

Consolidated Financial Statements  
(In Canadian dollars)

**CHARTWELL SENIORS  
HOUSING REAL ESTATE  
INVESTMENT TRUST**

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

# CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets

(In thousands of Canadian dollars)

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
<b>Assets</b>		
Properties (note 3)	\$ 2,328,514	\$ 2,283,521
Mezzanine loans receivable (note 4)	40,419	55,323
Limited life intangible assets (note 5)	29,486	32,047
Cash and cash equivalents	66,589	106,943
Other assets (note 6)	51,379	51,366
Capital funding receivable	43,262	43,824
Licenses	25,650	25,650
	<u>\$ 2,585,299</u>	<u>\$ 2,598,674</u>

## Liabilities and Unitholders' Equity

Liabilities:		
Mortgages payable (note 8(a))	\$ 1,636,191	\$ 1,625,281
Convertible debentures	190,167	188,996
Accounts payable and other liabilities (note 9)	81,887	81,367
Deferred consideration on business combinations	13,639	13,592
Distributions payable	5,865	5,857
Future income tax liabilities	18,886	18,167
	<u>1,946,635</u>	<u>1,933,260</u>
Non-controlling interest (note 10)	6,975	7,813
Unitholders' equity	631,689	657,601
	<u>\$ 2,585,299</u>	<u>\$ 2,598,674</u>

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,	
	2010	2009
Revenue:		
Resident	\$ 162,583	\$ 165,454
Management and other fees (note 13)	1,446	2,088
Mezzanine loan interest (note 13)	1,499	2,571
Bank interest and other	1,380	812
Below-market lease amortization	184	361
	<u>167,092</u>	<u>171,286</u>
Expenses:		
Direct operating	113,854	117,391
General, administrative and trust	4,554	5,820
	<u>118,408</u>	<u>123,211</u>
	48,684	48,075
Interest expense	26,506	28,284
Property lease expense	579	708
	<u>27,085</u>	<u>28,992</u>
	21,599	19,083
Realized foreign exchange loss (gain) and realized losses (gains) on derivative financial instruments	8	(4,987)
Unrealized loss on derivative financial instruments and unrealized foreign exchange loss	1,887	2,971
Depreciation of properties	18,771	19,097
Amortization of limited life intangible assets	5,985	11,701
	<u>26,651</u>	<u>28,782</u>
Loss before income taxes	(5,052)	(9,699)
Income taxes (recovery) (note 16):		
Current	80	(168)
Future	2,996	1,752
	<u>3,076</u>	<u>1,584</u>
Loss before non-controlling interest	(8,128)	(11,283)
Non-controlling interest (note 10)	119	234
Loss from continuing operations	(8,009)	(11,049)
Loss from discontinued operations (note 7)	-	(2,896)
Loss for the period	(8,009)	(13,945)
Other comprehensive income (loss):		
Unrealized foreign currency gain (loss) on the translation of self-sustaining foreign operations	(3,325)	5,337
Net change in fair value of derivatives designated as cash flow hedges	92	-
Non-controlling interest	48	(110)
	<u>(3,185)</u>	<u>5,227</u>
Comprehensive loss	<u>\$ (11,194)</u>	<u>\$ (8,718)</u>
Loss per unit (note 12):		
Basic and diluted - continuing operations	\$ (0.06)	\$ (0.11)
Basic and diluted - discontinued operations	\$ -	\$ (0.03)

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, 2010	Trust Units issued, net (note 11)	LTIP Units under subscription (note 11)	LTIP instalment receivable	Losses	Accumulated other comprehensive income (loss)	Distributions	Convertible debentures/ other equity components	Total
Unitholders' equity, January 1, 2010	\$ 1,307,016	\$ 31,333	\$ (23,460)	\$ (281,237)	\$ (13,866)	\$ (380,494)	\$ 18,309	\$ 657,601
Loss for the period	—	—	—	(8,009)	—	—	—	(8,009)
Other comprehensive loss	—	—	—	—	(3,185)	—	—	(3,185)
Distributions to Unitholders	—	—	—	—	—	(17,284)	—	(17,284)
Units issued under the deferred unit plan	—	—	—	—	—	—	85	85
Issuance of Trust Units under the Distribution Reinvestment Program ("DRIP")	851	—	—	—	—	—	—	851
Trust Units issued on exchange of Class B Units of Chartwell Master Care LP	419	—	—	—	—	—	—	419
Trust Units issued under the Long-Term Incentive Plan ("LTIP"), net of units transferred to Treasury	1,600	(1,199)	513	—	—	—	41	955
Interest on instalment loan receivable	—	—	(46)	—	—	—	—	(46)
Distributions applied against instalment loan receivable	—	—	302	—	—	—	—	302
<b>Unitholders' equity, March 31, 2010</b>	<b>\$ 1,309,886</b>	<b>\$ 30,134</b>	<b>\$ (22,691)</b>	<b>\$ (289,246)</b>	<b>\$ (17,051)</b>	<b>\$ (397,778)</b>	<b>\$ 18,435</b>	<b>\$ 631,689</b>

