Consolidated Financial Statements
(In Canadian dollars)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Three-month periods ended March 31, 2009 and 2008
(Unaudited)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets
(In thousands of Canadian dollars)

	March 31, 2009	December 31, 2008
	(Unaudited)	(Audited)

Assets

Properties (note 3)	$ 2,429,282	$ 2,362,898
Mezzanine loans receivable (note 4)	91,305	96,822
Limited life intangible assets (note 5)	82,366	87,936
Cash and cash equivalents	13,097	10,530
Other assets (note 6)	69,121	75,650
Capital funding receivable	45,469	46,001
Licenses	25,650	25,650
	$ 2,756,290	$ 2,705,487

Liabilities and Unitholders' Equity

Liabilities:		
Mortgages payable (note 7(a))	$ 1,733,038	$ 1,668,445
Revolving operating credit facility (note 7(b))	8,000	8,000
Convertible debentures (note 8)	185,687	184,634
Accounts payable and other liabilities (note 9)	136,504	128,431
Deferred consideration on business combinations (note 10)	24,336	23,649
Distributions payable	6,309	6,285
Future income tax liabilities (note 19)	21,115	19,363
	2,114,989	2,038,807
Non-controlling interest (note 11)	11,491	16,446
Unitholders' equity	629,810	650,234
Commitments and contingencies (note 17)		
	$ 2,756,290	$ 2,705,487

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

"Charles Moses" Trustee

"Sidney Robinson" Trustee

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Operations and Comprehensive Loss
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

	Three-month periods ended March 31, 2009	Three-month periods ended March 31, 2008
Revenue:		
Resident	$ 193,197	$ 166,387
Management and other fees (note 14)	2,088	2,339
Mezzanine loan interest (notes 4 and 14)	2,571	3,028
Bank interest and other	837	1,262
Equity income from variable interest entities	–	855
Below-market lease amortization	437	478
	199,130	174,349
Expenses:		
Direct operating	133,427	115,221
General, administrative and trust	5,820	5,200
	139,247	120,421
	59,883	53,928
Interest expense	28,312	25,352
Property lease expense	14,155	11,421
	42,467	36,773
	17,416	17,155
Realized foreign exchange gain	(4,987)	–
Unrealized loss (gain) on derivative financial instruments and unrealized foreign exchange loss (gain)	2,971	(2,849)
Depreciation of properties	19,720	16,468
Amortization of limited life intangible assets	12,194	14,594
Gain on sale of assets	–	(8)
	29,898	28,205
Loss before income taxes	(12,482)	(11,050)
Income taxes (note 19):		
Current	6	999
Future	1,752	237
	1,758	1,236
Loss before non-controlling interest	(14,240)	(12,286)
Non-controlling interest (note 11)	295	765
Loss for the period	(13,945)	(11,521)
Other comprehensive income/(loss):		
Unrealized foreign currency gain on the translation of self-sustaining foreign operations	5,337	6,128
Net change in fair value of derivatives designated as cash flow hedges (net of future income taxes of nil; 2008 - $120) (note 20)	–	(549)
Non-controlling interest	(110)	(347)
	5,227	5,232
Comprehensive loss	$ (8,718)	$ (6,289)
Loss per Unit:		
Basic and diluted (note 13)	$ (0.144)	$ (0.126)

See accompanying notes to consolidated financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Unitholders' Equity
(In thousands of Canadian dollars)
(Unaudited)

Three-month period ended March 31, 2009	Trust Units issued, net (note 12)	LTIP Units under subscription (note 12)	LTIP instalment loan receivable (note 12)	Losses	Accumulated other comprehensive income (loss)	Distributions	Convertible debentures/ other equity components	Total
Unitholders' equity, January 1, 2009	$ 1,137,031	$ 34,099	$ (26,485)	$ (200,116)	$ 3,415	$ (312,783)	$ 15,073	$ 650,234
Loss for the period	–	–	–	(13,945)	–	–	–	(13,945)
Other comprehensive income	–	–	–	–	5,227	–	–	5,227
Distributions to unitholders	–	–	–	–	–	(18,183)	–	(18,183)
Issuance of Trust Units issued under the Distribution Reinvestment Program ("DRIP")	1,752	–	–	–	–	–	–	1,752
Trust Units issued on exchange of Class B Units of Chartwell Master Care LP	4,332	–	–	–	–	–	–	4,332
Trust Units issued under the Long-Term Incentive Plan ("LTIP"), net of Trust Units transferred to Treasury	–	46	133	–	–	–	4	183
Interest on instalment loan receivable	–	–	(260)	–	–	–	–	(260)
Distributions applied against instalment loan receivable	–	–	470	–	–	–	–	470
Unitholders' equity, March 31, 2009	$ 1,143,115	$ 34,145	$ (26,142)	$ (214,061)	$ 8,642	$ (330,966)	$ 15,077	$ 629,810

Three-month period ended March 31, 2008	Trust Units issued, net (note 12)	LTIP Units (note 12)	LTIP instalment loan receivable (note 12)	Losses	Accumulated other comprehensive income (loss)	Distributions	Convertible debentures/ other equity components	Total
Unitholders' equity, January 1, 2008	$ 1,102,573	$ 31,894	$ (25,633)	$ (100,644)	$ (28,351)	$ (237,113)	$ 14,878	$ 757,604
Loss for the period	–	–	–	(11,521)	–	–	–	(11,521)
Other comprehensive loss	–	–	–	–	5,232	–	–	5,232
Distributions to unitholders	–	–	–	–	–	(22,291)	–	(22,291)
Trust Units issued under the DRIP	2,859	–	–	–	–	–	–	2,859
Trust Units issued on exchange of Class B Units of Chartwell Master Care LP	320	–	–	–	–	–	–	320
Trust Units issued under the LTIP, net of Units transferred to Treasury	–	4,543	(4,126)	–	–	–	22	439
Disposition of LTIP Units surrendered	782	(563)	–	–	–	–	–	219
Interest on instalment loan receivable	–	–	(252)	–	–	–	–	(252)
Distributions applied against instalment loan receivable	–	–	618	–	–	–	–	618
Unitholders' equity, March 31, 2008	$ 1,106,534	$ 35,874	$ (29,393)	$ (112,165)	$ (23,119)	$ (259,404)	$ 14,900	$ 733,227

See accompanying notes to consolidated financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

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

	Three-month periods ended March 31, 2009	2008
Cash provided by (used in):		
Operating activities:		
Loss for the period	$ (13,945)	$ (11,521)
Items not affecting cash:		
Depreciation and amortization	31,914	31,062
Gain on sale of assets	–	(8)
Below-market lease amortization	(437)	(478)
Adjustment to record lease expense on a straight-line basis over the lease term	1,767	1,652
Non-cash LTIP compensation expense	168	120
Income from long-term investments	–	(25)
Unrealized/realized loss (gain) on derivative financial instruments and foreign exchange loss (gain)	(2,016)	(2,849)
Non-controlling interest	(295)	(765)
Amortization of financing expenses	1,327	1,207
Accretion adjustment to convertible debenture liability	731	671
Amortization of debt discounts	284	350
Amortization of mezzanine placement fees	(305)	(285)
Amortization of legal costs integral to mezzanine lending activities	171	150
Future income taxes	1,752	237
Change in non-cash operating items (note 18)	(1,371)	5,566
	19,745	25,084
Financing activities:		
Proceeds from mortgage financing	14,958	18,828
Mortgage principal repayments	(7,813)	(6,938)
Financing costs	(2,161)	(1,110)
Redemption of non-voting preferred interests of CSH Master Care LLC	–	(971)
Disposition of Treasury Units	–	555
Distributions paid	(16,134)	(21,562)
Distributions paid to non-controlling interest unitholders	(485)	(1,666)
Deposits received under LTIP and repayment of LTIP instalment loan receivable	11	–
	(11,624)	(12,864)
Investing activities:		
Acquisition of assets, net of debt assumed and units issued (note 2)	(1,766)	(23,677)
Payment of deferred consideration on business combinations	–	(8,687)
Additions to properties	(8,878)	(14,958)
Amounts received under income guarantees	118	263
Proceeds on sale of assets	–	50
Restricted cash and deposits in escrow	3,682	(2,089)
Proceeds from capital funding receivables	532	501
	(6,312)	(48,597)
Foreign exchange gain on U.S. dollar-denominated cash	758	547
Increase (decrease) in cash and cash equivalents	2,567	(35,830)
Cash and cash equivalents, beginning of period	10,530	72,528
Cash and cash equivalents, end of period	$ 13,097	$ 36,698

Supplemental cash flow information (note 18)

See accompanying notes to consolidated financial statements.

