

Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

**CHARTWELL SENIORS
HOUSING REAL ESTATE
INVESTMENT TRUST**

Three-month periods ended March 31, 2012 and 2011
(Unaudited)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)

(Unaudited)

	Note	March 31, 2012	December 31, 2011
Assets			
Current assets:			
Cash and cash equivalents		\$ 8,835	\$ 10,687
Subscription receipts funds held in escrow	9	200,202	–
Trade and other receivables		9,859	13,144
Mezzanine loans receivable	5	8,567	9,653
Capital funding receivable		3,797	3,743
Other assets	6	39,635	27,153
Total current assets		270,895	64,380
Non-current assets:			
Other assets	6	7,245	7,344
Capital funding receivable		54,407	55,377
Intangible assets	4	51,608	52,879
Property, plant and equipment ("PP&E")	3	2,504,944	2,526,541
Total non-current assets		2,618,204	2,642,141
Total assets		\$ 2,889,099	\$ 2,706,521
Liabilities and Unitholders' Equity			
Current liabilities:			
Secured revolving operating credit facility ("Credit Facility")	7(b)	\$ 29,000	\$ 53,000
Subscription receipts	9	221,129	–
Accounts payable and other liabilities	10	102,737	111,688
Employee benefits		797	809
Distributions payable		6,614	6,596
Mortgages payable	7(a)	197,469	205,373
Convertible debentures	8	–	76,425
Deferred consideration on business combinations		5,385	5,328
Total current liabilities		563,131	459,219
Non-current liabilities:			
Mortgages payable	7(a)	1,680,734	1,670,893
Convertible debentures	8	140,400	–
Class B Units of Chartwell Master Care LP ("Class B Units")	11	15,385	14,292
Deferred tax liabilities		18,948	26,325
Total non-current liabilities		1,855,467	1,711,510
Total liabilities		2,418,598	2,170,729
Unitholders' equity	12	470,501	535,792
Subsequent events	18		
Total liabilities and unitholders' equity		\$ 2,889,099	\$ 2,706,521

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Trustees:

"Charles Moses" _____ Trustee "Sidney Robinson" _____ Trustee

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(In thousands of Canadian dollars)

(Unaudited)

		Three-month periods ended March 31,	
	Note	2012	2011
Revenue:			
Resident		\$ 200,375	\$ 182,056
Management and other fees		699	849
Mezzanine loan interest		574	597
		<u>201,648</u>	<u>183,502</u>
Expenses:			
Direct operating		142,569	129,463
General, administrative and Trust		6,363	6,161
		<u>148,932</u>	<u>135,624</u>
Income before finance costs, property lease expense, other expense, depreciation of PP&E, amortization of intangible assets and changes in fair values of financial instruments and unrealized foreign exchange losses and income taxes			
		52,716	47,878
Finance costs	15	33,020	25,463
Property lease expense		627	651
Other expense (income)	14	2,177	(940)
Depreciation of PP&E	3	43,462	40,177
Amortization of intangible assets	4	1,109	596
Changes in fair values of financial instruments and unrealized foreign exchange losses	16	28,001	4,364
Loss before income taxes			
		(55,680)	(22,433)
Income tax expense (benefit):			
Current	17	59	76
Deferred		(7,376)	(4,045)
		<u>(7,317)</u>	<u>(3,969)</u>
Loss for the period			
		(48,363)	(18,464)
Other comprehensive loss:			
Unrealized foreign currency loss on translation of foreign operations		(1,411)	(1,957)
Total comprehensive loss			
		<u>\$ (49,774)</u>	<u>\$ (20,421)</u>

See accompanying notes to condensed consolidated interim financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Unitholders' Equity

(In thousands of Canadian dollars)

(Unaudited)

Three-month period ended March 31, 2012	Trust Units issued in dollars, net	Trust Units issued under LTIP	LTIP receivable	Accumulated losses	Foreign currency translation reserve	Distributions	Other equity components	Total
Unitholders' equity, January 1, 2012	\$ 1,456,238	\$ 25,476	\$ (19,865)	\$ (397,800)	\$ (3,972)	\$ (529,176)	\$ 4,891	\$ 535,792
Loss for the period	-	-	-	(48,363)	-	-	-	(48,363)
Other comprehensive loss	-	-	-	-	(1,411)	-	-	(1,411)
Distributions to unitholders	-	-	-	-	-	(19,547)	-	(19,547)
Issuance of Trust Units under the Distribution Reinvestment Program ("DRIP")	3,543	-	-	-	-	-	-	3,543
Trust Units issued under the Long-Term Incentive Plan ("LTIP"), net of units transferred to Treasury	313	(572)	417	-	-	-	82	240
Interest on LTIP receivable	-	-	(49)	-	-	-	-	(49)
Distributions applied against LTIP receivable	-	-	296	-	-	-	-	296
Unitholders' equity, March 31, 2012	\$ 1,460,094	\$ 24,904	\$ (19,201)	\$ (446,163)	\$ (5,383)	\$ (548,723)	\$ 4,973	\$ 470,501

During the three-month period ended March 31, 2012, distributions were declared and paid at \$0.045 per unit per month. In April 2012, distributions were declared at \$0.045 per unit totalling \$7,637.