Three-month period ended March 31, 2009	Trust Units issued, net (note 11)	LTIP Units under subscription (note 11)	LTIP instalment receivable	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)	\$ (209,992)	\$ 3,415	\$ (312,783)	\$ 15,073	\$ 640,358
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 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
<b>Unitholders' equity, March 31, 2009</b>	<b>\$ 1,143,115</b>	<b>\$ 34,145</b>	<b>\$ (26,142)</b>	<b>\$ (223,937)</b>	<b>\$ 8,642</b>	<b>\$ (330,966)</b>	<b>\$ 15,077</b>	<b>\$ 619,934</b>

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,	
	2010	2009
Cash provided by (used in):		
Operating activities:		
Loss for the period	\$ (8,009)	\$ (13,945)
Items not affecting cash:		
Depreciation and amortization	24,756	31,914
Below-market lease amortization	(184)	(437)
Adjustment to record lease expense on a straight-line basis over the lease term	–	1,767
Non-cash compensation expense	190	168
Unrealized loss (gain) on derivative financial instruments and unrealized foreign exchange loss	1,887	2,971
Non-controlling interest	(119)	(295)
Amortization of financing expenses	1,576	1,327
Accretion adjustment to convertible debenture liability	797	731
Amortization of debt discounts	116	284
Amortization of mezzanine placement fees	(322)	(305)
Amortization of legal costs integral to mezzanine lending activities	52	171
Future income taxes	2,996	1,752
Change in non-cash operating items (note 15)	(4,759)	(6,358)
	18,977	19,745
Financing activities:		
Proceeds from mortgage financing	1,916	14,958
Mortgage principal repayments	(39,524)	(7,813)
Financing costs	(1,256)	(2,161)
Distributions paid	(16,167)	(16,134)
Distributions paid to non-controlling interest Unitholders	(258)	(485)
Deposits received under LTIP and repayment of LTIP instalment loan receivable	897	11
	(54,392)	(11,624)
Investing activities:		
Acquisition of assets, net of debt assumed and units issued (note 2)	(2,277)	(1,766)
Additions to properties	(5,614)	(8,878)
Amounts received under income guarantees	69	118
Mezzanine loans repayments	2,383	–
Restricted cash and deposits in escrow	107	3,682
Proceeds from capital funding receivables	562	532
	(4,770)	(6,312)
Foreign exchange gain (loss) on U.S. dollar-denominated cash	(169)	758
Increase (decrease) in cash and cash equivalents	(40,354)	2,567
Cash and cash equivalents, beginning of period	106,943	10,530
Cash and cash equivalents, end of period	\$ 66,589	\$ 13,097

Supplemental cash flow information (note 15)

See accompanying notes to consolidated financial statements.

# CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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

Three-month periods ended March 31, 2010 and 2009

(Unaudited)

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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 communities and long-term care communities in Canada and the United States.

## 1. Significant accounting policies:

### (a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with Canadian 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, 2009.

These consolidated financial statements do not include all of the disclosures required by Canadian GAAP applicable to annual financial statements and should be read in conjunction with the annual audited consolidated financial statements and the accompanying notes included in the 2009 Annual Report.

### (b) Restricted unit plan:

In 2008, Chartwell approved the adoption of a restricted unit plan which was implemented in 2009. Under the plan, qualified senior employees are granted notional Trust Units on an annual basis which will vest three years after the date of any grant and will be paid out in cash. The notional Trust Units earn additional notional Trust Units related to distributions that would otherwise have been paid if Trust Units had been issued on the date of the grant. The number of notional Trust Units issued in regard to distributions is based on the fair market value of the Trust's Units, as defined by the plan, on the date distributions are paid. Such grants are based on an individual's performance as compared to goals set at the beginning of a given year and intended to supplement awards under the annual bonus plan. Restricted Units are recognized as compensation expense evenly over the vesting period, with the corresponding amount recorded as a liability on the consolidated balance sheet. The liability is adjusted to fair market value based on the trading value of Trust Units at each reporting date.

# CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

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## 1. Significant accounting policies (continued):

(c) Future accounting changes:

(i) Multiple deliverable revenue arrangements:

In December 2009, The Canadian Institute of Chartered Accountants ("CICA") issued EIC-175, Multiple Deliverable Revenue Arrangements ("EIC-175").

EIC-175, which replaces EIC-142, Revenue Arrangements with Multiple Deliverables, address some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue generating activities. The new standard is effective for the Trust's interim and annual consolidated financial statements commencing on January 1, 2011 with early adoption permitted as of the beginning of a fiscal year. Chartwell is assessing the impact of the new standard on its consolidated financial statements.

(ii) 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.

# CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

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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. Chartwell has not adopted these sections at this time.

### (iii) Harmonizing of Canadian and international standards:

In February 2008, the Canadian Accounting Standards Board issued an exposure draft proposing that accounting standards in Canada for publicly accountable profit-oriented enterprises will converge with IFRS 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 ended December 31, 2011 and will include the comparative period for the year ended 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 impact of the transition to IFRS on Chartwell's consolidated financial statements has not yet been determined.

The Trust is assessing the implementation impacts of the 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.



# CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

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## 2. Acquisitions:

### (a) Acquisitions during the three-month period ended March 31, 2010:

On August 9, 2009, Chartwell and certain subsidiaries and affiliates of Le Groupe Melior ("Melior") (collectively, the "Melior Debtors") entered into a settlement agreement (the "Settlement Agreement") in order to address certain issues relating to the performance by the Melior Debtors of their obligations under certain mezzanine loans. The Settlement Agreement provides that only upon satisfaction of a number of specific terms and conditions, Chartwell: (a) may exercise its rights as security holder and assume the Melior Debtors' ownership interests in specified new and currently operating seniors housing properties on a selective basis; (b) will allow the sale of properties to certain third parties and release and discharge its mezzanine loans; and (c) will stand still with respect to certain other mezzanine loans.

On November 17, 2009, further to certain conditions of the Settlement Agreement being satisfied or waived, a prior notice of exercise by Chartwell of the equivalent to a foreclosure right was registered in respect of three operating properties and one parcel of vacant land against the Melior Debtors and another co-owner. On November 18, 2009, Chartwell took possession of the three operating properties and assumed administration of the properties.

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

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### 2. Acquisitions (continued):

The foreclosures were completed on March 9, 2010. In addition, pursuant to the Settlement Agreement, during the three-month period ended March 31, 2010, Chartwell acquired from Melior a parcel of land for \$1,750. This cash was immediately used to pay off the existing debt on the land in the same amount. The following table summarizes the preliminary allocation of the purchase price (including costs of the acquisitions) to each major class of assets acquired and liabilities assumed at the date of acquisition:

Date of acquisition	March 9, 2010
Segment	Canadian Retirement Operations
Location	Province of Quebec (598 suites)
Properties	\$ 81,782
Limited life intangible assets	3,821
Future income tax asset	2,277
Mortgages assumed	(67,707)
Other liabilities	(5,105)
<b>Net assets acquired</b>	<b>\$ 15,068</b>
Discharge of mezzanine loans receivable, net of provision for impairment	\$ 12,791
Cash consideration	1,750
Acquisition costs	527
<b>Total consideration</b>	<b>\$ 15,068</b>

Assets acquired through foreclosure are recorded at their fair value and any difference between the carrying amounts of the loans prior to foreclosure and the fair value of such assets is recognized as a gain or loss. The above foreclosures did not result in any gain or loss as the carrying values of the mezzanine loans receivable were reduced to the underlying fair value of the properties that secured these mezzanine loans.

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

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### 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, 2009:

During the year ended December 31, 2009, Chartwell acquired varying interests in 6 seniors housing communities (619 suites). The following table summarizes the allocation of the purchase price (including costs of acquisition) to each major class of assets acquired and liabilities assumed at the date of acquisition:

Properties	\$ 78,262
Limited life intangible assets	6,414
Mortgages assumed	(60,100)
Below-market resident contracts	(593)
Other liabilities	(971)
<b>Net assets acquired</b>	<b>\$ 23,012</b>
Discharge of mezzanine loans receivable	\$ 9,327
Settlement of outstanding receivables from Spectrum Seniors Housing Development LP ("Spectrum")	10,490
Cash consideration	1,287
Acquisition costs	1,908
<b>Total consideration</b>	<b>\$ 23,012</b>

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 for the acquisitions which were completed during the three-month period ended December 31, 2009.