Chartwell Seniors Housing Real Estate Investment Trust ("Chartwell" or the "Trust") is an open-ended, unincorporated investment trust governed by the laws of the Province of Ontario and was created pursuant to the Declaration of Trust dated July 7, 2003, as amended ("Declaration of Trust"), when one Trust Unit was issued for cash. Chartwell began operations on November 14, 2003 for the purpose of owning, operating and managing retirement homes and long-term care properties in Canada and the United States.

Chartwell owns 100% of the outstanding Trust Units and Series 1 Trust Notes of CSH Trust, an unincorporated open-ended trust established under the laws of the Province of Ontario, which in turn owns 100% of the outstanding Class A Units of Chartwell Master Care LP ("Master LP"), a limited partnership created under the laws of the Province of Manitoba. Class B Units of Master LP are held by non-controlling investors.

The Canadian assets of Chartwell are held by Master LP, which carries out the business of the Trust. Its activities are financed through equity contributed by CSH Trust, Class B Unitholders and third party lenders, including mortgages.

The United States assets of Chartwell are also owned indirectly by Master LP, through its wholly owned United States subsidiary corporation, CSH Master Care USA Inc.

Chartwell's Declaration of Trust, as amended, provides that distributions will be within the discretion of the Trustees. The Trustees will continue to rely upon forward-looking cash flow information, including internal forecasts and budgets to establish the level of cash distributions, provided that such annual distributions continue to be not less than Chartwell's net income for tax purposes for the period (note 19).

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") and are consistent with those policies and methods of application as disclosed in the annual audited consolidated financial statements prepared as at and for the year ended December 31, 2008, except as disclosed below.

These consolidated financial statements do not include all of the disclosures required by GAAP applicable to annual financial statements and should be read in conjunction with the annual audited consolidated financial statements.

1. Significant accounting policies (continued):

(b) Impact of new accounting standards:

(i) Goodwill and intangible assets:

On January 1, 2009, Chartwell adopted The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3064, Goodwill and Intangible Assets, which supersedes Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new accounting standard reinforces the approach under which assets are recorded only if they meet the definition of an asset and the recognition criteria for an asset. It also clarifies the application of the concept of matching costs with revenue, so as to eliminate the current practice of recognizing as assets items that do not meet the definition of an asset and the recognition criteria for an asset.

The application of this standard did not have a significant impact on Chartwell's consolidated financial statements.

(ii) Credit risk and the fair values of financial assets and financial liabilities:

In January 2009, the Emerging Issues Committee of the CICA issued Abstract EIC-173 ("EIC-173"), Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which requires the Trust to take into account its own credit risk and the credit risk of the counterparty in determining the fair values of its financial assets and financial liabilities including derivative instruments. EIC-173 is applicable to the Trust for its first quarter of fiscal 2009 with retrospective application, if any, to the beginning of its current fiscal year. The adoption of EIC-173 did not have a significant impact on its consolidated financial statements.

1. Significant accounting policies (continued):

(c) Future accounting changes:

(i) Business combinations, consolidated financial statements and non-controlling interests:

In January 2009, the CICA issued three new standards:

Business Combinations, Section 1582:

This section replaces the former Section 1581, Business Combinations and provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, Business Combinations (January 2008). The new section expands the definition of a business subject to an acquisition and establishes significant new guidelines on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting and such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

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1. Significant accounting policies (continued):

Consolidated Financial Statements, Section 1601, and Non-controlling Interests, Section 1602:

These two sections replace Section 1600, Consolidated Financial Statements. These two sections are the equivalent to the corresponding provisions of International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). The new sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new sections also require non-controlling interest to be presented as a separate component of unitholders' equity. Under Section 1602, consolidated net income and other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests.

The new standards are applicable to Chartwell prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Early adoption is permitted, if all three sections are applied at the same time. At present, Chartwell does not expect to adopt these sections earlier than the effective date.

(ii) Harmonizing of Canadian and international standards:

In February 2008, the Canadian Accounting Standards Board confirmed that the use of IFRS will be required in Canada for publicly accountable profit-oriented enterprises for interim and annual reporting periods beginning on or after January 1, 2011. The Trust's first annual IFRS consolidated financial statements will be for the year ending December 31, 2011 and will include the comparative period for the year ending December 31, 2010. Starting with the first quarter of 2011, the Trust will provide unaudited consolidated financial statements in accordance with IFRS, including comparative figures for 2010.

The Trust is assessing the implementation impacts of conversion to IFRS including transitional options, changes to accounting policies and processes, information systems and business management. The full impact of adopting IFRS on the Trust's future financial position and future results has not been determined at this time.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

2. Acquisitions:

(a) Acquisitions during the three-month period ended March 31, 2009:

Effective February 1, 2009, Chartwell acquired a 50% ownership interest in two seniors housing communities in British Columbia, and effective March 1, 2009, Chartwell acquired a 50% ownership interest in two seniors housing communities in Ontario; in both cases the vendor was Spectrum Seniors Housing Development LP ("Spectrum"). The purchase price, before closing costs, amounted to $50,078 and was satisfied by the assumption of loans of $35,750, offset by discharge of mezzanine loans receivable of $5,676, settlement of amounts due from Spectrum of $7,493, and assumption of net working capital of $683 with the remaining $476 paid in cash.

The following table summarizes the preliminary allocation of the purchase price (including costs of acquisition) to each major class of assets acquired and liabilities assumed at the date of acquisition:

	Three-month ended March 31, 2009
	Spectrum
Date of acquisition	February 1, 2009 and March 1, 2009
Segment	Canadian retirement operations
Location	London, Ontario, Pickering, Ontario, Kelowna, B.C., North Vancouver, B.C. (Four retirement communities - 455 suites)
Properties	$ 47,206
Limited life intangible assets	4,668
Mortgages assumed	(35,750)
Below-market resident contracts	(506)
Other liabilities	(683)
Net assets acquired	$ 14,935
Discharge of mezzanine loans receivable	$ 5,676
Settlement of outstanding receivables from Spectrum	7,493
Cash consideration	476
Acquisition costs	1,290
Total consideration	$ 14,935

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

2. Acquisitions (continued):

These acquisitions have been recorded using the purchase method of accounting, with the results of operations included in these consolidated financial statements from the date of acquisition.

Chartwell continues to assess the initial valuation of the net assets acquired for each of these acquisitions. The purchase price allocation for accounting purposes may be adjusted in future periods.

