Consolidated Financial Statements
(In Canadian dollars)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Three-month and six-month periods ended
June 30, 2010 and 2009
(Unaudited)

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

	June 30, 2010	December 31, 2009
	(Unaudited)	(Audited)

Assets

Properties (note 3)	$ 2,415,268	$ 2,176,111
Mezzanine loans receivable (note 4)	39,831	55,323
Limited life intangible assets (note 5)	41,025	32,047
Cash and cash equivalents	7,765	105,677
Other assets (note 6)	50,619	50,079
Capital funding receivable	65,634	43,824
Licenses	40,484	25,650
Assets held for sale (note 7)	90,821	109,963
	$ 2,751,447	$ 2,598,674

Liabilities and Unitholders' Equity

Liabilities:		
Mortgages payable (note 8(a))	$ 1,740,413	$ 1,550,478
Convertible debentures	191,332	188,996
Accounts payable and other liabilities (note 9)	86,062	79,941
Deferred consideration on business combinations	13,020	12,674
Distributions payable	5,870	5,857
Future income tax liabilities	21,666	18,167
Liabilities held for sale (note 7)	63,855	77,147
	2,122,218	1,933,260
Non-controlling interest (note 10)	6,823	7,813
Unitholders' equity	622,406	657,601
	$ 2,751,447	$ 2,598,674

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

	Three-month periods ended June 30, 2010	Three-month periods ended June 30, 2009	Six-month periods ended June 30, 2010	Six-month periods ended June 30, 2009
Revenue:				
Resident	$ 168,990	$ 159,417	$ 327,665	$ 321,015
Management and other fees (note 13)	1,413	1,557	2,859	3,645
Mezzanine loan interest (note 13)	1,302	2,760	2,801	5,331
Bank interest and other	956	677	2,336	1,489
Below-market lease amortization	184	223	368	530
	172,845	164,634	336,029	332,010
Expenses:				
Direct operating	118,393	111,925	229,712	226,791
General, administrative and trust	4,947	5,822	9,501	11,642
	123,340	117,747	239,213	238,433
	49,505	46,887	96,816	93,577
Interest expense	26,336	26,192	51,852	53,452
Property lease expense	516	703	1,095	1,411
	26,852	26,895	52,947	54,863
	22,653	19,992	43,869	38,714
Realized foreign exchange loss (gain)	5	185	13	(4,802)
Unrealized loss (gain) on derivative financial instruments and unrealized foreign exchange loss (gain)	(2,694)	4,124	(807)	7,095
Depreciation of properties	18,607	17,717	36,287	35,730
Amortization of limited life intangible assets	3,685	9,334	9,456	20,166
Provision for impairment of mezzanine loans and accounts receivable (note 4)	–	30,684	–	30,684
	19,603	62,044	44,949	88,873
Income (loss) before income taxes	3,050	(42,052)	(1,080)	(50,159)
Income taxes (recovery) (note 16):				
Current	82	81	162	(87)
Future	(911)	(4,693)	2,085	(2,941)
	(829)	(4,612)	2,247	(3,028)
Income (loss) before non-controlling interest	3,879	(37,440)	(3,327)	(47,131)
Non-controlling interest (note 10)	(55)	776	48	978
Income (loss) from continuing operations	3,824	(36,664)	(3,279)	(46,153)
Loss from discontinued operations (note 7)	(2,208)	(4,450)	(3,114)	(8,906)
Income (loss) for the period	1,616	(41,114)	(6,393)	(55,059)
Other comprehensive income (loss):				
Unrealized foreign currency gain (loss) on the translation of self-sustaining foreign operations	5,250	(11,594)	1,925	(6,257)
Net change in fair value of derivatives designated as cash flow hedges (net of future income taxes of 2010 - nil; 2009 - $147)	(143)	358	(51)	358
Non-controlling interest	(75)	232	(27)	122
	5,032	(11,004)	1,847	(5,777)
Comprehensive income (loss)	$ 6,648	$ (52,118)	$ (4,546)	$ (60,836)
Income (loss) per unit (note 12):				
Basic and diluted:				
Continuing operations	$ 0.03	$ (0.37)	$ (0.03)	$ (0.48)
Discontinued operations	(0.02)	(0.05)	(0.02)	(0.09)

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)

