Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

CHARTWELL RETIREMENT RESIDENCES

As at and for the three months and nine months ended September 30, 2017 and 2016
(Unaudited)

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Balance Sheets
(In thousands of Canadian dollars)
(Unaudited)

	Note	September 30, 2017	December 31, 2016
Assets			
Current assets:			
Cash and cash equivalents		$ 12,487	$ 30,050
Trade and other receivables		10,101	18,339
Capital funding receivable		5,900	5,663
Other assets	4	18,629	14,900
Total current assets		47,117	68,952
Non-current assets:			
Other assets	4	2,709	3,449
Loans receivable	5	6,753	10,528
Capital funding receivable		50,056	54,510
Investment in joint ventures	6	36,334	30,822
Intangible assets		56,218	57,598
Property, plant and equipment ("PP&E")	3	2,766,603	2,570,848
Total non-current assets		2,918,673	2,727,755
Total assets		$ 2,965,790	$ 2,796,707
Liabilities and Unitholders' Equity			
Current liabilities:			
Accounts payable and other liabilities	10	$ 129,198	$ 121,870
Distributions payable		9,336	9,046
Mortgages payable	7	191,918	143,695
Total current liabilities		330,452	274,611
Non-current liabilities:			
Mortgages payable	7	1,489,988	1,498,077
Credit facilities	8	144,000	172,000
Senior unsecured debentures	9	198,532	–
Deferred consideration on business combinations	11	1,732	1,647
Class B Units of Chartwell Master Care LP ("Class B Units")	12	24,649	23,871
Deferred tax liabilities	19	1,386	1,518
Total non-current liabilities		1,860,287	1,697,113
Total liabilities		2,190,739	1,971,724
Unitholders' equity	13	775,051	824,983
Subsequent event	20		
Total liabilities and unitholders' equity		$ 2,965,790	$ 2,796,707

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Trustees:

"Huw Thomas" Trustee "Sidney Robinson" Trustee

CHARTWELL RETIREMENT RESIDENCES

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

	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenue:					
Resident		$ 193,029	$ 179,688	$ 555,013	$ 531,728
Management and other fees		1,829	2,163	6,559	6,236
Lease revenue from joint ventures	6	8,736	8,529	25,964	25,275
Interest income		944	1,020	3,034	3,346
		204,538	191,400	590,570	566,585
Expenses (income):					
Direct property operating		130,774	122,883	383,410	367,050
Depreciation of PP&E	3	38,649	37,663	111,129	107,337
Amortization of intangible assets		440	292	1,376	884
Share of net income from joint ventures	6	(2,046)	(1,759)	(3,486)	(2,862)
General, administrative and trust		8,260	8,264	28,786	25,611
Other expense	17	3,426	5,180	5,350	6,209
Finance costs	16	18,517	16,630	52,715	52,196
Change in fair values of financial instruments and foreign exchange losses (gains)	18	(3,690)	(178)	(954)	23,696
		194,330	188,975	578,326	580,121
Income (loss) before income taxes		10,208	2,425	12,244	(13,536)
Income taxes benefit (expense):	19				
Current		(8)	–	(8)	–
Deferred		26	–	132	–
		18	–	124	–
Net income (loss) from continuing operations		10,226	2,425	12,368	(13,536)
Discontinued operations:					
Net income from discontinued operations, net of income taxes		–	5	–	3,279
Net income (loss) and comprehensive income (loss)		$ 10,226	$ 2,430	$ 12,368	$ (10,257)

See accompanying notes to condensed consolidated interim financial statements.

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Unitholders' Equity
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Nine months ended September 30, 2017	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2016	$ 1,973,499	$ 16,588	$ (12,004)	$ (154,508)	$ (1,005,151)	$ 6,559	$ 824,983
Net income	–	–	–	12,368	–	–	12,368
Distributions to unitholders	–	–	–	–	(82,548)	–	(82,548)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	15,026	–	–	–	–	–	15,026
Trust Units issued on exchange of Class B Units	157	–	–	–	–	–	157
Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), net of cancellations and Trust Units released on settlement of EUPP receivable	2,478	(170)	(252)	–	–	37	2,093
Trust Units issued on settlement of Deferred Trust Units	2,412	–	–	–	–	–	2,412
Interest on EUPP receivable	–	–	(90)	–	–	–	(90)
Distributions applied against EUPP receivable	–	–	650	–	–	–	650
Unitholders' equity, September 30, 2017	$ 1,993,572	$ 16,418	$ (11,696)	$ (142,140)	$ (1,087,699)	$ 6,596	$ 775,051

During the nine months ended September 30, 2017, distributions were declared and paid at $0.046818 per unit per month for the months of January and February and $0.048 per unit per month for the months of March to September. In October 2017, distributions were declared at $0.0480 per unit totalling $9,263.

