2018, over the guaranteed income for that year, divided by 6.25%. Chartwell's interest in these two properties is accounted for using the equity method of accounting.

The following table summarizes acquisitions completed in 2015:

(\$000s, except communities and suites/beds)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015	2014
Number of communities	-	3	5	5	13	5
Number of suites/beds	-	362	794	616	1,772	531
Contractual purchase price, excluding deferred consideration	-	62,176	269,164	253,871	585,211	87,368
<i>Accounting adjustments:</i>						
Estimated present value of deferred consideration	-	-	1,506	-	1,506	-
Goodwill	-	-	-	8,216	8,216	-
Valuation of Class B Units	-	-	-	136	136	-
Mortgage mark-to-market adjustment	-	2,088	-	5,124	7,212	-
Adjusted purchase price	-	64,264	270,670	267,347	602,281	87,368
<i>Settled as follows:</i>						
Cash	-	42,374	258,465	187,359	488,198	44,315
Mezzanine loan settlement	-	-	1,455	-	1,455	-
Assumed mortgages – contractual amounts	-	19,802	9,244	51,512	80,558	43,053
Mortgage mark-to-market	-	2,088	-	5,124	7,212	-
Class B Units	-	-	-	15,136	15,136	-
Estimated present value of deferred consideration	-	-	1,506	-	1,506	-
Deferred tax liability	-	-	-	8,216	8,216	-
Total	-	64,264	270,670	267,347	602,281	87,368

Dispositions

On June 2, 2015, we completed the sale of Villa val-des-Arbres Residence (“VVDA”) in Laval, Quebec for \$8.0 million. The purchase price was settled by the purchaser assuming the existing \$5.2 million mortgage, a vendor take back mortgage of \$1.5 million, with the balance received in cash.

On June 30, 2015, we completed the sale of the U.S. Portfolio. The gross sale price was U.S.\$847.0 million. The U.S. Portfolio was encumbered by mortgage debt with the principal amount of U.S.\$439.0 million, bearing interest at a weighted average rate of 5.85% per annum. The mortgage debt, including mortgage prepayment costs, was repaid using proceeds from the sale. This sale allows us to fully focus on the Canadian seniors housing markets where we believe we have a strong competitive advantage due to the quality of our management platform and our scale. The sale also reduces operating risk by removing the reliance on third-party management and eliminates U.S. mortgage refinancing and foreign exchange risks.

In our Financial Statements and throughout this MD&A, results of operations of the U.S. Portfolio are reported as discontinued operations. Comparative 2014 amounts have been restated to conform with this treatment.

On November 11, 2015, we completed the sale of two non-core LTC residences (343 beds) in Quebec for \$10.2 million before closing costs. Mortgages totalling \$11.5 million bearing interest at the weighted average rate of 4.87% were assumed by the purchaser on closing.

Development

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

In 2015, we completed two development projects:

- A 30-suite expansion at Chartwell Georgian Traditions Retirement Residence in Collingwood, Ontario, inclusive of additional ISL suites and a 22-bed memory living environment was completed in Q2 2015 and is currently fully occupied. Total development costs are \$7.7 million and the unlevered yield is 10.8%.
- A 30-suite seniors apartment building at Chartwell Tranquility Place Retirement Residence opened in October 2015 and is currently 50% leased. Total development costs are \$7.7 million and the expected unlevered yield is 7.7%. We own a 50% interest in this project.

The following table summarizes projects that are in various stages of development as of the date of this MD&A:

Project	Location	Suites / Beds	Current Project Status	Estimated Development Costs ⁽¹⁾ (\$ millions)	Expected Completion Date	Expected Stabilization Date	Expected Unlevered Yield ⁽²⁾
Chartwell Waterford Retirement Residence	Oakville, ON	128	Pre-development	39.9	Q3 2017	Q4 2019	8.2%
Chartwell Carlton Gardens Retirement Residence	Burnaby, BC	105	Pre-development	35.3	Q3 2017	Q1 2020	7.9%
Chartwell Malaspina Gardens Care Residence	Nanaimo, BC	136	Construction	27.5	Q3 2017	Q3 2017	8.4%
Chartwell Bankside Apartments	Kitchener, ON	58	Pre-development	17.0	Q2 2017	Q1 2019	7.8%
Chartwell Regent Park Apartments ⁽³⁾	Toronto, ON	332	Pre-development	91.4	Q3 2017	Q3 2019	7.0%
Chartwell Meadowbrook Village	Lively, ON	55	Pre-development	17.4	Q3 2017	Q3 2018	8.9%
Chartwell Windemere Retirement Residence	Edmonton, AB	137	Pre-development	45.4	Q2 2018	Q3 2020	7.2%
		951		273.9			
Projects by Batimo: ⁽⁴⁾							
Chartwell Le Teasdale ⁽⁵⁾	Terrebonne, QC	343	In construction	N/A	Q2 2016	Q4 2016	N/A
Chartwell Monarques Phase II	Ste. Eustache, QC	98	In construction	N/A	Q3 2016	Q3 2018	N/A
Chartwell L'Unique Phase III ⁽⁶⁾	Ste. Eustache, QC	163	In construction	N/A	Q1 2017	Q3 2018	N/A
Chartwell Le Prescott ⁽⁷⁾	Vaudreuil, QC	290	In construction	N/A	Q2 2017	Q4 2018	N/A
Chartwell Le Montcalm ⁽⁸⁾	Candiac, QC	276	Pre-development	N/A	Q4 2017	Q2 2019	N/A
		1,170					
		2,121					

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

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

(3) Chartwell expects to own a 45% interest in this project. Welltower and Daniels Corporation are expected to own 45% and 10% interests, respectively.

(4) Chartwell manages pre-opening and lease-up of these Batimo projects and expects to acquire an 85% interest in these projects upon stabilization.

(5) Chartwell advanced a mezzanine loan of \$5.9 million on this project.

(6) Chartwell expects to advance a \$2.7 million mezzanine loan on this project.

(7) Chartwell expects to advance a \$5.2 million mezzanine loan on this project.

(8) Chartwell expects to advance a \$5.4 million mezzanine loan on this project.

Joint Arrangements

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

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

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Method of Accounting
Chartwell-Welltower Landlord ⁽¹⁾⁽²⁾	38	7,410	50%	Line-by-line
Chartwell-Welltower Operator ⁽¹⁾⁽²⁾	Same as above	Same as above	50%	Equity
Batimo	4	357	85%	Line-by-line
Oakville	1	147	50%	Equity
Constantia	1	121	50%	Equity
Riverside	1	138	50%	Line-by-line
Churchill	1	98	50%	Line-by-line
Kamloops	1	97	50%	Line-by-line
Clair Hills ⁽³⁾	1	120	Refer to note ⁽³⁾	Equity
Oak Ridges ⁽³⁾	1	129	Refer to note ⁽³⁾	Equity

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

(2) On July 2, 2014, one property (196 suites) previously held by Chartwell-Welltower Landlord and operated by Chartwell-Welltower Operator was sold.

(3) Chartwell owns 100% of Class C units of these limited partnerships. Certain affiliates of the vendors own 100% of Class R units. Please refer to the “Significant Events” section of this MD&A for a description of each class of the limited partnership units.

On June 1, 2015, we acquired the remaining 50% interest in Pickering and Valley Vista. Prior to this acquisition, we accounted for Pickering using the equity method of accounting and for Valley Vista using the line-by-line method.

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

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

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

(\$000s, except occupancy rates and per unit amounts)	Q4 2015	Q4 2014	Change	2015	2014	Change
Resident revenue ⁽¹⁾	201,686	183,529	18,157	750,127	714,320	35,807
Weighted average occupancy rate - same property portfolio ⁽²⁾	93.1%	91.4%	1.7pp	91.9%	90.4%	1.5pp
Same property NOI ⁽³⁾	51,288	49,719	1,569	200,162	196,511	3,651
AFFO - continuing operations ⁽⁴⁾	36,252	26,627	9,625	118,483	98,765	19,718
AFFO per unit diluted - continuing operations ⁽⁵⁾⁽⁶⁾	0.20	0.15	0.05	0.66	0.56	0.10
Total AFFO ⁽⁴⁾	36,252	32,667	3,585	134,781	128,473	6,308
Total AFFO per unit diluted ⁽⁵⁾⁽⁶⁾	0.20	0.18	0.02	0.75	0.72	0.03
FFO - continuing operations ⁽⁷⁾	38,484	29,405	9,079	128,303	110,100	18,203
FFO per unit diluted - continuing operations ⁽⁵⁾⁽⁶⁾	0.21	0.17	0.04	0.71	0.62	0.09
Total FFO ⁽⁷⁾	38,484	36,173	2,311	146,317	143,040	3,277
Total FFO per unit diluted ⁽⁵⁾⁽⁶⁾	0.21	0.20	0.01	0.81	0.80	0.01
Distributions declared ⁽⁸⁾	24,735	23,910	825	97,917	95,328	2,589
Distributions declared per unit ⁽⁶⁾	0.14	0.14	-	0.55	0.54	0.01
Distributions declared as a percentage of total AFFO ⁽⁹⁾	68.2%	73.2%	(5.0pp)	72.6%	74.2%	(1.6pp)
Net income/(loss) - continuing operations	(1,361)	(12,715)	11,354	12,139	(26,030)	38,169
Net income/(loss)	562	(16,280)	16,842	362,233	(8,279)	370,512

(1) Non-GAAP; reported at Chartwell's Interest. Resident revenue per Financial Statements was \$173.4 million and \$643.9 million in Q4 2015 and 2015, respectively (\$157.3 million and \$611.3 million in Q4 2014 and 2014, respectively). Refer to the "Joint Arrangements" section of this MD&A for details of this calculation.

(2) pp = percentage points.

(3) Non-GAAP; reported at Chartwell's Interest. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

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

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

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

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

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

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

For 2015, AFFO from continuing operations was \$118.5 million or \$0.66 per unit diluted, a 20.0% increase from \$98.8 million or \$0.56 per unit diluted in 2014. The following items impacted the change in AFFO from continuing operations:

- higher NOI of \$16.8 million consisting of a \$3.7 million increase in same property NOI and a \$13.1 million contribution from acquisitions and developments, net of the impact of property sales;
- higher NOI guarantees of \$1.7 million;

- lower interest expense of \$4.9 million, primarily due to lower loan balances outstanding and lower interest rates achieved on refinancing of properties, as well as lower early mortgage repayment costs; and
- lower G&A expenses of \$0.8 million, primarily due to lower severance and legal costs;

partially offset by:

- proceeds from the settlement of certain tax matters of \$3.1 million in 2014;
- the reversal of a previously-recorded provision for impairment of mezzanine loans of \$1.2 million in 2014; and
- other items combined of \$0.2 million.