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

### 2. Acquisitions (continued):

#### (c) Committed transactions:

On December 7, 2009, Chartwell entered into an agreement with ING Real Estate Investment Management Australia PYT Limited and its affiliates ("ING") to acquire a 50% interest in eight long-term care properties in Ontario (the "Regency Care Portfolio") and in six retirement communities in the United States (the "Meridian Portfolio"). Chartwell owns 50% interests in these properties. The purchase price of the Regency Care Portfolio, before closing costs, is approximately \$79,500 and will be settled, subject to working capital adjustments, by assumption of the outstanding debt of approximately \$68,900 with the remaining being paid in cash. The purchase price of the Meridian Portfolio, before closing costs, is approximately U.S. \$110,500 and will be settled, subject to working capital adjustments, by assumption of outstanding debt of approximately U.S. \$75,200 with the remaining being settled in cash. Subject to regulatory and lender approvals, these transactions are expected to close during the second quarter of 2010.

### 3. Properties:

	March 31, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	\$ 240,007	\$ –	\$ 240,007	\$ 235,489	\$ –	\$ 235,489
Buildings	2,188,309	216,680	1,971,629	2,131,107	203,951	1,927,156
Furniture, fixtures and equipment	89,076	57,177	31,899	88,182	54,786	33,396
	<u>2,517,392</u>	<u>273,857</u>	<u>2,243,535</u>	<u>2,454,778</u>	<u>258,737</u>	<u>2,196,041</u>
Properties under development	62,648	–	62,648	67,394	–	67,394
Land held for development	22,331	–	22,331	20,086	–	20,086
	<u>\$ 2,602,371</u>	<u>\$ 273,857</u>	<u>\$ 2,328,514</u>	<u>\$ 2,542,258</u>	<u>\$ 258,737</u>	<u>\$ 2,283,521</u>

Included in properties as at March 31, 2010 are assets under capital leases with a cost of \$129,124 (December 31, 2009 - \$133,586) and accumulated depreciation of \$11,104 (December 31, 2009 - \$10,544).

Included in properties under development is interest of \$4,130 (December 31, 2009 - \$3,726) and incremental operating costs of \$790 (December 31, 2009 - \$760) capitalized to date as at March 31, 2010.

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

### 4. Mezzanine loans receivable:

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

				March 31, 2010	December 31, 2009
	Contractual interest rate	Principal amount	Lending expenses (deferred placement fees), net	Net balance	Net balance
Spectrum	10% - 14%	\$ 25,462	\$ 18	\$ 25,480	\$ 27,752
Melior	10% - 14%	19,188	(2,032)	17,156	36,367
Seasons	10% - 14%	5,831	(430)	5,401	7,639
Others	10% - 12%	14,295	(223)	14,072	14,073
		<u>\$ 64,776</u>	<u>\$ (2,667)</u>	62,109	85,831
Provision for impairment				(21,690)	(30,508)
				<u>\$ 40,419</u>	<u>\$ 55,323</u>

In the three-month period ended March 31, 2010, Chartwell completed foreclosures of three operating properties and one parcel of vacant land in Quebec (note 2). As a result, mezzanine loans with a carrying amount of \$12,791 were settled. The original amount of the loans were \$22,639, which was reduced by fees recorded as a reduction of mezzanine loan balances of \$1,018, and a previously recorded impairment provision of \$8,817.

In the three-month period ended March 31, 2010, Seasons repaid two of mezzanine loans in the amount of \$2,383.

#### (a) Spectrum:

The loans are secured by second charges or pledges of Spectrum's interest over 17 (December 31, 2009 - 18) seniors housing development properties. In addition, the loans are cross defaulted.

## **CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST**

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

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### **4. Mezzanine loans receivable (continued):**

Subsequent to March 31, 2010, Chartwell agreed to extend the term of its settlement agreement with Spectrum from the original date of August 16, 2010 to December 31, 2010 to allow Spectrum more time to complete its orderly wind down. Chartwell will acquire Spectrum's 50% interest in one retirement Community located in Vaughan, Ontario. The purchase price for Spectrum's 50% interest will be \$17,350 and will be partially settled by the assumption of the existing mortgage with the committed amount of \$15,438 of which \$15,076 is outstanding as of March 31, 2010. The existing mortgage is a demand loan due on December 31, 2012 which bears interest at prime plus 1.50%, subject to the minimum rate of 4%. The remaining portion of the purchase price will be paid in cash, subject to working capital adjustments and settlement of certain amounts owing to Chartwell.

(b) Melior:

The loans are secured by second charges over Melior's interest in seven (December 31, 2009 - 11) seniors housing development properties.

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

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#### 4. Mezzanine loans receivable (continued):

(c) Seasons:

These loans are secured by second charges over four seniors housing development projects.

