Consolidated Financial Statements
(In Canadian dollars)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Three-month and six-month periods
ended June 30, 2007 and 2006
(Unaudited)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets
(In thousands of Canadian dollars)

	June 30, 2007	December 31, 2006
	(Unaudited)	(Audited)
Assets		
Properties (note 3)	$ 2,108,701	$ 1,510,209
Mezzanine loans receivable (note 4)	105,797	101,290
Management contracts, resident contracts, customer relationships and other intangibles (note 5)	142,069	78,903
Cash and cash equivalents	163,294	125,939
Other assets (note 6)	115,454	112,266
Licenses	25,213	16,760
Goodwill	58,481	32,383
Assets held for sale (notes 23 and 24)	122,505	–
	$ 2,841,514	$ 1,977,750
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable (note 7)	$ 1,447,392	$ 987,046
Convertible debentures (note 8)	178,800	120,115
Loans payable (note 9)	2,991	2,303
Accounts payable and other liabilities (note 10)	204,359	98,995
Distributions payable	8,897	7,335
Future income tax liabilities (note 20)	21,293	–
Liabilities related to assets held for sale (notes 23 and 24)	80,107	–
	1,943,839	1,215,794
Non-controlling interest (note 11)	55,523	54,453
Unitholders' equity	842,152	707,503
Commitments and contingencies (notes 17 and 18)		
Guarantees (note 22)		
Subsequent events (notes 2(a), 10, 15(a) and (b), 23 and 24)		
	$ 2,841,514	$ 1,977,750

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

	Three-month periods ended June 30, 2007	Three-month periods ended June 30, 2006	Six-month periods ended June 30, 2007	Six-month periods ended June 30, 2006
Revenue:				
Resident	$ 147,515	$ 74,554	$ 276,383	$ 140,242
Mezzanine loan interest (notes 4 and 15(a) and (b))	4,051	2,479	7,408	4,787
Fees (note 15(a) and (b))	1,485	3,428	5,351	7,402
Bank interest and other	3,248	1,427	5,499	2,626
	156,299	81,888	294,641	155,057
Expenses:				
Direct operating	99,840	51,515	189,106	97,615
Facility lease (note 14)	11,785	–	24,172	–
General, administrative and trust	5,129	4,242	10,063	7,599
	116,754	55,757	223,341	105,214
	39,545	26,131	71,300	49,843
Interest expense	23,426	10,679	40,568	19,877
Unrealized foreign exchange loss and losses on derivative financial instruments	5,279	950	5,905	898
	28,705	11,629	46,473	20,775
	10,840	14,502	24,827	29,068
Depreciation of properties	14,184	7,576	26,024	14,537
Amortization of management contracts, resident contracts, customer relationships and other intangibles	13,685	10,562	25,692	19,527
Write-down in carrying value of assets (note 5)	172	–	172	440
	28,041	18,138	51,888	34,504
Loss before the undernoted	(17,201)	(3,636)	(27,061)	(5,436)
Gain on sale of assets	320	100	320	100
Loss before income taxes	(16,881)	(3,536)	(26,741)	(5,336)
Future income taxes (note 20)	16,389	–	16,389	–
Loss before non-controlling interest	(33,270)	(3,536)	(43,130)	(5,336)
Non-controlling interest (note 11)	2,117	292	2,847	449
Loss for the period	(31,153)	(3,244)	(40,283)	(4,887)
Other comprehensive income (loss):				
Unrealized foreign currency loss on the translation of self-sustaining foreign operations	(15,521)	(1,743)	(16,731)	(1,875)
Net change in losses/gains on derivatives designated as cash flow hedges	446	–	505	–
Non-controlling interest	1,070	–	1,156	–
	(14,005)	(1,743)	(15,070)	(1,875)
Comprehensive loss	$ (45,158)	$ (4,987)	$ (55,353)	$ (6,762)
Loss per unit:				
Basic and diluted (note 13)	$ (0.358)	$ (0.057)	$ (0.498)	$ (0.092)

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, 2007	Units issued, net	LTIP units under Subscription	LTIP instalment loan receivable	Losses	Accumulated other comprehensive income (loss)	Distributions	Convertible debentures	Total
	(note 12)				(note 1(b))			
Unitholders' equity, January 1, 2007	$ 874,165	$ 27,667	$ (23,343)	$ (33,319)	$ 587	$ (142,968)	$ 4,714	$ 707,503
Cumulative impact of adopting new accounting standards for financial instruments (note 1(b))	–	–	–	14	–	–	–	14
Loss for the period from January 1, 2007 to June 30, 2007	–	–	–	(40,283)	–	–	–	(40,283)
Other comprehensive loss	–	–	–	–	(15,070)	–	–	(15,070)
Distributions to unitholders	–	–	–	–	–	(44,743)	–	(44,743)
Issuance of Trust Units pursuant to public offering	231,064	–	–	–	–	–	–	231,064
Issuance of 5.9% Convertible Debentures	–	–	–	–	–	–	10,563	10,563
Issuance of Trust Units under the Distribution Reinvestment Program	1,863	–	–	–	–	–	–	1,863
Trust Units issued on exchange of Class B Units of Chartwell Master Care LP	1,636	–	–	–	–	–	–	1,636
Trust Units issued under the Long-Term Incentive Program, net of units transferred to Treasury	–	6,437	(6,160)	–	–	–	–	277
Deposits received under the Long-Term Incentive Program	–	–	206	–	–	–	–	206
Disposition of Long-Term Incentive Program Units under Subscription	232	(846)	766	–	–	–	–	152
Disposition of Treasury Units	333	–	–	–	–	–	–	333
Issue costs	(11,773)	–	–	–	–	–	(396)	(12,169)
Interest on instalment loan receivable	–	–	(549)	–	–	–	–	(549)
Distributions applied against instalment loan receivable	–	–	1,286	–	–	–	–	1,286
Conversion of convertible debentures	72	–	–	–	–	–	(3)	69
Unitholders' equity, June 30, 2007	$ 1,097,592	$ 33,258	$ (27,794)	$ (73,588)	$ (14,483)	$ (187,711)	$ 14,878	$ 842,152