Six-month period ended June 30, 2010	Trust Units issued, net (note 11)	Trust Units issued under LTIP (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	–	–	–	(6,393)	–	–	–	(6,393)
Other comprehensive loss	–	–	–	–	1,847	–	–	1,847
Distributions to Unitholders	–	–	–	–	–	(34,590)	–	(34,590)
Units issued under the deferred unit plan	–	–	–	–	–	–	145	145
Issuance of Trust Units under the Distribution Reinvestment Program ("DRIP")	1,771	–	–	–	–	–	–	1,771
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 Trust Units transferred to Treasury	1,644	(1,594)	937	–	–	–	94	1,081
Interest on instalment loan receivable	–	–	(91)	–	–	–	–	(91)
Distributions applied against instalment loan receivable	–	–	616	–	–	–	–	616
Unitholders' equity, June 30, 2010	$ 1,310,850	$ 29,739	$ (21,998)	$ (287,630)	$ (12,019)	$ (415,084)	$ 18,548	$ 622,406

Six-month period ended June 30, 2009	Trust Units issued, net (note 11)	Trust Units issued under LTIP (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)	$ (200,116)	$ 3,415	$ (312,783)	$ 15,073	$ 650,234
Loss for the period	–	–	–	(55,059)	–	–	–	(55,059)
Other comprehensive income	–	–	–	–	(5,777)	–	–	(5,777)
Distributions to unitholders	–	–	–	–	–	(36,486)	–	(36,486)
Issuance of Trust Units issued under the DRIP	3,519	–	–	–	–	–	–	3,519
Units issued under the Deferred Trust Unit plan	–	–	–	–	–	–	433	433
Trust Units issued on exchange of Class B Units of Chartwell Master Care LP	4,332	–	–	–	–	–	–	4,332
Trust Units issued under LTIP, net of Trust Units transferred to Treasury	–	(20)	233	–	–	–	(11)	202
Interest on instalment loan receivable	–	–	(517)	–	–	–	–	(517)
Distributions applied against instalment loan receivable	–	–	1,002	–	–	–	–	1,002
Unitholders' equity, June 30, 2009	$ 1,144,882	$ 34,079	$ (25,767)	$ (255,175)	$ (2,362)	$ (349,269)	$ 15,495	$ 561,883

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 June 30, 2010	Three-month periods ended June 30, 2009	Six-month periods ended June 30, 2010	Six-month periods ended June 30, 2009
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	$ 1,616	$ (41,114)	$ (6,393)	$ (55,059)
Items not affecting cash:				
Depreciation and amortization	23,421	30,098	48,177	62,012
Gain on sale of assets	(4,394)	–	(4,394)	–
Below-market lease amortization	(184)	(305)	(368)	(742)
Adjustment to record lease expense on a straight-line basis over the lease term	–	1,659	–	3,426
Non-cash compensation expense	222	122	412	290
Unrealized loss (gain) on derivative financial instruments and unrealized foreign exchange loss	(2,694)	4,124	(807)	7,095
Non-controlling interest	26	(864)	(93)	(1,159)
Amortization of financing expenses	1,439	1,599	3,015	2,926
Accretion adjustment to convertible debenture liability	813	747	1,610	1,478
Amortization of debt discounts	117	251	233	535
Amortization of mezzanine placement fees	(178)	(529)	(500)	(834)
Amortization of legal costs integral to mezzanine lending activities	–	139	52	310
Provision for impairment of mezzanine loans and accounts receivable	–	30,684	–	30,684
Write-down of assets held for sale to fair value less costs to sell	6,100	–	6,100	–
Future income taxes	(911)	(4,693)	2,085	(2,941)
Change in non-cash operating items (note 15)	(2,641)	(10,313)	(7,400)	(16,671)
	22,752	11,605	41,729	31,350
Financing activities:				
Proceeds from mortgage financing	516	2,581	2,432	17,539
Proceeds from loans payable and revolving operating credit facility	–	20,000	–	20,000
Mortgage principal repayments	(16,357)	(10,787)	(55,881)	(18,600)
Financing costs	(656)	(1,668)	(1,912)	(3,829)
Distributions paid	(16,114)	(16,233)	(32,281)	(32,367)
Distributions paid to non-controlling interest unitholders	(252)	(390)	(510)	(875)
Deposits received under LTIP and repayment of LTIP instalment receivable	40	–	937	11
	(32,823)	(6,497)	(87,215)	(18,121)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