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Unitholders' Equity (continued)
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Nine months ended September 30, 2016	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated losses	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2015	$ 1,778,496	$ 16,889	$ (12,657)	$ (159,304)	$ (900,450)	$ 6,546	$ 729,520
Net loss	–	–	–	(10,257)	–	–	(10,257)
Distributions to unitholders	–	–	–	–	(77,836)	–	(77,836)
Trust Units issued under DRIP	14,625	–	–	–	–	–	14,625
Trust Units issued on conversion of convertible debentures	173,194	–	–	–	–	–	173,194
Trust Units issued on exchange of Class B Units	151	–	–	–	–	–	151
Trust Units issued under EUPP, net of cancellations and Trust Units released on settlement of EUPP receivable	1,217	88	(351)	–	–	41	995
Interest on EUPP receivable	–	–	(95)	–	–	–	(95)
Distributions applied against EUPP receivable	–	–	658	–	–	–	658
Unitholders' equity, September 30, 2016	$ 1,967,683	$ 16,977	$ (12,445)	$ (169,561)	$ (978,286)	$ 6,587	$ 830,955

During the nine months ended September 30, 2016, distributions were declared and paid at $0.0459 per unit per month for the months of January and February and $0.046818 per unit per month for the months of March to September. In October 2016, distributions were declared at $0.046818 per unit totalling $8,960.

See accompanying notes to condensed consolidated interim financial statements.

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Cash provided by (used in):				
Operating activities:				
Net income (loss)	$ 10,226	$ 2,430	$ 12,368	$ (10,257)
Items not affecting cash:				
Depreciation and amortization	39,089	37,955	112,505	108,221
Finance costs	18,517	16,630	52,715	52,196
Other expense	3,426	5,175	5,350	6,071
Transaction costs arising from business acquisitions and dispositions	(3,513)	(943)	(5,929)	(5,495)
Interest income	(944)	(1,020)	(3,034)	(3,346)
Non-cash compensation expense	250	259	1,106	1,082
Change in fair values of financial instruments and foreign exchange losses (gains)	(3,690)	(178)	(954)	23,696
Share of net income from joint ventures	(2,046)	(1,759)	(3,486)	(2,862)
Deferred income tax benefit	(26)	–	(132)	–
Other	(373)	231	1,012	952
Change in trade and other receivables	4,408	(1,009)	11,327	(6,499)
Change in other assets	2,130	898	(1,968)	1,669
Change in accounts payable and other liabilities	10,171	3,503	(1,728)	(12,796)
	77,625	62,172	179,152	152,632
Interest income and other income received	1,212	1,078	3,659	3,258
Interest paid	(17,158)	(17,918)	(51,675)	(56,047)
	61,679	45,332	131,136	99,843
Financing activities:				
Proceeds from mortgage financing	43,005	38,089	160,727	132,670
Mortgage repayments	(51,047)	(8,044)	(107,270)	(82,395)
Proceeds from issuance of senior unsecured debentures	–	–	200,000	–
Changes to credit facilities	18,000	18,000	(28,000)	150,000
Scheduled mortgage principal repayments	(14,693)	(13,056)	(43,020)	(39,196)
Net additions to finance costs	(2,320)	(1,484)	(9,327)	(3,195)
Distributions paid	(22,328)	(21,235)	(66,672)	(61,861)
	(29,383)	12,270	106,438	96,023
Investing activities:				
Acquisition of assets under business combinations	(138,608)	(31,536)	(167,558)	(131,227)
Additions to PP&E and intangible assets	(35,557)	(27,881)	(108,999)	(77,640)
Proceeds from disposal of PP&E	92	773	21,167	734
Proceeds from capital funding receivable	1,425	1,349	4,218	4,921
Collection of loans receivable	30	–	1,487	5,241
Mezzanine loan advances	(3,569)	(776)	(3,569)	–
Change in restricted cash	115,295	(140)	143	134
Contributions to joint ventures	–	–	(7,832)	(389)
Distributions received from joint ventures	1,858	2,375	5,806	5,375
	(59,034)	(55,836)	(255,137)	(192,851)
Increase (decrease) in cash	(26,738)	1,766	(17,563)	3,015
Cash and cash equivalents, beginning of period	39,225	4,251	30,050	3,002
Cash and cash equivalents, end of period	$ 12,487	$ 6,017	$ 12,487	$ 6,017

See accompanying notes to condensed consolidated interim financial statements.

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

1. Basis of preparation:

Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on November 9, 2017.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2016 with the exception of the impact of adopting the following:

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

On January 19, 2016, the IASB issued amendments to IAS 12. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. Chartwell has adopted the amendments to IAS 12 in its consolidated financial statements for the year beginning on January 1, 2017 and determined there is no material impact on its condensed consolidated interim financial statements.

1. Basis of preparation (continued):

The following IFRS standards are issued but not effective:

(a) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), is effective for annual periods beginning on or after January 1, 2018, and will replace IAS 11, Construction Contracts, IAS 18, Revenue, International Financial Reporting Interpretations Committee ("IFRIC") 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC 31, Revenue - Barter Transactions Involving Advertising Services. Chartwell will adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. Chartwell is currently evaluating the impact of the standard on its various revenue streams. Areas of focus include identifying performance obligations and amounts of consideration that are variable, as well as assessing the application of the principles for allocating variable consideration. Chartwell expects to complete its assessment of the potential impact of adopting IFRS 15 during the fourth quarter of 2017.