Six-month period ended June 30, 2006	Units issued, net	LTIP units under Subscription	LTIP instalment loan receivable	Losses	Accumulated other comprehensive income (loss)	Distributions	Convertible debentures	Total
	(note 12)				(note 1(b))			
Unitholders' equity, January 1, 2006	$ 539,780	$ 19,138	$ (16,391)	$ (18,621)	$ (1,031)	$ (77,590)	$ –	$ 445,285
Loss for the period from January 1, 2006 to June 30, 2006	–	–	–	(4,887)	–	–	–	(4,887)
Other comprehensive loss	–	–	–	–	(1,875)	–	–	(1,875)
Distributions to unitholders	–	–	–	–	–	(29,185)	–	(29,185)
Issuance of Trust Units pursuant to public offering	185,009	–	–	–	–	–	–	185,009
Issuance of Trust Units under the Distribution Reinvestment Program	1,009	–	–	–	–	–	–	1,009
Trust Units issued on exchange of Class B Units of Chartwell Master Care LP	2,108	–	–	–	–	–	–	2,108
Trust Units issued under the Long-Term Incentive Program	–	64	–	–	–	–	–	64
Repayment of loan receivable under the Long-Term Incentive Program	–	–	40	–	–	–	–	40
Deposits received under the Long-Term Incentive Program	83	(84)	76	–	–	–	–	75
Issue costs	(8,900)	–	–	–	–	–	–	(8,900)
Interest on instalment loan receivable	–	–	(325)	–	–	–	–	(325)
Distributions applied against instalment loan receivable	–	–	783	–	–	–	–	783
Unitholders' equity, June 30, 2006	$ 719,089	$ 19,118	$ (15,817)	$ (23,508)	$ (2,906)	$ (106,775)	$ –	$ 589,201

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, 2007	Three-month periods ended June 30, 2006	Six-month periods ended June 30, 2007	Six-month periods ended June 30, 2006
Cash provided by (used in):				
Operating activities:				
Loss for the period	$ (31,153)	$ (3,244)	$ (40,283)	$ (4,887)
Items not affecting cash:				
Depreciation and amortization	27,869	18,138	51,716	34,064
Write-down in carrying value of assets	172	–	172	440
Gain on sale of assets	(320)	(100)	(320)	(100)
Amortization of below-market resident contracts	(411)	(510)	(824)	(915)
Option benefit granted under the Long-Term Incentive Program	96	32	349	64
Loss (income) from long-term investments	(156)	275	(224)	218
Unrealized losses on derivative financial instruments and foreign exchange loss on U.S. dollar-denominated balances	5,279	338	5,905	141
Non-controlling interest	(2,117)	(292)	(2,847)	(449)
Amortization of financing expenses	1,187	651	2,264	1,197
Amortization of debt discounts	13	76	(27)	149
Future income taxes	16,389	–	16,389	–
Change in non-cash operating items	55,172	567	27,582	(4,529)
	72,020	15,931	59,852	25,393
Financing activities:				
Proceeds from mortgage financing	301,890	161,729	464,942	180,809
Proceeds from (repayment of) bank loan payable	21	(8,686)	31	314
Mortgage principal repayments	(151,786)	(15,380)	(207,245)	(27,714)
Repayment of loans payable	–	(25,850)	–	(29,450)
Deferred financing costs	(5,526)	(1,990)	(7,451)	(2,688)
Proceeds from ING	41,919	–	41,919	–
5.9% convertible debentures issued, net of issue costs	72,188	–	72,188	–
Trust units issued pursuant to:				
Public offering	231,064	185,009	231,064	185,009
Issue costs	(11,773)	(8,900)	(11,773)	(8,900)
Disposition of Treasury Units	94	–	333	–
Distributions paid	(22,478)	(16,586)	(42,489)	(29,608)
Distributions paid to non-controlling interest unitholders	(1,646)	(1,434)	(3,392)	(2,808)
Deposits received under Long-Term Incentive Program and repayment of instalment loan receivable	738	76	972	116
	454,705	267,988	539,099	265,080

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, 2007	2006	Six-month periods ended June 30, 2007	2006
Investing activities:				
Acquisition of assets, net of debt assumed and units issued (note 2)	(362,068)	(223,000)	(557,661)	(228,141)
Payment of deferred consideration on acquisitions of properties	–	–	(2,455)	(871)
Additions to properties	(9,154)	(7,946)	(15,243)	(10,302)
Proceeds on sale of properties	4,289	627	4,289	627
Mezzanine loans advances	(5,714)	(11,274)	(9,658)	(19,943)
Distributions on long-term investments	320	–	1,020	–
Restricted cash and deposits in escrow	(7,281)	(1,752)	17,988	(2,006)
Capital funding receivable	199	70	346	138
	(379,409)	(243,275)	(561,374)	(260,498)
Foreign exchange gain (loss) on U.S. dollar-denominated cash	(419)	3,821	(222)	3,683
Increase in cash and cash equivalents	146,897	44,465	37,355	33,658
Cash and cash equivalents, beginning of period	16,397	4,038	125,939	14,845
Cash and cash equivalents, end of period	$ 163,294	$ 48,503	$ 163,294	$ 48,503

Supplemental cash flow information (note 19)

See accompanying notes to consolidated financial statements.

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1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") and are consistent with those policies and methods of application as disclosed in the annual audited consolidated financial statements prepared as at and for the year ended December 31, 2006, except as disclosed below.

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

(b) Impact of new accounting standards:

On January 1, 2007, Chartwell Seniors Housing Real Estate Investment Trust ("Chartwell REIT" or the "REIT") adopted the new accounting standards of The Canadian Institute of Chartered Accountants' Handbook Section 3855, Financial Instruments - Recognition and Measurement, Section 1530, Comprehensive Income, Section 3865, Hedges, Section 3251, Equity, and Section 3861, Financial Instruments - Disclosure and Presentation (collectively, the "New Standards").

Section 3855 prescribes when a financial asset, financial liability, non-financial derivative or embedded derivative is to be recognized on the consolidated balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. In accordance with Section 3855, Chartwell REIT has classified its financial instruments into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the consolidated balance sheets at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost using the effective interest rate method.

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

1. Significant accounting policies (continued):

Section 1530 establishes standards for reporting and presenting comprehensive income (loss), which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with GAAP.

Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenue and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Section 3251 establishes standards for the presentation of equity and changes in equity.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them.

Except as noted below with respect to other comprehensive income (loss), Chartwell REIT has adopted the New Standards retroactively without restatement and, accordingly, comparative amounts for prior periods have not been restated.

As a result of adopting the above New Standards, Chartwell REIT recorded the following transition adjustments effective January 1, 2007:

Consolidated balance sheet	January 1, 2007
Increase (decrease):	
Mezzanine loans receivable	$ (5,295)
Other assets	(17,825)
Mortgages payable	(12,434)
Convertible debentures	(4,415)
Deferred revenue	(6,286)
Non-controlling interest	1
Losses	(14)

1. Significant accounting policies (continued):

There are no significant non-financial derivatives or embedded derivatives that require separate fair value recognition on the consolidated balance sheet on the transition date.

(i) Deferred expenses:

Effective January 1, 2007, unamortized deferred financing fees and related costs previously included in other assets are recorded as a reduction of the applicable mortgage, convertible debenture or loan payable balances and are amortized to interest expense in the consolidated statements of operations using the effective interest rate method. Under the effective interest rate method, the amount recognized as interest expense varies over the life of the loan based on the principal outstanding. Previously, deferred financing fees and related costs were classified as other assets and were amortized on a straight-line basis over the terms of the related financing and the amortization was included in interest expense in the consolidated statements of operations.