Fourth Quarter: For Q4 2015, AFFO from continuing operations was \$36.3 million or \$0.20 per unit diluted, a 36.1% increase from \$26.6 million or \$0.15 per unit diluted in Q4 2014. The following items impacted the change in AFFO from continuing operations:

- higher NOI of \$9.3 million consisting of a \$1.6 million increase in same property NOI and a \$7.8 million contribution from acquisitions, net of the impact of property sales;
- higher NOI guarantees of \$0.8 million; and
- lower interest expense of \$0.3 million, primarily due to lower loan balances outstanding and lower interest rates achieved on refinancing of properties;

partially offset by:

- higher G&A expenses of \$0.6 million, primarily due to higher staffing costs to support newly acquired properties; and
- other items combined of \$0.1 million.

Total AFFO increased \$6.3 million or 4.9% in 2015. In addition to the items listed above, this increase is due to a positive effect of the foreign exchange rates on our U.S. operations, partially offset by the proceeds of the settlement of litigation in the U.S. in 2014 of \$3.4 million for which there was no comparable amount in 2015. In Q4 2015, total AFFO increased \$3.6 million or 11.0% reflecting, in addition to the items listed above, the completion of the sale of the U.S. Portfolio in Q2 2015.

For 2015, FFO from continuing operations was \$128.3 million or \$0.71 per unit diluted compared to \$110.1 million or \$0.62 per unit diluted in 2014. In Q4 2015, FFO from continuing operations was \$38.5 million or \$0.21 per unit diluted, an increase from \$29.4 million or \$0.17 per unit diluted in Q4 2014. Total FFO increased \$3.3 million in 2015 and \$2.3 million in Q4 2015.

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

In 2015, net income from continuing operations was \$12.1 million compared to net loss from continuing operations of \$26.0 million in 2014. For Q4 2015, net loss from continuing operations was \$1.4 million compared to \$12.7 million in Q4 2014. In addition to the items noted in the discussion of AFFO and FFO above, net income from continuing operations was also impacted by depreciation of properties and amortization of limited life intangibles, transaction costs arising on business acquisitions and dispositions, changes in fair value of financial instruments, gains on sales of assets net of related taxes, deferred income taxes and gains on remeasurement of previously-held interests in step acquisitions.

For 2015, net income was \$362.2 million compared to net loss of \$8.3 million in 2014. In Q4 2015, net income was \$0.6 million compared to net loss of \$16.3 million in Q4 2014. In addition to the items noted in the discussion of net income from continuing operations, net income was affected by the results of discontinued operations which is comprised of the results of operations of the U.S. Portfolio and the gain on sale thereof, net of tax.

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

Same Property Portfolio Highlights

(\$000s, except occupancy rates)	Q4 2015	Q4 2014	Change	2015	2014	Change
Canadian retirement:						
NOI ⁽¹⁾	44,390	42,041	2,349	172,468	167,711	4,757
Occupancy	91.9%	89.9%	2.0pp	90.5%	88.8%	1.7pp
Canadian LTC:						
NOI ⁽¹⁾	6,898	7,678	(780)	27,694	28,800	(1,106)
Occupancy	98.8%	98.7%	0.1pp	98.7%	98.6%	0.1pp
Combined:						
NOI ⁽¹⁾⁽²⁾	51,288	49,719	1,569	200,162	196,511	3,651
Occupancy	93.1%	91.4%	1.7pp	91.9%	90.4%	1.5pp

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

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

In 2015, combined same property occupancy was 91.9% compared to 90.4% in 2014 with same property NOI increasing \$3.7 million or 1.9% as follows:

- In our Canadian retirement portfolio, same property NOI increased 2.8%. The growth in revenues, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions, was partially offset by higher staffing costs incurred to improve services delivered to our residents as well as higher food, insurance, utilities and property tax expenses.
- In our Canadian LTC portfolio, same property NOI decreased 3.8%, primarily due to lower ancillary revenues, higher utilities and repairs and maintenance expenses, partially offset by higher preferred accommodation revenues.

Fourth Quarter: In Q4 2015, combined same property occupancy was 93.1% compared to 91.4% in Q4 2014 with same property NOI increasing \$1.6 million or 3.2% as follows:

- In our Canadian retirement portfolio, same property NOI increased 5.6%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower marketing costs as we accelerated our investments in marketing in the first half of 2015. This was partially offset by higher staffing costs incurred to improve services delivered to our residents and higher utilities and food expenses.
- In our Canadian LTC portfolio, same property NOI decreased 10.2%, primarily due to lower ancillary revenues and higher utilities and repairs and maintenance expenses, partially offset by higher preferred accommodation revenues.

Summary of Net Operating Income

(\$000s, except occupancy rates)	Q4 2015	Q4 2014	Change	2015	2014	Change
Resident Revenue						
Same property ⁽¹⁾⁽²⁾	178,324	173,194	5,130	691,265	671,435	19,830
Acquisitions and other ⁽¹⁾⁽²⁾	23,362	10,335	13,027	58,862	42,885	15,977
	201,686	183,529	18,157	750,127	714,320	35,807
Less: Share of resident revenue from joint ventures	28,273	26,198	2,075	106,213	103,055	3,158
Total resident revenue	173,413	157,331	16,082	643,914	611,265	32,649
Direct Operating Expenses						
Same property ⁽¹⁾⁽²⁾	127,036	123,475	3,561	491,103	474,924	16,179
Acquisitions and other ⁽¹⁾⁽²⁾	13,255	8,000	5,255	38,911	36,044	2,867
	140,291	131,475	8,816	530,014	510,968	19,046
Less: Share of direct operating expenses from joint ventures	17,789	16,511	1,278	66,479	64,615	1,864
Total direct operating expenses	122,502	114,964	7,538	463,535	446,353	17,182
Net Operating Income						
Same property ⁽¹⁾⁽²⁾	51,288	49,719	1,569	200,162	196,511	3,651
Acquisitions and other ⁽¹⁾⁽²⁾	10,107	2,335	7,772	19,951	6,841	13,110
	61,395	52,054	9,341	220,113	203,352	16,761
Less: Share of net operating income from joint ventures	10,484	9,687	797	39,734	38,440	1,294
Total net operating income	50,911	42,367	8,544	180,379	164,912	15,467
Weighted average occupancy rate - same property portfolio	93.1%	91.4%	1.7pp	91.9%	90.4%	1.5pp
Weighted average occupancy rate - total portfolio excluding discontinued operations	91.8%	90.5%	1.3pp	90.7%	88.8%	1.9pp

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

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

Total resident revenue increased 5.3% in 2015 and increased 10.2% in Q4 2015. The changes in resident revenue were primarily due to increased revenue in our same property portfolio and a growing revenue contribution from acquisitions and developments, partially offset by the reduction in revenue from the sales of non-core properties in 2014 and 2015.

Same property resident revenue increased \$19.8 million or 3.0% in 2015 and \$5.1 million or 3.0% in Q4 2015, primarily as a result of higher occupancies and regular annual rental rate increases in line with competitive market conditions.

Total direct operating expenses increased 3.8% in 2015 and 6.6% in Q4 2015. The changes in direct operating expenses were primarily due to higher expenses in our same property portfolio, acquisitions and developments and a reduction in expenses from the sales of non-core properties in 2014 and 2015.

Same property direct operating expenses increased \$16.2 million or 3.4% in 2015 and \$3.6 million or 2.9% in Q4 2015, primarily due to higher staffing costs incurred to deliver enhanced services to our residents, higher utilities, insurance and property tax expenses. In Q4 2015, same property direct operating expenses were impacted by lower marketing costs as we accelerated our marketing investments in the first half of 2015.

General, Administrative and Trust Expenses

(\$000s, except percentage of revenue)	Q4 2015	Q4 2014	Change	2015	2014	Change
G&A expenses	(7,581)	(6,950)	(631)	(30,771)	(31,582)	811
G&A expenses as a percentage of revenue ⁽¹⁾	3.7%	3.7%	-	4.0%	4.3%	(0.3pp)

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

G&A expenses decreased \$0.8 million or 2.6% in 2015, primarily due to lower severance and legal costs, partially offset by higher staffing costs incurred to provide enhanced support to our communities, including new acquisitions.

G&A expenses, as a percentage of revenue at Chartwell’s Interest, were 4.0% in 2015 compared to 4.3% in 2014.

Fourth Quarter: G&A expenses increased \$0.6 million or 9.1% in Q4 2015, primarily due to higher staffing costs incurred to provide enhanced support to our communities, including new acquisitions and timing of certain other expenses.

G&A expenses, as a percentage of revenue at Chartwell’s Interest, were 3.7% in Q4 2015 and Q4 2014.

Management Fee Revenue

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Welltower	1,522	1,374	148	5,939	5,663	276
Other	455	474	(19)	1,876	1,820	56
Total management fee revenue	1,977	1,848	129	7,815	7,483	332

Management fee revenue increased 4.4% in 2015 and 7.0% in Q4 2015, primarily due to higher fees earned from properties co-owned with or managed for Welltower and Batimo.

Interest on Loans Receivable

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Interest on loans receivable	361	192	169	1,142	461	681

Interest on loans receivable increased primarily due to higher loan balances outstanding in 2015.

At December 31, 2015, we had \$15.8 million of loans receivable outstanding. Vendor take back (“VTB”) loans totalling \$7.5 million were granted to two different purchasers in connection with the sales of our non-core properties in 2014 and 2015. The loans are secured by subordinated charges against the sold properties and guaranteed by the purchasers and their affiliated entities, where applicable.

At December 31, 2015, mezzanine and other loans of \$8.3 million were due from the entities affiliated with Batimo. These loans are secured by various charges against related real estate, guaranteed by Batimo and contain certain cross-collateralization and cross-default provisions.

Loans receivable bear interest at rates ranging from 8.0% to 12.0%.

Finance Costs

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Mortgages and loans payable ⁽¹⁾						
Same property ⁽²⁾	13,725	15,005	(1,280)	56,736	61,459	(4,723)
Acquisitions and other ⁽²⁾	2,136	1,135	1,001	5,724	4,230	1,494
	15,861	16,140	(279)	62,460	65,689	(3,229)
Convertible debentures	1,938	1,940	(2)	7,690	7,695	(5)
Credit Facility and other interest expense	596	597	(1)	2,737	4,353	(1,616)
	18,395	18,677	(282)	72,887	77,737	(4,850)
Amortization of financing costs and debt mark-to-market adjustments ⁽¹⁾	(63)	(58)	(5)	(139)	(478)	339
	18,332	18,619	(287)	72,748	77,259	(4,511)
Interest capitalized to properties under development	(71)	(67)	(4)	(239)	(240)	1
Distributions on Class B Units recorded as interest expense	281	222	59	956	889	67
	18,542	18,774	(232)	73,465	77,908	(4,443)
Less: Share of finance costs from joint ventures	474	349	125	1,388	1,524	(136)
Total finance costs	18,068	18,425	(357)	72,077	76,384	(4,307)

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

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

Interest expense on the same property portfolio decreased \$4.7 million in 2015 and decreased \$1.3 million in Q4 2015, primarily due to lower interest rates achieved on mortgage renewals and lower outstanding loan balances.

Credit Facility and other interest expense decreased \$1.6 million in 2015 primarily due to lower early mortgage repayment costs offset by higher interest expense on our Credit Facility in 2015.

Amortization of financing costs and debt mark-to-market adjustments decreased \$0.3 million in 2015 primarily as a result of acceleration of amortization of mark-to-market adjustments and financing costs upon refinancing of certain mortgages.