(b) Chartwell will adopt IFRS 9, Financial Instruments ("IFRS 9"), which replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), in its consolidated financial statements for the annual period beginning on January 1, 2018, the mandatory effective date. IFRS 9 must be applied retrospectively with some exemptions. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

Chartwell is currently evaluating the impact of this standard on each of its financial instruments. Based upon Chartwell's existing financial instruments and related accounting policies at September 30, 2017, the principal areas impacted are: classification of financial assets, impairment of financial assets, and presentation of fair value changes for certain financial liabilities designated at fair value through profit or loss ("FVTPL"). IFRS 9 also requires new disclosures.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and FVTPL, and eliminates the existing IAS 39 category of loans and receivables.

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

1. Basis of preparation (continued):

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

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

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

Chartwell expects to complete its assessment of the potential impact of adopting IFRS 9 during the fourth quarter of 2017 and is not able at this time to estimate reasonably the impact that the standard will have on the consolidated financial statements.

2. Acquisitions:

The following acquisitions are consistent with Chartwell's strategy to expand its core business in its Canadian markets, and are accounted for as business combinations under IFRS 3, Business Combinations:

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

2. Acquisitions (continued):

On February 1, 2017, Chartwell acquired a 100% interest in a 107-suite retirement residence located in Vineland, Ontario. The purchase price before working capital adjustments and closing costs was $22,000 and was settled in cash. The property has contributed revenue of $2,927 and net loss of $1,203 since acquisition. Chartwell incurred acquisition-related costs of $881, which have been expensed in the condensed consolidated interim statements of comprehensive income (loss).

On March 1, 2017, Chartwell acquired a 100% interest in a 66-suite retirement residence located in Thunder Bay, Ontario. The purchase price before working capital adjustments and closing costs was $6,950 and was settled in cash. The property has contributed revenue of $1,019 and net loss of $343 since acquisition. Chartwell incurred acquisition-related costs of $158, which have been expensed in the condensed consolidated interim statements of comprehensive income (loss).

On July 4, 2017, Chartwell acquired a 100% interest in a portfolio of three properties in Ontario totalling 522 suites. The purchase price before working capital adjustments and closing costs was $120,750 and was settled in cash. The properties have contributed revenue of $5,551 and net loss of $2,670 since acquisition. Chartwell incurred acquisition-related costs of $2,761 which have been expensed in the condensed consolidated interim statements of comprehensive income (loss).

On July 20, 2017, Chartwell acquired an 85% interest in a 343-suite retirement residence located in Quebec from entities affiliated with Batimo Inc. ("Batimo"). The purchase price before working capital and closing costs was $60,775 and was settled through assumption of a construction loan of $37,060, settlement of the Chartwell mezzanine loan to Batimo of $5,857 and cash. Batimo has committed to provide income support if the operating results fall below a certain threshold with an estimated fair value of $848. This amount has been recorded as a reduction of consideration paid. The property has contributed revenue of $1,202 and net loss of $352 since acquisition. Chartwell incurred acquisition-related costs of $311, which have been expensed in the condensed consolidated interim statements of comprehensive income (loss).

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

3. Property, plant and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost						
Balance, December 31, 2015	$ 276,857	$ 2,567,935	$ 84,530	$ 14,745	$ 18,876	$ 2,962,943
Additions	–	58,018	11,379	45,423	8,615	123,435
Additions through business combinations	12,155	211,812	4,511	–	600	229,078
Disposals	(4,378)	(37,823)	(1,729)	–	–	(43,930)
Derecognition	–	(218,664)	(1,221)	–	–	(219,885)
Capital subsidy receivable	–	(5,021)	–	–	–	(5,021)
Transfers	426	981	1,177	1,911	(5,034)	(539)
Balance, December 31, 2016	285,060	2,577,238	98,647	62,079	23,057	3,046,081
Additions	26	43,220	9,772	65,306	30	118,354
Additions through business combinations	17,567	184,742	6,678	–	640	209,627
Disposals	(4,175)	(33,665)	(1,076)	–	–	(38,916)
Derecognition	–	(28,512)	(323)	(2,422)	–	(31,257)
Transfers	1,260	24,866	1,963	(28,089)	–	–
Balance, September 30, 2017	$ 299,738	$ 2,767,889	$ 115,661	$ 96,874	$ 23,727	$ 3,303,889
Accumulated depreciation and impairment losses						
Balance, December 31, 2015	$ –	$ 509,226	$ 51,927	$ 2,422	$ –	$ 563,575
Depreciation	–	133,039	12,547	–	–	145,586
Disposals	–	(19,020)	(1,413)	–	–	(20,433)
Derecognition	–	(218,664)	(1,221)	–	–	(219,885)
Impairment	–	6,390	–	–	–	6,390
Balance, December 31, 2016	–	410,971	61,840	2,422	–	475,233
Depreciation	–	100,459	10,670	–	–	111,129
Disposals	–	(16,868)	(951)	–	–	(17,819)
Derecognition	–	(28,512)	(323)	(2,422)	–	(31,257)
Balance, September 30, 2017	$ –	$ 466,050	$ 71,236	$ –	$ –	$ 537,286
Carrying amounts						
Balance, December 31, 2016	$ 285,060	$ 2,166,267	$ 36,807	$ 59,657	$ 23,057	$ 2,570,848
Balance, September 30, 2017	299,738	2,301,839	44,425	96,874	23,727	2,766,603

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

3. Property, plant and equipment (continued):

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

During the nine months ended September 30, 2017, Chartwell capitalized $1,966 (September 30, 2016 - $666) of borrowing costs related to development projects under construction at an average capitalization rate of 3.69% (September 30, 2016 - 3.97%).