Similarly effective January 1, 2007, deferred expenses related to mezzanine lending activities are recorded as an increase to the applicable mezzanine loan balances and are amortized to interest income in the consolidated statements of operations using the effective interest rate method. Previously, deferred expenses were amortized on a straight-line basis over the terms of the related mezzanine loans and the amortization was included in general, administrative and trust expenses in the consolidated statements of operations.

1. Significant accounting policies (continued):

(ii) Deferred revenue:

Under the terms of various agreements with Le Groupe Melior ("Melior") and others, Chartwell REIT earns interest from mezzanine loans as well as mezzanine placement fees, structuring fees, development fees and service fees. Such agreements are evaluated on a case-by-case basis and, where related services are separable into individual units of accounting, revenue is recorded in accordance with the policies as disclosed in the year-end consolidated financial statements. Where such deliverables are not separable into individual units of accounting, they are considered to be integral to Chartwell REIT's lending activities and effective January 1, 2007 the fees are recorded as a reduction of mezzanine loans receivable. The discount is accrued to income as interest income using the effective interest rate method. Previously, these fees had been recorded as deferred revenue and recognized as fee revenue over the estimated term of the related mezzanine loan using the effective interest method.

(iii) Other comprehensive income (loss):

The New Standards require presentation of a new consolidated statement of comprehensive income (loss). Cumulative changes in other comprehensive income (loss) are included in accumulated other comprehensive income (loss) which is a component of unitholders' equity.

Pursuant to the transitional provisions of Section 1530, Comprehensive Income, the comparative consolidated statement of unitholders' equity for the six-month period ended June 30, 2006 has been adjusted to present unrealized foreign currency translation gains and losses arising from self-sustaining foreign operations as a component of other comprehensive income (loss).

1. Significant accounting policies (continued):

(c) Other intangibles:

Other intangibles consist of the allocated cost of acquired operating leases of seniors housing facilities. The allocated cost of the operating leases is amortized over the initial lease term of the underlying operating leases.

The carrying amounts of other intangibles are reviewed for impairment when indicators of impairment are identified. If the carrying amount of the assets exceeds the undiscounted expected cash flows, an impairment charge would be recognized to the extent the carrying amount of the asset exceeds its fair value.

(d) Income taxes:

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

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

1. Significant accounting policies (continued):

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

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

A SIFT that was publicly listed before November 1, 2006 (an "Existing Trust") is subject to the tax on distributions commencing with the 2011 taxation year end. However, an Existing Trust may become subject to this tax prior to the 2011 taxation year end if its equity capital increases beyond certain safe harbour limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006 (the "Safe Harbour Limits"). On April 20, 2007, Chartwell REIT issued equity capital in excess of these Safe Harbour Limits. Therefore, commencing in 2007, Chartwell REIT is likely to be subject to tax on certain income.

Chartwell REIT uses the asset and liability method of accounting for income taxes. Future income taxes are recognized for the temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that are expected to apply to taxable income in the periods in which those temporary differences are expected to be reversed or settled. The effect on future income tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the date of enactment or substantive enactment.

The impact of the new SIFT rules resulted in the REIT recording a future tax liability of $26,197 (note 20).

1. Significant accounting policies (continued):

(e) Future accounting changes:

There are three new accounting standards that are effective for Chartwell REIT's 2008 fiscal year: Section 1535, Capital Disclosures; Section 3862, Financial Instruments - Disclosures; and Section 3863, Financial Instruments - Presentation.

Section 1535 includes required disclosures of an entity's objective, policies and processes for managing capital, and quantitative data about what the entity regards as capital.

Sections 3862 and 3863 replace the existing Section 3861, Financial Instruments - Disclosure and Presentation. These new sections revise and enhance disclosure requirements, and carry forward unchanged existing presentation requirements. These new sections require disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The REIT is still in the process of evaluating the impact of these future accounting changes.

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

2. Acquisitions:

The following table summarizes the acquired net assets, at fair value for the three-month and six-month periods ended June 30:

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2007	2006	2007	2006
Assets				
Properties	$ 427,411	$ 207,356	$ 669,735	$ 223,805
Management contracts, resident contracts, customer relationships and other intangibles	51,614	25,944	95,566	29,105
Capital funding receivable	26,602	–	35,032	–
Other assets	10,676	–	11,595	–
Licenses	6,483	–	8,453	–
Goodwill	19,841	–	26,326	–
Assets held for sale (notes 23 and 24)	122,505	–	122,505	–
	665,132	233,300	969,212	252,910
Liabilities				
Mortgages and loans payable	208,681	4,830	261,233	16,541
Below-market resident contracts	291	2,326	291	2,326
Other liabilities	4,962	–	8,515	–
Future income tax liability	4,904	–	4,904	–
Liabilities related to assets held for sale (notes 23 and 24)	80,107	–	80,107	–
	298,945	7,156	355,050	18,867
Net assets acquired	$ 366,187	$ 226,144	$ 614,162	$ 234,043

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

2. Acquisitions (continued):

	Three-month periods ended June 30, 2007	Three-month periods ended June 30, 2006	Six-month periods ended June 30, 2007	Six-month periods ended June 30, 2006
Settled by:				
Issuance of Class B Units of Chartwell Master Care LP ("Master LP") (note 11)	$ –	$ 2,624	$ 10,145	$ 2,624
Issuance of Class B Common Units of CSH Massapequa Inc. (note 9)	–	–	663	–
Discharge of mezzanine loans receivable (note 4)	–	–	1,688	2,758
Deferred consideration on business combinations	4,119	520	44,005	520
Cash	362,068	223,000	557,661	228,141
	$ 366,187	$ 226,144	$ 614,162	$ 234,043

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

During the six-month period ended June 30, 2007, Chartwell REIT completed the following acquisitions:

(a) RegencyCare Portfolio:

On June 30, 2007, Chartwell REIT indirectly acquired from independent sellers a 100% interest in seven long-term care facilities and a 50% interest in one long-term care facility (the "RegencyCare LTC Facilities") for $245,011 less estimated assumed mortgages payable of $148,466, future income taxes of $9,808 and other liabilities of $1,984.

2. Acquisitions (continued):

Under the participation agreement between Chartwell REIT and the affiliates of ING Real Estate Investment Management Australia PTY Limited (collectively "ING") dated June 30, 2007, ING is committed to participate as a 50% partner in this acquisition and has funded its estimated share of the purchase price of $41,919 (note 10). However, certain structuring and legal steps had not been completed at June 30, 2007 and Chartwell REIT was the owner of 100% of the portfolio at June 30, 2007.

On August 1, 2007, these structuring and legal steps were completed and ING became a 50% partner in the RegencyCare LTC Facilities (notes 23 and 24).