Other (Expense)/Income

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Transaction costs arising on business acquisitions and dispositions ⁽¹⁾	(4,468)	(61)	(4,407)	(13,834)	(2,886)	(10,948)
Interest and other income ⁽¹⁾	911	1,022	(111)	3,584	4,902	(1,318)
Impairment of assets net of reversals	(3,000)	-	(3,000)	(3,755)	1,245	(5,000)
Gain on remeasurement to fair value of existing interests ⁽¹⁾	-	-	-	10,452	435	10,017
Gain on sale of assets ⁽¹⁾	266	(69)	335	4,974	7,095	(2,121)
Property lease expense ⁽¹⁾	(98)	(97)	(1)	(400)	(394)	(6)
	(6,389)	795	(7,184)	1,021	10,397	(9,376)
Less: Share of other (expense)/income from joint ventures	(1,749)	40	(1,789)	(1,648)	50	(1,698)
Total other (expense)/income	(4,640)	755	(5,395)	2,669	10,347	(7,678)

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

Transaction costs arising on business acquisitions and dispositions are expensed as incurred and fluctuate from period to period based on the timing and volume of transactions. Transaction costs related to the sale of the U.S. Portfolio are reported in discontinued operations.

Interest and other income in 2015 and Q4 2015 primarily relates to interest income on capital funding receivable. In Q2 2014 we received \$0.8 million in settlement of certain commodity tax matters which was recorded as other income in 2014.

In 2015, we recorded impairment provision of \$5.4 million on four properties in Quebec and Ontario, partially offset by a reversal of previously-recorded impairment provision of \$1.6 million related to two properties in Quebec which were subsequently sold on November 11, 2015. In 2014, we reversed a \$1.2 million previously-recorded provision for impairment of mezzanine loans receivable on collection of the related mezzanine loan.

Gain on remeasurement to fair value of existing interest of \$10.5 million in 2015 relates to the remeasurement of the original 50% interests in Pickering and Valley Vista upon acquisition of the remaining 50% interests from our joint-venture partner.

Gain on sale of assets includes a \$3.3 million gain on the sale of VVDA completed in 2015. In 2014, we sold our interests in 15 properties and recognized a gain on sale of \$6.1 million.

Other Items

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Depreciation of PP&E ⁽¹⁾	(35,682)	(34,732)	(950)	(117,583)	(123,288)	5,705
Amortization of intangible assets ⁽¹⁾	(155)	(179)	24	(678)	(1,511)	833
Changes in fair value of financial instruments and foreign exchange (loss)/gain ⁽¹⁾	(6,417)	(7,569)	1,152	(2,331)	(15,656)	13,325
Current income tax (expense)/benefit ⁽¹⁾	1,456	600	856	(1,340)	2,222	(3,562)
Deferred income tax (expense)/benefit ⁽¹⁾	8,216	-	8,216	8,216	-	8,216

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

Depreciation of PP&E increased \$0.9 million in Q4 2015 primarily due to depreciation of properties acquired in 2015 and decreased \$5.7 million in 2015 primarily due to certain assets becoming fully depreciated in 2014 and 2015.

Amortization of intangible assets decreased \$0.8 million in 2015 due to certain intangible assets becoming fully depreciated in 2015.

Changes in fair value of financial instruments and foreign exchange loss/(gain) result from changes in the market value of the underlying financial instruments and foreign exchange rate movements. These amounts are expected to fluctuate from period to period due to changes in financial markets. In Q3 2015, we recorded a realized foreign exchange gain of \$11.2 million related to conversion of net proceeds from the sale of the U.S. Portfolio to Canadian dollars.

Current income tax expense in 2015 primarily relates to the capital gain on settlement of the foreign exchange swap arrangements entered into on the sale of the U.S. Portfolio. Current income tax benefit in 2014 includes a \$2.2 million SIFT tax refund for the 2007 taxation year received in Q1 2014.

Deferred tax benefit of \$8.2 million in 2015 was recorded to recognize a portion of previously unrecognized deferred tax assets as a result of the acquisition of one property.

Summary of Results of Operations by Segment

The following section provides an analysis of the operating performance of each of our operating segments in 2015 and Q4 2015.

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

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

Canadian Retirement Operations

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

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same Property							
100% owned	92	771	9,485	514	73	483	11,326
50% owned	42	499	6,677	511	61	45	7,793
Total same property owned	134	1,270	16,162	1,025	134	528	19,119
Acquisitions, Development & Other							
100% owned – operating	15	-	1,831	164	50	-	2,045
Partially owned – operating ⁽¹⁾	5	73	404	98	-	-	575
Total acquisitions, development & other	20	73	2,235	262	50	-	2,620
Total	154	1,343	18,397	1,287	184	528	21,739

(1) Includes one medical office building. Chartwell owns an 85% interest in four of these properties and a 50% interest in one property.

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

(\$000s, except occupancy rates)	Q4 2015	Q4 2014	Change	2015	2014	Change
Revenue						
Same property	121,029	116,240	4,789	471,658	454,758	16,900
Acquisitions, development and other	23,362	10,335	13,027	58,862	42,885	15,977
Total revenue	144,391	126,575	17,816	530,520	497,643	32,877
Direct Operating Expenses						
Same property	76,639	74,199	2,440	299,190	287,047	12,143
Acquisitions, development and other	13,254	8,000	5,254	38,911	36,044	2,867
Total direct operating expenses	89,893	82,199	7,694	338,101	323,091	15,010
Net Operating Income						
Same property	44,390	42,041	2,349	172,468	167,711	4,757
Acquisitions, development and other	10,108	2,335	7,773	19,951	6,841	13,110
Total net operating income	54,498	44,376	10,122	192,419	174,552	17,867
Occupancy Rates						
Weighted average occupancy rate - same property	91.9%	89.9%	2.0pp	90.5%	88.8%	1.7pp
Weighted average occupancy rate – total portfolio	90.6%	89.0%	1.6pp	89.3%	87.1%	2.2pp

Same property revenue increased 3.7% in 2015, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions.

Same property direct operating expenses increased 4.2% in 2015, primarily due to higher staffing costs incurred to deliver enhanced services to our residents, higher food, utilities and insurance expenses.

Same property NOI increased \$4.8 million or 2.8% in 2015 as follows:

- Our Ontario retirement platform same property NOI increased \$1.2 million or 1.7%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions, partially offset by higher staffing, food, utilities, insurance and property tax expenses.
- Our Western Canada platform same property NOI increased \$1.6 million or 3.9%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower utilities expenses, partially offset by higher staffing, food, insurance and property tax expenses.
- Our Quebec platform same property NOI increased \$2.0 million or 3.5%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions, partially offset by higher staffing, food and insurance expenses.

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

	2015	2014	Change
Ontario	87.6%	85.9%	1.7pp
Western Canada	93.2%	90.9%	2.3pp
Quebec	91.7%	90.2%	1.5pp
Total	90.5%	88.8%	1.7pp

In 2015, occupancies in our Canadian retirement same property portfolio were 90.5%, a 1.7 percentage point increase from 2014.

Fourth Quarter: Same property NOI increased \$2.3 million or 5.6% in Q4 2015 as follows:

- Our Ontario retirement platform same property NOI increased \$0.9 million or 5.2%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower marketing expenses, partially offset by higher staffing, utilities and food expenses.
- Our Western Canada platform same property NOI increased \$0.6 million or 6.0%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower utilities expenses, partially offset by higher staffing and food expenses.
- Our Quebec platform same property NOI increased \$0.8 million or 5.8%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower marketing expenses. These were partially offset by higher staffing, office and general expenses.

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

	Q4 2015	Q4 2014	Change	Q3 2015	Change
Ontario	89.1%	86.4%	2.7pp	87.6%	1.5pp
Western Canada	94.7%	92.2%	2.5pp	93.3%	1.4pp
Quebec	93.0%	91.7%	1.3pp	91.9%	1.1pp
Total	91.9%	89.9%	2.0pp	90.6%	1.3pp

In Q4 2015, occupancies in our Canadian retirement same property portfolio were 91.9%, a 2.0 percentage point increase from Q4 2014 and a 1.3 percentage point increase from Q3 2015 with all regional platforms posting strong occupancy gains.

Canadian Long Term Care Operations

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

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same property - 100% owned	24	-	134	-	-	3,000	3,134
Total	24	-	134	-	-	3,000	3,134

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

(\$000s, except occupancy rates)	Q4 2015	Q4 2014	Change	2015	2014	Change
Same property revenue	57,295	56,954	341	219,607	216,677	2,930
Same property direct operating expenses	50,397	49,276	1,121	191,913	187,877	4,036
Total net operating income	6,898	7,678	(780)	27,694	28,800	(1,106)
Weighted average occupancy rate – same property	98.8%	98.7%	0.1pp	98.7%	98.6%	0.1pp

Same property NOI decreased 3.8% in 2015, primarily due to lower ancillary revenues, higher utilities and repairs and maintenance expenses, partially offset by higher preferred accommodation revenues.

Weighted average occupancies in the same property portfolio increased to 98.7% in 2015 compared to 98.6% in 2014.

Fourth Quarter: Same property NOI decreased 10.2% in Q4 2015, primarily due to lower ancillary revenues, higher utilities and repairs and maintenance expenses, partially offset by higher preferred accommodation revenues.

Weighted average occupancies in the same property portfolio increased to 98.8% in Q4 2015 compared to 98.7% in Q4 2014.

Financial Position

Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and equity per our Financial Statements for December 31, 2015 compared to December 31, 2014.

	Increase / (Decrease) (\$millions)	Explanation
Total assets	(105.9)	Total assets decreased primarily due to the sales of the U.S. Portfolio and non-core Canadian properties, partially offset by acquisitions and capital additions to properties.
Total liabilities	(401.8)	Total liabilities decreased primarily due to reduction in mortgages payable and other liabilities as a result of the sale of the U.S. Portfolio and non-core Canadian properties, partially offset by liabilities related to newly-acquired properties.
Equity	295.9	The increase in equity is primarily due to gains on sale of assets, partially offset by distributions on Trust Units.

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during 2015:

	Trust Units	Trust Units under LTIP	Class B Units	Deferred Trust Units	Total
Balance December 31, 2014	173,485,992	1,640,764	1,641,323	692,049	177,460,128
Trust Units issued pursuant to the Distribution Reinvestment Plan ("DRIP")	1,595,951	-	-	-	1,595,951
Trust Units issued under the Long Term Incentive Plan ("LTIP")	-	71,734	-	-	71,734
Trust Units surrendered for cancellation under LTIP	-	(40,318)	-	-	(40,318)
Trust Units released on settlement of LTIP receivable	118,546	(118,546)	-	-	-
Issuance of Class B Units	-	-	1,187,170	-	1,187,170
Exchange of Class B Units into Trust Units	1,187,170	-	(1,187,170)	-	-
DTUs issued	-	-	-	97,203	97,203
DTU distributions	-	-	-	33,914	33,914
Trust Units issued on conversion of convertible debentures	13,542	-	-	-	13,542
Balance December 31, 2015	176,401,201	1,553,634	1,641,323	823,166	180,419,324

Liquidity and Capital Commitments

Liquidity

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

Our principal source of liquidity is cash flow from operations. At December 31, 2015, we had cash on hand in the amount of \$8.9 million, including cash from Chartwell's Interest in equity-accounted investments of \$5.9 million. In order to provide for our operating and capital requirements, we have put in place a Credit Facility and arranged mortgage debt financing. At times we may also raise funds through the capital markets.