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

	Three-month periods ended June 30, 2010	Three-month periods ended June 30, 2009	Six-month periods ended June 30, 2010	Six-month periods ended June 30, 2009
Investing activities:				
Acquisition of assets, net of debt assumed and units issued (note 2)	(42,082)	–	(44,359)	(1,766)
Additions to properties	(8,847)	(10,877)	(14,461)	(19,755)
Proceeds from disposal	2,786	–	2,786	–
Amounts received under income guarantees	64	143	133	261
Mezzanine loan repayments	397	–	2,780	–
Restricted cash and deposits in escrow	(1,475)	(2,006)	(1,368)	1,676
Proceeds from capital funding receivables	682	541	1,244	1,073
	(48,475)	(12,199)	(53,245)	(18,511)
Foreign exchange loss (gain) on U.S. dollar-denominated cash	218	(1,318)	49	(560)
Decrease in cash and cash equivalents	(58,328)	(8,409)	(98,682)	(5,842)
Cash and cash equivalents, beginning of period:				
Continuing operations	65,772	10,760	105,677	8,532
Discontinued operations	817	2,337	1,266	1,998
	66,589	13,097	106,943	10,530
Cash and cash equivalents, end of period	$ 8,261	$ 4,688	$ 8,261	$ 4,688
Represented by:				
Continuing operations	$ 7,765	$ 3,154	$ 7,765	$ 3,154
Discontinued operations	496	1,534	496	1,534
	$ 8,261	$ 4,688	$ 8,261	$ 4,688

Supplemental cash flow information (note 15)

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 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, except as noted below.

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 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 Unit 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.

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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:

(a) Section 1582, Business Combinations:

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):

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

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.

2. Acquisitions:

(a) Acquisitions during the six-month period ended June 30, 2010:

(i) On March 9, 2010, pursuant to the Settlement Agreement ("Settlement Agreement") with entities affiliated with Le Groupe Melior ("Melior"), Chartwell acquired, through foreclosure proceedings, three operating properties and one parcel of vacant land from Melior. In addition, Chartwell acquired from Melior another parcel of land for $1,750. This cash was used to pay off the existing debt on the land.

In accordance with Canadian GAAP, assets acquired through foreclosure should be 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 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.

(ii) On May 14, 2010, Chartwell acquired the remaining 50% interest in six retirement communities in the United States (the "Meridian Portfolio") from ING Real Estate Investment Management Australia PYT ("ING"). The purchase price before closing costs was U.S. $110,500 and was settled through the assumption of debt of U.S. $74,649, not including mark to market adjustments, settlement of outstanding receivable of U.S. $6,000, with the balance due, net of working capital adjustments, being paid in cash. Prior to the completion of this transaction, Chartwell owned a 50% interest in the Meridian Portfolio.

(iii) On June 1, 2010, Chartwell acquired the remaining 50% interest in eight long-term care properties in Ontario (the "Regency Portfolio") from ING. The purchase price before closing costs was $79,500 and was settled through the assumption of debt of $68,013, not including mark to market adjustments, with the remaining balance, net of working capital adjustments, settled in cash. Prior to the completion of this transaction, Chartwell owned a 50% interest in the Regency Portfolio.

(iv) On June 1, 2010, Chartwell acquired a 50% interest in a retirement property in Vaughan, Ontario from Spectrum Seniors Housing Development LP ("Spectrum"). The purchase price before closing costs, was $17,350 and was settled through the assumption of debt of $15,076 with the remaining balance due, net of working capital adjustments, being paid in cash.

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

2. Acquisitions (continued):

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	May 14, 2010	June 1, 2010	June 1, 2010	
Segment	Canadian Retirement Operations	United States Retirement Operations	Canadian Long-term Care Operations	Canadian Retirement Operations	
Location	Province of Quebec (598 suites)	Colorado and Texas (1,045 suites)	Province of Ontario (1,384 suites)	Province of Ontario (139 suites)	Total
Properties	$ 81,782	$ 100,524	$ 50,193	$ 17,500	$ 249,999
Limited life intangible assets	3,821	11,145	2,664	250	17,880
Future income tax asset (liabilities)	2,277	–	(3,691)	–	(1,414)
Mortgages assumed	(67,707)	(74,353)	(76,472)	(15,076)	(233,608)
Other assets (liabilities)	(5,105)	(2,812)	2,706	(23)	(5,234)
Capital subsidy receivable	–	–	23,054	–	23,054
Licences	–	–	14,834	–	14,834
Net assets acquired	$ 15,068	$ 34,504	$ 13,288	$ 2,651	$ 65,511
Discharge of mezzanine loans receivable, net of provision for impairment	$ 12,791	$ –	$ –	$ –	$ 12,791
Settlement of management contracts and accounts receivable	–	6,333	2,028	–	8,361
Cash consideration	1,750	27,937	9,981	2,251	41,919
Acquisition costs	527	234	1,279	400	2,440
Total consideration	$ 15,068	$ 34,504	$ 13,288	$ 2,651	$ 65,511

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.