In addition, Chartwell REIT acquired all of the outstanding shares of three management and consulting companies for a total consideration of $13,099. As a result of this acquisition and related agreements, Chartwell REIT is the manager of the RegencyCare LTC Facilities and two third-party long-term care facilities. Chartwell REIT will also manage up to four other third-party contracts on a month-by-month basis.

(b) Merrill Gardens Portfolio:

On April 30, 2007, CSH Master Care USA Inc. ("Master Care USA"), an indirect wholly owned subsidiary of the REIT, indirectly acquired 22 seniors housing facilities in the United States (the "Merrill Gardens Portfolio") for $371,078 (U.S. $333,853) less the assumption and repayment of existing mortgage debt in the amount of $134,449 (U.S. $120,961) and other liabilities of $3,303 (U.S. $2,972). The acquisition, and the refinancing of existing mortgage debt, was financed with new mortgage debt in the amount of $238,992 (U.S. $215,017), net of financing costs, and cash of $128,783 (U.S. $115,864).

On May 31, 2007, Master Care USA indirectly acquired the leasehold interest in two seniors housing facilities in Florida for $13,902 (U.S. $13,016) less the assumption of certain liabilities of $560 (U.S. $542). The acquisition was financed with deferred consideration of $2,704 (U.S. $2,528) and cash of $10,638 (U.S. $9,946).

2. Acquisitions (continued):

(c) WHSLH Realty, L.L.C. ("WHSLH"):

On January 1, 2007, CSH Master Care LLC, an indirect, wholly owned subsidiary of the REIT ("CSH Master Care") acquired a 49% interest in WHSLH, which through its subsidiaries owns leased interests in 25 seniors housing communities in the United States. In addition, WHSLH owns 100% of Horizon Bay Management LLC ("HBM"), which currently manages these seniors housing facilities and has a 50% interest in Horizon Bay Chartwell LLC ("HBC"), which was formed by HBM and Chartwell REIT as a 50/50 joint venture arrangement to manage certain of the REIT's properties in the United States. The value of the 49% interest in WHSLH's assets net of cash acquired was $29,988 (U.S. $25,744), which was satisfied by the assumption of accounts payable and other liabilities of $3,553 (U.S. $3,047), deferred purchase consideration of $4,077 (U.S. $3,500) and cash of $22,358 (U.S. $19,194). Under certain circumstances the deferred purchase consideration may first be applied to fund any cash shortfalls under the lease arrangements in the first two years following the closing.

(d) Bristal Portfolio:

On February 21, 2007, CSH-INGRE LLC, a joint venture between Chartwell REIT and ING, acquired five seniors housing facilities in the United States ("Bristal Portfolio") for an aggregate purchase price of approximately $340,056 (U.S. $291,618). Chartwell REIT's share of the purchase price amounted to $170,028 (U.S. $145,809) and was settled by the issuance of $663 (U.S. $569) of Class B Common Units of a subsidiary of CSH-INGRE LLC, deferred purchase consideration of $35,809 (U.S. $30,708) and cash of $133,556 (U.S. $114,532). To finance this acquisition, CSH-INGRE LLC arranged new mortgage financing in the amount of $202,202 (U.S. $173,400). Chartwell REIT financed 100% of the cash requirements totalling U.S. $57,867 by CSH-INGRE LLC to close this acquisition through two loans to the joint venture. In April 2007, these loans were settled through Chartwell REIT's conversion of U.S. $28,934 of such loans to equity of CSH-INGRE LLC and the repayment of the remaining U.S. $28,933 of such loans from the proceeds of an equity contribution by Chartwell REIT's joint venture partner.

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

2. Acquisitions (continued):

(e) Other:

During the six-month period ended June 30, 2007, Chartwell REIT acquired five seniors housing facilities and one long-term care facility in Canada for a total purchase price of $77,476 and $30,676, respectively, from three different vendors and one seniors housing facility from Spectrum Seniors Housing Development LP ("Spectrum") for consideration of $17,954. Chartwell REIT assumed mortgages and loans payable totalling $52,552 and assumed other liabilities of $375 on these acquisitions. The net assets acquired in these acquisitions were financed with the issuance of $10,145 of Class B Units of Master LP, the discharge of $1,688 in mezzanine loans receivable, deferred consideration of $1,415 and the balance settled in cash.

Included in the acquisitions for the six-month period ended June 30, 2006 is one facility acquired from Spectrum for a total purchase price of $6,955.

Chartwell REIT is in the process of completing the valuation of the net assets acquired and, based on this valuation, the purchase price allocation for accounting purposes may be adjusted in future periods.

3. Properties:

			June 30, 2007			December 31, 2006
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 215,888	$ –	$ 215,888	$ 162,465	$ –	$ 162,465
Buildings	1,896,234	71,543	1,824,691	1,344,944	52,575	1,292,369
Furniture, fixtures and equipment	71,834	21,673	50,161	53,143	15,917	37,226
	2,183,956	93,216	2,090,740	1,560,552	68,492	1,492,060
Land held for development	17,961	–	17,961	18,149	–	18,149
	$ 2,201,917	$ 93,216	$ 2,108,701	$ 1,578,701	$ 68,492	$ 1,510,209

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

3. Properties (continued):

At June 30, 2007, building costs included $6,155 (December 31, 2006 - $3,222) related to the development of additional units at existing facilities.

During the three-month period ended June 30, 2007, Chartwell REIT sold two properties with a carrying value of $3,969. A gain of $320 was recognized on these sales.

During the six-month period ended June 30, 2006, Chartwell REIT disposed of land held for development with a carrying value of $527. This land was sold at an appraised value to an entity partially owned by Spectrum and Melior. A gain of $100 was recognized on this sale.

4. Mezzanine loans receivable:

	June 30, 2007			
	Face value	Upfront fees, net of lending expenses (note 1(b))	Net balance	December 31, 2006 face value
Spectrum	$ 48,138	$ 197	$ 48,335	$ 45,277
Melior	45,911	(2,555)	43,356	42,182
Others	15,211	(1,105)	14,106	13,831
	$ 109,260	$ (3,463)	$ 105,797	$ 101,290

4. Mezzanine loans receivable (continued):

(a) Spectrum:

In addition to providing development services, operations management services and financing services in relation to arranging construction loans, in accordance with the terms of a Development Agreement dated November 14, 2003 as amended ("Development Agreement"), Chartwell REIT provides mezzanine loans to Spectrum. At June 30, 2007, mezzanine loans due from Spectrum amounted to $48,138 (December 31, 2006 - $45,277). In accordance with the Development Agreement, the loans bear interest at a rate equal to the greater of the yield on five-year Canada bonds plus 5% and the annualized Chartwell REIT's cash distribution yield for the most recent quarter, subject to a minimum rate of 10% per annum and a maximum rate of 14% per annum and is payable monthly. The loans outstanding as at June 30, 2007 bear interest at rates of 10% to 14% per annum and are secured by second charges or pledges of Spectrum's interest over 35 (December 31, 2006 - 35) seniors housing development properties.