Our Credit Facility has a maximum committed capacity of \$200.0 million and matures on June 1, 2018. Based on the level of our Indebtedness Ratio, the amounts outstanding on our Credit Facility bear interest ranging from the bank's prime rate ("Prime") plus 0.65% to 0.80%, or the applicable banker's acceptance rate ("BA") plus 1.65% to 1.80%. It is secured by charges on certain of our properties and includes minimum equity requirements and covenants requiring limitations on the amounts of distributions that can be paid to unitholders. At December 31, 2015, based on security provided, the maximum available borrowing capacity under the Credit Facility was \$199.1 million, of which \$4.0 million was utilized to support outstanding letters of credit and \$32.0 million was drawn, leaving available borrowing capacity at \$163.1 million. Based on our Indebtedness Ratio as of December 31, 2015, the interest rate applicable to the amounts outstanding on the Credit Facility in Q1 2016 will be equal to Prime plus 0.65% or BA plus 1.65%.

Indebtedness Ratio:

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

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

(\$000s)	December 31, 2015	December 31, 2014
Mortgages payable (contractual amount)	1,610,183	1,436,826
Credit Facility	32,000	45,500
Total Indebtedness excluding convertible debentures	1,642,183	1,482,326
Convertible debentures (at face value)	134,851	135,000
Total Indebtedness	1,777,034	1,617,326
Total assets	2,680,917	2,125,775
Accumulated depreciation and amortization	581,340	520,798
Cumulative transaction costs on business combinations	32,723	19,238
Change in GBV on transition to IFRS	278,581	276,288
GBV of assets	3,573,561	2,942,099
Less: Assets financed by deferred purchase consideration on acquisition of properties	1,506	-
GBV of assets (net of deferred consideration)	3,572,055	2,942,099
Indebtedness Ratio before convertible debentures ^{(1) (2)}	46.0%	50.4%
Indebtedness Ratio including convertible debentures ^{(1) (2)}	49.7%	55.0%

(1) Excludes assets held for sale and related liabilities.

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

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

Interest Coverage Ratio:

We target to maintain our Interest Coverage Ratio above 1.65.

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

(\$000s, except Interest Coverage Ratio)	Q4 2015	Q4 2014	2015	2014
Interest expense including capitalized interest	18,332	18,619	72,748	77,259
Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") ⁽¹⁾	58,245	49,280	206,511	188,932
Interest Coverage Ratio ⁽²⁾	3.18	2.65	2.84	2.45
Target Interest Coverage Ratio		>1.65		

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

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

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

(\$000s)	Q4 2015	Q4 2014	2015	2014
Net income/(loss) for the period	(1,361)	(12,715)	12,139	(26,030)
<i>Add (Subtract):</i>				
Current income tax expense/(benefit)	(1,456)	(600)	1,340	(2,222)
Impairment provisions net of reversals	3,000	-	3,755	(1,245)
Gain on remeasurement to fair value of existing interest	-	-	(10,452)	(435)
Deferred income tax	(8,216)	-	(8,216)	-
Transaction costs arising on business acquisitions and dispositions	4,468	61	13,834	2,886
Finance costs	18,542	18,774	73,465	77,908
Depreciation of PP&E	35,682	34,732	117,583	123,288
Amortization of intangible assets	155	179	678	1,511
(Gain)/loss on sale of assets	(266)	69	(4,974)	(7,095)
Changes in fair value of financial instruments and foreign exchange loss/(gain)	6,417	7,569	2,331	15,656
Principal portion of capital funding receivable from Health Authorities	1,280	1,211	5,028	4,710
Adjusted EBITDA ⁽¹⁾	58,245	49,280	206,511	188,932

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

Net Debt to Adjusted EBITDA Ratio:

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

The following table summarizes our Net Debt to Adjusted EBITDA Ratio at December 31, 2015 and 2014, at Chartwell's Interest:

(\$000s, except Net Debt to Adjusted EBITDA Ratio)	December 31, 2015	December 31, 2014 ⁽¹⁾
Trailing 12-month Adjusted EBITDA ⁽²⁾	206,511	188,932
<i>Add (Subtract):</i>		
Adjustment for part-year acquisitions	23,780	2,297
Adjustment for part-year dispositions and assets held for sale	1,207	(1,678)
Trailing 12-month Adjusted EBITDA (net of part-year acquisitions and dispositions and assets held for sale)	231,498	189,551
Indebtedness ⁽³⁾	1,777,034	1,617,326
Less: Cash and cash equivalents	8,854	8,824
Net debt	1,768,180	1,608,502
Net Debt to Adjusted EBITDA Ratio ⁽⁴⁾	7.6	8.5

(1) December 31, 2014 amounts have been restated to adjust for discontinued operations.

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

(3) Excludes indebtedness related to assets held for sale.

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

Debt Strategy

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

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

Mortgage Debt

We monitor our mortgage portfolio at Chartwell's Interest.

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates at Chartwell's Interest as at December 31, 2015:

(\$000s)	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Debt	Weighted Average Interest Rate of Maturing Debt
Year					
2016	49,320	121,440	170,760	11%	4.46%
2017	48,071	59,235	107,306	7%	4.44%
2018	47,472	78,096	125,568	8%	4.62%
2019	45,971	212,854	258,825	16%	2.74%
2020	46,170	166,562	212,732	13%	3.39%
2021	44,399	68,791	113,190	7%	4.76%
2022	40,810	62,200	103,010	6%	3.54%
2023	36,075	58,992	95,067	7%	4.25%
2024	26,597	127,797	154,394	10%	3.91%
2025	21,108	33,105	54,213	3%	3.00%
2026	19,527	1,528	21,055	1%	5.13%
2027	20,140	-	20,140	1%	-
2028	27,232	18,925	46,157	3%	4.20%
2029	18,191	-	18,191	1%	-
2030	17,639	3,996	21,635	1%	3.41%
Thereafter	65,689	22,251	87,940	5%	4.18%
Total	574,411	1,035,772	1,610,183	100%	
Mark-to-market adjustments arising on acquisition			18,795		
Less: Financing costs			(19,590)		
Total Mortgage Debt			1,609,388		

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

	At December 31, 2015		At December 31, 2014	
	Fixed Rate	Variable Rate	Total	Total
Amount (\$millions)	1,387.1	223.1	1,610.2	1,436.8
Weighted average interest rate	4.30%	3.06%	4.13%	4.50%
Average term to maturity (years)	8.3	3.9	7.7	8.4

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). Our properties are generally eligible for CMHC financing and as of December 31, 2015, approximately 58% 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. On December 5, 2015, we entered into a large borrower agreement ("LBA") with CMHC.

We expect the LBA will allow continued access to CMHC-insured financing and will streamline the CMHC approval process of new mortgages. The LBA provides for, among other things, the cross-collateralization of mortgage loans for our largest CMHC-insured lenders, and contains certain financial and operating covenants.

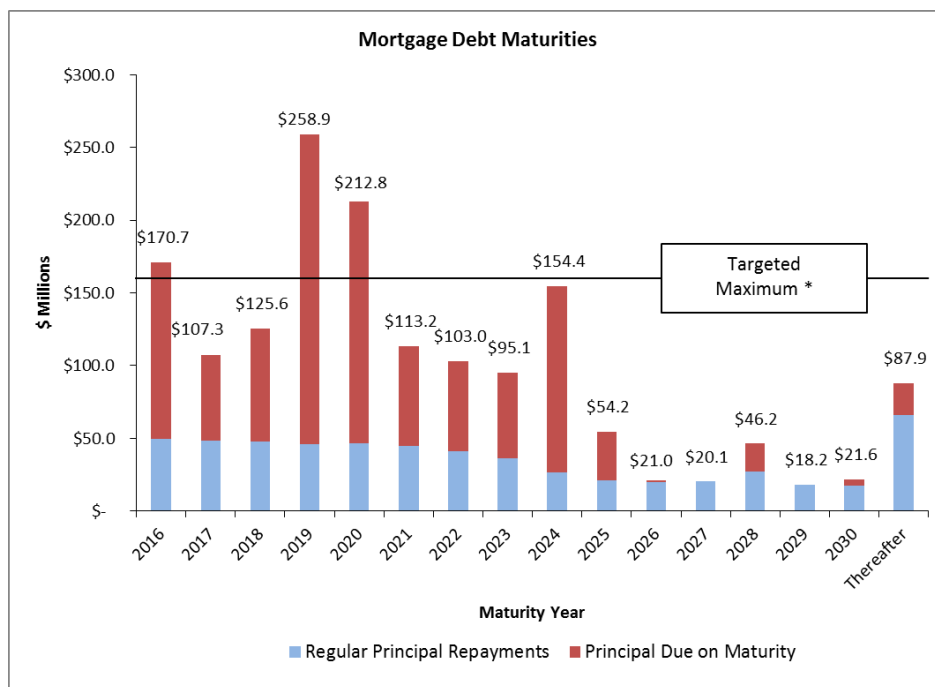
Our variable-rate mortgages primarily relate to communities that have not yet achieved stabilized occupancy levels, including our development projects and newly-acquired properties. Variable-rate mortgages are expected to be refinanced with fixed-rate, CMHC-insured debt upon stabilization of the properties.

The following table summarizes our variable-rate mortgages at Chartwell's Interest as at December 31, 2015:

(\$000s, except number of projects)	Number of Projects	December 31, 2015	Number of Projects	December 31, 2014
Mortgages on properties under construction	-	-	1	3,358
Mortgages on non-stabilized properties	9	162,835	9	101,948
Mortgages on stabilized properties	6	60,221	4	36,071
Total	15	223,056	14	141,377

Subsequent to December 31, 2015, we fixed interest rates on two of these mortgages totalling \$32.5 million through interest rate swaps of various durations.

The following chart provides the breakdown of our mortgage debt maturities at Chartwell's Interest:



* 10% of total mortgage debt = \$161.0 million

Included in 2019 and 2020 maturities are \$176.3 million and \$113.0 million, respectively, of loans bearing interest at variable rates or at rates fixed through the use of interest rate swaps of various duration. These loans are expected to be refinanced with CMHC-insured, long-term debt upon the properties achieving stabilized occupancy at or prior to maturity of these loans.

Convertible Debentures

At December 31, 2015, we have \$134.9 million of 5.7% convertible debentures that mature on March 31, 2018. Each debenture is convertible into freely tradeable Trust Units of Chartwell at the option of the holder at any time prior to the earlier of March 31, 2018 and the last business day immediately preceding the date specified by Chartwell for the redemption of the debentures, at a conversion price of \$11.00 per Trust Unit.