Three-month period ended March 31, 2011	Trust Units issued in dollars, net	Trust Units issued under LTIP	LTIP receivable	Accumulated losses	Foreign currency translation reserve	Distributions	Other equity components	Total
Unitholders' equity, January 1, 2011	\$ 1,439,961	\$ 26,417	\$ (21,033)	\$ (334,469)	\$ (5,156)	\$ (451,638)	\$ 4,417	\$ 658,499
Loss for the period	-	-	-	(18,464)	-	-	-	(18,464)
Other comprehensive loss	-	-	-	-	(1,957)	-	-	(1,957)
Distributions to unitholders	-	-	-	-	-	(19,285)	-	(19,285)
Issuance of Trust Units under the DRIP	3,572	-	-	-	-	-	-	3,572
Trust Units issued on exchange of Class B Units	278	-	-	-	-	-	-	278
Trust Units issued under the LTIP, net of units transferred to Treasury	-	(188)	164	-	-	-	24	-
Interest on LTIP receivable	-	-	(41)	-	-	-	-	(41)
Distributions applied against LTIP receivable	-	-	302	-	-	-	-	302
Unitholders' equity, March 31, 2011	\$ 1,443,811	\$ 26,229	\$ (20,608)	\$ (352,933)	\$ (7,113)	\$ (470,923)	\$ 4,441	\$ 622,904

During the three-month period ended March 31, 2011, distributions were declared and paid at \$0.045 per unit.

See accompanying notes to condensed consolidated interim financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Three-month periods ended	
	March 31,	
	2012	2011
Cash provided by (used in):		
Operating activities:		
Loss for the period	\$ (48,363)	\$ (18,464)
Items not affecting cash:		
Depreciation and amortization	44,571	40,773
Interest expense	27,871	25,001
Interest capitalized to properties under development	(439)	(243)
Interest income on loans and other receivables	(1,056)	(940)
Mezzanine loan interest	(574)	(597)
Convertible debenture issuance costs	5,363	–
Non-cash compensation expense	540	490
Changes in fair values of financial instruments and unrealized foreign exchange losses	28,001	4,364
Amortization of finance costs and fair value adjustments on mortgages payable	225	705
Current income taxes	59	76
Deferred income taxes	(7,376)	(4,045)
Change in trade and other receivables	2,343	3,477
Change in other assets	(2,178)	(1,557)
Change in accounts payable and other liabilities	(9,721)	(5,126)
	39,266	43,914
Interest received	1,630	1,537
Interest paid	(27,133)	(24,019)
Income taxes paid	(59)	(76)
Net cash provided by operating activities	13,704	21,356
Financing activities:		
Subscription receipts issued	204,288	–
Subscription receipts issuance costs	(4,086)	–
Change in subscription receipts funds held in escrow	(200,202)	–
Proceeds from mortgage financing	15,537	17,962
Changes to Credit Facility	(24,000)	2,000
Mortgage principal repayments	(10,121)	(26,944)
Net additions to finance costs	(1,003)	(679)
Issuance of convertible debentures	135,000	–
Convertible debenture issuance costs	(5,363)	–
Redemption of convertible debentures	(75,000)	–
Distributions paid	(15,739)	(15,431)
Deposits and repayments received under LTIP	219	–
Net cash provided by (used in) financing activities	19,530	(23,092)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows (continued)

(In thousands of Canadian dollars)

(Unaudited)

	Three-month periods ended	
	March 31,	
	2012	2011
Investing activities:		
Acquisition of assets under business combinations	(1,778)	–
Deposit on acquisition	(10,000)	–
Acquisition of land for development	–	(1,875)
Additions to PP&E and intangible assets	(23,525)	(8,222)
Mezzanine loan collections	–	7,587
Change in restricted cash	(517)	709
Proceeds from capital funding receivable	916	890
Net cash used in investing activities	(34,904)	(911)
Decrease in cash and cash equivalents	(1,670)	(2,647)
Foreign exchange loss on U.S. dollar-denominated cash	(182)	(274)
Cash and cash equivalents, beginning of period	10,687	14,728
Cash and cash equivalents, end of period	\$ 8,835	\$ 11,807

See accompanying notes to condensed consolidated interim financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

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

Three-month periods ended March 31, 2012 and 2011
(Unaudited)

Chartwell Seniors Housing Real Estate Investment Trust ("Chartwell" or the "Trust") is an open ended, unincorporated investment trust whose registered head office is located in Mississauga, Ontario and is governed by the laws of the Province of Ontario, Canada 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. Chartwell's main business is ownership, operations and management of retirement and long term care communities in Canada and the United States.