(d) Others:

These loans are secured by second charges over 10 (December 31, 2009 - 10) seniors housing development properties.

Each mezzanine loan matures on the earliest of: (i) the fifth anniversary of the initial advance of the funds; (ii) the date of sale of the related development property; or (iii) 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.

The following table represents the loan maturity schedule assuming that all outstanding mezzanine loans mature on their fifth anniversary date:

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	Spectrum	Melior	Seasons	Other joint venture partners	Total
Balance of 2010	\$ 10,918	\$ 15,435	\$ 2,380	\$ 4,531	\$ 33,264
2011	7,363	–	1,576	6,462	15,401
2012	7,181	3,753	–	1,427	12,361
2013	–	–	1,875	1,875	3,750
	<u>\$ 25,462</u>	<u>\$ 19,188</u>	<u>\$ 5,831</u>	<u>\$ 14,295</u>	<u>\$ 64,776</u>

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As of March 31, 2010, Spectrum, Melior and certain other joint venture partners were in default under these mezzanine loan agreements with Chartwell. As a result, the carrying amount of these loans was reduced by \$21,690 to the estimated recoverable amount.

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

### 5. Limited life intangible assets:

	March 31, 2010			December 31, 2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Management contracts	\$ 9,180	\$ 5,569	\$ 3,611	\$ 9,308	\$ 5,266	\$ 4,042
Resident contracts	80,550	66,354	14,196	82,685	67,260	15,425
Other intangibles	19,528	7,849	11,679	20,145	7,565	12,580
	<u>\$ 109,258</u>	<u>\$ 79,772</u>	<u>\$ 29,486</u>	<u>\$ 112,138</u>	<u>\$ 80,091</u>	<u>\$ 32,047</u>

Management contracts and customer relationships represent the acquired value of contractual agreements to provide management and advisory services for the operations of seniors residences and long-term care properties owned by third parties. Resident contracts represent in-place resident contracts valued at acquisition. Other intangibles represent the acquired value of operating leases of senior housing properties.

During the three-month period ended March 31, 2010, Chartwell reduced the cost and accumulated amortization balances for management contracts, resident contracts and customer relationships that were fully amortized by \$3,491 (December 31, 2009 - \$56,155).

### 6. Other assets:

	March 31, 2010	December 31, 2009
Accounts receivable	\$ 13,401	\$ 13,955
Due from Spectrum, net of provision for impairment of \$3,684 (December 31, 2009 - \$3,506)	18	218
Due from ING	6,459	6,610
Prepaid expenses and deposits	11,831	10,532
Deposits in escrow	10,046	10,473
Other	9,624	9,578
	<u>\$ 51,379</u>	<u>\$ 51,366</u>



## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

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### 7. Discontinued operations:

On October 1, 2009, the Trust divested its 49% interest in Horizon Bay Realty LLC ("HBR"), whose assets and liabilities included: equipment, current assets, trade accounts receivable and certain other assets and liabilities and were included in the Trust's U.S. operating segment (note 14). The following table summarizes the results of operations of these discontinued operations:

	Three-month period ended March 31, 2009
Revenue	\$ 27,844
Loss before non-controlling interest	\$ (2,957)
Non-controlling interest	61
	<u>\$ (2,896)</u>

HBR owns 50% of management company Horizon Bay Chartwell LLC ("HBC") with the remaining 50% owned by the Trust. Upon completion of the HBR transactions, the Trust's 74.5% interest in HBC, 50% direct ownership and 24.5% indirect ownership through HBR, has been reduced to a 50% direct ownership interest. As part of the transaction, Chartwell increased its ownership interest in Horizon Bay Chartwell II LLC ("HBCII") by 5.5%.

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

### 8. Secured debt:

#### (a) Mortgages payable:

Mortgages payable are secured by first and second charges on specific properties and are repayable as follows:

	Regular principal payments	Principal due on maturity	Total
Balance of 2010	\$ 27,694	\$ 63,421	\$ 91,115
2011	32,192	89,543	121,735
2012	32,651	112,047	144,698
2013	32,481	110,080	142,561
2014	27,665	139,059	166,724
2015	25,212	111,477	136,689
2016	22,225	172,670	194,895
2017	17,907	248,373	266,280
2018	15,784	32,625	48,409
2019	14,280	97,370	111,650
2020 - 2024	62,518	49,859	112,377
Thereafter	72,077	34,318	106,395
	<u>\$ 382,686</u>	<u>\$ 1,260,842</u>	1,643,528
Mark-to-market adjustment arising on acquisition			12,763
Financing costs			(20,100)
			<u>\$ 1,636,191</u>