Acquisitions completed in the six month period ended June 30, 2010 are subject to the final settlement of the working capital adjustments. In addition, Chartwell continues to assess the initial valuation of the net assets acquired for each of these acquisitions. Therefore, the purchase price allocation for accounting purposes may be adjusted in future periods.

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

2. Acquisitions (continued):

(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)
Net assets acquired	$ 23,012
Discharge of mezzanine loans receivable	$ 9,327
Settlement of outstanding receivables from Spectrum	10,490
Cash consideration	1,287
Acquisition costs	1,908
Total consideration	$ 23,012

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 certain 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.

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

3. Properties:

			June 30, 2010			December 31, 2009
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 245,214	$ –	$ 245,214	$ 224,928	$ –	$ 224,928
Buildings	2,288,493	224,284	2,064,209	2,032,199	194,767	1,837,432
Furniture, fixtures and equipment	93,447	59,509	33,938	84,411	52,740	31,671
	2,627,154	283,793	2,343,361	2,341,538	247,507	2,094,031
Properties under development	50,566	–	50,566	67,394	–	67,394
Land held for development	21,341	–	21,341	14,686	–	14,686
	$ 2,699,061	$ 283,793	$ 2,415,268	$ 2,423,618	$ 247,507	$ 2,176,111

Included in properties as at June 30, 2010 are assets under capital leases with a cost of $135,429 (December 31, 2009 - $133,586) and accumulated depreciation of $12,597 (December 31, 2009 - $10,544).

Included in properties under development is interest of $4,444 (December 31, 2009 - $3,726) and incremental operating costs of $860 (December 31, 2009 - $760) capitalized as at June 30, 2010.

4. Mezzanine loans receivable:

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

				June 30, 2010	December 31, 2009
	Contractual interest rate	Principal amount	Lending expenses (deferred placement fees), net	Net balance	Net balance
Spectrum	10% - 14%	$ 25,066	$ 18	$ 25,084	$ 27,752
Melior	10% - 14%	19,188	(2,032)	17,156	36,367
Seasons	10% - 14%	5,831	(270)	5,561	7,639
Others	10% - 12%	14,295	(204)	14,091	14,073
		$ 64,380	$ (2,488)	61,892	85,831
Provision for impairment				(22,061)	(30,508)
				$ 39,831	$ 55,323

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4. Mezzanine loans receivable (continued):

In the six-month period ended June 30, 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 was $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 six-month period ended June 30, 2010, Seasons repaid two of its mezzanine loans in the amount of $2,383 and Spectrum made a partial repayment of one of its mezzanine loans in the amount of $397.

(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.

During the six-month period ended June 30, 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. In the second quarter of 2010, Chartwell acquired Spectrum's 50% interest in one retirement community located in Vaughan, Ontario (note 2).

(b) Melior:

The loans are secured by second mortgages over six (December 31, 2009 - 11) seniors housing development properties.

(c) Seasons:

These loans are secured by second charges over four (December 31, 2009 - six) seniors housing development projects.

(d) Others:

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

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

4. Mezzanine loans receivable (continued):

Each mezzanine loan matures on the earliest of: (a) the fifth anniversary of the initial advance of the funds; (b) the date of sale of the related development property; or (c) 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:

	Spectrum	Melior	Seasons	Other joint venture partners	Total
Balance of 2010	$ 10,521	$ 15,435	$ 2,380	$ 4,531	$ 32,867
2011	7,363	–	1,576	6,462	15,401
2012	7,182	3,753	–	1,427	12,362
2013	–	–	1,875	1,875	3,750
	$ 25,066	$ 19,188	$ 5,831	$ 14,295	$ 64,380

As of June 30, 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 $22,061 to the estimated recoverable amount.

5. Limited life intangible assets:

			June 30, 2010			December 31, 2009
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Management contracts	$ 4,852	$ 3,396	$ 1,456	$ 9,308	$ 5,266	$ 4,042
Resident contracts	69,088	43,248	25,840	82,685	67,260	15,425
Other intangibles	22,507	8,778	13,729	20,145	7,565	12,580
	$ 96,447	$ 55,422	$ 41,025	$ 112,138	$ 80,091	$ 32,047

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

5. Limited life intangible assets (continued):

During the six-month period ended June 30, 2010, Chartwell reduced the cost and accumulated amortization balances for management contracts, resident contracts and other intangibles that were fully amortized by $30,190 (December 31, 2009 - $56,155).