1. Basis of preparation:

Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on May 8, 2012. These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2011. In addition, the Trust adopted the following accounting pronouncement:

Amendments to IFRS 7, Disclosures - Transfers of Financial Assets ("IFRS 7"):

In October 2010, the IASB issued IFRS 7. This amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with, an entity's continuing involvement in derecognized financial assets. This amendment is effective for the Trust's interim and annual consolidated financial statements commencing January 1, 2012. The Trust has assessed this amendment and determined there is no impact on its unaudited condensed consolidated interim financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

1. Basis of preparation (continued):

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses during the period. Actual results may differ from those estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2011.

2. Acquisitions:

(a) Acquisitions during the period ended March 31, 2012:

On January 20, 2012, Chartwell acquired 100% interest in Chartwell Select Georgian Traditions Retirement Residence in Collingwood, Ontario from Spectrum Seniors Holdings LP ("Spectrum") and their joint-venture partner. The purchase price before closing costs was \$15,500 and was settled through the assumption of debt of \$11,435, settlement of outstanding mezzanine loan of \$938, settlement of outstanding accounts receivable of \$926, with the remaining balance, net of working capital adjustments, settled in cash. This transaction is in line with Chartwell's strategy to increase its ownership in properties it already operates.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

2. Acquisitions (continued):

The following table summarizes the allocation of the purchase to each major category of assets acquired and liabilities assumed at the date of acquisition:

Date of acquisition	January 20, 2012
Segment	Canadian Retirement Operations
Location	Province of Ontario (70 suites)
PP&E	\$ 15,500
Other liabilities	(423)
Mortgages assumed	(11,435)
Net assets acquired	\$ 3,642
Discharge of mezzanine loan receivable	\$ 938
Settlement of accounts receivable	926
Cash consideration	1,778
Total consideration	\$ 3,642

The Trust incurred acquisition-related costs of \$271 which have been expensed in other expense (income) in profit or loss.

Chartwell Select Georgian Traditions Retirement Residence has contributed revenue of \$485 and net loss of \$71 from the date of acquisition.

(b) Acquisitions during the year ended December 31, 2011:

The following are the acquisitions that occurred during the year ended December 31, 2011:

Property	Ownership interest	Date acquired
Chartwell Classic Robert Speck	33.3%	April 1, 2011
Chatsworth Retirement Suites and Bungalows	50.0%	May 10, 2011
ING Portfolio ⁽¹⁾	50.0%	November 1, 2011

⁽¹⁾Upon completion of this acquisition, the Trust owns 100% of this Portfolio.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

2. Acquisitions (continued):

During the year ended December 31, 2011, Chartwell acquired varying interests in 17 seniors housing communities (3,164 suites). The following table summarizes the allocation of the purchase price to each major class of assets acquired and liabilities assumed at the date of acquisition:

PP&E	\$	199,474
Other assets		507
Mortgages assumed		(153,158)
<hr/>		
Net assets acquired	\$	46,823
<hr/>		
Discharge of mezzanine loans receivable	\$	2,113
Settlement of accounts receivable		1,087
Cash consideration		40,028
Gain recorded on remeasurement of previously held equity interest on acquisition		3,595
<hr/>		
Total consideration	\$	46,823

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

3. Property, plant and equipment:

	Land	Building	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost or deemed cost						
Balance, January 1, 2011	\$ 281,050	\$ 2,274,783	\$ 53,030	\$ 16,648	\$ 21,663	\$ 2,647,174
Additions	–	27,437	8,099	35,741	1,875	73,152
Additions through business combinations (note 2)	23,419	136,800	5,275	–	–	165,494
Disposals	(6,600)	(57,432)	(1,457)	–	(5,400)	(70,889)
Derecognition	–	(8,636)	(1,701)	–	–	(10,337)
Transfers	(5,040)	–	–	4,775	265	–
Exchange differences on translation of United States Operations	1,661	16,085	381	113	137	18,377
Balance, December 31, 2011	294,490	2,389,037	63,627	57,277	18,540	2,822,971
Additions	–	1,989	1,592	19,925	–	23,506
Additions through business combinations (note 2)	1,496	13,165	299	–	540	15,500
Derecognition	–	(639)	(244)	–	–	(883)
Transfers	3,318	45,849	1,893	(51,060)	–	–
Exchange differences on translation of United States Operations	(1,913)	(16,482)	(484)	(76)	(112)	(19,067)
Balance, March 31, 2012	\$ 297,391	\$ 2,432,919	\$ 66,683	\$ 26,066	\$ 18,968	\$ 2,842,027
Depreciation and impairment losses						
Balance, January 1, 2011	\$ –	\$ 148,291	\$ 13,707	\$ –	\$ –	\$ 161,998
Depreciation	–	155,480	15,364	–	–	170,844
Disposals due to step acquisitions (note 2)	–	(32,318)	(1,662)	–	–	(33,980)
Disposals	–	(8,756)	(407)	–	–	(9,163)
Derecognition	–	(8,636)	(1,701)	–	–	(10,337)
Impairment	–	11,200	–	1,880	–	13,080
Exchange differences on translation of United States Operations	–	3,710	278	–	–	3,988
Balance, December 31, 2011	–	268,971	25,579	1,880	–	296,430
Depreciation	–	39,489	3,973	–	–	43,462
Derecognition	–	(639)	(244)	–	–	(883)
Exchange differences on translation of United States Operations	–	(1,748)	(178)	–	–	(1,926)
Balance, March 31, 2012	\$ –	\$ 306,073	\$ 29,130	\$ 1,880	\$ –	\$ 337,083
Carrying amounts						
Balance, December 31, 2011	\$ 294,490	\$ 2,120,066	\$ 38,048	\$ 55,397	\$ 18,540	\$ 2,526,541
Balance, March 31, 2012	297,391	2,126,846	37,553	24,186	18,968	2,504,944