(b) Acquisitions during the year ended December 31, 2008:

During the year ended December 31, 2008, Chartwell acquired varying interests in 10 seniors housing communities (1,547 suites) and one joint venture management entity. The following table summarizes the net assets acquired, at fair value:

Properties	$ 95,896
Limited life intangible assets	10,035
Goodwill	5,290
Other assets	255
Below-market resident contracts	(1,616)
Other liabilities	(3,152)
Mortgages assumed	(54,384)
Net assets acquired	$ 52,324
Discharge of mezzanine loans receivable	$ 8,602
Cash consideration	43,722
Total consideration	$ 52,324

The acquisitions were recorded using the purchase method of accounting with the results of operations included in these consolidated financial statements from the date of acquisition.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

3. Properties:

			March 31, 2009			December 31, 2008
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 245,626	$ –	$ 245,626	$ 238,123	$ –	$ 238,123
Buildings	2,240,287	173,177	2,067,110	2,167,727	156,418	2,011,309
Furniture, fixtures and equipment	92,580	50,741	41,839	89,320	45,923	43,397
	2,578,493	223,918	2,354,575	2,495,170	202,341	2,292,829
Properties under development	53,898	–	53,898	49,425	–	49,425
Land held for development	20,809	–	20,809	20,644	–	20,644
	$ 2,653,200	$ 223,918	$ 2,429,282	$ 2,565,239	$ 202,341	$ 2,362,898

Included in properties as at March 31, 2009 are assets under capital leases with a cost of $159,970 (December 31, 2008 - $154,439) and accumulated depreciation of $9,286 (December 31, 2008 - $7,892).

Included in properties under development is interest of $2,138 (December 31, 2008 - $1,854) and incremental operating costs of $722 (December 31, 2008 - $422) capitalized to date as at March 31, 2009.

4. Mezzanine loans receivable:

In addition to providing development services, operations management services and financing services in relation to arranging construction loans, in accordance with the terms of the Development and Loan Agreements, Chartwell provides mezzanine loans to Spectrum, Le Groupe Melior ("Melior") and other joint venture partners. Under the Development Agreement with Spectrum and the Loan Agreements with Melior and other joint venture partners, the Trust earns interest from mezzanine loans, as well as mezzanine placement fees, development fees, structuring fees, financing fees and operations management fees.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

4. Mezzanine loans receivable (continued):

The following table summarizes mezzanine loans receivable from Spectrum, Melior and other joint venture partners:

				March 31, 2009	December 31, 2008
	Contractual interest rate	Principal amount	Lending expenses/ (deferred placement fees), net	Net balance	Net balance
Spectrum	10% - 14%	$ 45,173	$ 196	$ 45,369	$ 51,094
Melior	10% - 14%	40,545	(3,859)	36,686	36,354
Others	10% - 12%	16,696	(1,040)	15,656	15,780
		$ 102,414	$ (4,703)	97,711	103,228
Provision for impairment				(6,406)	(6,406)
				$ 91,305	$ 96,822

(a) Spectrum:

In accordance with the terms of the Development Agreement, the interest rate payable on mezzanine loans is determined at the time of the loan commitment and shall be equal to the greater of the yield on five-year Government of Canada bonds plus 5% and Chartwell's annualized cash contribution yield for the most recent quarter subject to a minimum rate of 10% per annum and a maximum rate of 14% per annum and is payable monthly. The loans are secured by second charges or pledges of Spectrum's interest over 30 (2008 - 34) seniors housing development properties. In addition, the loans are cross defaulted.

Chartwell has the first option to provide mezzanine financing to Spectrum for future development properties under the terms and conditions specified in the Development Agreement.

4. Mezzanine loans receivable (continued):

Under the terms of the Development Agreement, Chartwell has the first right to purchase Spectrum's interest in each development property provided that Spectrum must offer Chartwell the opportunity to purchase any development property within one year of such property reaching a stabilized occupancy. If Chartwell elects to purchase a development property, Chartwell will acquire the property at an amount equal to 95%, 92% or 90% of appraised fair market value, depending upon the amount of mezzanine financing provided on the development property or at 100% of the appraised fair market value if no mezzanine financing had been advanced.

Both parties have a right to terminate the Development Agreement upon six months' notice. Under such circumstances, certain rights of Chartwell, in respect of existing mezzanine loans and options on related projects, will continue.

(b) Melior and other joint venture partners:

Chartwell has advanced 24 (2008 - 24) mezzanine loans totalling $57,241 (2008 - $57,241) to Melior and six other joint venture partners of Spectrum (the "Borrowers"). These loans are secured by second charges or pledges of the Borrowers' interest over 22 (2008 - 22) seniors housing development projects.

Chartwell has the first right to purchase the Borrowers' interest in these projects at fair market value upon properties reaching a stabilized occupancy. In addition, the Borrowers of mezzanine loans on 11 properties (2008 - 11) can obligate Chartwell to acquire their interests in the projects at the appraised value, subject to certain conditions being satisfied.

The put option can only be exercised by the Borrower if the project has attained stabilized occupancy and the acquisition of such property is accretive to Chartwell based on a formula defined in the option agreement.

Each mezzanine loan matures on the earliest of: the fifth anniversary of the initial advance of the funds; the date of sale of the related development property; or on the second anniversary of the date upon which the property achieves a stabilized occupancy, as defined in the Development and Loan Agreements with the Borrowers. No principal amounts are due prior to maturity of each loan.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

4. Mezzanine loans receivable (continued):

The following table represents the loan repayment schedule assuming that all outstanding mezzanine loans were to mature on their fifth anniversary date, excluding provision for impairment:

	Spectrum	Melior	Other joint venture partners	Total
Balance of 2009	$ 8,939	$ 16,193	$ –	$ 25,132
2010	14,005	17,346	6,932	38,283
2011	13,173	3,252	6,462	22,887
2012	7,181	3,754	1,427	12,362
2013	1,875	–	1,875	3,750
	$ 45,173	$ 40,545	$ 16,696	$ 102,414

In connection with the acquisition of Spectrum's 50% interest in four seniors housing communities (note 2), Chartwell agreed to extend the maturity date of two mezzanine loans to Spectrum's joint venture partner totalling $2,438 to August 31, 2010.

5. Limited life intangible assets:

			March 31, 2009			December 31, 2008
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Management contracts	$ 12,198	$ 5,090	$ 7,108	$ 11,976	$ 4,483	$ 7,493
Resident contracts	128,455	89,015	39,440	143,877	99,231	44,646
Other intangibles	46,874	11,056	35,818	45,323	9,526	35,797
	$ 187,527	$ 105,161	$ 82,366	$ 201,176	$ 113,240	$ 87,936

During the three-month period ended March 31, 2009, Chartwell reduced the cost and accumulated amortization balances for management contracts, resident contracts and customer relationships that were fully amortized by $23,123 (December 31, 2008 - $46,931).

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

6. Other assets:

	March 31, 2009	December 31, 2008
Accounts receivable	$ 24,084	$ 22,548
Due from Spectrum (note 14(a))	4,804	9,977
Due from ING	347	501
Prepaid expenses and deposits	11,986	11,760
Deposits in escrow	19,323	22,275
Other	8,577	8,589
	$ 69,121	$ 75,650

7. Secured debt:

(a) Mortgages payable:

Mortgages payable are secured by first and second charges on specific properties and are repayable as follows as at March 31, 2009:

	Regular principal payments	Principal due on maturity	Total
2009	$ 21,643	$ 113,932	$ 135,575
2010	28,601	81,166	109,767
2011	29,398	49,111	78,509
2012	30,592	95,871	126,463
2013	30,668	115,879	146,547
2014	26,718	65,400	92,118
2015	26,214	97,110	123,324
2016	22,333	201,239	223,572
2017	18,043	301,616	319,659
2018	15,585	32,625	48,210
2019 - 2023	67,262	143,114	210,376
Thereafter	81,003	44,409	125,412
	$ 398,060	$ 1,341,472	1,739,532
Mark-to-market adjustment arising on acquisition			14,993
Financing costs			(21,487)
			$ 1,733,038

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

7. Secured debt (continued):

	March 31, 2009	December 31, 2008
Mortgages at fixed rates:		
Mortgages	$1,688,864	$1,644,135
Interest rates	3.06% - 8.75%	4.11% - 8.75%
Weighted average interest rate	5.62%	5.69%
Mortgages at variable rates:		
Mortgages	$50,668	$28,934
Interest rates	Bankers' acceptance + 0.95% to prime plus 3.00%	Bankers' acceptance + 0.95% to prime plus 3.00%
Weighted average interest rate	2.85%	3.23%
Blended weighted average rate of maturing debt	5.54%	5.65%

During the three-month period ended March 31, 2009, interest expense on mortgages payable amounted to $24,242 (2008 - $21,064).