(b) Melior and other joint venture partners:

In addition to providing development services, structuring services, operations management services and financing services in relation to arranging construction loans, Chartwell REIT has advanced 26 (December 31, 2006 - 25) mezzanine loans totalling $61,122 (December 31, 2006 - $56,013) to seven of Spectrum's joint venture partners (the "Borrowers"). Included in the above are mezzanine loans totalling $45,911 at June 30, 2007 (December 31, 2006 - $42,182), advanced to the entities controlled by Melior. These loans bear interest at rates ranging from 10% to 14% per annum payable monthly and are secured by second charges or pledges of the Borrowers' interests over 24 (December 31, 2006 - 23) seniors housing development projects.

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

5. Management contracts, resident contracts, customer relationships and other intangibles:

			June 30, 2007			December 31, 2006
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Management contracts	$ 5,636	$ 2,979	$ 2,657	$ 6,277	$ 2,714	$ 3,563
Resident contracts	179,807	84,054	95,753	150,668	76,642	74,026
Customer relationships	3,265	2,364	901	3,497	2,183	1,314
Other intangibles	43,693	935	42,758	–	–	–
	$ 232,401	$ 90,332	$ 142,069	$ 160,442	$ 81,539	$ 78,903

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

During the six-month period ended June 30, 2007, the termination of one management contract (June 30, 2006 - three) resulted in a write-down of $105 and $67 in the carrying value of management contracts and customer relationships (June 30, 2006 - $270 and $170), respectively.

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

6. Other assets:

	June 30, 2007	December 31, 2006
Accounts receivable	$ 18,535	$ 15,183
Deferred financing costs, net of accumulated amortization of nil (December 31, 2006 - $7,086) (note 1(b))	–	16,834
Capital funding receivable	47,686	13,000
Deposits on acquisitions	989	11,683
Long-term investments	1,722	2,518
Due from Spectrum (note 15(a))	3,393	2,515
Due from ING	–	1,458
Prepaid expenses and deposits	14,975	8,974
Deposits in escrow	15,573	34,308
Other	12,581	5,793
	$ 115,454	$ 112,266

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

7. Mortgages payable:

Mortgages payable are secured by first and second charges on specific facilities and are repayable as follows for the periods ending December 31:

	Regular principal payments	Principal due on maturity	Total
2007	$ 13,247	$ 29,015	$ 42,262
2008	26,529	63,366	89,895
2009	24,064	108,776	132,840
2010	23,184	55,777	78,961
2011	23,457	26,808	50,265
2012	24,643	69,044	93,687
2013	24,482	57,374	81,856
2014	22,271	34,199	56,470
2015	22,083	84,062	106,145
2016	19,278	168,090	187,368
2017 - 2021	63,293	356,880	420,173
Thereafter	70,378	55,173	125,551
	$ 356,909	$ 1,108,564	1,465,473
Financing costs (note 1(b))			(18,081)
			$ 1,447,392

The following table excludes the impact of financing costs:

	June 30, 2007	December 31, 2006
Mortgages at fixed rates	$1,445,111	$908,483
Interest rates	3.50% - 10.00%	3.50% - 10.00%
Weighted average interest rate	5.51%	5.38%
Mortgages at variable rates	$20,362	$78,563
Interest rates	Prime plus 0.50% - 3.00%	Bankers' acceptance plus 0.65% - prime plus 3.00%
Weighted average interest rate	6.81%	5.58%

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

7. Mortgages payable (continued):

During the three-month and six-month periods ended June 30, 2007, interest expense on mortgages payable amounted to $19,914 and $34,711 (three-month and six-month periods ended June 30, 2006 - $9,907 and $18,995), respectively.

8. Convertible debentures:

			June 30, 2007			December 31, 2006
	6.0% Convertible Debentures	5.9% Convertible Debentures	Total	6.0% Convertible Debentures	5.9% Convertible Debentures	Total
Principal	$ 124,925	$ 75,000	$ 199,925	$ 125,000	$ –	$ 125,000
Debt component	$ 116,446	$ 62,354	$ 178,800	$ 120,115	$ –	$ 120,115

(a) 6.0% Convertible Debentures:

During the six-month period ended June 30, 2007, 6.0% Convertible Debentures with a principal amount of $75 were converted into 4,808 Trust Units at a conversion price of $15.60.

8. Convertible debentures (continued):

(b) 5.9% Convertible Debentures:

On April 20, 2007, Chartwell REIT issued $75,000 of convertible, unsecured subordinated debentures ("5.9% Convertible Debentures") pursuant to a prospectus dated April 13, 2007 for proceeds of $72,188, net of issue costs. The 5.9% Convertible Debentures bear interest at an annual rate of 5.9% payable semi-annually in arrears on May 1 and November 1 in each year commencing May 1, 2007. Each 5.9% Convertible Debenture is convertible into freely-tradable Trust Units of Chartwell REIT at the option of the holder at any time prior to the earlier of May 1, 2012 and the last business day immediately preceding the date specified by Chartwell REIT for redemption of the 5.9% Convertible Debentures, at a conversion price of $16.25 per Trust Unit (the "Conversion Price"). Holders converting their 5.9% 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 5.9% Convertible Debentures up to and including the last record date set by Chartwell REIT prior to the date of conversion for determining the unitholders entitled to receive a distribution on the Trust Units. In the event Chartwell REIT has suspended regular distributions, then a 5.9% Convertible Debenture holder, 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 interest payment date prior to the date of conversion to the date of conversion.

The 5.9% Convertible Debentures will not be redeemable by Chartwell REIT before May 1, 2010 except in the event of satisfaction of certain conditions after a change in control has occurred. On and after May 1, 2010 but prior to May 1, 2011, the 5.9% Convertible Debentures may be redeemed by Chartwell REIT 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 relating to the debentures (the "Indenture") is not less than 125% of the Conversion Price. On or after May 1, 2011, the 5.9% Convertible Debentures may be redeemed by Chartwell REIT 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.

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

8. Convertible debentures (continued):

Subject to regulatory approval and provided no event of default has occurred, Chartwell REIT may, at its option, elect to satisfy its obligation to pay the principal amount of the 5.9% Convertible Debentures on redemption or at 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 Indenture. 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 5.9% Convertible Debentures trustee to satisfy the obligations to pay interest on the 5.9% Convertible Debentures.

As Chartwell REIT's option to satisfy the principal and interest obligations through the issuance of Trust Units of Chartwell REIT requires a variable number of Trust Units to be issued to satisfy the obligation, the 5.9% Convertible Debentures are recorded primarily as a liability. On issuance, Chartwell REIT has recorded a liability of $62,021, net of issue costs of $2,416, and equity, which represents the holders' option to convert the 5.9% Convertible Debentures into Trust Units, of $10,167, net of issue costs of $396.