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

3. Property, plant and equipment (continued):

The Trust capitalized \$439 of borrowing costs related to development projects under construction at an average capitalization rate of 5.48%.

Included in PP&E are assets under finance leases with a carrying value as at March 31, 2012 of \$95,647 (December 31, 2011 - \$99,020). The properties are leased for a nominal amount and at the expiry date, Chartwell is obliged to purchase the right, title and interest in the properties for a nominal amount.

4. Intangible assets:

	Management contracts	Licenses	Other ⁽¹⁾	Total
Cost				
Balance, January 1, 2011	\$ 980	\$ 44,334	\$ 12,345	\$ 57,659
Additions	–	–	3,031	3,031
Disposals	–	–	(524)	(524)
Exchange differences on translation of United States Operations	–	–	302	302
Balance, December 31, 2011	980	44,334	15,154	60,468
Additions	–	–	19	19
Derecognition	–	–	(12)	(12)
Exchange differences on translation of United States Operations	–	–	(229)	(229)
Balance, March 31, 2012	\$ 980	\$ 44,334	\$ 14,932	\$ 60,246
Amortization and impairment losses				
Balance, January 1, 2011	\$ 223	\$ –	\$ 4,696	\$ 4,919
Amortization	63	–	2,492	2,555
Exchange differences on translation of United States Operations	–	–	115	115
Balance, December 31, 2011	286	–	7,303	7,589
Amortization	16	–	1,093	1,109
Derecognition	–	–	(12)	(12)
Exchange differences on translation of United States Operations	–	–	(48)	(48)
Balance, March 31, 2012	\$ 302	\$ –	\$ 8,336	\$ 8,638
Carrying amounts				
Balance, December 31, 2011	\$ 694	\$ 44,334	\$ 7,851	\$ 52,879
Balance, March 31, 2012	678	44,334	6,596	51,608

⁽¹⁾Other intangibles consist of the allocated cost of acquired operating leases of senior housing properties, below-market management contracts and software costs.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

5. Mezzanine loans receivable:

The following table summarizes mezzanine loans receivable from Le Groupe Melior ("Melior"), Spectrum and Partners and other joint-venture partners:

	Note	Contractual interest rate	Net balance (principal amount less lending expenses)	
			March 31, 2012	December 31, 2011
Spectrum and Partners, outside Québec	(a)	10% - 14%	\$ 10,667	\$ 11,605
Melior, Spectrum and Partners, in Québec	(b)	10%	8,551	8,551
Seasons	(c)	10%	2,607	2,607
			21,825	22,763
Provision, opening balance			13,110	21,535
Additions to provision/reallocated on collection of certain accounts receivable			148	851
Offset against principal amount of loans			–	(9,276)
Provision, closing balance			13,258	13,110
			\$ 8,567	\$ 9,653

(a) Spectrum and Partners, outside Québec:

The loans are secured by second charges or pledges over six (December 31, 2011 - seven) seniors housing development properties.

During the three-month period ended March 31, 2012, one mezzanine loan in the amount of \$938 was settled as part of the consideration on the acquisition of one property.

Chartwell continues to work with Spectrum to collect its accounts receivable and mezzanine loans and to manage certain of its operating properties.

(b) Melior, Spectrum and Partners, in Québec:

The loans are secured by second mortgages over two (December 31, 2011 - two) seniors housing development properties.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

5. Mezzanine loans receivable (continued):

(c) Seasons:

This loan is secured by a second charge over one (December 31, 2011 - one) operating long term care community.

Seasons notified Chartwell that the property securing the mezzanine loan has been conditionally sold to a third party and Seasons will repay this loan on the earlier of October 31, 2012 and closing of the sale transaction.

6. Other assets:

	March 31, 2012	December 31, 2011
Restricted cash	\$ 11,934	\$ 11,625
Prepaid expenses and deposits	11,463	9,292
Lease purchase option	4,278	4,362
Other assets	19,205	9,218
	<u>\$ 46,880</u>	<u>\$ 34,497</u>
Current	\$ 39,635	\$ 27,153
Non-current	7,245	7,344
	<u>\$ 46,880</u>	<u>\$ 34,497</u>

Restricted cash relates to capital expenditure reserves required in the United States for certain mortgages.