(b) Revolving operating credit facility:

Chartwell has arranged for a $90,000 secured revolving operating credit facility (the "Credit Facility"). At March 31, 2009, the maximum available borrowing capacity under the Credit Facility was $64,291 (December 31 2008 - $62,153) based on the security provided. The Credit Facility matures on June 28, 2009. Under the terms and conditions, amounts outstanding under the Credit Facility bear interest at the bank's prime rate plus 1% or at the applicable bankers' acceptance rate plus 2.25%. Additional terms include minimum equity requirements and covenants requiring limitations on the amount of cash distributions that can be paid to unitholders. The Credit Facility is secured by first and second charges on specific properties. As at March 31, 2009, $8,000 (December 31, 2008 - $8,000) was outstanding under the Credit Facility.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

8. Convertible debentures:

The Trust has the following series of convertible debentures outstanding:

(a) 6.0% convertible debentures, unsecured, subordinated with a principal amount of $124,925, maturing on December 1, 2011, bearing contractual interest at 6.0% per annum and paid semi-annually. Chartwell may, at its option, elect to satisfy its obligation to pay the principal amount of the 6.0% convertible debenture on redemption or maturity, in whole or part, by issuance of freely tradable Trust Units at a conversion price of $15.60 per trust unit.

(b) 5.9% convertible debentures, unsecured, subordinated with a principal amount of $75,000, maturing on May 1, 2012, bearing contractual interest at 5.9% per annum, paid semi-annually. Chartwell may, at its option, elect to satisfy its obligation to pay the principal amount of the 5.9% convertible debenture on redemption or maturity, in whole or in part, by the issuance of freely tradeable Trust Units at a conversion price of $16.25 per trust unit.

9. Accounts payable and other liabilities:

	March 31, 2009	December 31, 2008
Accounts payable and accrued liabilities	$ 117,054	$ 108,583
Income taxes payable	2,949	3,003
Below-market resident contracts, net of accumulated amortization of $2,887 (December 31, 2008 - $2,450)	1,655	2,101
Resident deposits	4,500	4,711
Deferred revenue	9,469	10,033
Loan payable	877	–
	$ 136,504	$ 128,431

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

10. Deferred consideration on business combinations:

Included in deferred consideration on business combinations are the following:

Business combinations	March 31, 2009	December 31, 2008
Castel Royale	$ 520	$ 520
Elizabeth Towers	918	918
Heritage Glen	12,167	12,025
Bristal Portfolio	7,228	6,849
Merrill Gardens Portfolio	3,503	3,337
	$ 24,336	$ 23,649

11. Non-controlling interest:

The details of non-controlling interest are as follows:

	March 31, 2009	December 31, 2008
Balance, beginning of period	$ 16,446	$ 47,005
Non-controlling interest's share of loss for the period	(295)	(3,918)
Distributions on Class B Units of Master LP	(438)	(3,595)
Exchange of Class B Units of Master LP for Trust Units	(4,332)	(24,296)
Other comprehensive income	110	1,250
Balance, end of period	$ 11,491	$ 16,446

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

12. Unitholders' capital:

Chartwell is authorized to issue unlimited Trust Units.

Trust Units are redeemable at any time, in whole or in part, on demand by the holders. Upon receipt of the redemption notice by Chartwell, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per Trust Unit equal to the lesser of:

(i) 90% of the "market price" of the Units on the principal market on which the Trust Units are quoted for trading during the 10-trading-day period ended immediately prior to the date on which the Units were surrendered for redemption; and

(ii) 100% of the "closing market price" on the principal market on which the Units are listed for trading on the redemption date.

The aggregate redemption price payable by Chartwell in respect of any Trust Units surrendered for redemption during any calendar month shall not exceed $50 unless waived at the discretion of the Trustees and be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the Trust Units were tendered for redemption. To the extent the redemption price payable in respect of Trust Units surrendered for redemption exceeds $50 in any given month, such excess will be satisfied by way of a distribution in species of assets held by Chartwell.

(a) The following Trust Units are issued and outstanding and exclude the issuance of LTIP Units:

	Number of voting units	Amount
Balance, January 1, 2008	91,625,701	$ 1,102,573
Trust Units issued under DRIP	1,265,991	9,230
Trust Units issued on exchange of Class B Units of Master LP	3,407,906	24,296
Disposition of LTIP Units surrendered	70,000	932
Balance, January 1, 2009	96,369,598	1,137,031
Trust Units issued under DRIP	367,044	1,752
Trust Units issued on exchange of Class B Units of Master LP	754,758	4,332
Balance, March 31, 2009	97,491,400	$ 1,143,115

12. Unitholders' capital (continued):

(b) Long-Term Incentive Plan:

Chartwell has established an LTIP, under which the eligible participants may subscribe for Trust Units for a purchase price equal to the weighted average trading price of the Units for 20 trading days preceding the date of issuance, which will be payable in cash instalments, over a term not to exceed 10 years. Participants are required to pay interest on the LTIP instalment loan receivable at a rate not less than the rate prescribed under the Income Tax Act (Canada) at the time LTIP Units are issued over a 10-year fixed period. Cash distributions received on the LTIP Units issued are to be applied as payment of the interest and principal against the LTIP instalment loan receivable. Participants may prepay any principal at their discretion. Units issued under the LTIP are held as security for the outstanding LTIP instalment loan receivable. If a participant fails to pay interest and/or any principal, Chartwell may elect to reacquire or sell the Trust LTIP Units in satisfaction of the outstanding amounts. Chartwell's recourse is limited to the Units it holds as security.

Subsequent to 2005, the LTIP was amended to include vesting provisions at the discretion of the Trustees. Since that time, all Units issued to full time employees have the following vesting provisions: one-third in the first year of employment, one-third in the third year of employment and one-third in the fifth year of employment.

An aggregate of 5,900,890 Trust Units are reserved for issuance pursuant to the LTIP, of which 2,589,489 (December 31, 2008 - 2,571,990) were issued and 3,311,401 (December 31, 2008 - 3,328,900) were available to be issued at March 31, 2009.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

12. Unitholders' capital (continued):

The following table summarizes LTIP Units issued under the LTIP:

	Number of Units under subscription	Amount
Balance, January 1, 2008	2,336,323	$ 31,894
Sale of Trust Units	(15,000)	(150)
Issuance of Trust Units	656,667	5,929
Compensation expense	–	752
Units transferred to Treasury	(406,000)	(4,326)
Balance, January 1, 2009	2,571,990	34,099
Issuance of Trust Units	50,000	227
Compensation expense	–	168
Units transferred to Treasury	(32,501)	(349)
Balance, March 31, 2009	2,589,489	$ 34,145

The market value of the Trust Units at March 31, 2009 was $4.00 per Unit (March 31, 2008 - $9.25).