Capital Expenditures

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

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

The following table summarizes additions to properties at Chartwell's Interest, during Q4 2015 and 2015:

(\$000s)	Q4 2015	2015
Routine	11,749	27,738
Major projects / compliance	11,713	14,357
Accretive / acquisitions	9,864	18,343
Development	3,758	10,234
Total ⁽¹⁾⁽²⁾⁽³⁾	37,084	70,672

(1) Excludes \$4.1 million in capital additions relating to corporate office leasehold improvements and information technology assets as well as other intangibles.

(2) Excludes \$0.2 million in capital additions, the majority of which has been or is expected to be, funded by insurers.

(3) Excludes \$11.4 million in capital additions relating to discontinued operations.

Contractual Obligations and Guarantees

Contractual Obligations

The following table summarizes the major contractual obligations at Chartwell's Interest as at December 31, 2015, excluding discontinued operations:

(\$000s)	Total	2016	2017	2018	2019	2020	Thereafter
Mortgages payable	1,610,183	170,760	107,306	125,568	258,825	212,732	734,992
Accounts payable and other liabilities	117,534	117,534	-	-	-	-	-
Distributions payable	8,243	8,243	-	-	-	-	-
Convertible debentures	134,851	-	-	134,851	-	-	-
Credit Facility	32,000	32,000	-	-	-	-	-
Purchase obligations	8,707	8,707	-	-	-	-	-
Other operating leases	7,633	1,217	1,170	1,170	1,159	1,129	1,788
Land leases	14,480	395	395	395	395	395	12,505
Total contractual obligations	1,933,631	338,856	108,871	261,984	260,379	214,256	749,285

Purchase obligations relate to an agreement to acquire vacant land for \$8.5 million and construction contracts with remaining commitments of \$0.2 million. The land purchase closed in January 2016.

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

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

Guarantees

We remain a guarantor of mortgages on eight properties sold in 2014 and 2015 with the aggregate outstanding balance as of December 31, 2015 of \$12.8 million. The purchasers of these properties have indemnified us with respect of these guarantees.

As of December 31, 2015, together with our partners, we have jointly and severally guaranteed loans on certain co-owned properties to an aggregate maximum amount of \$73.6 million. As at December 31, 2015, outstanding balances on these loans were \$67.3 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 five projects with 1,170 suites that are subject to this arrangement.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between 2015 and 2014 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase / (Decrease) (\$millions)	Explanation
Operating activities	(7.6)	Cash flows from operating activities decreased primarily due to the sale of the U.S. Portfolio and higher cash outlays for transaction-related costs, partially offset by positive changes in working capital balances and lower interest payments.
Financing activities	61.5	Cash used in financing activities decreased primarily due to higher net proceeds from mortgage financing, partially offset by repayment of our Credit Facility.
Investing activities	(63.8)	Cash used in investing activities increased primarily due to higher cash outlays for acquisitions and higher mezzanine loan advances, partially offset by higher proceeds from disposal of PP&E net of related debt repayments and taxes.

Distributions

The declaration and payment of future distributions is at the discretion of the board of trustees of Chartwell (the “Trustees”). The Trustees rely upon forward-looking cash flow information including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects of the Trust, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate. On February 26, 2015, the Trustees approved a 2.0% increase in our monthly cash distributions from \$0.0450 per unit (\$0.5400 on an annualized basis) to

\$0.045900 per unit (\$0.550800 on an annualized basis) effective for the March 31, 2015 distribution payable on April 15, 2015. On February 25, 2016, the Trustees approved a further 2.0% increase in our monthly cash distributions from \$0.045900 per unit (\$0.550800 on an annualized basis) to \$0.046818 per unit (\$0.561816 on an annualized basis) effective for the March 31, 2016 distribution payable on April 15, 2016.

Unitholders who are Canadian residents are eligible to participate in our Distribution Reinvestment Plan (“DRIP”), which allows unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in the DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In 2015, our average DRIP participation was 19.4% compared to 18.7% participation in 2014.

The following table summarizes distributions made in Q4 2015, 2015, 2014, and 2013:

(\$000s)	Q4 2015	2015	2014	2013
Distributions declared on Trust Units	24,345	96,553	94,103	93,069
Distributions on Class B Units	281	956	889	895
Distributions reinvested under DRIP	(4,782)	(18,574)	(17,408)	(19,058)
Distributions applied against LTIP receivable	(218)	(889)	(1,009)	(1,081)
Distributions paid or payable in cash	19,626	78,046	76,575	73,825

The following table summarizes distributions declared on Trust Units in Q4 2015, 2015, 2014 and 2013 in relation to net income/(loss) from continuing operations and cash flows from operating activities:

(\$000s)	Q4 2015	2015	2014	2013
Cash flows from operating activities	52,588	115,821	123,375	131,852
Net income/(loss) from continuing operations	(1,361)	12,139	(26,030)	(72,443)
Excess/(deficit) of cash flows from operating activities over distributions declared on Trust Units	28,243	19,268	29,272	38,783
Excess/(deficit) of net income/(loss) over distributions declared on Trust Units	(25,706)	(84,414)	(120,133)	(165,512)

We distributed cash to our unitholders while recording a net loss from continuing operations in Q4 2015, 2014 and 2013. We do not use net income/(loss) as determined in accordance with IFRS as the basis for establishing the level of distributions to unitholders, as net income/(loss) includes, among other items, non-cash depreciation and amortization and changes in fair values of certain liabilities. We do not consider non-cash depreciation and amortization and fluctuations in fair values of certain liabilities in establishing our distribution levels. We believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time.

We believe our current distributions are sustainable.

Summary of Select Financial Information

Selected Annual Financial Information

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

(\$000s, except per unit amounts)	2015	2014	2013
Property revenues	750,127	927,750	922,660
Total revenues	759,084	935,762	930,739
Direct operating expenses	530,014	657,122	651,232
Net income/(loss)	362,233	(8,279)	23,884
Total assets	2,680,917	2,734,327	2,863,222
Total liabilities	1,951,397	2,300,729	2,353,988
Distributions declared per unit	0.5508	0.5400	0.5400

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

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

(\$000s, except per unit amounts)	2015				2014 ⁽¹⁾			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	184,050	173,088	165,545	163,188	167,521	162,781	159,509	162,034
Direct operating expenses	(122,502)	(115,562)	(112,836)	(112,635)	(114,964)	(109,731)	(108,928)	(112,730)
G&A expenses	(7,581)	(7,003)	(7,519)	(8,668)	(6,950)	(6,442)	(8,255)	(9,935)
Income before the understated ⁽²⁾	53,967	50,523	45,190	41,885	45,607	46,608	42,326	39,369
Finance costs	(18,068)	(17,386)	(18,510)	(18,118)	(18,425)	(18,570)	(20,505)	(18,884)
Other income/(expense)	(4,640)	(7,379)	13,649	1,039	755	5,289	2,064	2,239
Depreciation and amortization	(34,396)	(28,164)	(23,621)	(28,236)	(34,071)	(29,474)	(29,275)	(29,007)
Changes in fair value of financial instruments and foreign exchange gains/(losses)	(6,451)	(863)	12,840	(7,817)	(7,530)	(661)	(3,790)	(3,636)
Share of net income/(loss) from joint ventures	(1,445)	966	197	96	349	787	65	118
Current income tax (expense)/benefit	1,456	(2,796)	-	-	600	(198)	(397)	2,218
Deferred income tax (expense)/benefit	8,216	789	(789)	-	-	-	-	-
Net income/(loss) for the period – continuing operations	(1,361)	(4,310)	28,956	(11,151)	(12,715)	3,781	(9,512)	(7,583)
Net income/(loss) for the period	562	(4,768)	355,310	11,128	(16,280)	31,846	(6,975)	(16,870)
FFO – continuing operations	38,484	35,559	28,477	25,778	29,405	30,616	24,269	25,815
Diluted FFO – continuing operations	40,422	37,497	30,394	27,675	31,345	32,555	26,188	27,712
FFO per unit diluted – continuing operations	0.21	0.20	0.16	0.15	0.17	0.17	0.14	0.15
Total FFO ⁽³⁾	38,484	35,559	37,679	34,596	36,173	37,364	35,818	33,688
Total Diluted FFO ⁽³⁾	40,422	37,497	39,596	36,493	38,113	39,303	37,737	35,585
Total FFO per unit diluted ⁽³⁾	0.21	0.20	0.21	0.19	0.20	0.21	0.20	0.19
AFFO – continuing operations	36,252	33,047	25,903	23,282	26,627	27,920	21,270	22,951
Diluted AFFO – continuing operations	38,190	34,985	27,820	25,179	28,567	29,860	23,189	24,848
AFFO per unit diluted – continuing operations	0.20	0.18	0.15	0.13	0.15	0.16	0.12	0.13
Total AFFO ⁽³⁾	36,252	33,047	34,152	31,337	32,667	33,885	31,899	30,019
Total Diluted AFFO ⁽³⁾	38,190	34,985	36,069	33,234	34,607	35,825	33,818	31,916
Total AFFO per unit diluted ⁽³⁾	0.20	0.18	0.19	0.17	0.18	0.19	0.18	0.17

(1) 2014 amounts have been restated to adjust for discontinued operations.

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

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

Our results for the past eight quarters have been affected by acquisitions and dispositions; refer to the “Significant Events” section of this MD&A and in our 2014 MD&A for details.

Discontinued Operations

In Q3 2014, we completed the sale of four non-core U.S. properties (827 suites) (the “Cypress Portfolio”). On June 30, 2015, we completed the sale of the remainder of the U.S. Portfolio. The results of the U.S. Portfolio are presented as discontinued operations in this MD&A.

The following table summarizes the composition of the U.S Operations at the time of the sale on June 30, 2015:

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
100% owned	33	-	4,375	-	224	190	4,789
Properties under operating lease – 100% interest	2	-	194	-	39	-	233
Total	35	-	4,569	-	263	190	5,022

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

(U.S.\$000s, except as noted otherwise)	Q4 2015	Q4 2014	Change	2015	2014	Change
Revenue	-	45,219	(45,219)	92,395	193,308	(100,913)
Operating expenses	-	30,363	(30,363)	65,366	132,368	(67,002)
NOI	-	14,856	(14,856)	27,029	60,940	(33,911)
Foreign exchange in CDN	-	2,022	(2,022)	6,262	6,342	(80)
Total NOI in CDN	-	16,878	(16,878)	33,291	67,282	(33,991)

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

	Q4 2015	Q4 2014	Change	2015	2014	Change
Weighted average exchange rate for U.S.\$1.00 to CDN	1.34	1.14	0.20	1.28	1.10	0.18

Other Items Related to Discontinued Operations

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Finance costs	-	(8,034)	8,034	(16,939)	(35,113)	18,174
Other income/(expense)	202	(948)	1,150	430,870	35,309	395,561
Depreciation of PP&E	-	(10,916)	10,916	(13,870)	(47,127)	33,257
Amortization of intangible assets	-	(234)	234	(255)	(909)	654
Changes in fair value of financial instruments and foreign exchange (loss)/gain and adjustment on mortgages	-	(1,942)	1,942	(26,827)	(768)	(26,059)
Current income tax (expense)/benefit	1,721	314	1,407	(56,176)	(923)	(55,253)
Deferred income tax expense	-	1,247	(1,247)	-	-	-

Included in 2015 other income is a \$432.2 million gain on sale of the U.S. Portfolio, net of transaction costs of \$13.3 million.