Included in other assets as at March 31, 2012 is a \$15,000 (December 31, 2011 - \$5,000) deposit on the purchase of a portfolio of 39 retirement communities located in Ontario, Quebec, British Columbia and Alberta ("Maestro portfolio") (note 18).

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

7. Secured debt:

(a) Mortgages payable:

Mortgages payable are secured by first and second charges on specific properties and are measured at amortized cost.

The mortgages payable as at March 31, 2012 are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total maturing debt principal	Weighted average interest rate %
Remainder of 2012	\$ 30,924	\$ 142,822	\$ 173,746	9.98	4.94
2013	41,734	159,898	201,632	11.17	5.04
2014	37,175	136,685	173,860	9.55	4.36
2015	35,016	206,637	241,653	14.43	5.08
2016	31,211	273,333	304,544	19.09	6.10
2017	22,858	237,628	260,486	16.60	5.70
2018	24,073	32,625	56,698	2.28	5.55
2019	23,055	95,723	118,778	6.69	6.18
2020	23,018	34,734	57,752	2.43	4.54
2021	21,451	39,091	60,542	2.73	4.70
2022	18,944	20,042	38,986	1.40	5.60
2023	16,789	13,648	30,437	0.95	6.01
2024	12,081	17,393	29,474	1.21	7.13
Thereafter	112,866	21,386	134,252	1.49	4.97
	<u>\$ 451,195</u>	<u>\$ 1,431,645</u>	1,882,840	<u>100.00</u>	
Mark-to-market adjustments on acquisition			12,789		
Financing costs			(17,426)		
			<u>\$ 1,878,203</u>		
Current			\$ 197,469		
Non-current			1,680,734		
			<u>\$ 1,878,203</u>		

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

7. Secured debt (continued):

	March 31, 2012	December 31, 2011
Mortgages at fixed rates:		
Mortgages	\$1,763,445	\$1,784,835
Interest rates	2.50% - 10.00%	2.50% - 10.00%
Weighted average interest rate	5.49%	5.54%
Mortgages at variable rates:		
Mortgages	\$119,395	\$95,698
Interest rates	Lender COF plus 2.00% to prime plus 2.50%	Lender COF plus 2.00% to prime plus 2.50%
Weighted average interest rate	4.46%	4.37%
Blended weighted average rate	5.42%	5.48%

During the three-month period ended March 31, 2012, interest expense on mortgages payable amounted to \$25,714 (2011 - \$23,875).

(b) Credit Facility:

Chartwell has arranged for an \$85,000 Credit Facility. At March 31, 2012, the maximum available borrowing capacity under the Credit Facility was \$85,000 (December 31 2011 - \$85,000) based on the security provided. Of this capacity, \$2,758 (December 31, 2011 - \$2,253) has been allocated to support various letters of credit issued by Chartwell. The Credit Facility matures on June 24, 2012. Under the terms and conditions, amounts outstanding under the Credit Facility bear interest at the bank's prime rate plus 1.65% or the applicable bankers' acceptance rate plus 2.65%. 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 charges on specific properties. As at March 31, 2012, \$29,000 (December 31, 2011 - \$53,000) was outstanding under the Credit Facility. At March 31, 2012, Chartwell was not in compliance with the minimum equity requirement covenant under its Credit Facility due to the treatment of the subscription receipts as a liability for IFRS purposes and fair value adjustments thereof (note 9). Chartwell received a waiver of this covenant from the Syndicate lenders. Upon conversion of the subscription receipts into Trust Units on May 1, 2012, Chartwell met its minimum equity requirement under the Credit Facility.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

8. Convertible debentures:

The Trust has elected to designate convertible debentures as fair value through profit or loss. Fair value is determined using the market prices for these listed convertible debentures. The market price of the 5.7% convertible debentures at March 31, 2012 was \$104.00 (The market price of the 5.9% convertible debentures at December 31, 2011 was \$101.90).

The Trust has the following series of convertible debentures outstanding:

	March 31, 2012	December 31, 2011
5.9% convertible debentures (a):		
Principal	\$ –	\$ 75,000
Fair value	–	76,425
5.7% convertible debentures (b):		
Principal	\$ 135,000	\$ –
Fair value	140,400	–

(a) 5.9% convertible debentures:

On March 16, 2012, the Trust redeemed the 5.9% convertible debentures totalling \$75,000 for face value plus accrued interest of \$1,649 for \$76,649 in cash.