The compensation expense attributable to the LTIP of $168 (2008 - $120) is included in general, administrative and trust expenses with a corresponding amount included in unitholders' equity as Units under subscription. The LTIP instalment loans receivable are recognized as a deduction from LTIP Units under subscription. Distributions received under the LTIP are charged to unitholders' equity while interest received under the LTIP is credited to distributions.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

13. Loss per Unit calculation:

	Three-month periods ended March 31, 2009	2008
Numerator:		
Loss for the period	$ (13,945)	$ (11,521)
Denominator:		
Denominator for basic earnings per Unit - weighted average Units	97,049,501	91,799,918
Denominator for diluted earnings per Unit - weighted average Units	97,049,501	91,799,918
Loss per Unit:		
Basic	$ (0.144)	$ (0.126)
Diluted	(0.144)	(0.126)

Excluded from the calculation of dilutive weighted average units are the following weighted average units:

	Three-month periods ended March 31, 2009	2008
LTIP Units under subscription	2,616,990	2,320,416
Class B Units of Master LP	2,386,795	6,247,813
Assumed conversion of convertible debentures	12,623,397	12,623,397

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

14. Related party and other significant transactions and balances:

Except as disclosed elsewhere in these consolidated financial statements, related party transactions were as follows:

(a) Spectrum:

	Three-month periods ended March 31,	
	2009	2008
Contractual mezzanine loan interest income (note 4)	$ 1,296	$ 1,326
Effective interest rate adjustments	(57)	(46)
Development fees	378	412
Operations management fees	555	504
Other fees	17	17
Interest on overdue accounts receivable	152	16

Other assets as at March 31, 2009 include $4,804 (December 31, 2008 - $9,977) due from Spectrum. A portion of the remaining balance is past due. Past due receivable balances bear interest at 15% and Chartwell is working with Spectrum to collect these past due amounts. These past due amounts are secured by a general security agreement affecting Spectrum's interest in one property in lease up.

(b) Melior:

Other assets as at March 31, 2009 included $1,447 (December 31, 2008 - $794) due from Melior. Subsequent to March 31, 2009, $272 of this balance was collected.

At March 31, 2009, Chartwell had accounts payable due to Melior of $9 (December 31, 2008 - $57) relating to management fees and other fees.

Subsequent to the acquisition on October 27, 2008 of the remaining 50% interest in seven co-owned properties and one joint venture property management entity, transactions with Residence Melior Inc. and its affiliates do not meet the definition of a related party and, therefore, subsequent to October 27, 2008, are no longer reported as related party transactions.

14. Related party and other significant transactions and balances (continued):

(c) Included in accounts receivable at March 31, 2009 is $38 (December 31, 2008 - $66) due from an officer of Chartwell related to the previous sale of a property to the Trust. Subsequent to March 31, 2009, this account was collected.

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 by the related parties.

15. Segmented information:

Chartwell monitors and operates its Canadian retirement, Canadian long-term care, Canadian management and United States operations separately.

The accounting policies of each of the segments are the same as those described for Chartwell. 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 and as otherwise indicated)

15. Segmented information (continued):

	Three-month period ended March 31, 2009				
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	Total
Revenue	$ 79,484	$ 35,053	$ 2,088	$ 78,660	$ 195,285
Below-market lease amortization	122	–	–	315	437
Direct operating expense	(52,875)	(30,927)	(1,025)	(48,600)	(133,427)
Income before the undernoted	26,731	4,126	1,063	30,375	62,295
Interest expense	(9,971)	(2,340)	–	(11,968)	(24,279)
Property lease expense	(54)	(51)	–	(14,050)	(14,155)
Income before the following	16,706	1,735	1,063	4,357	23,861
Depreciation and amortization	(14,949)	(2,222)	(473)	(14,270)	(31,914)
	$ 1,757	$ (487)	$ 590	$ (9,913)	(8,053)
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					3,408
General, administrative and trust expenses					(5,820)
Interest on convertible debentures					(4,033)
Unrealized and realized gain/(loss) on derivative financial instruments and unrealized and realized foreign exchange gain					2,016
Non-controlling interest					295
Current income tax expense					(6)
Future income tax expense					(1,752)
Loss for the period					$ (13,945)
Expenditures for assets by segment:					
Acquisitions - properties, land held for development, limited life intangible assets, licenses and other assets	$ 51,874	$ –	$ –	$ –	$ 51,874
Capital improvements	4,761	944	–	3,173	8,878

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

15. Segmented information (continued):

	Three-month period ended March 31, 2008				
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	Total
Revenue	$ 70,490	$ 33,471	$ 2,339	$ 62,426	$ 168,726
Equity income from variable interest entities	855	–	–	–	855
Below-market lease amortization	78	–	–	400	478
Direct operating expense	(45,646)	(29,640)	(1,023)	(38,912)	(115,221)
Income before the undernoted	25,777	3,831	1,316	23,914	54,838
Interest expense	(9,301)	(2,443)	–	(9,668)	(21,412)
Property lease expense	(21)	(44)	–	(11,356)	(11,421)
Income before the following	16,455	1,344	1,316	2,890	22,005
Depreciation and amortization	(14,681)	(2,155)	(496)	(13,730)	(31,062)
Gain on sale of land	8	–	–	–	8
	$ 1,782	$ (811)	$ 820	$ (10,840)	(9,049)
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					4,290
General, administrative and trust expenses					(5,200)
Interest on convertible debentures					(3,940)
Unrealized and realized gain/(loss) on derivative financial instruments and unrealized and realized foreign exchange gain/(loss)					2,849
Non-controlling interest					765
Current income tax expense					(999)
Future income tax expense					(237)
Loss for the period					$ (11,521)
Expenditures for assets by segment:					
Acquisitions - properties, land held for development, management contracts, resident contracts, customer relationships and other intangibles, licenses and other assets	$ 28,834	$ –	$ –	$ –	$ 28,834
Capital improvements	9,102	3,859	348	1,649	14,958

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

15. Segmented information (continued):

	March 31, 2009					
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	Other	Total
Total assets	$ 1,375,213	$ 298,293	$ 7,876	$ 970,155	$ 104,753	$ 2,756,290
Total liabilities	978,716	188,571	–	736,541	211,161	2,114,989

	December 31, 2008					
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	Other	Total
Total assets	$ 1,331,094	$ 298,772	$ 13,937	$ 953,830	$ 107,854	$ 2,705,487
Total liabilities	922,332	190,187	–	717,956	208,332	2,038,807

16. Joint venture operations and variable interest entities:

(a) Joint venture operations:

The following amounts included in the consolidated financial statements are Chartwell's proportionate interest in its joint ventures:

	March 31, 2009	December 31, 2008
Assets	$ 763,105	$ 703,683
Liabilities	604,702	549,482

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

16. Joint venture operations and variable interest entities (continued):

	Three-month periods ended March 31, 2009	2008
Revenue	$ 69,884	$ 58,686
Expenses, including depreciation and amortization of $10,424 (2008 - $10,666)	76,304	66,569
Loss for the period	(6,420)	(7,883)

	2009	2008
Cash provided by (used in):		
Operating activities	$ 13,523	$ (5,272)
Financing activities	(7,576)	(3,916)
Investing activities	(1,804)	6,609

Chartwell's joint venture operations are generally undertaken through entities in which the Trust holds an indirect interest. The joint venture entities have liabilities in excess of Chartwell's proportionate share amounting to $609,980 (December 31, 2008 - $550,951), which have not been recorded in the Trust's financial statements. The assets of these joint ventures are available and sufficient to satisfy these liabilities.

(b) Variable interest entities ("VIEs"):

At March 31, 2009, Chartwell holds variable interests in 19 (December 31, 2008 - 19) VIEs. Chartwell provides development services, mezzanine loans, structuring services and consulting services to these entities. These VIEs are expected to incur development costs of approximately $472,192 (December 31, 2008 - $469,326).

As of March 31, 2009, Chartwell had mezzanine loans receivable of $62,769 (December 31, 2008 - $62,769), net of a provision for mezzanine loan impairment of $6,406, from these entities. During the three-month period ended March 31, 2009, Chartwell earned $1,879 (2008 - $1,814) in interest from these entities.