6. Other assets:

	June 30, 2010	December 31, 2009
Accounts receivable	$ 17,419	$ 13,563
Due from Spectrum, net of provision for impairment of $3,737 (December 31, 2009 - $3,506)	100	218
Due from ING	325	6,610
Prepaid expenses and deposits	11,567	9,655
Deposits in escrow	11,999	10,473
Other	9,209	9,560
	$ 50,619	$ 50,079

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). 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 by 5.5%.

On June 30, 2010, the Trust disposed of one retirement community which assets and liabilities were included in the Canadian Retirement Operations segment for $15,250. The purchaser assumed the existing debt of $12,258 with net proceeds of $2,786, net of working capital adjustments being received in cash. The Trust recorded a gain on sale of $4,394 as a result of this transaction.

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

7. Discontinued operations (continued):

During the three-month period ended June 30, 2010, the Trust committed to a plan to divest two Canadian retirement communities which assets and liabilities were included in the Canadian Retirement Operations segment. Accordingly, the results of operations and financial position have been presented separately as discontinued operations and assets and liabilities held for sale in the consolidated financial statements. The carrying value of these properties has been reduced by $6,100 to the estimated fair value less costs to sell.

The following table summarizes the results of operations of the above discontinued operations:

	Three-month periods ended June 30, 2010	Three-month periods ended June 30, 2009	Six-month periods ended June 30, 2010	Six-month periods ended June 30, 2009
Revenue	$ 3,968	$ 29,856	$ 7,876	$ 61,610
Loss before undernoted items	$ (531)	$ (4,538)	$ (1,453)	$ (9,087)
Gain on sale of assets	4,394	–	4,394	–
Write-down of assets held for sale to fair value less costs to sell	(6,100)	–	(6,100)	–
Non-controlling interest	29	88	45	181
	$ (2,208)	$ (4,450)	$ (3,114)	$ (8,906)

Assets and liabilities held for sale are as follows:

	June 30, 2010	December 31, 2009
Properties	$ 88,969	$ 107,410
Cash and cash equivalents	496	1,266
Other assets	1,356	1,287
	90,821	109,963
Mortgages payable	61,976	74,803
Accounts payable and other liabilities	1,879	2,344
	63,855	77,147
	$ 26,966	$ 32,816

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

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	$ 16,874	$ 59,078	$ 75,952
2011	34,171	90,059	124,230
2012	34,871	127,173	162,044
2013	34,928	98,363	133,291
2014	30,857	139,059	169,916
2015	28,160	185,670	213,830
2016	23,860	167,881	191,741
2017	17,427	251,217	268,644
2018	18,315	32,625	50,940
2019	17,066	101,761	118,827
2020 - 2024	74,749	57,162	131,911
Thereafter	85,219	15,316	100,535
	$ 416,497	$ 1,325,364	1,741,861
Mark-to-market adjustment arising on acquisition			17,645
Financing costs			(19,093)
			$ 1,740,413

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

8. Secured debt (continued):

	June 30, 2010	December 31, 2009
Mortgages at fixed rates:		
Mortgages	$1,655,940	$1,502,691
Interest rates	2.03% - 10.00%	2.03% - 10.00%
Weighted average interest rate	5.54%	5.49%
Mortgages at variable rates:		
Mortgages	$85,921	$53,747
Interest rates	BA + 65 bps to prime + 2.25%	Lenders' COF + 2.00% to prime + 4.75%
Weighted average interest rate	3.89%	3.56%
Blended weighted average rate of maturing debt	5.46%	5.42%

During the three-month and six-month periods ended June 30, 2010, interest expense on mortgages payable amounted to $22,310 and $43,810 (three-month and six-month periods ended June 30, 2009 - $22,366 and $45,540), respectively.

(b) Secured revolving operating credit facility:

Chartwell has arranged for a $75,000 secured revolving operating credit facility (the "Credit Facility"). At June 30, 2010, the maximum available borrowing capacity under the Credit Facility was $69,168 (December 31, 2009 - $61,931) based on the security provided. During the three month period ended June 30, 2010, the Credit Facility was renewed and now matures on June 24, 2011. Under the terms and conditions, amounts outstanding under the Credit Facility bear interest at the bank's prime rate plus 1.75% or at the applicable bankers' acceptance rate plus 2.75%. 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 June 30, 2010, nil (December 31, 2009 - nil) was outstanding under the Credit Facility.