Since January 1, 2010, the cost and accumulated depreciation of PP&E has been reduced by $179,920 to remove fully amortized resident contracts.

4. Other assets:

	September 30, 2017	December 31, 2016
Prepaid expenses and deposits	$ 13,284	$ 10,963
Restricted cash	2,316	2,173
Other assets	5,738	5,213
	$ 21,338	$ 18,349
Current	$ 18,629	$ 14,900
Non-current	2,709	3,449
	$ 21,338	$ 18,349

Other assets include receivables of $1,315 recorded at their fair value, related to estimated income support provided by vendors of certain acquired properties (December 31, 2016 - $1,245). Income support is considered Level 3 in the fair value hierarchy. During the nine months ended September 30, 2017, $1,052 of income support was collected. During the nine months ended September 30, 2017, Chartwell recorded income support of $848 related to the acquisition of a property in Quebec (note 2).

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

5. Loans receivable:

On February 22, 2017, a vendor take-back loan totalling $1,457 was repaid. On July 21, 2017, Chartwell advanced a mezzanine loan of $3,569 for development of a 345-suite retirement residence in Quebec. Chartwell settled a mezzanine loan of $5,857 on acquisition of a property in Quebec (note 2).

6. Joint arrangements:

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The following are Chartwell's joint arrangements as at September 30, 2017:

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

[1] Chartwell directly holds its interest in real estate while its interest in operations is held through separate legal entities.
[2] These joint arrangements have been structured through separate legal vehicles.
[3] Chartwell owns 100% of Class C units in these limited partnerships which were formed on acquisition of two properties in 2015. Affiliates of the vendors of the properties hold Class R units in the limited partnerships.

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

On June 27, 2016, Chartwell entered into a new joint arrangement with Welltower Inc. ("Welltower") and Daniels Corporation ("Daniels") to develop The Sumach by Chartwell, a 332-suite apartment building in Toronto, Ontario. Welltower and Chartwell each own a 45% interest and Daniels owns a 10% interest.

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

6. Joint arrangements (continued):

On April 21, 2016, Chartwell acquired the remaining 50% ownership in Kamloops and now owns 100% of the property. Previously, Chartwell accounted for Kamloops as a joint operation.

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

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Contributions to joint ventures	$ 7,832	$ 389
Distributions received from joint ventures	5,806	5,375

	September 30, 2017	December 31, 2016
Current assets	$ 17,089	$ 16,887
Non-current assets	106,959	100,427
Total assets	$ 124,048	$ 117,314
Current liabilities	$ 26,666	$ 9,010
Non-current liabilities	61,048	77,482
Total liabilities	$ 87,714	$ 86,492
Net investment in joint ventures	$ 36,334	$ 30,822

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

6. Joint arrangements (continued):

Included in current assets is $5,091 of cash held by joint ventures (December 31, 2016 - $8,238).

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenue	$ 31,372	$ 30,312	$ 93,036	$ 89,722
Direct property operating expense	(18,249)	(18,015)	(56,027)	(54,714)
Lease expense	(8,736)	(8,529)	(25,964)	(25,275)
Finance cost	(586)	(596)	(1,693)	(1,872)
Depreciation of PP&E	(1,810)	(1,983)	(5,754)	(5,855)
Change in fair value of financial instruments and foreign exchange gains (losses)	102	613	(119)	733
Other income (expense)	(47)	(43)	7	123
Chartwell's share of net income from joint ventures	$ 2,046	$ 1,759	$ 3,486	$ 2,862

Related party transactions occur between Chartwell and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Except as disclosed elsewhere in these condensed consolidated interim financial statements, the related party balances are included in accounts payable and receivable, and in management fee revenue, as applicable. As of September 30, 2017, $1,012 (December 31, 2016 - $787) of Chartwell's accounts receivable and $7,069 (December 31, 2016 - $4,642) of Chartwell's accounts payable relate to its investments in joint ventures. For the three and nine months ended September 30, 2017, $1,547 and $4,776, respectively (three and nine months ended September 30, 2016 - $1,548 and $4,503, respectively), of Chartwell's management fees related to its investment in joint ventures.

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

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

6. Joint arrangements (continued):

Chartwell-Welltower Operator has leased the real estate from the landlords under their respective lease agreements. The terms of these leases are for three-year periods, with automatic renewal terms as long as the joint arrangement between Chartwell and Welltower is still in effect. As a result, Chartwell's 50% share of the landlords' lease receipts, $8,736 and $25,964 for the three and nine months ended September 30, 2017, respectively (three and nine months ended September 30, 2016 - $8,529 and $25,275, respectively), is reported as lease revenue and is included in lease revenue from joint ventures. Chartwell-Welltower Operator lease expense is included in the share of net income (loss) from joint ventures in the condensed consolidated interim statements of comprehensive income (loss).