Chartwell is not considered to be the primary beneficiary and is required to account for its interest in these entities using the equity method of accounting.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

17. Commitments and contingencies:

(a) Operating leases of seniors housing properties:

Chartwell has a leasehold interest in 25 properties through the acquisition of a 49% interest in HB Realty and a leasehold interest in two properties acquired with the Merrill Gardens Portfolio. The master lease for 25 properties expires on February 1, 2019 and December 1, 2019 and contains two five-year renewal options. Annual lease payments for Chartwell's share amount to $47,224 (U.S. $37,441) subject to annual increases as per the Master Lease Agreement. The leases on two other properties expire on December 1, 2017 with a 10-year option to renew or an option to buy these properties. The annual lease payments on these properties amount to $2,015 (U.S. $1,597). Chartwell's share of the aggregate amount of all future minimum lease payments under the leases are as follows for the years ending December 31:

2009	$ 36,929
2010	50,970
2011	52,765
2012	54,619
2013	56,536
Thereafter	336,300
	$ 588,119

(b) Other leases:

Chartwell has assumed an obligation with respect to one land lease. The lease expires on July 17, 2061 with annual payments of $126.

Pursuant to the RegencyCare Portfolio acquisition, the Trust assumed one land lease expiring August 31, 2044 with annual payments of $100 through to August 31, 2024 and $120 for the remainder of the term, and one land lease expiring May 31, 2048 with annual payments of $138, negotiated to market every 15 years thereafter. Chartwell's share is 50% of the amounts due under these leases.

In addition, Chartwell has operating leases on office space in Canada that expire on various dates up to May 31, 2015. Annual payments in aggregate on these leases vary from $974 to $1,082 over the term of the lease. Further, Chartwell has an operating lease in the United States that expires on April 30, 2013. Annual payments on this lease vary from U.S. $829 to U.S. $889 over the term of the lease. Chartwell's share is 49% of the amounts due under the lease.

17. Commitments and contingencies (continued):

(c) Purchase obligations:

Chartwell has entered into various construction contracts related to various internal growth projects. As at March 31, 2009, the remaining commitments under these contracts amounted to approximately $14,895.

Chartwell has entered into fixed-price natural gas contracts with a third party natural gas supplier for $3,296 to provide gas for its own use at its properties. Chartwell has also entered into fixed-price electricity and natural gas contracts with local utilities in the United States for $7,348 (U.S. $5,826) to provide electricity for its own use at its properties. These contracts vary in length ranging from one to three years. The gas contracts are recorded at fair value and the impact of EIC-173 on the valuation is not material (note 1(b)(ii)).

(d) Contingent consideration on acquisitions:

Under the respective Purchase and Sale Agreements, contingent consideration is payable upon properties achieving predetermined operating targets over set time periods.

At March 31, 2009, contingent consideration on acquisitions of properties amounted to $2,795 (December 31, 2008 - $2,795).

(e) Mezzanine loans:

As at March 31, 2009, borrowers of mezzanine loans on 11 properties (December 31, 2008 - 11) can obligate Chartwell to acquire their interests in the projects at appraised value, subject to certain conditions being satisfied (note 4(b)).

(f) Letters of credit:

As at March 31, 2009, Chartwell was contingently liable for letters of credit in the amount of $2,231 (December 31, 2008 - $2,365).

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17. Commitments and contingencies (continued):

(g) Other contracts:

(i) Properties Chartwell owns in the United States are managed by Horizon Bay Chartwell LLC ("HBC") and HBC II Manager LLC ("HBC II"). The properties' management agreements are for a term of 20 years and call for payment of management fees between 4.0% and 5.5% of gross revenue plus incentive fee based on certain operating targets. Through Chartwell's acquisition of HB Realty, Chartwell owns a 74.5% effective interest in HBC. Chartwell also owns a 75% interest in HBC II.

(ii) In accordance with contracts between Chartwell and Melior, Chartwell has committed to the following:

(a) For a period of 10 years, expiring February 5, 2016, payment of a referral and due diligence fee of 2.5% of the purchase amount of properties acquired by Chartwell in the Province of Quebec whether or not such acquisition is introduced, presented or referred by Melior and 2.0% of the purchase amount of each and every acquisition by Chartwell of properties in Canada, excluding the Province of Quebec, which is introduced, presented or referred by Melior.

(b) Reimbursement of legal fees incurred by Melior in relation to mezzanine financings in excess of the lesser of $50 and 3.0% of total budgeted development costs for the related project.

(h) Litigation and claims:

In the ordinary course of business activities, Chartwell may be contingently liable for litigation and claims from, among others, residents, partners and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of Chartwell.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

18. Supplemental cash flow information:

The change in non-cash operating items for the three-month periods ended March 31 are as follows:

	Three-month periods ended March 31, 2009	Three-month periods ended March 31, 2008
Change in non-cash operating items:		
Accounts receivable	$ (1,282)	$ (4,985)
Due from Spectrum	(2,320)	(1,054)
Due from ING	154	4,285
Accounts payable and other liabilities	4,036	7,126
Other	(1,959)	194
	$ (1,371)	$ 5,566

The following amounts recognized during the three-month periods ended March 31 have been excluded from operating, financing and investing activities in the consolidated statements of cash flows:

	Three-month periods ended March 31, 2009	Three-month periods ended March 31, 2008
Discharge of mezzanine loans receivable	$ 5,676	$ 5,860
Distributions applied against instalment loans receivable related to LTIP	470	618
Interest on instalment loans receivable related to LTIP	260	252
Trust Units issued pursuant to the DRIP	1,752	2,859

During the three-month period ended March 31, 2009, interest paid amounted to $23,899 (2008 - $20,711).

19. Income taxes:

Chartwell currently qualifies as a mutual fund trust for Canadian income tax purposes. Prior to the enactment of laws relating to the federal income taxation of publicly listed or traded trusts, as discussed below, income earned by Chartwell and distributed annually to unitholders was not, and would not be, subject to taxation in Chartwell, but was taxed at the individual unitholder level. For financial statement reporting purposes, the tax deductibility of Chartwell's distributions was treated as an exemption from taxation as Chartwell distributed and was committed to continue distributing all of its taxable income to its unitholders. Accordingly, Chartwell did not previously record a provision for income taxes or future income tax assets or liabilities, in respect of Chartwell or its investment in its subsidiary trust and partnership.

On June 22, 2007, legislation relating to the federal income taxation of a specified investment flow-through trust or partnership (a "SIFT") received royal assent (the "SIFT Rules"). A SIFT includes a publicly listed or traded partnership and trust, such as an income trust and a real estate investment trust.

Under the SIFT Rules, following a transition period for qualifying SIFTs, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to the tax.

Under the SIFT Rules, the new taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its income and investments (the "REIT Conditions"). As currently structured, Chartwell does not meet the REIT Conditions and, therefore, is a SIFT.

A SIFT is subject to the tax on distributions commencing with the 2011 taxation year end. However, the Trust may become subject to this tax prior to the 2011 taxation year end if its equity capital increases beyond certain safe harbour limits measured against the market capitalization of the Trust. On April 20, 2007, Chartwell issued equity capital in excess of these safe harbour limits. Therefore, commencing in fiscal 2007, Chartwell became subject to tax on certain income.

19. Income taxes (continued):

Due to the SIFT Rules, Chartwell commenced recognizing current and future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax bases of its assets and liabilities, including those related to its subsidiary trust, that are expected to reverse after the reporting period.

Chartwell recorded a current income tax expense of $6 (2008 - $999) and a future income tax expense of $1,752 (2008 - $237) for the three-month period ended March 31, 2009.

As at March 31, 2009, the net future tax assets of Chartwell's U.S. corporate subsidiaries consist of net operating losses and tax and book basis differences relating to the United States operations of $42,013 (U.S. $33,309) against which a valuation allowance of $42,013 (U.S. $33,309) has been recorded.