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

### 8. Secured debt (continued):

	March 31, 2010	December 31, 2009
Mortgages at fixed rates:		
Mortgages	\$1,573,151	\$1,578,454
Interest rates	2.03% - 10.00%	2.03% - 10.00%
Weighted average interest rate	5.45%	5.49%
Mortgages at variable rates:		
Mortgages	\$70,377	\$53,747
Interest rates	BA + 65 bps to prime + 2.25%	Lenders' COF + 2.00% to prime + 4.75%
Weighted average interest rate	3.68%	3.56%
Blended weighted average rate of maturing debt	5.38%	5.42%

During the three-month periods ended March 31, 2010 and 2009, interest expense on mortgages payable amounted to \$22,490 and \$ 24,214, respectively.

As at March 31, 2010, Chartwell was in breach of the debt service coverage covenant on two of its mortgages. Subsequent to March 31, 2010, Chartwell paid down these mortgages by \$3,811 to cure the covenant breach. In addition, Chartwell was in breach of property level covenants on one other mortgage. Subsequent to March 31, 2010, Chartwell obtained a waiver from the lender with respect to these covenants.

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

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### 8. Secured debt (continued):

#### (b) Secured revolving operating credit facility:

Chartwell has arranged for a \$75,000 secured revolving operating credit facility (the "Credit Facility"). At March 31, 2010, the maximum available borrowing capacity under the Credit Facility was \$58,377 (December 31, 2009 - \$61,931) based on the security provided. The Credit Facility matures on June 27, 2010. Under the terms and conditions, amounts outstanding under the Credit Facility bear interest at the bank's prime rate plus 2.75% or at the applicable bankers' acceptance rate plus 4.00%. 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, 2010, no amount (December 31, 2009 - nil) was outstanding under the Credit Facility. Although Chartwell was not in compliance at March 31, 2010 with the debt service coverage and the distribution payout covenants under the Credit Facility, Chartwell obtained a waiver from the lenders with respect to these covenants.

### 9. Accounts payable and other liabilities:

	March 31, 2010	December 31, 2009
Accounts payable and accrued liabilities	\$ 72,806	\$ 71,548
Below-market resident contracts, net of accumulated amortization of \$2,661 (December 31, 2009 - \$2,528)	1,194	1,467
Resident deposits	3,905	4,348
Deferred revenue	3,982	4,004
	<u>\$ 81,887</u>	<u>\$ 81,367</u>

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

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(Unaudited)

### 10. Non-controlling interest:

The details of non-controlling interest are as follows:

	March 31, 2010	December 31, 2009
Balance, beginning of period	\$ 7,813	\$ 15,990
Non-controlling interest's share of loss for the period	(119)	(1,447)
Distributions on Class B Units of Master LP	(253)	(1,395)
Exchange of Class B Units of Master LP for Trust Units	(419)	(4,983)
Other comprehensive loss	(47)	(352)
<b>Balance, end of period</b>	<b>\$ 6,975</b>	<b>\$ 7,813</b>

### 11. Unitholders' equity:

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

	Number of voting units	Amount
Balance, January 1, 2009	96,369,598	\$ 1,137,031
Trust Units issued under DRIP	1,013,922	5,074
Trust Units issued on exchange of Class B Units of Master LP	888,613	4,965
LTIP Units transferred to Trust Units (b)	120,000	1,200
Trust Units issued pursuant to public offering	27,370,000	158,746
Balance, January 1, 2010	125,762,133	1,307,016
Trust Units issued under DRIP	118,635	851
Trust Units issued on exchange of Class B Units of Master LP	106,000	419
LTIP Units transferred to Trust Units (b)	160,000	1,600
<b>Balance, March 31, 2010</b>	<b>126,146,768</b>	<b>\$ 1,309,886</b>

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

### 11. Unitholders' equity (continued):

(b) The following table summarizes LTIP Units issued under the LTIP as at March 31, 2010:

	Number of units under subscription	Amount
Balance, January 1, 2009	2,571,990	\$ 34,099
Issuance of LTIP Units	122,500	614
Compensation expense	–	493
Units transferred to Treasury	(137,595)	(2,673)
LTIP Units transferred to Trust Units	(120,000)	(1,200)
Balance, January 1, 2010	2,436,895	31,333
Issuance of LTIP Units	97,882	729
Compensation expense	–	69
LTIP Units transferred to Trust Units	(160,000)	(1,600)
LTIP Units surrendered	(34,585)	(397)
Balance, March 31, 2010	2,340,192	\$ 30,134

(c) Deferred unit plan:

During 2008, the Trust implemented a Deferred Unit Plan which was approved by unitholders at the annual general meeting held on May 21, 2009. The plan entitles independent directors, at their option, to receive all, 75%, 50% or 25% of their trustee fees in the form of Deferred Trust Units. The number awarded is based on the fair market value, as defined by the plan, of the Trust Units on the award date. The Deferred Trust Units earn additional Deferred Trust Units related to distributions that would otherwise have been paid if Trust Units, as opposed to Deferred Trust Units, had been issued on the date of the grant. The number of Deferred Trust Units issued in regard to distributions is based on the fair market value of the Trust's Units, as defined in the plan, on the date distributions are paid.