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

9. Accounts payable and other liabilities:

	June 30, 2010	December 31, 2009
Accounts payable and accrued liabilities	$ 74,687	$ 70,284
Below-market resident contracts, net of accumulated amortization of $902 (December 31, 2009 - $1,723)	1,010	1,467
Resident deposits	4,554	4,186
Deferred revenue	5,811	4,004
	$ 86,062	$ 79,941

10. Non-controlling interest:

The details of non-controlling interest are as follows:

	June 30, 2010	December 31, 2009
Balance, beginning of period	$ 7,813	$ 15,990
Non-controlling interest's share of loss for the period	(93)	(1,447)
Distributions on Class B Units of Master LP	(505)	(1,395)
Exchange of Class B Units of Master LP for Trust Units	(419)	(4,983)
Other comprehensive gain (loss)	27	(352)
Balance, end of period	$ 6,823	$ 7,813

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

11. Unitholders' equity:

(a) The following units are issued and outstanding and exclude the issuance of Trust Units issued under LTIP ("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
Trust Units issued on repayment of LTIP instalment receivable	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	250,234	1,771
Trust Units issued on exchange of Class B Units of Master LP	106,000	419
Trust Units issued on repayment of LTIP instalment receivable	165,000	1,644
Balance, June 30, 2010	126,283,367	$ 1,310,850

(b) The following table summarizes LTIP Units as at June 30, 2010:

	Number of LTIP Units	Amount
Balance, January 1, 2009	2,571,990	$ 34,099
Trust Units issued under LTIP	122,500	614
Compensation expense	–	493
LTIP Units surrendered for cancellation	(137,595)	(2,673)
LTIP Units retired on repayment of LTIP instalment receivable	(120,000)	(1,200)
Balance, January 1, 2010	2,436,895	31,333
Trust Units issued under LTIP	97,882	729
Compensation expense	–	146
LTIP Units surrendered for cancellation	(70,731)	(825)
LTIP Units retired on repayment of LTIP instalment receivable	(165,000)	(1,644)
Balance, June 30, 2010	2,299,046	$ 29,739

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

11. Unitholders' equity (continued):

(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.

The following table summarizes the Deferred Trust Unit activity for the six-month period ended June 30, 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 six-month period ended June 30, 2010	19,700	145	4,713	33	24,413	178
Balance, June 30, 2010	130,802	$ 737	14,203	$ 85	145,005	$ 822

(d) Restricted Unit plan:

During the six-month period ended June 30, 2010, 88,372 Restricted Units were granted. The outstanding liability relating to this grant at June 30, 2010 was $86.

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

12. Income (loss) per unit calculation:

	Three-month periods ended June 30, 2010	Three-month periods ended June 30, 2009	Six-month periods ended June 30, 2010	Six-month periods ended June 30, 2009
Numerator:				
Income (loss) for the period - continuing operations	$ 3,824	$ (36,664)	$ (3,279)	$ (46,153)
Loss for the period - discontinued operations	(2,208)	(4,450)	(3,114)	(8,906)
Balance, end of period	$ 1,616	$ (41,114)	$ (6,393)	$ (55,059)
Denominator:				
Denominator for basic earnings per unit - weighted average units	126,214,011	97,709,942	126,111,621	97,381,546
Denominator for diluted earnings per unit - weighted average units	130,420,117	97,709,942	126,111,621	97,381,546

	Three-month periods ended June 30, 2010	Three-month periods ended June 30, 2009	Six-month periods ended June 30, 2010	Six-month periods ended June 30, 2009
Income (loss) per unit:				
Basic and diluted - continuing operations	$ 0.03	$ (0.37)	$ (0.03)	$ (0.48)
Basic and diluted - discontinued operations	(0.02)	(0.05)	(0.02)	(0.09)

The calculation of per unit information on a diluted basis considers outstanding Trust Units issued under LTIP to the extent they are 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:

	Three-month periods ended June 30, 2010	Three-month periods ended June 30, 2009	Six-month periods ended June 30, 2010	Six-month periods ended June 30, 2009
Trust Units issued under LTIP	–	2,593,473	2,337,060	2,605,166
Class B Units of Master LP	–	2,110,714	1,888,074	2,247,992
Assumed conversion of convertible debentures	12,623,398	12,623,398	12,623,398	12,623,398

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

13. Transactions with Spectrum:

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

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2010	2009	2010	2009
Contractual mezzanine loan interest income (note 4)	$ 569	$ 1,103	$ 1,166	$ 2,399
Effective interest rate adjustments	–	(49)	(20)	(105)
Development fees	–	(213)	–	164
Operations management fees	359	466	661	1,021
Other fees	5	17	20	34
Interest on overdue accounts receivable	139	82	236	235

Other assets as at June 30, 2010 include $100, net of provision for impairment of $3,737 (December 31, 2009 - $218, net of provision for impairment of $3,506) due from Spectrum. Subsequent to June 30, 2010, this balance of $100 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.