20. Financial instruments and financial risk management:

(a) Classification, carrying values and fair values of financial instruments:

The classification of financial instruments, other than derivative financial instruments designated as hedges, as well as their carrying amounts and fair values, are shown in the table below.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

20. Financial instruments and financial risk management (continued):

Fair value represents management's estimates of the market value at a given point in time. The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated balance sheets as at March 31, 2009 and December 31, 2008 are as follows:

	March 31, 2009		December 31, 2008	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Loans and receivables, recorded at amortized cost:				
Mezzanine loans receivable (i)	$ 91,305	$ 88,602	$ 96,822	$ 93,561
Capital funding receivable (ii)	45,469	46,347	46,001	47,254
Financial liabilities:				
Financial liabilities, recorded at amortized cost:				
Mortgages payable (iii)	1,733,038	1,774,439	1,668,445	1,678,693
Convertible debentures (iv)	200,744	172,147	199,707	161,180

The Trust's other financial assets are classified as loans and receivables, which include amounts receivable and deposits, and are measured at amortized cost. The Trust's other financial liabilities are measured at amortized cost, which include accounts payable, accrued liabilities and deposits. The carrying values of these other financial instruments approximate their fair values due to their short period to receipt or payment of cash. Cash and cash equivalents are classified as held-for-trading and are measured at fair value.

Basis for determining fair values:

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

(i) The fair value of mezzanine loans receivable is estimated based on discounted expected future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

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20. Financial instruments and financial risk management (continued):

(ii) The fair value of capital funding receivable is estimated by discounting the expected future cash flows using the yield of the applicable bonds issued by the Province of Ontario.

(iii) 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.

(iv) The fair value of the convertible debentures is based on market prices, which includes both the debt and equity components.

Management has not estimated the market value of the liability and equity components of the convertible debentures separately as neither is traded separately in an active market such that management can reliably estimate their respective fair values.

Fair value estimates represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(b) Financial risk management objectives and policies:

In the normal course of business, Chartwell is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for unitholder returns. Chartwell is exposed to financial risks that arise from the fluctuation of interest rates, the credit quality of its residents and borrowers pursuant to mezzanine loans, risks of changes in foreign exchange rates and rate regulation by provincial governments.

The Audit Committee has overall responsibility for the establishment and oversight of the Trust's risk management framework. Management is responsible for developing and monitoring the Trust's risk management policies and reports regularly to the Audit Committee on its activities.

20. Financial instruments and financial risk management (continued):

These risks are managed as follows:

(i) Credit risk:

Chartwell is exposed to credit risk arising from the possibility that parties responsible for payment of fees or the Borrowers of mezzanine loans may experience financial difficulty and be unable to fulfill their contractual obligations. Chartwell has five significant categories of receivables: resident receivables, mezzanine loans, funding from various provincial governments, development fees and asset and operations management fees receivable from Spectrum, Melior and ING.

Chartwell regularly monitors the credit risk exposure and takes steps to mitigate the likelihood that these exposures will result in an actual loss.

Chartwell's exposure to credit risk from resident receivables is influenced mainly by the individual characteristics of each resident, the demographics of its resident base and general economic conditions. Due to the nature of the Trust's business and geographic spread of its resident base, there is no significant concentration of receivables from residents.

In addition to project-specific security, all Spectrum mezzanine loans contain cross-default provisions and are secured by Spectrum's corporate guarantee. Chartwell is involved in the development and operations management of Spectrum's development projects. All loans to entities affiliated with Melior are guaranteed by Residence Melior Inc. The mezzanine loan compliance group monitors performance and risk of each loan on an ongoing basis and reports quarterly to the investment committee of Chartwell.

20. Financial instruments and financial risk management (continued):

At March 31, 2009, Spectrum was in breach of certain covenants of the Development Agreement. Chartwell is currently working with Spectrum to have these covenants remedied. Chartwell completed an evaluation of the project-specific security underlying each mezzanine loan, as well as an evaluation of Spectrum's corporate guarantee based on Spectrum's financial information as at December 31, 2008 and updated its analysis for the quarter ended March 31, 2009. Based on this evaluation, Chartwell believes that Spectrum has sufficient equity value to allow it to satisfy its obligations to Chartwell in due course. The process of determining whether Spectrum has sufficient equity value is subjective and requires management to exercise a significant amount of judgment in making valuation assumptions.

At March 31, 2009, Melior was in arrears on interest payments on three projects. Chartwell is working with Melior to settle these loans.

Receivables from provincial governments represent capital and operating funding for licensed long-term care properties primarily from the agencies of the Government of Ontario. Management believes that collection risk on these receivables is not significant.

Generally, the carrying amount on the consolidated balance sheets of the Trust's financial assets exposed to credit risk, net of applicable loss allowances, represents the Trust's maximum exposure to credit risk.

Accounts receivable from residents are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a resident will default. Chartwell records an allowance for doubtful accounts when accounts are determined to be uncollectible.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

20. Financial instruments and financial risk management (continued):

The aging of resident receivables at March 31, 2009 is as follows:

Current	$ 3,469
31 - 60 days	832
61 - 90 days	360
Over 90 days	1,844
	6,505
Allowance for doubtful accounts	(1,219)
Net resident receivables	$ 5,286

The Trust limits its exposure to credit risk related to derivatives by transacting with counterparties that are stable and of high creditworthiness.

(ii) Liquidity risk:

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to Chartwell to fund its growth program and refinance or meet its payment obligations as they arise.

The Trust's principal liquidity needs arise from working capital requirements, debt servicing and repayment obligations, planned funding of maintenance, leasing costs and distributions to unitholders, and possible property acquisition funding requirements.

The above liquidity needs are funded from cash flows from operating the property portfolio, with the exception of debt repayment obligations and property acquisition funding requirements. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of this strategy. If this strategy is unsuccessful, other sources of funding include additional draws on the Credit Facility, raising new equity by issuing Units or convertible debentures or the disposition of properties. At March 31, 2009, the Trust had $56,291 available on a secured revolving Credit Facility. The risk with issuing new capital is that the capital markets may not be receptive to an equity issue with financial terms favourable to the Trust.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

20. Financial instruments and financial risk management (continued):

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Management mitigates this risk by staggering debt maturities and through the use of programs such as Canada Mortgage and Housing Corporation ("CMHC") insured mortgages.

At March 31, 2009, Chartwell's remaining 2009 debt maturities amounted to approximately $113,932 of which approximately 64% are CMHC insured.

There is also risk that the secured revolving Credit Facility will not be renewed on terms and conditions acceptable to the Trust or on any terms at all.

Chartwell's major contractual obligations for the periods ending December 31, 2009 and 2010 as at March 31, 2009 are as follows:

	2009	2010	Total
Mortgages payable	$ 135,575	$ 109,767	$ 245,342
Revolving operating credit facility	8,000	–	8,000
Loans payable	877	–	877
Purchase obligations	25,858	13,838	39,696
Property operating leases	36,929	50,970	87,899
Other operating leases	1,656	2,129	3,785
Land leases	184	245	429
	$ 209,079	$ 176,949	$ 386,028

20. Financial instruments and financial risk management (continued):

(iii) Market risk:

Market risk is the risk of an adverse financial impact due to a change in market conditions, such as foreign exchange rates, interest rates and equity prices, that will affect Chartwell's income or the value of its holdings of financial instruments. Chartwell may buy derivative instruments in the ordinary course of business, and also may incur financial liabilities, in order to manage potential market risks.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Chartwell is exposed to interest rate risk on its floating rate debt on an ongoing basis and its fixed rate debt upon renewal. At March 31, 2009, $59,545 (December 31, 2008 - $36,934) of Chartwell's mortgages and loans payable, excluding hedged loans, bear interest at floating rates. To mitigate interest rate risk, Chartwell fixes or otherwise limits the interest rate on its long-term debt to the extent possible either on renewal or through the purchase of derivative instruments. Generally, Chartwell fixes the term of long-term debt within a range from 3 to 30 years. To limit exposure to the risk of higher interest rates at renewal, Chartwell spreads the maturities of its fixed rate long-term debt over time.