7. Mortgages payable:

Mortgages payable are secured by first and second charges on specific properties and are measured at amortized cost. The mortgages payable as at September 30, 2017 are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total debt
Remainder 2017	$ 14,147	$ 6,098	$ 20,245	1
2018	56,954	170,378	227,332	13
2019	56,028	185,478	241,506	14
2020	55,640	160,814	216,454	13
2021	53,497	105,429	158,926	9
2022	49,975	74,834	124,809	8
2023	45,652	60,419	106,071	6
2024	35,680	156,797	192,477	12
2025	28,722	44,335	73,057	4
2026	26,987	33,830	60,817	4
2027	23,905	63,176	87,081	5
2028	29,241	18,925	48,166	3
2029	20,267	–	20,267	1
2030	18,837	–	18,837	1
2031	17,335	–	17,335	1
Thereafter	52,443	26,382	78,825	5
	$ 585,310	$ 1,106,895	1,692,205	100
Mark-to-market adjustments on acquisition			16,940	
Financing costs			(27,239)	
			$ 1,681,906	
Current			$ 191,918	
Non-current			1,489,988	
			$ 1,681,906	

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

7. Mortgages payable (continued):

	September 30, 2017	December 31, 2016
Mortgages at fixed rates:		
Mortgages (principal)	$ 1,616,656	$ 1,612,233
Interest rates	1.90% - 7.85%	1.79% - 8.51%
Weighted average interest rate	3.80%	3.91%
Mortgages at variable rates:		
Mortgages (principal)	$ 75,549	$ 32,475
Interest rates	Bankers' acceptance plus 1.50% to prime plus 2.00%	Bankers' acceptance plus 1.50% to prime plus 2.00%
Weighted average interest rate	3.14%	2.89%
Blended weighted average rate	3.77%	3.89%

Mortgages totalling $271,676 (December 31, 2016 - $287,305) have interest rates fixed through interest rate swap contracts with an equivalent notional value, maturing between 2018 and 2021. The swaps have a fair value liability of nil (December 31, 2016 - $135) included in accounts payable and other liabilities and fair value asset of $4,395 (December 31, 2016 - $1,624) included in trade and other receivables.

8. Credit facilities:

(a) Secured credit facility:

On May 29, 2017, Chartwell arranged for a $200,000 secured revolving credit facility with a syndicate of Canadian financial institutions. The amounts outstanding on the secured credit facility bear interest ranging from the bank's prime rate plus 0.65% to bank's prime rate plus 0.85% or banker's acceptance rate plus 1.65% to banker's acceptance rate plus 1.85%, depending on Chartwell's overall leverage ratio as defined in the credit agreement. The secured credit facility is secured by second-ranked charges on specific properties. The secured credit facility is subject to various financial covenants including among others, minimum equity requirements and limitations on entering into certain investments and on the amount of cash distributions that can be paid to unitholders. The credit facility matures on May 29, 2020. At September 30, 2017, the maximum available borrowing capacity under the credit facility was $194,259 based on the security provided. Of this capacity, $4,626 has been allocated to support various letters of credit issued by Chartwell and $144,000 was drawn.

The amounts outstanding under previous credit facilities were repaid from the proceeds of the new secured credit facility.

(b) Unsecured credit facility:

On May 29, 2017, Chartwell arranged for a $100,000 unsecured credit facility with a syndicate of Canadian banks. The amounts outstanding on the unsecured credit facility bear interest ranging from the bank's prime rate plus 0.80% to bank's prime rate plus 1.10% or banker's acceptance rate plus 1.80% to banker's acceptance rate plus 2.10% depending on Chartwell's leverage ratio as defined in the credit agreement. The unsecured credit facility is subject to various financial covenants including among others, minimum equity requirements, minimum unencumbered asset ratio, limitations on entering into certain investments and on the amount of cash distributions that can be paid to unitholders and limitation on the amount of secured indebtedness. At September 30, 2017, the maximum available borrowing capacity under the unsecured credit facility was $37,436. At September 30, 2017, no amounts were drawn on this line.

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

9. Senior unsecured debentures:

	September 30, 2017	December 31, 2016
Senior unsecured debentures outstanding	$ 200,000	$ –
Financing costs, net	(1,468)	–
Carrying value	$ 198,532	$ –

On June 9, 2017, Chartwell issued $200,000 of 3.786% Series A senior unsecured debentures due on December 11, 2023, with semi-annual interest payments due on June 11 and December 11 of each year commencing December 11, 2017. Debt financing costs of $1,538 were incurred and are being amortized using the effective interest method (note 16). The debentures are redeemable at the option of Chartwell, at any time, subject to a yield maintenance payment if such redemption is prior to October 11, 2023. Under the terms of the indenture, Chartwell is required to meet certain financial covenants. These covenants include, required debt service coverage ratios, indebtedness ratios, unencumbered asset ratio and other covenants.