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.

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

14. Segmented information (continued):

	Three-month period ended June 30, 2010				
	Canadian Retirement Operations	Canadian Long-term Care Operations	Canadian Management Operations	United States Operations	Total
Revenue	$ 83,248	$ 40,685	$ 1,413	$ 45,057	$ 170,403
Below-market lease amortization	184	–	–	–	184
Direct operating expense	(53,116)	(34,800)	(998)	(29,479)	(118,393)
Income before the undernoted	30,316	5,885	415	15,578	52,194
Interest expense	(9,593)	(2,558)	–	(10,040)	(22,191)
Property lease expense	(32)	(74)	–	(410)	(516)
Income before the following	20,691	3,253	415	5,128	29,487
Depreciation and amortization	(13,079)	(1,866)	(158)	(7,189)	(22,292)
	$ 7,612	$ 1,387	$ 257	$ (2,061)	7,195
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					2,258
General, administrative and trust expenses					(4,947)
Interest on convertible debentures					(4,145)
Unrealized and realized gain (loss) on derivative financial instruments and unrealized and realized foreign exchange gain (loss)					2,689
Non-controlling interest					(26)
Current income tax expense					(82)
Future income tax recovery					911
Loss from discontinued operations					(2,237)
Income (loss) for the period					$ 1,616
Expenditures for assets by segment:					
Acquisitions - properties, land held for development, limited life intangible assets, licences and other assets	$ 17,750	$ 67,691	$ –	$ 111,669	$ 197,110
Capital improvements	7,047	1,402	–	398	8,847

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

14. Segmented information (continued):

	Three-month period ended June 30, 2009				
	Canadian Retirement Operations	Canadian Long-term Care Operations	Canadian Management Operations	United States Operations	Total
Revenue	$ 76,476	$ 36,400	$ 1,557	$ 46,541	$ 160,974
Below-market lease amortization	114	–	–	109	223
Direct operating expense	(49,252)	(31,653)	(1,025)	(29,995)	(111,925)
Income before the undernoted	27,338	4,747	532	16,655	49,272
Interest expense	(8,422)	(2,297)	–	(11,414)	(22,133)
Property lease expense	(20)	(51)	–	(632)	(703)
Income before the following	18,896	2,399	532	4,609	26,436
Depreciation and amortization	(13,030)	(2,127)	(461)	(11,433)	(27,051)
	$ 5,866	$ 272	$ 71	$ (6,824)	(615)
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					3,437
General, administrative and trust expenses					(5,822)
Interest on convertible debentures					(4,059)
Unrealized and realized gain (loss) on derivative financial instruments and unrealized and realized foreign exchange gain (loss)					(4,309)
Provision for impairment on mezzanine loans and accounts receivable					(30,684)
Non-controlling interest					776
Current income tax expense					(81)
Future income tax recovery					4,693
Loss from discontinued operations					(4,450)
Loss for the period					$ (41,114)
Expenditures for assets by segment:					
Acquisitions - properties, land held for development, limited life intangible assets, licences and other assets	$ –	$ –	$ –	$ –	$ –
Capital improvements	5,602	786	–	4,489	10,877

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

14. Segmented information (continued):

	Six-month period ended June 30, 2010				
	Canadian Retirement Operations	Canadian Long-term Care Operations	Canadian Management Operations	United States Operations	Total
Revenue	$ 163,632	$ 76,842	$ 2,859	$ 87,191	$ 330,524
Below-market lease amortization	368	–	–	–	368
Direct operating expense	(104,589)	(66,625)	(2,006)	(56,492)	(229,712)
Income before the undernoted	59,411	10,217	853	30,699	101,180
Interest expense	(19,209)	(4,777)	–	(19,569)	(43,555)
Property lease expense	(64)	(124)	–	(907)	(1,095)
Income before the following	40,138	5,316	853	10,223	56,530
Depreciation and amortization	(25,821)	(3,621)	(561)	(15,740)	(45,743)
	$ 14,317	$ 1,695	$ 292	$ (5,517)	10,787
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					5,137
General, administrative and trust expenses					(9,501)
Interest on convertible debentures					(8,297)
Unrealized and realized gain (loss) on derivative financial instruments and unrealized and realized foreign exchange gain (loss)					794
Non-controlling interest					93
Current income tax expense					(162)
Future income tax expense					(2,085)
Loss from discontinued operations					(3,159)
Loss for the period					$ (6,393)
Expenditures for assets by segment:					
Acquisitions - properties, land held for development, limited life intangible assets, licences and other assets	$ 105,630	$ 67,691	$ –	$ 111,669	$ 284,990
Capital improvements	11,472	1,918	–	1,071	14,461