Current income tax expense of \$56.2 million in 2015 primarily relates to the U.S. taxes payable on the disposition of the shares of the U.S. subsidiary.

The following table provides the calculation of FFO from discontinued operations:

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Net income/(loss) for the period	1,923	(3,565)	5,488	350,094	17,751	332,343
<i>Add (Subtract):</i>						
Depreciation of PP&E ⁽¹⁾	-	10,916	(10,916)	13,870	47,127	(33,257)
Amortization of limited life intangible assets ⁽¹⁾	-	234	(234)	255	909	(654)
(Gain)/loss on sale of assets ⁽¹⁾	(1,183)	140	(1,323)	(446,504)	(35,264)	(411,240)
Transaction costs arising on business acquisitions and dispositions ⁽¹⁾	-	185	(185)	13,285	1,027	12,258
Tax on gains/losses on disposal of properties	(740)	(391)	(349)	56,989	622	56,367
Deferred income tax	-	(1,247)	1,247	-	-	-
Adjustment for property tax accounted for under IFRIC 21	-	(1,446)	1,446	3,198	-	3,198
Changes in fair value of financial instruments and foreign exchange gains/losses	-	1,942	(1,942)	26,827	768	26,059
FFO ⁽¹⁾⁽²⁾	-	6,768	(6,768)	18,014	32,940	(14,926)

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

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

The following table provides the calculation of AFFO from discontinued operations:

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
FFO ⁽¹⁾	-	6,768	(6,768)	18,014	32,940	(14,926)
<i>Add (Subtract):</i>						
Amortization of financing costs and debt mark-to-market adjustments ⁽²⁾⁽³⁾	-	412	(412)	772	1,528	(756)
Financing cost reserve ⁽⁴⁾	-	(112)	112	(206)	(491)	285
AFFO before capital maintenance reserve	-	7,068	(7,068)	18,580	33,977	(15,397)
Capital maintenance reserve - 2% of property revenue ⁽⁵⁾	-	(1,028)	1,028	(2,282)	(4,269)	1,987
AFFO ⁽⁶⁾	-	6,040	(6,040)	16,298	29,708	(13,410)

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

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

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

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

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

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

Non-GAAP Measures

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

Funds from Operations

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

- Transaction costs related to the disposition of properties are added back in our FFO calculation.
- Realized foreign exchange gains resulting from conversion of the net proceeds of the sale of the U.S. Portfolio are deducted in our FFO calculation.

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

- A. Unrealized changes in the fair value of investment properties.
- B. Depreciation of depreciable real estate assets including depreciation for components relating to capitalized leasing costs, capitalized tenant allowances treated as capital improvements and lease-related items ascribed in a business combination.
- C. Amortization of tenant allowances and landlord’s work spent for the fit-out of tenant improvements and amortized as a reduction to revenue in accordance with SIC-15.
- D. Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination.
- E. Gains / losses from sales of investment properties and owner-occupied properties, including the gain or loss included within discontinued operations (if applicable).
- F. Tax on profits or losses on disposals of properties.
- G. Deferred taxes.
- H. Impairment losses or reversals recognized on land and depreciable real estate properties, excluding those relating to properties used exclusively for administrative purposes.
- I. Revaluation gains or losses recognized in profit or loss on owner-occupied properties, excluding those relating to properties used exclusively for administrative purposes.
- J. Transaction costs expensed as a result of the purchase of a property being accounted for as a business combination.
- K. Foreign exchange gains or losses on monetary items not forming part of a net investment in a foreign operation.
- L. Property taxes accrued and expensed prior to the associated period of lease term revenue, wherein certain jurisdictions require the owner of a property at the time of tax assessment to irrevocably be solely liable for property taxes regardless of subsequent changes in ownership.
- M. Gain or loss on the sale of an investment in a foreign operation.
- N. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
- O. Bargain purchase or goodwill impairment.
- P. Effects of redeemable units classified as financial liabilities.
- Q. Results of discontinued operations.
- R. Adjustments for equity accounted entities.
- S. Non-controlling interests in respect of the above.

T. Incremental leasing costs.

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

FFO from continuing operations excludes the results of the U.S. Portfolio classified as discontinued operations.

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

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

(\$000s, except per unit amounts)	Q4 2015	Q4 2014	Change	2015	2014	Change
Net income/(loss) from continuing operations	(1,361)	(12,715)	11,354	12,139	(26,030)	38,169
<i>Add (Subtract):</i>						
Depreciation of PP&E ⁽¹⁾	35,682	34,732	950	117,583	123,288	(5,705)
Amortization of limited life intangible assets ⁽¹⁾	155	179	(24)	678	1,511	(833)
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above ⁽¹⁾	(218)	(112)	(106)	(669)	(570)	(99)
Gain on sale of assets ⁽¹⁾	(266)	69	(335)	(4,974)	(7,095)	2,121
Gain on remeasurement to fair value of existing interest	-	-	-	(10,452)	(435)	(10,017)
Transaction costs arising on business acquisitions and dispositions ⁽¹⁾	4,468	61	4,407	13,834	2,886	10,948
Tax on gains or losses related to disposal of properties	(1,458)	(600)	(858)	1,338	-	1,338
Deferred income tax	(8,216)	-	(8,216)	(8,216)	-	(8,216)
Distributions on Class B Units recorded as interest expense	281	222	59	956	889	67
Changes in fair value of financial instruments and foreign exchange gain/loss ⁽²⁾	6,417	7,569	(1,152)	2,331	15,656	(13,325)
Impairment provisions net of reversals	3,000	-	3,000	3,755	-	3,755
FFO - continuing operations ⁽¹⁾⁽³⁾	38,484	29,405	9,079	128,303	110,100	18,203
FFO - discontinued operations	-	6,768	(6,768)	18,014	32,940	(14,926)
Total FFO ⁽¹⁾⁽³⁾	38,484	36,173	2,311	146,317	143,040	3,277
FFO - continuing operations ⁽¹⁾⁽³⁾	38,484	29,405	9,079	128,303	110,100	18,203
Interest expense on 5.7% convertible debentures	1,938	1,940	(2)	7,690	7,695	(5)
Diluted FFO - continuing operations ⁽⁴⁾	40,422	31,345	9,077	135,993	117,795	18,198
FFO - discontinued operations	-	6,768	(6,768)	18,014	32,940	(14,926)
Total diluted FFO ⁽⁴⁾	40,422	38,113	2,309	154,007	150,735	3,272
FFO per unit – continuing operations ⁽⁵⁾						
Basic	0.21	0.17	0.04	0.72	0.62	0.10
Diluted	0.21	0.17	0.04	0.71	0.62	0.09
Total FFO per unit ⁽⁵⁾						
Basic	0.21	0.20	0.01	0.82	0.81	0.01
Diluted	0.21	0.20	0.01	0.81	0.80	0.01

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

(2) 2015 results include realized foreign exchange gain of \$11.2 million related to the sale of the U.S. Portfolio.

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

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

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

Adjusted Funds from Operations

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

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

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

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

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

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

Discontinued operations: This item represents the impact of the items above specifically related to discontinued operations.

AFFO from continuing operations excludes the results of the U.S. Portfolio classified as discontinued operations.

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

The following table provides the calculation of AFFO:

(\$000s, except per unit amounts)	Q4 2015	Q4 2014	Change	2015	2014	Change
FFO - continuing operations ⁽¹⁾	38,484	29,405	9,079	128,303	110,100	18,203
<i>Add (Subtract):</i>						
Principal portion of capital subsidy receivable from Health Authorities	1,280	1,211	69	5,028	4,710	318
Amounts receivable under income guarantees	969	154	815	1,935	218	1,717
Amortization of financing costs and debt mark-to-market adjustments ⁽²⁾⁽³⁾	(142)	(128)	(14)	(540)	(670)	130
Financing cost reserve ⁽⁴⁾	(306)	(344)	38	(1,241)	(1,307)	66
AFFO before capital maintenance reserve	40,285	30,298	9,987	133,485	113,051	20,434
Capital maintenance reserve - 2% of property revenue - continuing operations ⁽⁵⁾	(4,033)	(3,671)	(362)	(15,002)	(14,286)	(716)
AFFO - continuing operations ⁽⁶⁾	36,252	26,627	9,625	118,483	98,765	19,718
AFFO - discontinued operations	-	6,040	(6,040)	16,298	29,708	(13,410)
Total AFFO ⁽⁶⁾	36,252	32,667	3,585	134,781	128,473	6,308
AFFO - continuing operations ⁽⁶⁾	36,252	26,627	9,625	118,483	98,765	19,718
Interest expense on 5.7% convertible debentures	1,938	1,940	(2)	7,690	7,695	(5)
Diluted AFFO - continuing operations ⁽⁷⁾	38,190	28,567	9,623	126,173	106,460	19,713
AFFO - discontinued operations	-	6,040	(6,040)	16,298	29,708	(13,410)
Total diluted AFFO	38,190	34,607	3,583	142,471	136,168	6,303
AFFO per unit - continuing operations ⁽⁸⁾						
Basic	0.20	0.15	0.05	0.66	0.56	0.10
Diluted	0.20	0.15	0.05	0.66	0.56	0.10
Total AFFO per unit ⁽⁸⁾						
Basic	0.20	0.18	0.02	0.76	0.73	0.03
Diluted	0.20	0.18	0.02	0.75	0.72	0.03

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

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

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

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

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

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

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

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

Net Operating Income

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

Per Unit Amounts

In our calculations of FFO per unit and AFFO per unit, we include the Class B Units as the Class B Units are exchangeable into Trust Units at any time at the option of the unitholder. In addition, we include units

issued under DTU, LTIP and subscription receipts. In our calculation of FFO per unit diluted and AFFO per unit diluted, we consider the dilutive impact of the conversion of our convertible debentures.

Weighted Average Number of Units

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

(000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Weighted average number of units ⁽¹⁾	179,687	177,337	2,350	178,515	176,773	1,742
Dilutive impact of 5.7% convertible debentures	12,261	12,273	(12)	12,264	12,273	(9)
Weighted average number of units, diluted	191,948	189,610	2,338	190,779	189,046	1,733

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

Same Property Performance

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

The following table summarizes the same property portfolio as at December 31, 2015:

	Properties	Suites/Beds
Canadian Retirement Operations	134	19,119
Canadian Long Term Care Operations	24	3,134
Total same property portfolio	158	22,253

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

Key metrics used to evaluate same property performance are same property revenue, same property direct operating expenses and same property NOI. These metrics are measured at Chartwell's Interest.

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

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

Indebtedness Ratio

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

guaranteed obligations of third parties to the extent included in our consolidated balance sheet. The Indebtedness Ratio is measured at Chartwell's Interest.