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

### 11. Unitholders' equity (continued):

The following table summarizes the Deferred Trust Unit activity for the three-month period ended March 31, 2010:

	Units granted		Reinvested distributions		Total	
	Number of units	Amount	Number of units	Amount	Number of units	Amount
Balance, January 1, 2010	111,102	\$ 592	9,490	\$ 52	120,592	\$ 644
Activity for the three month period ended March 31, 2010	9,261	69	2,219	16	11,480	85
Balance, March 31, 2010	120,363	\$ 661	11,709	\$ 68	132,072	\$ 729

(d) Restricted unit plan:

During the three-month period ended March 31, 2010, 88,372 restricted units were granted. The outstanding liability relating to this grant at March 31, 2010 was \$36.

### 12. Loss per unit calculation:

	Three-month periods ended March 31,	
	2010	2009
Numerator:		
Loss for the period - continuing operations	\$ (8,009)	\$ (11,049)
Loss for the period - discontinued operations	–	(2,896)
Balance, end of period	\$ (8,009)	\$ (13,945)
Denominator:		
Denominator for basic earnings per unit - weighted average units	126,008,094	97,049,501
Denominator for diluted earnings per unit - weighted average units	126,008,094	97,049,501
Loss per unit:		
Basic and diluted - continuing operations	\$ (0.06)	\$ (0.11)
Basic and diluted - discontinued operations	–	(0.03)

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

### 12. Loss per unit calculation (continued):

The calculation of per unit information on a diluted basis considers the potential exercise of outstanding unit options to the extent that the exercise of the option is dilutive and the potential conversion of outstanding convertible debentures to the extent that such conversion is dilutive.

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

	Three-month periods ended March 31,	
	2010	2009
LTIP Units under subscription	2,338,892	2,616,990
Class B Units of Master LP	1,905,481	2,386,795
Assumed conversion of convertible debentures	12,623,397	12,623,397

### 13. Transactions with Spectrum:

Except as disclosed elsewhere in these consolidated financial statements, transactions with Spectrum were as follows:

	Three-month periods ended March 31,	
	2010	2009
Contractual mezzanine loan interest income (note 4)	\$ 597	\$ 1,296
Effective interest rate adjustments	(38)	(57)
Development fees	–	378
Operations management fees	302	555
Other fees	15	17
Interest on overdue accounts receivable	97	152

Other assets as at March 31, 2010 include \$18, net of provision for impairment of \$3,684 (December 31, 2009 - \$218, net of provision for impairment of \$3,506) due from Spectrum. Subsequent to March 31, 2010, this balance of \$18 was collected in cash. To the extent that ultimate collection of revenue is not reasonably assured, Chartwell will recognize revenue only as cash is received.



# **CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST**

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

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## **14. 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 intersegment revenue, transfers or expenses.

# CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

## 14. Segmented information (continued):

	Three-month period ended March 31, 2010					Total
	Canadian Retirement Operations	Canadian Long-Term Care Operations	Canadian Management Operations	United States Operations		
Revenue	\$ 84,292	\$ 36,157	\$ 1,446	\$ 42,134	\$ 164,029	
Below-market lease amortization	184	–	–	–	184	
Direct operating expense	(54,006)	(31,826)	(1,008)	(27,014)	(113,854)	
Income before the undernoted	30,470	4,331	438	15,120	50,359	
Interest expense	(10,606)	(2,219)	–	(9,529)	(22,354)	
Property lease expense	(32)	(50)	–	(497)	(579)	
Income before the following	19,832	2,062	438	5,094	27,426	
Depreciation and amortization	(14,050)	(1,754)	(402)	(8,550)	(24,756)	
	<u>\$ 5,782</u>	<u>\$ 308</u>	<u>\$ 36</u>	<u>\$ (3,456)</u>	2,670	
Items not allocated to operating segments:						
Mezzanine loan interest, bank interest and other income					2,879	
General, administrative and trust expenses					(4,554)	
Interest on convertible debentures					(4,152)	
Unrealized and realized gain (loss) on derivative financial instruments and unrealized and realized foreign exchange gain (loss)					(1,895)	
Non-controlling interest					119	
Current income tax expense					(80)	
Future income tax expense					(2,996)	
Loss for the period					\$ (8,009)	
Expenditures for assets by segment:						
Acquisitions - properties, land held for development, limited life intangible assets, licenses and other assets	\$ 87,880	\$ –	\$ –	\$ –	\$ 87,880	
Capital improvements	4,425	516	–	673	5,614	

# CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

## 14. Segmented information (continued):

	Three-month period ended March 31, 2009					Total
	Canadian Retirement Operations	Canadian Long-Term Care Operations	Canadian Management Operations	United States Operations		
Revenue	\$ 79,484	\$ 35,053	\$ 2,088	\$ 50,917	\$ 167,542	
Below-market lease amortization	122	–	–	239	361	
Direct operating expense	(52,875)	(30,927)	(1,025)	(32,564)	(117,391)	
Income before the undernoted	26,731	4,126	1,063	18,592	50,512	
Interest expense	(9,971)	(2,340)	–	(11,940)	(24,251)	
Property lease expense	(54)	(51)	–	(603)	(708)	
Income before the following	16,706	1,735	1,063	6,049	25,553	
Depreciation and amortization	(14,949)	(2,222)	(473)	(13,154)	(30,798)	
	<u>\$ 1,757</u>	<u>\$ (487)</u>	<u>\$ 590</u>	<u>\$ (7,105)</u>	(5,245)	
Items not allocated to operating segments:						
Mezzanine loan interest, bank interest and other income					3,383	
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					234	
Current income tax recovery					168	
Future income tax expense					(1,752)	
Loss from discontinued operations					(2,896)	
<b>Loss for the period</b>					<b>\$ (13,945)</b>	
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	

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

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(Unaudited)

### 14. Segmented information (continued):

March 31, 2010						
	Canadian Retirement Operations	Canadian Long-Term Care Operations	Canadian Management Operations	United States Operations	Other	Total
Total assets	\$ 1,452,762	\$ 295,939	\$ 3,184	\$ 719,689	\$ 113,725	\$ 2,585,299
Total liabilities	982,477	179,833	–	574,311	210,014	1,946,635

  

December 31, 2009						
	Canadian Retirement Operations	Canadian Long-Term Care Operations	Canadian Management Operations	United States Operations	Other	Total
Total assets	\$ 1,382,074	\$ 295,161	\$ 3,476	\$ 749,087	\$ 168,876	\$ 2,598,674
Total liabilities	949,332	180,933	–	594,879	208,116	1,933,260

### 15. 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,	
	2010	2009
Change in non-cash operating items:		
Accounts receivable	\$ 711	\$ (1,282)
Due from Spectrum	22	(2,320)
Due from ING	(54)	154
Accounts payable and other liabilities	(4,652)	4,036
Other	(786)	(6,946)
	\$ (4,759)	\$ (6,358)

## CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

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(Unaudited)

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### 15. Supplemental cash flow information (continued):

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,	
	2010	2009
Discharge of mezzanine loans receivable	\$ 12,791	\$ 5,676
Distributions applied against instalment loans receivable related to LTIP	302	470
Interest on instalment loans receivable related to LTIP	46	260
Trust Units issued pursuant to the DRIP	851	1,752

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In accordance with Chartwell's Sixth Amended and Restated Declaration of Trust, the distributions to Trust unitholders will be within the discretion of the Trustees. Trustees will continue to rely upon forward-looking cash flow information, including internal forecasts and budgets to establish the level of cash distributions.

During the three-month periods ended March 31, 2010 and 2009, interest paid amounted to \$24,008 and \$23,899, respectively.

### 16. Income taxes:

For the three-month periods ended March 31, 2010 and 2009, Chartwell recorded a current income tax expense of \$80 and recovery of \$168, respectively, and a future income tax expense of \$2,881 and \$1,752, respectively.

As at March 31, 2010, 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 \$114,974 (U.S. \$113,186) against which a valuation allowance of \$114,974 (U.S. \$113,186) has been recorded.

## **CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST**

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per unit amounts)

Three-month periods ended March 31, 2010 and 2009  
(Unaudited)

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### **17. Financial instruments and financial risk management:**

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 Board of Trustees 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 Board of Trustees on its activities.

There have been no significant changes to the Trust's risk management policies and strategies since December 31, 2009.

### **18. Capital structure financial policies:**

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.

### **19. Comparative figures:**

Certain 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2010.