(b) 5.7% convertible debentures:

On March 9, 2012, Chartwell issued \$135,000 of convertible, unsecured, subordinated debentures ("5.7% convertible debentures") pursuant to a prospectus dated March 2, 2012 for cash proceeds of \$129,637, net of issuance costs.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

8. Convertible debentures (continued):

The 5.7% convertible debentures bear interest at an annual rate of 5.7% payable semi-annually in arrears on March 31 and September 30 in each year commencing September 30, 2012. Each 5.7% convertible debenture is convertible into freely tradable Trust Units of Chartwell at the option of the holder at any time prior to the earlier of March 31, 2018 and the last business day immediately preceding the date specified by Chartwell for redemption of the 5.7% convertible debentures, at a conversion price of \$11.00 per Trust Unit. Holders converting their 5.7% convertible debentures will be entitled to receive, in addition to the applicable number of Trust Units, accrued and unpaid interest thereon for the period from the last interest payment date on their 5.7% convertible debentures up to and including the last record date set by Chartwell prior to the date of conversion for determining the unitholders entitled to receive a distribution on the Trust Units. In the event Chartwell has suspended regular distributions, then 5.7% convertible debentures holders, in addition to the applicable number of Trust Units to be received on conversion, will be entitled to receive accrued and unpaid interest for the period from the last payment date prior to the date of conversion.

The 5.7% convertible debentures are not redeemable by Chartwell before March 31, 2015, except in the event of satisfaction of certain conditions after a change in control has occurred. On or after March 31, 2015 but prior to March 31, 2017, the 5.7% convertible debentures may be redeemed by Chartwell in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest provided that the volume-weighted average trading price, as defined in the Trust Indenture is not less than 125% of the conversion price. On or after March 31, 2017, the 5.7% convertible debentures may be redeemed by Chartwell in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest.

Subject to regulatory approval and provided no event of default has occurred, Chartwell may, at its option, elect to satisfy its obligation to pay the principal amount of the 5.7% convertible debentures on redemption or maturity through, in whole or in part, the issuance of freely tradable Trust Units. The number of Trust Units to be issued in respect of each debenture will be determined by dividing the principal amount of the debenture by 95% of the volume-weighted average trading price, as defined in the Trust Indenture relating to the debenture. In addition, subject to regulatory approval and provided no event of default has occurred, Trust Units may be issued with the proceeds used by the 5.7% convertible debentures trustee to satisfy the obligations to pay interest on the 5.7% convertible debentures.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

9. Subscription receipts:

In March 2012, the Trust completed a bought deal offering of 24,913,125 subscription receipts at a price of \$8.20 per subscription receipt for gross cash proceeds of \$204,288. The subscription receipts have been recorded as a financial liability at fair value, net of transaction costs, on the condensed consolidated interim balance sheet at March 31, 2012, with a corresponding loss for the three months ended March 31, 2012 of \$20,927 due to its change in fair value. This loss has been recorded in the condensed consolidated interim statements of comprehensive income (loss) as changes in fair values of financial instruments and unrealized foreign exchange losses. The proceeds, net of transaction costs, are held by an escrow agent pending closing of the Maestro portfolio acquisition and are reported on the condensed consolidated interim balance sheets as subscription receipts funds held in escrow. The Trust incurred transaction-related costs of \$4,086, which represents 50% of total underwriters' fees.

Upon closing of the acquisition of the Maestro portfolio on May 1, 2012, each outstanding subscription receipt was exchanged for one Unit of the Trust. A distribution payment of \$0.045 per subscription receipt in respect of the distributions declared by the Trust for the month ending March 31, 2012 and the remaining 50% of the underwriters' fees of \$4,086 were paid from the funds held in escrow. Upon conversion to Trust Units, the subscription receipts were adjusted to fair value and approximately \$225,763, net of transaction costs, was transferred to unitholders' equity with a corresponding loss of approximately \$8,720 to be recorded in the condensed consolidated interim statements of comprehensive income (loss) for the three-month period ended June 30, 2012 as changes in fair values of financial instruments and unrealized foreign exchange losses.

10. Accounts payable and other liabilities:

	Note	March 31, 2012	December 31, 2011
Accounts payable and accrued liabilities		\$ 80,264	\$ 93,325
Resident deposits		3,724	4,014
Deferred revenue		10,058	6,897
Deferred Trust Units	(a)	3,593	3,013
Restricted Trust Units	(b)	833	676
Fair value of LTIP option component		4,265	3,731
Other liabilities		—	32
		\$ 102,737	\$ 111,688

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

10. Accounts payable and other liabilities (continued):

(a) Deferred Unit Plan:

The following table summarizes the Deferred Trust Unit activity since January 1, 2011:

	Units outstanding	Amount
Balance, January 1, 2011	208,834	\$ 1,363
Units granted	127,449	1,054
Reinvested distributions	18,267	141
Change in fair value	–	455
Balance, December 31, 2011	354,550	3,013
Units granted	32,683	288
Reinvested distributions	5,479	48
Change in fair value	–	244
Balance, March 31, 2012	392,712	\$ 3,593

(b) Restricted Unit Plan:

During the three-month period ended March 31, 2012, 85,838 Restricted Trust Units related to grants were issued, with no units subsequently being cancelled, and 2,578 units were issued related to reinvested distributions. As of March 31, 2012, the liability associated with Restricted Trust Units was \$833 (December 31, 2011 - \$676).