10. Accounts payable and other liabilities:

	Note	September 30, 2017	December 31, 2016
Accounts payable and accrued liabilities		$ 95,967	$ 89,099
Resident deposits		2,976	2,596
Deferred revenue		337	115
Deferred Trust Units ("DTU")	(a)	12,682	13,620
Restricted Trust Units ("RTU")	(b)	5,741	4,935
EUPP option component	(c)	11,495	11,505
		$ 129,198	$ 121,870

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

10. Accounts payable and other liabilities (continued):

(a) DTU:

The DTU fair value is determined using the market price for listed Trust Units since there is a one-for-one conversion feature. The market price of Trust Units as at September 30, 2017 was $14.95 (December 31, 2016 - $14.67).

	Units outstanding	Amount
Balance, December 31, 2015	823,166	$ 10,501
DTUs granted	71,573	1,068
Change in fair value and distributions	33,879	2,051
Balance, December 31, 2016	928,618	13,620
DTUs granted	50,765	777
DTUs settled by the issuance of Trust Units	(154,740)	(2,412)
Change in fair value and distributions	23,833	697
Balance, September 30, 2017	848,476	$ 12,682

(b) RTU:

During the nine months ended September 30, 2017, 208,503 notional Trust Units were granted, 15,649 notional Trust Units were cancelled, 16,293 notional Trust Units were issued in regard to distributions, and 94,947 notional Trust Units vested and were paid out. At September 30, 2017, 610,746 notional Trust Units remained outstanding (December 31, 2016 - 496,546).

The liability is measured at fair value based on the market price for Trust Units at each reporting period until settlement.

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

10. Accounts payable and other liabilities (continued):

(c) EUPP option component:

EUPP is considered a cash settled plan and the fair value of the amounts payable is recognized as an expense with a corresponding increase in liability over the employee service period. The liability is remeasured at each reporting date and at settlement date. Any change in liability is recognized in profit and loss.

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

	September 30, 2017	December 31, 2016
Expected volatility	13.50% - 18.50%	18.42% - 23.42%
Risk-free rate	2.22% - 2.58%	1.76% - 2.32%
Distribution yield	4.16% - 4.53%	4.28% - 4.75%

11. Deferred consideration on business combination:

Deferred purchase consideration relates to fair value of deferred payment on a 2015 acquisition. The amount is payable on September 11, 2018.

	September 30, 2017	December 31, 2016
Face value of deferred consideration	$ 1,506	$ 1,506
Interest accretion	226	141
Carrying value	$ 1,732	$ 1,647

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

12. Class B Units:

Class B Units are exchangeable, at the option of the holder, into Trust Units. Such exchangeable instruments are presented as a liability. Chartwell has elected to designate Class B Units as fair value through profit or loss. Fair value is determined by using the market price for listed Trust Units since there is a one-for-one exchange feature for each Class B Unit into a Trust Unit. Class B Units are considered Level 2 in the fair value hierarchy. The market price of Trust Units as at September 30, 2017 was $14.95 per unit (December 31, 2016 - $14.67 per unit). On March 1, 2017, Chartwell issued 31,565 Class B Units for the purchase of vacant land in Mississauga, Ontario (note 3). At September 30, 2017, 1,648,738 Class B Units were outstanding.

13. Trust Units and EUPP:

The following Trust Units are issued and outstanding:

	Number of voting Units	Amount
Balance, December 31, 2015	176,401,201	$ 1,778,496
Trust Units issued under DRIP	1,418,778	19,725
Trust Units issued on conversion and redemption of debt	12,157,779	173,194
Trust Units issued in exchange of Class B Units	14,150	202
Trust Units released on settlement of EUPP receivable	103,566	1,882
Balance, December 31, 2016	190,095,474	1,973,499
Trust Units issued under DRIP	1,011,426	15,026
Trust Units issued on vesting of DTU	154,740	2,412
Trust Units issued on exchange of Class B Units	10,000	157
Trust Units released on settlement of EUPP receivable	125,499	2,478
Balance, September 30, 2017	191,397,139	$ 1,993,572

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

13. Trust Units and EUPP (continued):

The following table summarizes Trust Units issued under the EUPP:

	Number of Trust Units issued under EUPP		Amount
Balance, December 31, 2015	1,553,634	$	16,889
Trust Units issued under EUPP	79,454		1,072
Trust Units surrendered for cancellation under EUPP	(14,134)		(151)
Trust Units released on settlement of EUPP receivable	(103,566)		(1,222)
Balance, December 31, 2016	1,515,388		16,588
Trust Units issued under EUPP	89,778		1,369
Trust Units surrendered for cancellation under EUPP	(9,769)		(101)
Trust Units released on settlement of EUPP receivable	(125,499)		(1,438)
Balance, September 30, 2017	1,469,898	$	16,418

14. Segmented information:

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

The accounting policies of each of the segments are the same as those for Chartwell, except these segments include Chartwell's proportionate share of its joint ventures. The "Reconciliation" column shows the adjustments to account for these joint ventures using the equity method, as applied in these condensed consolidated interim financial statements. Certain general, administrative and trust expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.