Interest expense is recorded on the liability component of the 5.9% Convertible Debentures as a charge to income and is calculated at the effective rate of approximately 10.0% with the difference between the coupon interest rate of 5.9% and the effective rate of 10.0% credited to the liability component of the 5.9% Convertible Debentures such that, at maturity, the liability component will be equal to the face value of the then outstanding 5.9% Convertible Debentures.

9. Loans payable:

	June 30, 2007	December 31, 2006
Non-voting Series A preferred interests of CSH Master Care	$ 2,125	$ 2,013
Class B Common Units of CSH Massapequa Inc.	545	–
Other loans	321	290
	$ 2,991	$ 2,303

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

9. Loans payable (continued):

Chartwell REIT has arranged for a $90,000 secured revolving operating facility. At June 30, 2007, the maximum available borrowing capacity was $67,681 (December 31, 2006 - $75,737) based on the security provided. No amounts were outstanding under this facility at June 30, 2007.

Amounts outstanding under the secured revolving operating facility bear interest at the bank's prime rate plus 0.65% and are secured by first and second charges on specific facilities. The credit facility is due on June 28, 2008. The term may be extended with the consent of the lenders for an additional 364-day period.

10. Accounts payable and other liabilities:

	June 30, 2007	December 31, 2006
Accounts payable and accrued liabilities	$ 77,932	$ 50,808
Due to ING	41,919	–
Below-market resident contracts, net of accumulated amortization of $6,021 (December 31, 2006 - $5,197)	2,660	3,260
Resident deposits	5,096	4,805
Deferred consideration on business combinations	69,300	29,820
Deferred revenue (note 1(b))	7,452	10,302
	$ 204,359	$ 98,995

Amounts due to ING relate to the acquisition of the RegencyCare LTC Facilities and were settled subsequent to June 30, 2007 when ING became a 50% partner in the facilities (notes 2(a), 23 and 24).

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

10. Accounts payable and other liabilities (continued):

Included in deferred consideration on business combinations at June 30, 2007 are the following:

Facility	June 30, 2007	December 31, 2006
Castel Royale	$ 520	$ 520
Elizabeth Towers	1,180	1,180
Heritage Glen	20,849	20,365
Van Horne Manor	50	50
Domaine Bellerive	5,250	5,250
Devonshire Seniors Residence	–	2,455
WHSLH	3,729	–
Bristal Portfolio:		
A notes	3,197	–
B notes	10,240	–
Class A Preferred Units	9,029	–
Class B Preferred Units	10,644	–
Jardins de la Gare	1,415	–
Merrill Gardens Portfolio	2,710	–
Pocasset	487	–
	$ 69,300	$ 29,820

In connection with the Bristal Portfolio acquisition (note 2(d)), non-interest bearing Series A and Series B notes were issued as deferred consideration for the four stabilized properties. At acquisition the Series A note had a principal value (REIT's share) of $3,857 (U.S. $3,308) and matures on the third anniversary of the date of the acquisition. The Series B note had a principal value (REIT's share) of $12,469 (U.S. $10,693) and matures as to 25.0%, 32.1% and 42.9% of the principal on the first, second and third anniversary dates of the date of the acquisition, respectively.

In addition to the Class B Common Units, as part of the Bristal Portfolio acquisition (note 2(d)), CSH Massapequa Inc. issued (REIT's share) $9,883 (U.S. $8,475) of Class A Preferred Units and $11,661 (U.S. $10,000) of Class B Preferred Units.

10. Accounts payable and other liabilities (continued):

The Class A Preferred Units are redeemable by the holders at their principal amount during the period from August 1, 2007 to October 30, 2007. This put option can only be exercised in combination with the put option rights of the Class B Common Units. These units pay a dividend equal to the interest rate negotiated for the mortgage on the Massapequa facility until August 1, 2007 and subsequently at this rate less 50 basis points.

The Class B Preferred Units are redeemable by the holders at their principal amount in three separate tranches of 25%, 25% and 50% for a period of 90 days commencing on the earlier of: the achievement of occupancy milestone corresponding to each tranche, and the second anniversary of the date of the acquisition. In no event can this put option be exercised prior to August 1, 2007. These units pay a dividend equal to the Class A Preferred Units; however, entitlement to this dividend does not commence until the corresponding right to put the units (by tranche) has vested.

CSH Massapequa Inc. may purchase the Class A and Class B Preferred Units at their principal amount during a 90-day period commencing on the fifth anniversary of the date of the acquisition. Call options must be exercised simultaneously on all outstanding Class A Preferred Units, Class B Preferred Units and Class B Common Units of CSH Massapequa Inc.

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

11. Non-controlling interest:

Non-controlling interest represents the interest of the holders of the Class B Units of Master LP, which is consolidated in these consolidated financial statements. Class B Units of Master LP are exchangeable, at the option of the holder, into Trust Units. Holders of the Class B Units of Master LP are entitled to receive distributions equal to those provided to holders of Trust Units. Class B Units are transferable to third parties with Chartwell REIT's consent.

The details of non-controlling interest are as follows:

	Six-month period ended June 30, 2007	Year ended December 31, 2006
Balance, beginning of period	$ 54,453	$ 52,448
Cumulative impact of adopting the New Standards	1	–
Issuance of Class B Units of Master LP (note 2)	10,145	11,091
Non-controlling interest's share of loss for the period	(2,847)	(1,252)
Distributions on Class B Units of Master LP	(3,437)	(5,744)
Exchange of Class B Units of Master LP for Trust Units	(1,636)	(2,233)
Other comprehensive income (loss)	(1,156)	143
Balance, end of period	$ 55,523	$ 54,453

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

12. Unitholders' capital:

The following units are issued and outstanding for accounting purposes and exclude the issuance of Trust Units under the Long-Term Incentive Program ("LTIP"):

	Number of voting units	Amount
Units outstanding, January 1, 2006	49,218,102	$ 539,780
May 9, 2006:		
Trust Units issued pursuant to secondary public offering	13,310,000	185,009
November 28, 2006:		
Trust Units issued pursuant to secondary public offering	3,676,475	50,000
Trust Units issued pursuant to private placement	7,150,000	97,240
November 30, 2006:		
Trust Units issued pursuant to exercise of over-allotment option	551,470	7,500
Trust Units issued pursuant to private placement	202,941	2,760
Trust Units issued pursuant to the Distribution Reinvestment Program	181,626	2,476
Trust Units issued on exchange of Class B Units of Master LP	223,425	2,233
Trust Units issued on dispositions of Long-Term Incentive Program Units under Subscription	62,500	867
Issue costs	–	(13,700)
Units outstanding, January 1, 2007	74,576,539	874,165
Trust Units issued pursuant to the Distribution Reinvestment Program	124,897	1,863
Trust Units issued on exchange of Class B Units of Master LP	180,404	1,636
Trust Units issued on dispositions of Long-Term Incentive Program Units under Subscription	20,000	232
Trust Units issued on dispositions of Treasury Units	11,100	333
Trust Units issued on conversion of convertible debentures	4,808	72
Trust Units issued pursuant to a public offering	14,100,000	200,925
Trust Units issued pursuant to exercise of over-allotment option	2,115,000	30,139
Issue costs	–	(11,773)
Units outstanding, June 30, 2007	91,132,748	$ 1,097,592