11. Class B Units:

Fair value of Class B Units is determined by using market prices for listed Trust Units since there is a one-for-one exchange feature for each Class B Unit into a Trust Unit. The market price of the Trust Units as at March 31, 2012 was \$9.15 (December 31, 2011 - \$8.50).

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

12. Trust Units and LTIP:

The following Trust Units are issued and outstanding:

	Number of voting Units	Amount
Balance, January 1, 2011	140,598,132	\$ 1,439,961
Trust Units issued under DRIP	1,966,054	15,075
Trust Units issued in exchange of Class B Units	33,127	272
Trust Units released on settlement of LTIP receivable	94,313	930
Balance, December 31, 2011	142,691,626	1,456,238
Trust Units issued under DRIP	416,028	3,543
Trust Units released on settlement of LTIP receivable	62,272	313
Balance, March 31, 2012	143,169,926	\$ 1,460,094

The following table summarizes Trust Units issued under the LTIP:

	Number of Trust Units issued under LTIP	Amount
Balance, January 1, 2011	2,244,858	\$ 26,417
Trust Units issued under LTIP	166,983	1,423
Trust Units surrendered for cancellation under LTIP	(124,683)	(1,434)
Trust Units released on settlement of LTIP receivable	(94,313)	(930)
Balance, December 31, 2011	2,192,845	25,476
Trust Units issued under LTIP	17,500	154
Trust Units surrendered for cancellation under LTIP	(36,435)	(413)
Trust Units released on settlement of LTIP receivable	(62,272)	(313)
Balance, March 31, 2012	2,111,638	\$ 24,904

DRIP:

Chartwell has established a DRIP for its unitholders, which allows participants to reinvest their monthly cash distributions in additional Trust Units at an effective discount of 3%.

13. Segmented information:

Chartwell monitors and operates its Canadian Retirement, Canadian Long Term Care and United States Operations separately.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

13. Segmented information (continued):

The accounting policies of each of the segments are the same as those 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.

Three-month period ended March 31, 2012						
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Consolidated
Revenue:						
Resident Management and other fees	\$ 90,384	\$ 50,487	\$ 59,504	\$ 200,375	\$ -	\$ 200,375
Mezzanine loan interest	-	-	-	-	699	699
	90,384	50,487	59,504	200,375	1,273	201,648
Expenses:						
Direct operating General, administrative and Trust	58,662	44,343	39,564	142,569	-	142,569
	-	-	-	-	6,363	6,363
	58,662	44,343	39,564	142,569	6,363	148,932
Income (loss) before the undernoted ⁽¹⁾	31,722	6,144	19,940	57,806	(5,090)	52,716
Finance costs (recovery):						
Contractual interest	10,894	3,421	11,230	25,545	2,099	27,644
Other	112	(384)	58	(214)	5,590	5,376
Property lease expense	32	67	528	627	-	627
Other expense (income):						
Interest	(6)	(857)	(2)	(865)	(191)	(1,056)
Other	3,036	-	197	3,233	-	3,233
Depreciation and amortization	23,221	2,352	18,807	44,380	191	44,571
Changes in fair values of financial instruments and unrealized foreign exchange losses	-	-	-	-	28,001	28,001
	37,289	4,599	30,818	72,706	35,690	108,396
Income (loss) before income taxes	(5,567)	1,545	(10,878)	(14,900)	(40,780)	(55,680)
Income tax benefit	-	-	-	-	(7,317)	(7,317)
Net income (loss)	\$ (5,567)	\$ 1,545	\$ (10,878)	\$ (14,900)	\$ (33,463)	\$ (48,363)
Expenditures for non-current assets:						
Acquisition - properties, land held for development, limited life intangible assets, licenses and other assets	\$ 15,500	\$ -	\$ -	\$ 15,500	\$ -	\$ 15,500
Capital additions	18,668	2,628	1,973	23,269	256	23,525

⁽¹⁾ Refers to income before finance costs, property lease expense, other expense (income), depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and unrealized foreign exchange losses and income taxes.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

13. Segmented information (continued):

	Three-month period ended March 31, 2011					
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Consolidated
Revenue:						
Resident Management and other fees	\$ 87,742	\$ 48,069	\$ 46,425	\$ 182,056	\$ -	\$ 182,056
Mezzanine loan interest	-	-	-	-	849	849
	-	-	-	-	597	597
	87,742	48,069	46,425	182,056	1,446	183,502
Expenses:						
Direct operating General, administrative and Trust	56,715	42,220	30,528	129,463	-	129,463
	-	-	-	-	6,161	6,161
	56,715	42,220	30,528	129,463	6,161	135,624
Income (loss) before the undernoted ⁽¹⁾	31,027	5,849	15,717	52,593	(4,715)	47,878
Finance costs (recovery):						
Contractual interest	10,775	3,547	8,931	23,253	1,521	24,774
Other	484	(492)	392	384	305	689
Property lease expense	32	107	512	651	-	651
Other income:						
Interest	(5)	(804)	-	(809)	(131)	(940)
Depreciation and amortization	23,428	2,108	14,766	40,302	471	40,773
Changes in fair values of financial instruments and unrealized foreign exchange losses	-	-	-	-	4,364	4,364
	34,714	4,466	24,601	63,781	6,530	70,311
Income (loss) before income taxes	(3,687)	1,383	(8,884)	(11,188)	(11,245)	(22,433)
Income tax benefit	-	-	-	-	(3,969)	(3,969)
Net income (loss)	\$ (3,687)	\$ 1,383	\$ (8,884)	\$ (11,188)	\$ (7,276)	\$ (18,464)
Expenditures for non-current assets:						
Acquisition - properties, land held for development, limited life intangible assets, licenses and other assets	\$ 1,875	\$ -	\$ -	\$ 1,875	\$ -	\$ 1,875
Capital additions	2,278	3,820	2,124	8,222	-	8,222