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

14. Segmented information (continued):

	Six-month period ended June 30, 2009				
	Canadian Retirement Operations	Canadian Long-term Care Operations	Canadian Management Operations	United States Operations	Total
Revenue	$ 152,104	$ 71,453	$ 3,645	$ 97,458	$ 324,660
Below-market lease amortization	182	–	–	348	530
Direct operating expense	(99,602)	(62,580)	(2,050)	(62,559)	(226,791)
Income before the undernoted	52,684	8,873	1,595	35,247	98,399
Interest expense	(17,369)	(4,637)	–	(23,354)	(45,360)
Property lease expense	(74)	(102)	–	(1,235)	(1,411)
Income before the following	35,241	4,134	1,595	10,658	51,628
Depreciation and amortization	(26,027)	(4,349)	(934)	(24,586)	(55,896)
	$ 9,214	$ (215)	$ 661	$ (13,928)	(4,268)
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					6,820
General, administrative and trust expenses					(11,642)
Interest on convertible debentures					(8,092)
Unrealized and realized gain (loss) on derivative financial instruments and unrealized and realized foreign exchange gain (loss)					(2,293)
Provision for impairment on mezzanine loans and accounts receivable					(30,684)
Non-controlling interest					978
Current income tax recovery					87
Future income tax recovery					2,941
Loss from discontinued operations					(8,906)
Loss for the period					$ (55,059)
Expenditures for assets by segment:					
Acquisitions - properties, land held for development, management contracts, resident contracts, customer relationships and other intangibles, licences and other assets	$ 51,874	$ –	$ –	$ –	$ 51,874
Capital improvements	10,363	1,730	–	7,662	19,755

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

14. Segmented information (continued):

June 30, 2010	Canadian Retirement Operations	Canadian Long-term Care Operations	Canadian Management Operations	United States Operations	Other	Total
Total assets	$ 1,457,101	$ 386,942	$ 1,182	$ 858,751	$ 47,471	$ 2,751,447
Total liabilities	972,889	256,875	–	681,270	211,184	2,122,218

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 and six-month periods ended June 30 are as follows:

	Three-month periods ended June 30, 2010	Three-month periods ended June 30, 2009	Six-month periods ended June 30, 2010	Six-month periods ended June 30, 2009
Change in non-cash operating items:				
Accounts receivable	$ (2,447)	$ (234)	$ (1,736)	$ (1,516)
Due from Spectrum	(135)	(3,416)	(113)	(5,736)
Due from ING	6	23	(48)	177
Accounts payable and other liabilities	(6,174)	(5,060)	(10,826)	(1,024)
Prepaid expenses	90	(2,734)	(534)	(2,840)
Other	6,019	1,108	5,857	(5,732)
	$ (2,641)	$ (10,313)	$ (7,400)	$ (16,671)

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

15. Supplemental cash flow information (continued):

The following amounts recognized during the three-month and six-month periods ended June 30 have been excluded from operating, financing and investing activities in the consolidated statements of cash flows:

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2010	2009	2010	2009
Discharge of mezzanine loans receivable on acquisitions	$ –	$ –	$ 12,791	$ 5,676
Distributions applied against instalment loans receivable related to LTIP	314	532	616	1,002
Interest on instalment loans receivable related to LTIP	45	265	91	517
Trust Units issued pursuant to DRIP	920	1,767	1,771	3,519

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 and six-month periods ended June 30, 2010, interest paid amounted to $28,624 and $52,632 (three-month and six-month periods ended June 30, 2009 - $28,958 and $52,858), respectively.

16. Income taxes:

For the three-month and six-month periods ended June 30, 2010, Chartwell recorded a current income tax expense (recovery) of $82 and $162 (2009 - $81 and ($87)), and a future income tax expense (recovery) of ($911) and $2,085 (2009 - ($4,693) and ($2,941)), respectively.

As at June 30, 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 $46,006 (U.S. $43,214) against which a valuation allowance of $46,006 (U.S. $43,214) has been recorded.

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 and policies. Management is responsible for implementing 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 since December 31, 2009.

19. Subsequent event:

On July 1, 2010, new legislation governing Long-term Care Communities in Ontario was proclaimed into force. Chartwell continues its analysis of the new legislation and related administrative policies and regulations to determine the potential effect on its accounting policies, including accounting for licences and long-term care properties subject to redevelopment.

20. Comparative figures:

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