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

13. Loss per unit calculation:

	Three-month periods ended June 30, 2007		Three-month periods ended June 30, 2006		Six-month periods ended June 30, 2007		Six-month periods ended June 30, 2006	
	Weighted average units	Amount	Weighted average units	Amount	Weighted average units	Amount	Weighted average units	Amount
Loss for the period	86,900,263	$ (31,153)	57,085,062	$ (3,244)	80,814,661	$ (40,283)	53,271,862	$ (4,887)
Loss per unit (basic and diluted)		$ (0.358)		$ (0.057)		$ (0.498)		$ (0.092)

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

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

	Three-month periods ended June 30, 2007	Three-month periods ended June 30, 2006	Six-month periods ended June 30, 2007	Six-month periods ended June 30, 2006
LTIP Units under Subscription	2,485,568	1,474,437	2,454,617	1,474,717
Class B units of Master LP	6,518,013	5,321,270	6,384,899	5,284,510
Assumed conversion of convertible debentures	11,609,027	–	9,819,748	–

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

14. Facility operating leases:

Through its acquisition of a 49% interest in WHSLH (note 2(c)), Chartwell REIT has become a party to a master lease agreement with respect to 25 seniors housing communities. Under these agreements, on inception of the master lease, the individual facility lease terms varied from 12.2 to 13 years and included two consecutive extension options on the same terms and conditions. Under the master lease, WHSLH is responsible for all operating costs, including repairs, property taxes and insurance, and is subject to net worth requirements, minimum capital expenditure requirements per facility per annum and minimum lease coverage ratios.

Chartwell REIT also acquired a leasehold interest in two seniors housing facilities in Florida pursuant to the acquisition of the Merrill Gardens Portfolio (note 2(b)).

A summary of facility lease expense is as follows:

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2007	2006	2007	2006
Cash payments	$ 9,736	$ –	$ 19,772	$ –
Adjustment to record lease expense on a straight-line basis over the lease term	2,049	–	4,400	–
Facility lease expense	$ 11,785	$ –	$ 24,172	$ –

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

15. Related party transactions and balances:

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

(a) Spectrum:

	Three-month periods ended June 30, 2007	2006	Six-month periods ended June 30, 2007	2006
Mezzanine loan interest (note 4(a))	$ 1,272	$ 1,219	$ 2,552	$ 2,406
Development fees	305	986	1,409	2,904
Operations management fees	368	149	707	278
Financing fees	–	216	–	387
Other fees	–	33	–	584

Other assets as at June 30, 2007 include $3,393 (December 31, 2006 - $2,515) due from Spectrum. Subsequent to June 30, 2007, $1,716 of this balance was paid.

Included in distributions payable at June 30, 2007 is $273 (December 31, 2006 - $273) due to Spectrum.

(b) Melior:

	Three-month periods ended June 30, 2007	2006	Six-month periods ended June 30, 2007	2006
Mezzanine loan interest (note 4(b))	$ 2,497	$ 1,019	$ 4,143	$ 1,933
Development fees	–	537	–	1,100
Referral and due diligence fees paid (note 18(h))	525	1,331	525	1,674

15. Related party transactions and balances (continued):

At June 30, 2007, accounts receivable and other assets include $1,832 (December 31, 2006 - $2,613) due from Melior. Subsequent to June 30, 2007, $575 of the outstanding amounts receivable from Melior was collected.

(c) Included in accounts receivable at June 30, 2007 is $70 (December 31, 2006 - $34) due from an officer of Chartwell REIT related to the previous sale of a facility to the REIT.

(d) Included in mortgages payable at June 30, 2007 is a vendor take-back mortgage of $1,686 (December 31, 2006 - $2,270) due to an officer of Chartwell REIT. During the three-month and six-month periods ended June 30, 2007, the REIT incurred interest expense of $30 and $66 (three-month and six-month periods ended June 30, 2006 - $49 and $104), respectively, related to this mortgage.

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. Segmented information:

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

The accounting policies of each of the segments are the same as those described for Chartwell REIT. Certain general, administrative and trust expenses are managed centrally by Chartwell REIT and are not allocable to reportable operating segments. Chartwell REIT has no material intersegment revenue, transfers or expenses.

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

16. Segmented information (continued):

	For the three-month period ended June 30, 2007				
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	Total
Revenue	$ 59,486	$ 28,369	$ 1,485	$ 59,660	$ 149,000
Direct operating and facility lease expenses	36,684	24,804	832	49,305	111,625
Income before the undernoted	22,802	3,565	653	10,355	37,375
Interest expense	8,858	1,555	–	9,536	19,949
Income before the following	13,944	2,010	653	819	17,426
Depreciation and amortization	14,725	1,835	243	11,066	27,869
Write-down in the carrying value of assets	–	–	172	–	172
Gain on sale of assets	(320)	–	–	–	(320)
	$ (461)	$ 175	$ 238	$ (10,247)	(10,295)
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					7,299
General, administrative and trust expenses					(5,129)
Interest on convertible debentures					(3,477)
Foreign exchange loss and losses on derivative financial instruments					(5,279)
Non-controlling interest					2,117
Future income taxes					(16,389)
Loss for the period					$ (31,153)
Expenditures for assets by segment:					
Acquisitions - properties, management contracts, resident contracts, customer relationships and other intangibles, licenses and other assets	$ 21,915	$ 106,537	$ –	$ 367,732	$ 496,184
Capital improvements	5,035	1,546	596	1,977	9,154

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

16. Segmented information (continued):

	For the three-month period ended June 30, 2006				
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	Total
Revenue	$ 43,058	$ 19,384	$ 3,428	$ 12,112	$ 77,982
Direct operating and facility lease expenses	26,512	16,845	999	7,159	51,515
Income before the undernoted	16,546	2,539	2,429	4,953	26,467
Interest expense	6,808	998	–	2,873	10,679
Income before the following	9,738	1,541	2,429	2,080	15,788
Depreciation and amortization	12,747	1,142	439	3,810	18,138
Gain on sale of assets	(100)	–	–	–	(100)
	$ (2,909)	$ 399	$ 1,990	$ (1,730)	(2,250)
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					3,906
General, administrative and trust expenses					(4,242)
Foreign exchange loss and losses on derivative financial instruments					(950)
Non-controlling interest					292
Loss for the period					$ (3,244)
Expenditures for assets by segment:					
Acquisitions - properties, management contracts, resident contracts, customer relationships and other intangibles, licenses and other assets	$ 55,749	$ –	$ –	$ 177,551	$ 233,300
Capital improvements	7,381	334	–	231	7,946