⁽¹⁾ Refers to income before finance costs, property lease expense, other income, depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and unrealized foreign exchange losses and income taxes.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

13. Segmented information (continued):

March 31, 2012	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Consolidated
Total assets	\$ 1,433,678	\$ 334,550	\$ 897,786	\$ 2,666,014	\$ 223,085	\$ 2,889,099
Total liabilities	\$ 976,575	\$ 239,088	\$ 767,672	\$ 1,983,335	\$ 435,263	\$ 2,418,598

December 31, 2011	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Consolidated
Total assets	\$ 1,417,988	\$ 333,934	\$ 928,801	\$ 2,680,723	\$ 25,798	\$ 2,706,521
Total liabilities	\$ 958,046	\$ 243,848	\$ 789,681	\$ 1,991,575	\$ 179,154	\$ 2,170,729

14. Other expense (income):

	Three-month periods ended March 31,	
	2012	2011
Interest income on loans and receivables	\$ (1,056)	\$ (940)
Transaction costs arising on business acquisitions	3,233	–
Other expense (income)	\$ 2,177	\$ (940)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

15. Finance costs:

	Three-month periods ended March 31,	
	2012	2011
Contractual mortgage interest expense	\$ 25,547	\$ 23,252
Interest expense on convertible debentures	1,374	1,106
Credit Facility and other interest expense	723	416
	<u>27,644</u>	<u>24,774</u>
Interest capitalized to properties under development	(439)	(243)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	225	705
Distributions on Class B Units recorded as interest expense	227	227
Convertible debenture issuance costs	5,363	–
	<u>\$ 33,020</u>	<u>\$ 25,463</u>

16. Changes in fair values of financial instruments and unrealized foreign exchange losses:

	Three-month periods ended March 31,	
	2012	2011
Changes in fair value of convertible debentures	\$ 3,975	\$ (938)
Changes in fair value of interest rate swap	(153)	149
Unrealized foreign exchange loss	1,428	1,337
Changes in fair value of LTIP option component	487	2,000
Changes in fair value of Class B Units (note 11)	1,093	1,816
Changes in fair value of Deferred Trust Units (note 10)	244	–
Changes in fair value of subscription receipts (note 9)	20,927	–
	<u>\$ 28,001</u>	<u>\$ 4,364</u>

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)

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

Three-month periods ended March 31, 2012 and 2011

(Unaudited)

17. Income taxes:

For the three-month period ended March 31, 2012, Chartwell recorded a current income tax expense of \$59 (2011 - \$76) and a deferred income tax benefit of \$7,376 (2011 - \$4,045).

The average effective tax rate for the three-month period ended March 31, 2012 was less than the average effective tax rate for the three-month period ended March 31, 2011 primarily due to the non-tax deductible loss arising due to the change in fair value of subscription receipts recorded in the condensed consolidated interim statement of comprehensive income (loss) for the three-month period ended March 31, 2012.

18. Subsequent events:

Subsequent to March 31, 2012, Chartwell purchased a 50% interest in the 97 suite Renaissance Retirement Residence located in Kamloops, British Columbia from Spectrum. The purchase price was \$7,675, before closing costs, and was settled through the assumption of debt of \$4,691, settlement of outstanding mezzanine loan of \$699, settlement of outstanding accounts receivable of \$826, with the balance, net of working capital adjustments, being paid in cash. This transaction is in line with Chartwell's strategy to increase its ownership in properties it already operates.

On May 1, 2012, Chartwell and Health Care REIT Inc. ("HCN") completed the previously announced acquisition of Maestro portfolio. Under the terms of the Agreement, Chartwell and HCN each acquired a 50% interest in 39 communities ("JV properties"). Chartwell will manage all 39 communities. The 100% purchase price for the JV properties was approximately \$849,815 and was settled by the assumption of mortgage debt of approximately \$449,806. Chartwell's share of the net purchase price was partially funded from the proceeds of subscription receipts (note 9). This acquisition is consistent with Chartwell's strategy to focus on its core business and expand its presence in existing Canadian markets.

Subsequent to March 31, 2012, the Trust disposed of vacant land in Magog, Québec for \$575. Chartwell expects to record a gain of approximately \$300 as a result of this transaction.