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

14. Segmented information (continued):

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

	Three months ended September 30, 2017						
	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Revenue:							
Resident	$ 166,872	$ 57,450	$ 224,322	$ –	$ 224,322	$ (31,293)	$ 193,029
Management and other fees	–	–	–	1,829	1,829	–	1,829
Lease revenue from joint ventures	–	–	–	–	–	8,736	8,736
Interest income	–	–	–	973	973	(29)	944
	166,872	57,450	224,322	2,802	227,124	(22,586)	204,538
Expenses (income):							
Direct property operating	99,193	49,830	149,023	–	149,023	(18,249)	130,774
Adjusted net operating income[1]	67,679	7,620	75,299				
General, administrative and trust							8,260
Finance costs:							
Contractual interest							18,855
Other							(338)
Other expense							3,426
Depreciation and amortization							39,089
Share of net income from joint ventures							(2,046)
Change in fair values of financial instruments and foreign exchange gains							(3,690)
							194,330
Income before taxes							10,208
Income tax benefit (expense):							
Current							(8)
Deferred							26
							18
Net income							$ 10,226
Expenditures for non-current assets:							
Acquisition of properties	$ 180,677	$ –	$ 180,677	$ –	$ 180,677	$ –	$ 180,677
Capital additions	49,470	3,342	52,812	2,814	55,626	(2,610)	53,016

[1] Refers to income before general, administrative and trust, finance costs, other expense, depreciation and amortization, change in fair values of financial instruments and foreign exchange gains, share of net income from joint ventures and income tax benefit.

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

14. Segmented information (continued):

	Nine months ended September 30, 2017						
	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Revenue:							
Resident	$ 480,241	$ 167,729	$ 647,970	$ –	$ 647,970	$ (92,957)	$ 555,013
Management and other fees	–	–	–	6,559	6,559	–	6,559
Lease revenue from joint ventures	–	–	–	–	–	25,964	25,964
Interest income	–	–	–	3,113	3,113	(79)	3,034
	480,241	167,729	647,970	9,672	657,642	(67,072)	590,570
Expenses (income):							
Direct property operating	292,530	146,907	439,437	–	439,437	(56,027)	383,410
Adjusted net operating income[(1)]	187,711	20,822	208,533				
General, administrative and trust							28,786
Finance costs:							
Contractual interest							53,466
Other							(751)
Other expense							5,350
Depreciation and amortization							112,505
Share of net income from joint ventures							(3,486)
Change in fair values of financial instruments and foreign exchange gains							(954)
							578,326
Income before taxes							12,244
Income tax benefit (expense):							
Current							(8)
Deferred							132
							124
Net income							$ 12,368
Expenditures for non-current assets:							
Acquisition of properties	$ 209,627	$ –	$ 209,627	$ –	$ 209,627	$ –	$ 209,627
Capital additions	112,200	5,575	117,775	12,853	130,628	(12,274)	118,354

(1) Refers to income before general, administrative and trust, finance costs, other expense, depreciation and amortization, change in fair values of financial instruments and foreign exchange gains, share of net income from joint ventures and income tax benefit.

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

14. Segmented information (continued):

	Three months ended September 30, 2016						
	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Continuing operations							
Revenue:							
Resident	$ 153,610	$ 56,323	$ 209,933	$ –	$ 209,933	$ (30,245)	$ 179,688
Management and other fees	–	–	–	2,163	2,163	–	2,163
Lease revenue from joint ventures	–	–	–	–	–	8,529	8,529
Interest income	–	–	–	1,020	1,020	–	1,020
	153,610	56,323	209,933	3,183	213,116	(21,716)	191,400
Expenses (income):							
Direct property operating	91,804	49,095	140,899	–	140,899	(18,016)	122,883
Adjusted net operating income(1)	61,806	7,228	69,034				
General, administrative and trust							8,264
Finance costs:							
Contractual interest							17,144
Other							(514)
Other expense							5,180
Depreciation and amortization							37,955
Share of net income from joint ventures							(1,759)
Change in fair values of financial instruments and foreign exchange gains							(178)
							188,975
Income from continuing operations							2,425
Net income from discontinued operations, net of income taxes							5
Net income							$ 2,430
Expenditures for non-current assets:							
Acquisition of properties	$ 31,536	$ –	$ 31,536	$ –	$ 31,536	$ –	$ 31,536
Capital additions	25,293	2,468	27,761	601	28,362	(110)	28,252

(1) Refers to income before general, administrative and trust, finance costs, other expense, depreciation and amortization, changes in fair values of financial instruments and foreign exchange gains, share of net income from joint ventures and discontinued operations.