Interest Coverage Ratio

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

Adjusted EBITDA

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

Net Debt to Adjusted EBITDA Ratio

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

G&A Expenses as a Percentage of Revenue

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

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

(\$000s)	Q4 2015	Q4 2014	2015	2014
Revenue	184,050	167,521	685,871	651,845
Equity-accounted investments	19,974	18,048	73,213	70,419
Chartwell's Interest	204,024	185,569	759,084	722,264
Interest income	889	988	3,486	4,774
Equity-accounted investments	22	34	98	128
Chartwell's Interest	911	1,022	3,584	4,902
Total revenue at Chartwell's Interest	204,935	186,591	762,668	727,166

Distributions Declared as a Percentage of Total AFFO

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

Chartwell's Interest

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

The following table provides a reconciliation of the Q4 2015 Statement of Comprehensive Income (Loss) from a Financial Statements basis to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	Q4 2015 Financial Statements basis ⁽¹⁾	Equity Accounted Investments ⁽²⁾	Q4 2015 Chartwell's Interests ⁽³⁾
Revenue			
Resident	173,413	28,273	201,686
Management and other fees	1,977	-	1,977
Lease revenue from joint ventures	8,299	(8,299)	-
Interest on loans receivable	361	-	361
	184,050	19,974	204,024
Expenses			
Direct operating	122,502	17,789	140,291
General, administrative and Trust ("G&A")	7,581	-	7,581
	130,083	17,798	147,872
Income before the undernoted	53,967	2,185	56,152
Finance costs	(18,068)	(474)	(18,542)
Other income/(expense)	(4,640)	(1,749)	(6,389)
Depreciation of property, plant and equipment ("PP&E")	(34,245)	(1,437)	(35,682)
Amortization of intangible assets	(151)	(4)	(155)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	(6,451)	34	(6,417)
Share of net loss from joint ventures	(1,445)	1,445	-
Loss before income taxes	(11,033)	-	(11,033)
Income tax (expense)/benefit:			
Current	1,456	-	1,456
Deferred	8,216	-	8,216
	9,672	-	9,672
Net loss from continuing operations	(1,361)	-	(1,361)
Net income from discontinued operations	1,923	-	1,923
Total comprehensive income	562	-	562

(1) Prepared in accordance with IFRS.

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

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

The following table provides a reconciliation of the Q4 2014 Statement of Comprehensive Income (Loss) from a Financial Statements basis to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	Q4 2014 Financial Statements basis ⁽¹⁾	Equity Accounted Investments ⁽²⁾	Q4 2014 Chartwell's Interests ⁽³⁾
Revenue			
Resident	157,331	26,198	183,529
Management and other fees	1,848	-	1,848
Lease revenue from joint ventures	8,150	(8,150)	-
Interest on loans receivable	192	-	192
	167,521	18,048	185,569
Expenses			
Direct operating	114,964	16,511	131,475
G&A	6,950	-	6,950
	121,914	16,511	138,425
Income before the undernoted	45,607	1,537	47,144
Finance costs	(18,425)	(349)	(18,774)
Other income/(expense)	755	40	795
Depreciation of property, plant and equipment ("PP&E")	(33,897)	(835)	(34,732)
Amortization of intangible assets	(174)	(5)	(179)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	(7,530)	(39)	(7,569)
Share of net income from joint ventures	349	(349)	-
Loss before income taxes	(13,315)	-	(13,315)
Income tax (expense)/benefit:			
Current	600	-	600
Net loss from continuing operations	(12,715)	-	(12,715)
Net loss from discontinued operations	(3,565)	-	(3,565)
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	2,750	-	2,750
Total comprehensive loss	(13,530)	-	(13,530)

(1) Prepared in accordance with IFRS.

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

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

The following table provides a reconciliation of the 2015 Statement of Comprehensive Income (Loss) as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	2015 per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	2015 Chartwell's Interests ⁽³⁾
Revenue			
Resident	643,914	106,213	750,127
Management and other fees	7,815	-	7,815
Lease revenue from joint ventures	33,000	(33,000)	-
Interest on loans receivable	1,142	-	1,142
	685,871	73,213	759,084
Expenses			
Direct operating	463,535	66,479	530,014
G&A	30,771	-	30,771
	494,306	66,479	560,785
Income before the undernoted	191,565	6,734	198,299
Finance costs	(72,077)	(1,388)	(73,465)
Other income/(expense)	2,669	(1,648)	1,021
Depreciation of property, plant and equipment ("PP&E")	(113,756)	(3,827)	(117,583)
Amortization of intangible assets	(661)	(17)	(678)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	(2,291)	(40)	(2,331)
Share of net loss from joint ventures	(186)	186	-
Income before income taxes	5,263	-	5,263
Income tax (expense)/benefit:			
Current	(1,340)	-	(1,340)
Deferred	8,216	-	8,216
	6,876	-	6,876
Net income from continuing operations	12,139	-	12,139
Net income from discontinued operations	350,094	-	350,094
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	5,945	-	5,945
Foreign currency translation reclassified to net income/(loss) on disposition of discontinued operations	(10,599)	-	(10,599)
Total comprehensive income	357,579	-	357,579

(1) Prepared in accordance with IFRS.

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

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

The following table provides a reconciliation of the 2014 Statement of Comprehensive Income (Loss) as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	2014 per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	2014 Chartwell's Interests ⁽³⁾
Revenue			
Resident	611,265	103,055	714,320
Management and other fees	7,483	-	7,483
Lease revenue from joint ventures	32,636	(32,636)	-
Interest on loans receivable	461	-	461
	651,845	70,419	722,264
Expenses			
Direct operating	446,353	64,615	510,968
G&A	31,582	-	31,582
	477,935	64,615	542,550
Income before the undernoted	173,910	5,804	179,714
Finance costs	(76,384)	(1,524)	(77,908)
Other income/(expense)	10,347	50	10,397
Depreciation of property, plant and equipment ("PP&E")	(120,332)	(2,956)	(123,288)
Amortization of intangible assets	(1,495)	(16)	(1,511)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	(15,617)	(39)	(15,656)
Share of net income from joint ventures	1,319	(1,319)	-
Loss before income taxes	(28,252)	-	(28,252)
Income tax (expense)/benefit:			
Current	2,222	-	2,222
Net loss from continuing operations	(26,030)	-	(26,030)
Net income from discontinued operations	17,751	-	17,751
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	7,027	-	7,027
Total comprehensive loss	(1,252)	-	(1,252)

(1) Prepared in accordance with IFRS.

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

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

The following table provides a reconciliation of the December 31, 2015 Balance Sheet as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s)	December 31, 2015 per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	December 31, 2015 Chartwell's Interests ⁽³⁾
Assets			
Current assets:			
Cash and cash equivalents	3,002	5,852	8,854
Trade and other receivables	7,948	471	8,419
Capital funding receivable	5,243	-	5,243
Other assets	16,938	3,251	20,189
Total current assets	33,131	9,574	42,705
Non-current assets:			
Other assets	3,733	-	3,733
Loans receivable	15,764	-	15,764
Capital funding receivable	56,198	-	56,198
Investment in joint ventures	33,993	(33,993)	-
Intangible assets	57,202	27	57,229
PP&E	2,399,368	105,920	2,505,288
Total non-current assets	2,566,258	71,954	2,638,212
Total assets	2,599,389	81,528	2,680,917
Liabilities and Unitholders' Equity			
Current liabilities:			
Credit Facility	32,000	-	32,000
Accounts payable and other liabilities	114,036	3,498	117,534
Distributions payable	8,243	-	8,243
Mortgages payable	159,699	12,802	172,501
Total current liabilities	313,978	16,300	330,278
Non-current liabilities:			
Mortgages payable	1,371,659	65,228	1,436,887
Convertible debentures	161,754	-	161,754
Class B Units of Chartwell Master Care LP ("Class B Units")	20,943	-	20,943
Deferred consideration on business combinations	1,535	-	1,535
Total non-current liabilities	1,555,891	65,228	1,621,119
Total liabilities	1,869,869	81,528	1,951,397
Unitholders' equity	729,520	-	729,520
Total liabilities and unitholders' equity	2,599,389	81,528	2,680,917

(1) Prepared in accordance with IFRS.

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

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

The following table provides a reconciliation of the December 31, 2014 Balance Sheet as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s)	December 31, 2014 per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	December 31, 2014 Chartwell's Interests and Discontinued Operations	Discontinued Operations	December 31, 2014 Chartwell's Interests ⁽³⁾
Assets					
Current assets:					
Cash and cash equivalents	10,927	3,705	14,632	(5,808)	8,824
Trade and other receivables	18,940	(88)	18,852	(9,106)	9,746
Capital funding receivable	4,963	-	4,963	-	4,963
Other assets	24,641	3,278	27,919	(9,600)	18,319
Assets held for sale	5,306	-	5,306	603,246	608,552
Total current assets	64,777	6,895	71,672	578,732	650,404
Non-current assets:					
Other assets	7,008	-	7,008	(4,232)	2,776
Loans receivable	9,901	-	9,901	-	9,901
Capital funding receivable	61,506	-	61,506	-	61,506
Investment in joint ventures	23,431	(23,431)	-	-	-
Intangible assets	49,025	45	49,070	(2,864)	46,206
PP&E	2,489,601	45,569	2,535,170	(571,636)	1,963,534
Total non-current assets	2,640,472	22,183	2,662,655	(578,732)	2,083,923
Total assets	2,705,249	29,078	2,734,327	-	2,734,327
Liabilities and Unitholders' Equity					
Current liabilities:					
Credit Facility	45,500	-	45,500	-	45,500
Accounts payable and other liabilities	124,221	538	124,759	(30,348)	94,411
Distributions payable	7,954	-	7,954	-	7,954
Mortgages payable	372,184	466	372,650	(162,312)	210,338
Liabilities related to assets held for sale	6,086	-	6,086	542,558	548,644
Total current liabilities	555,945	1,004	556,949	349,898	906,847
Non-current liabilities:					
Mortgages payable	1,544,892	28,074	1,572,966	(349,898)	1,223,068
Convertible debentures	151,200	-	151,200	-	151,200
Class B Units	19,614	-	19,614	-	19,614
Total non-current liabilities	1,715,706	28,074	1,743,780	(349,898)	1,393,882
Total liabilities	2,271,651	29,078	2,300,729	-	2,300,729
Unitholders' equity	433,598	-	433,598	-	433,598
Total liabilities and unitholders' equity	2,705,249	29,078	2,734,327	-	2,734,327

(1) Prepared in accordance with IFRS.

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

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

Critical Accounting Policies and Estimates

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

Valuation of PP&E

PP&E makes up approximately 93.5% of our assets. On an annual basis, and when indicators of impairment exist, we evaluate whether the recoverable amount of a cash generating unit ("CGU") exceeds its carrying amount. Factors which could indicate that impairment exists include significant underperformance relative to historical or projected operating results, significant changes in the manner or use of the assets, significant negative industry or economic trends, or a change in the strategy for our overall business. In some cases, these events are clear, however, in many cases, a clearly identifiable event indicating possible impairment does not occur. Instead, a series of individually insignificant events may occur over a period of time leading to an indication that an asset may be impaired. As a result, events occurring in these situations may not be known until a date subsequent to their occurrence.