To reduce the interest rate cash flow risk on one of its mortgages payable, Chartwell entered into an interest rate swap contract with a current notional principal amount of $11,699 that entitles Chartwell to receive interest at floating rates on the notional principal amount and obliges it to pay interest at a fixed rate of 5.9% until the mortgage matures in February 2014. The net interest receivable or payable under the contract is settled monthly with the counterparty, which is a Canadian chartered bank. The fair value of the interest rate swap contract based on the present value of the estimated net cash flows using net adjusted discount rates as at March 31, 2009 is a loss position of $2,060 (December 31, 2008 - $2,087), which is included in accrued liabilities on the consolidated balance sheets (note 9). Included in other comprehensive loss for the three month period ended March 31, 2009 is nil, net of future taxes of nil (March 31, 2008 - loss of $549, net of future taxes of $120) that relates to the effective portion of the net change in fair value of interest rate swap designated as a hedge.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

20. Financial instruments and financial risk management (continued):

The Trust's interest-bearing financial instruments were:

	Carrying amount March 31, 2009	Carrying amount December 31, 2008
Fixed rate instruments:		
Financial assets (mezzanine loans)	$ 91,305	$ 96,822
Financial liabilities	1,874,551	1,828,769
Variable rate instruments:		
Financial liabilities	$ 59,545	$ 36,934

A change in interest rates at March 31, 2009 would not affect loss for the period with respect to the fixed rate instruments, including hedged loans. Therefore, no sensitivity analysis is provided for the fixed rate instruments. An increase of 100 basis points in interest rates at March 31, 2009 for the variable rate mortgages would have decreased equity by $148 and increased the loss for the period by $148 (on a pre-tax basis).

(b) Foreign currency exchange risk:

At March 31, 2009, through its self-sustaining United States operations, 35% (December 31, 2008 - 35%) of Chartwell's assets and 40% (December 31, 2008 - 40%) of Chartwell's mortgages payable were held in the United States and 40% (December 31, 2008 - 38%) of its revenue was generated in the United States. Foreign currency exchange risk results from changes in the exchange rate between Chartwell's reporting currency (Canadian dollar) and the U.S. dollar in respect of intercompany balances, cash and other U.S. dollar-denominated financial instruments, which are not a component of the self-sustaining U.S. operations or part of the net investment in self-sustaining U.S. operations.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

20. Financial instruments and financial risk management (continued):

Whenever possible, Chartwell strives to achieve a natural hedge to mitigate its foreign currency risk. For example, cash flow from U.S. operating activities is first used for repayment of loans denominated in U.S. dollars. Chartwell may use derivative financial instruments to hedge its net foreign currency exposures. Chartwell's policy is not to use derivative financial instruments for trading or speculative purposes. These derivative instruments may or may not qualify for hedge accounting treatment in the consolidated financial statements. The U.S. operations are primarily funded through U.S. dollar-denominated debt, which serves to mitigate foreign exchange risk. There were no foreign exchange hedge contracts outstanding as at March 31, 2009.

Chartwell is exposed to the following currency risk on cash, intercompany balances and its net investment in self-sustaining U.S. operations at March 31, 2009:

	U.S. dollar
Cash	$ 521
Loans receivable from self-sustaining U.S. operations	66,462
Loan payable to self-sustaining U.S. operations	(23,600)
Net investment in self-sustaining U.S. operations	118,755
Net exposure	$ 162,138

A $0.01 reduction in the foreign exchange translation rate of U.S. dollars to Canadian dollars would have decreased the loss for the period and decreased other comprehensive loss for the period by the amounts shown below:

Decrease in loss before income taxes for the period	$ 434
Decrease in other comprehensive income before income taxes for the period	1,188

20. Financial instruments and financial risk management (continued):

(iv) Reliance on government funding:

Chartwell holds licenses related to each of is long-term care properties. Holders of these licenses receive funding from the relevant provincial government. During the three-month period ended March 31, 2009, the Trust received approximately $25,787 (2008 - $23,022) in funding in respect of these licenses, which has been recorded as resident revenue. Chartwell is exposed to risk related to this funding to the extent there are changes in legislation.

21. Capital structure financial policies:

The Trust's primary objectives in managing capital are:

- to continue as a going concern and to provide returns to unitholders;
- to achieve the lowest overall cost of capital consistent with the appropriate mix of capital elements by ensuring that the Trust complies with externally imposed capital requirements;
- to ensure that the Trust has sufficient capital to meet its targeted capital maintenance expenditures;
- to ensure that the Trust has sufficient capital to meet its internal growth requirements; and
- to ensure that the Trust has access to sufficient capital for strategic acquisitions.

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

Management defines capital as the Trust's total unitholders' equity and long-term debt. The Trust's long-term debt primarily includes mortgages payable and convertible debentures. The issued and outstanding convertible debentures may be converted into Trust Units at the option of the holder at the specified conversion price. At the maturity date, the Trust may elect to issue Units in lieu of cash to satisfy its convertible debenture obligations. The Trust has access to a revolving Credit Facility that is secured by first and second charges on certain of its properties.

(In thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

21. Capital structure financial policies (continued):

The Board of Trustees is responsible for overseeing the Trust's capital management and does so through quarterly Trustees' meetings, review of financial information and regular communication with officers and senior management of the Trust. The Board of Trustees also reviews on a quarterly basis the level of any distributions that should be made. The Trustees are required to make distributions to all Trust unitholders in accordance with the Declaration of Trust, as amended, at a minimum equal to, on an annual basis, its net income for tax purposes.

In order to maintain or adjust the capital structure, the Trust may issue new Units, buy back Units, issue new debt or issue new debt to replace existing debt with different characteristics, adjust the amount of distributions paid to unitholders or by undertaking other activities as deemed appropriate under specific circumstances.

The Trust monitors capital based on the debt to adjusted gross book value ratio.

The Trust's strategy for capital management is driven by policies stated under the Declaration of Trust and external requirements from certain of its lenders. There have been no changes in the Trust's capital management strategy during the period.

The following are the debt leverage ratios at March 31, 2009 and December 31, 2008:

	March 31, 2009	December 31, 2008	Increase
Debt to adjusted gross book value ratio (excluding convertible debentures)	55.8%	55.2%	0.6%
Debt to adjusted gross book value ratio (including convertible debentures)	62.1%	61.7%	0.4%

Debt includes guarantees and is determined on a consolidated basis for the Trust and its consolidated subsidiaries.

21. Capital structure financial policies (continued):

Adjusted gross book value means, at any time, the consolidated book value of the assets of the Trust, as shown on the Trust's most recent consolidated balance sheets (or if approved by a majority of the Independent Directors of the General Partner at any time, the appraised value thereof), plus the amount of accumulated depreciation and amortization shown thereon or in the notes thereto less the carrying value of any deferred consideration on business combinations in the notes thereto.

The debt to adjusted gross book value ratio at March 31, 2009 was consistent with the ratio at December 31, 2008.

22. Guarantees:

At March 31, 2009, Chartwell remains as a guarantor on the debt of one property to a maximum amount of $22,850 (December 31, 2008 - $22,850). As at March 31, 2009, $17,959 of the loan was outstanding. The guarantee is in relation to the property that was sold to Spectrum. Spectrum has indemnified Chartwell for the guarantee and pays an annual guarantee fee, subject to rental achievement provisions.

In addition, on March 27, 2009, Chartwell guaranteed indebtedness of Devonshire Pine Grove Inc. ("Devonshire") to the Toronto Dominion Bank. The guarantee is limited to a maximum amount of $803 and expires on November 30, 2009. Devonshire is controlled by current and former officers of Chartwell.

23. Comparative figures:

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2009.