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

14. Segmented information (continued):

	Nine months ended September 30, 2016						
	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Continuing operations							
Revenue:							
Resident	$ 455,112	$ 166,271	$ 621,383	$ –	$ 621,383	$ (89,655)	$ 531,728
Management and other fees	–	–	–	6,236	6,236	–	6,236
Lease revenue from joint ventures	–	–	–	–	–	25,275	25,275
Interest income	–	–	–	3,413	3,413	(67)	3,346
	455,112	166,271	621,383	9,649	631,032	(64,447)	566,585
Expenses (income):							
Direct property operating	276,765	144,999	421,764	–	421,764	(54,714)	367,050
Adjusted net operating income[(1)]	178,347	21,272	199,619				
General, administrative and trust							25,611
Finance costs:							
Contractual interest							53,110
Other							(914)
Other expense							6,209
Depreciation and amortization							108,221
Share of net income from joint ventures							(2,862)
Change in fair values of financial instruments and foreign exchange losses							23,696
							580,121
Loss from continuing operations							(13,536)
Net income from discontinued operations, net of income taxes							3,279
Net loss							$ (10,257)
Expenditures for non-current assets:							
Acquisition of properties	$ 230,130	$ –	$ 230,130	$ –	$ 230,130	$ –	$ 230,130
Capital additions	71,123	4,779	75,902	3,259	79,161	(855)	78,306

(1) Refers to income before general, administrative and trust, finance costs, other expense, depreciation and amortization, changes in fair values of financial instruments and foreign exchange losses, share of net income from joint ventures and discontinued operations.

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

14. Segmented information (continued):

September 30, 2017	Retirement Operations	Long-Term Care Operations	Segment total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 2,742,981	$ 257,994	$ 3,000,975	$ 47,352	$ 3,048,327	$ (82,537)	$ 2,965,790
Total liabilities	$ 1,663,407	$ 191,137	$ 1,854,544	$ 418,732	$ 2,273,276	$ (82,537)	$ 2,190,739

15. Financial instruments:

Classification, carrying values and fair values of financial instruments:

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

	September 30, 2017		December 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Financial assets recorded at amortized cost:				
Loans receivable	$ 6,753	$ 6,753	$ 10,528	$ 10,528
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	1,681,906	1,712,434	1,641,772	1,688,374
Credit facilities	144,000	144,000	172,000	172,000
Senior unsecured debentures	198,532	198,552	–	–

15. Financial instruments (continued):

Fair value represents management's estimate of the market value at a given point in time, which may not reflect fair value in the future. These calculations are subjective, involve uncertainties and are a matter of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. The above table excludes cash and cash equivalents, trade and other receivables, accounts payable and other liabilities, and distributions payable as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value.

The following summarizes the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above:

The fair value of mortgages payable is estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. At September 30, 2017, the mortgages payable were discounted using rates between 2.52% and 4.67% (December 31, 2016 - 1.89% and 4.56%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of mortgages is Level 2 in the fair value hierarchy.

The fair values of the loans receivable and credit facilities approximate their carrying values and are considered Level 2 in the fair value hierarchy as inputs are observable directly or indirectly.

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

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

16. Finance costs:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Contractual interest expense on mortgages	$ 15,790	$ 15,792	$ 47,299	$ 47,867
Interest expense on convertible debentures	–	–	–	2,611
Interest expense on Series A unsecured debentures	1,909	–	2,365	–
Credit facility and other interest expense	1,155	1,352	3,802	2,632
	18,854	17,144	53,466	53,110
Interest capitalized to properties under development	(701)	(368)	(1,966)	(666)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	126	(375)	496	(923)
Distributions on Class B Units recorded as interest expense	238	229	719	675
Total finance costs	$ 18,517	$ 16,630	$ 52,715	$ 52,196

17. Other expense (income):

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Property lease expense	$ 100	$ 122	$ 297	$ 319
Impairment of PP&E	–	4,500	–	7,500
Transaction costs arising on business acquisitions and dispositions	3,513	943	5,929	5,495
Other expense	3,613	5,565	6,226	13,314
Other income	(254)	–	(807)	–
Loss (gain) on sale of assets	67	(385)	(69)	(1,918)
Gain recorded on remeasurement of previously held interest on acquisition	–	–	–	(5,187)
Other income	(187)	(385)	(876)	(7,105)
Other expense	$ 3,426	$ 5,180	$ 5,350	$ 6,209

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

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

17. Other expense (income) (continued):

For the nine months ended September 30, 2016, Chartwell recorded an impairment provision of $3,000 on one long-term care property located in Ontario and $4,500 on one retirement property located in Quebec.

18. Change in fair values of financial instruments and foreign exchange losses (gains):

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Change in fair value of convertible debentures	$ –	$ –	$ –	$ 11,441
Change in fair value of interest rate swaps	(1,789)	(40)	(2,907)	103
Foreign exchange losses (gains)	148	(110)	311	(63)
Changes in fair value of EUPP option component	(565)	129	700	4,585
Change in fair value of Class B Units	(941)	65	435	5,005
Change in fair value of DTU	(348)	168	697	2,959
Change in fair value of deferred purchase consideration	38	29	85	85
Change in fair value of income support	(233)	(419)	(275)	(419)
Change in fair values of financial instruments and foreign exchange losses (gains)	$ (3,690)	$ (178)	$ (954)	$ 23,696

19. Income taxes:

Chartwell recorded a deferred tax recovery of $132 and current tax expense of $8 for the nine months ended September 30, 2017 in a corporate subsidiary. The deferred tax benefit relates to the reversal of temporary differences between accounting and tax basis of the PP&E held by the subsidiary.

20. Subsequent event:

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