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

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

Guarantees

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

Income taxes

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

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

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

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

Fair value

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

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

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

- Upon acquisition of properties we estimate the fair value of acquired tangible assets (land, building and furniture, fixtures and equipment) and identifiable intangible assets and liabilities (above and below-market leases representing the value of the differential between contractual and market rents, in-place leases, customer relationships, licenses and goodwill) and the value of the differential between stated and market interest rates on long term liabilities assumed at acquisition.
- As discussed in the "Valuation of PP&E" section, an impairment loss is recognized when the carrying amount of an asset is not recoverable. The impairment loss is determined as the excess of carrying value over its recoverable amount.
- Intangible assets with indefinite lives are also required to be assessed at a minimum annually, comparing the recoverable amount to carrying value to determine if an impairment loss is required to be recognized.

- In assessing our potential exposure relating to third party guarantees we evaluate the fair value of the borrower's interests in the underlying real estate investments and the value of other collateral assets and indemnities compared to the liability for which we have provided a guarantee.
- All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods may be at fair value depending on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.
- We disclose in our financial statements the fair value of our mortgages based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks, or market quotes where applicable.
- Class B Units of Master LP and convertible debentures are recorded at fair value based on listed prices of the debentures and of Trust Units.
- Our liabilities with respect to RTU, DTU and LTIP are recorded at fair value based on listed prices of Trust Units and in the case of LTIP, based on assumptions related to future volatility, risk-free interest rates and distribution yields.

Changes in Accounting Estimates and Changes in Accounting Policies

Our significant accounting policies are described in Note 2 of our Financial Statements. Notes 2 (m) and (n) outline 2015 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.

Disclosure Controls and Procedures

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

As of December 31, 2015, an evaluation was carried out, under the supervision of and with the participation of management, including the President and Chief Executive Officer and Chief Financial Officer, of the effectiveness of Chartwell's disclosure controls and procedures as defined under National Instrument 52-109. In making this assessment, the President and Chief Executive Officer and the Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on that evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that the design and operation of Chartwell's disclosure controls and procedures were effective December 31, 2015.

Internal Controls 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, 2015, 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, 2015 that have significantly affected or are reasonably likely to significantly affect our internal control over financial reporting.

Forward-Looking Information and Risks and Uncertainties

Forward-Looking Information

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

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

- our assumptions concerning economic and regulatory conditions or state of the housing market and pace of new supply growth in seniors housing;
- our expectations related to future operating performance of our properties;
- our expectations regarding achievement of certain occupancy levels at our LTC and retirement communities;
- information related to the stabilization of seniors housing communities in lease-up, which is subject to the risk and uncertainty that local factors affecting occupancy levels or resident fees may result in certain communities not achieving stabilization at the times expected and is based on the assumptions that the local markets in which such communities are located remain stable and our operations in such communities are consistent with historical performance;
- information related to the expected completion date of communities under construction, which is

subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities;

- our ability to realize expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs;
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing, or due to other general business risks;
- our ability to renew maturing debt and to obtain new financings at favourable rates, in due course;
- our ability to access low-cost mortgage financing insured by CMHC;
- our ability to realize benefits on technology investments; and
- certain assumptions relating to the debentures, including, credit risk in respect of the debentures, prior ranking indebtedness and absence of covenant protection, structural subordination of debentures, conversion of debentures following certain transactions, value of conversion privilege of the debentures, debentures redemption prior to maturity, inability of Chartwell to purchase debentures on a change of control and dilution;

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See risk factors highlighted in materials filed with the securities regulatory authorities in Canada from time to time, including but not limited to our most recent AIF.

Risks and Uncertainties ♦

- (a) **Business Risks:** 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, possible future changes in labour relations, competition from or the oversupply of other similar properties, changes in neighbourhood or location conditions and general economic conditions, health-related risks, disease outbreaks and control risks, the imposition of increased taxes or new taxes, capital expenditures requirements, changes in interest rates and changes in the availability and cost of money for long-term financing which may render refinancing of mortgages difficult or unattractive. Moreover, there is no assurance that the occupancy levels achieved to date and expected in the future will continue or be achieved. Any one of, or a combination of, these factors may adversely affect the cash available to Chartwell.
- (b) **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.

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

- (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 keep our communities in a good state of repair. We fundamentally believe that by investing back into our communities we increase resident and staff satisfaction which ultimately results in better profitability of the business. We estimate that based on the average age, market position and state of repairs of our existing portfolio, the annual capital maintenance requirements are approximately 2% of annual gross property revenues. In addition to recurring maintenance capital projects, we invest in revenue enhancement and internal growth programs. The amount of these investments varies from time to time based on the volume of specific projects in progress. We take into account the recurring maintenance capital requirements of our communities in our determination of future cash flows available for distributions to Unitholders. A significant increase in recurring maintenance capital requirements of our communities could adversely impact cash available to us. The details of our actual capital asset spending for 2015 can be found in the “Capital Expenditures” section of this MD&A.
- (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 the Trust’s ability to find residents for its seniors housing communities and on the rents which may be charged, and could adversely affect our revenues and, consequently, our ability to meet debt obligations. An increased supply of suites in the regions in which we own seniors housing may have an impact on the demand for retirement community suites.
- (f) **Government Regulation:** Healthcare in Canada is subject to extensive regulation and regulatory changes. As a result, there can be no assurance that future regulatory changes in healthcare, particularly those changes affecting the seniors housing industry, will not adversely affect us. In Ontario, LTC Residence licences are issued for a fixed term which shall not exceed 30 years, after which the operators of a 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. Under the Ontario Long Term Care Homes Act, 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. Chartwell has nine LTC Class B and C residences with 876 beds. The province has introduced a revised redevelopment program with some additional funding, however, the funding is not sufficient to allow most Class B and C long term care homes to redevelop and very few redevelopment projects are proceeding at this time. Chartwell, along with the Ontario Long Term Care Association, continues to discuss improvements to the program with the government. There is no assurance that required funding levels from the government will be obtained. 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.
- (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 the Trust to enhance its wage and benefits packages in order to compete. No assurance can be given that labour costs will not increase, or that if they do increase, they can be matched by corresponding increases in rental or management revenue.

- (h) **Labour Relations:** We employ or supervise over 13,500 persons, of whom approximately 70% are represented by labour unions. Labour relations with the unions are governed by collective bargaining agreements with many different unions. There can be no assurance that we will not at any time, whether in connection with the renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees which could have a material adverse effect on our business, operating results and financial condition. Most seniors housing communities in the Province of Ontario are governed by the Hospital Labour Disputes Arbitration Act which prohibits strikes and lockouts in the seniors housing sector and therefore collective bargaining disputes are more likely to be resolved through compulsory third-party arbitration.

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

- (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. Additionally, growth may be limited by the properties being owned in a different structure (i.e., a real estate investment trust compared with a corporation) and possibly a different economic environment. We expect that we will have opportunities to acquire properties which will be accretive and enable us to increase cash flow through improved management, but there can be no assurance that will be the case.
- (j) **Acquisition, Development:** Our external growth prospects depend in part on identifying suitable acquisition and development opportunities, pursuing such opportunities, consummating acquisitions, and effectively operating the seniors housing communities acquired by the Trust. If we are unable to manage our growth, integrate our acquisitions effectively and achieve expected returns on acquisitions and development projects, our business, operating results and financial condition could be adversely affected.
- (k) **Dispositions:** From time to time we may dispose of certain assets which are considered non-strategic or non-core to our portfolio. Failure to dispose of such assets at a reasonable price may negatively impact our ability to deliver on our corporate strategies.
- (l) **Debt Financing:** We have and will continue to have substantial outstanding consolidated indebtedness comprised primarily of mortgages on our retirement and LTC communities.

We may not be able to renegotiate the terms of renewal of our debt at favourable rates. Chartwell currently has access to the government-backed mortgage insurance program through the National Housing Act, which is administered by CMHC. Chartwell entered into an LBA 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:** We currently qualify as a mutual fund trust for Canadian income tax purposes.

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

Under the SIFT Rules, distributions paid by a SIFT as returns of capital are not subject to the tax. Such distributions are not currently taxable to unitholders but serve to reduce the adjusted cost base of a unitholder's units. Due to the sale of the U.S. Portfolio in 2015, a portion of our distribution was classified as non-eligible dividend which is taxable as dividend income for unitholders, and as capital dividend which is non-taxable to unitholders. In 2015, 49.6% of our distributions were classified as non-eligible dividend, 37.2% as capital dividend, 11.8% as other income and 1.4% as return of capital. In 2015, we incurred \$56.2 million of income tax related to the sale of the U.S. Portfolio and \$1.3 million of income tax in one of our subsidiaries related to the capital gain on settlement of the foreign exchange swap arrangements. There were no SIFT taxes paid in 2015. We expect to have sufficient deductions and losses carried forward to eliminate any SIFT taxes in 2016.

There can be no assurance that income tax laws (or the judicial interpretation thereof), the administrative and/or assessing practices of the Canada Revenue Agency (the "CRA") and/or the treatment of mutual fund trusts will not be changed in a manner which adversely affects unitholders.

Although we are of the view that all our claimed expenses will be reasonable and deductible, and that our tax filing positions taken are reasonable, there can be no assurance that the CRA will agree. If the CRA successfully challenges us in any of these respects, our taxable income will change.

- (n) **Liability and Insurance:** The businesses, which are carried on, directly or indirectly, by us, entail an inherent risk of liability. Management expects that from time to time we may be subject to lawsuits as a result of the nature of such businesses. The Trust maintains business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against us not covered by, or in excess of, our insurance could have a material adverse effect on our business, operating results and financial condition. Claims against us, regardless of their merit or eventual outcome, also may have a material adverse effect on our ability to attract residents or expand their businesses, and will require management to devote time to matters unrelated to the operation of the business.
- (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. Notwithstanding the above, our management is not aware of any material non-compliance, liability or other claim in connection with any of our owned properties and properties in respect of which mezzanine or vendor take back financing has been provided, nor is management aware of any environmental condition with respect to any of the properties that it believes would involve material expenditure by the Trust. It is our operating policy to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring or financing any property. Where Phase I environmental site assessments identify sufficient environmental concerns or recommend further assessments, Phase II or Phase III environmental site assessments are conducted. They are intrusive investigations that involve soil, groundwater or other sampling to confirm the absence or presence and extent of an environmental concern.

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

- (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:** The mezzanine and vendor take back financing that has been provided by us is 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:** Currently, our distributions are determined in relation to AFFO. While we intend for such distributions to be at least equal to 70% of our AFFO for a specified year, items such as principal repayments, capital expenditures, variances in operating results and redemption of units, if any, or the failure of CSH Trust or Master LP to make distributions, may affect AFFO and, therefore, distributions. We may be required to decrease our distributions in order to accommodate such items. Under the terms of our Credit Facility, distributions to unitholders are limited to 100% of our AFFO.

- (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 issuers and businesses in Canada and around the world, including for Chartwell 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. As a result, Chartwell continually monitors for malicious threats and adapts accordingly in an effort to ensure we maintain high privacy and security standards. Chartwell invests 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 Chartwell for the evolving threat landscape.

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