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

16. Segmented information (continued):

	For the six-month period ended June 30, 2007				
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	Total
Revenue	$ 116,671	$ 54,198	$ 5,351	$ 105,514	$ 281,734
Direct operating and facility lease expenses	72,570	47,872	1,890	90,946	213,278
Income before the undernoted	44,101	6,326	3,461	14,568	68,456
Interest expense	17,142	2,848	–	14,774	34,764
Income (loss) before the following	26,959	3,478	3,461	(206)	33,692
Depreciation and amortization	28,839	3,560	946	18,371	51,716
Write-down in the carrying value of assets	–	–	172	–	172
Gain on sale of assets	(320)	–	–	–	(320)
	$ (1,560)	$ (82)	$ 2,343	$ (18,577)	(17,876)
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					12,907
General, administrative and trust expenses					(10,063)
Interest on convertible debentures					(5,804)
Foreign exchange loss and losses on derivative financial instruments					(5,905)
Non-controlling interest					2,847
Future income taxes					(16,389)
Loss for the period					$ (40,283)
Expenditures for assets by segment:					
Acquisitions - properties, management contracts, resident contracts, customer relationships and other intangibles, licenses and other assets	$ 91,538	$ 126,063	$ –	$ 567,748	$ 785,349
Capital improvements	10,076	1,932	892	2,343	15,243

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

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

Three-month and six-month periods ended June 30, 2007 and 2006
(Unaudited)

16. Segmented information (continued):

	For the six-month period ended June 30, 2006				
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	Total
Revenue	$ 83,818	$ 36,816	$ 7,402	$ 19,608	$ 147,644
Direct operating and facility lease expenses	52,311	31,836	1,998	11,470	97,615
Income before the undernoted	31,507	4,980	5,404	8,138	50,029
Interest expense	13,124	1,961	–	4,792	19,877
Income before the following	18,383	3,019	5,404	3,346	30,152
Depreciation and amortization	24,688	2,051	1,039	6,286	34,064
Write-down in carrying value of assets	–	–	440	–	440
Gain on sale of assets	(100)	–	–	–	(100)
	$ (6,205)	$ 968	$ 3,925	$ (2,940)	(4,252)
Items not allocated to operating segments:					
Mezzanine loan interest, bank interest and other income					7,413
General, administrative and trust expenses					(7,599)
Foreign exchange loss and losses on derivative financial instruments					(898)
Non-controlling interest					449
Loss for the period					$ (4,887)
Expenditures for assets by segment:					
Acquisitions - properties, management contracts, resident contracts, customer relationships and other intangibles, licenses and other assets	$ 62,704	$ 12,655	$ –	$ 177,551	$ 252,910
Capital improvements	9,382	628	–	292	10,302

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

16. Segmented information (continued):

	June 30, 2007					
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	Other	Total
Total assets	$ 1,147,891	$ 314,952	$ 16,338	$ 928,818	$ 433,515	$ 2,841,514
Total liabilities	738,073	207,125	–	714,448	284,193	1,943,839

	December 31, 2006					
	Canadian retirement operations	Canadian long-term care operations	Canadian management operations	United States operations	Other	Total
Total assets	$ 1,192,399	$ 155,884	$ 18,393	$ 383,845	$ 227,229	$ 1,977,750
Total liabilities	680,336	110,791	6,813	290,404	127,450	1,215,794

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

17. Joint venture operations and other variable interest entities:

(a) Joint venture operations:

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

	June 30, 2007	December 31, 2006
Assets	$ 600,610	$ 439,660
Liabilities	455,514	323,517

	Three-month periods ended June 30, 2007	Three-month periods ended June 30, 2006	Six-month periods ended June 30, 2007	Six-month periods ended June 30, 2006
Revenue	$ 50,904	$ 18,702	$ 97,356	$ 26,254
Expenses, including depreciation and amortization of $8,136 and $15,465 (2006 - $4,168 and $8,297), respectively	56,901	20,503	111,938	29,769
Loss for the period	(5,997)	(1,801)	(14,582)	(3,515)
Cash provided by (used in):				
Operating activities	$ (32,481)	$ 5,658	$ 18,437	$ 18,121
Financing activities	36,456	159,225	186,058	157,253
Investing activities	1,877	(164,331)	(194,223)	(175,699)

Chartwell REIT is contingently liable for the other venturers' portion of the liabilities of the joint ventures in which it participates, amounting to $455,514. The assets of these joint ventures are available to satisfy these liabilities.

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

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

(b) Variable interest entities:

At June 30, 2007, Chartwell REIT holds variable interests in 19 (December 31, 2006 - 18) variable interest entities. Chartwell REIT provides development services, mezzanine loans, structuring services and consulting services to these entities. These variable interest entities are expected to incur development costs of approximately $456,688 (December 31, 2006 - $419,187).

Although these entities were identified as variable interest entities, it was determined that Chartwell REIT is not the primary beneficiary and, therefore, these variable interest entities are not subject to consolidation.

As of June 30, 2007, Chartwell REIT had mezzanine loans receivable of $68,537 (December 31, 2006 - $62,708) from these entities. During the three-month and six-month periods ended June 30, 2007, Chartwell REIT earned $2,924 and $5,141 (three-month and six-month periods ended June 30, 2006 - $1,460 and $2,854), respectively, in interest from these entities.

18. Commitments and contingencies:

(a) Operating leases of seniors housing facilities:

Chartwell REIT has a leasehold interest in 25 facilities through the acquisition of a 49% interest in WHSLH (note 2(c)) and a leasehold interest in two facilities acquired with the Merrill Gardens Portfolio (note 2(b)). Chartwell REIT's share of the aggregate amount of all future minimum lease payments under the leases are as follows for the years ending December 31:

2007	$ 19,346
2008	40,094
2009	41,380
2010	42,709
2011	44,083
Thereafter	369,184
	$ 556,796

18. Commitments and contingencies (continued):

(b) Other leases:

Chartwell REIT has assumed an obligation with respect to one land lease. The lease expires on July 17, 2061 with annual payments of $126. In addition, Chartwell REIT has operating leases on office space which expire on various dates up to May 31, 2015. Annual payments on these leases vary from $958 to $1,004 over the term of the lease.

Pursuant to the RegencyCare Portfolio acquisition (note 2(a)), the REIT assumed one land lease expiring August 31, 2044 with annual payments of $100 through to August 31, 2024 and $120 for the remainder of the term, and one land lease expiring May 31, 2048 with annual payments of $138, negotiated to market every 15 years thereafter.

(c) Acquisitions:

As of June 30, 2007, Chartwell REIT is committed to acquire varying interests in seniors housing facilities as follows:

(i) Two seniors housing facilities in the United States for an aggregate purchase price of approximately $25,782 (U.S. $24,200).

(ii) Two seniors housing facilities in Canada for an aggregate purchase price of $21,750.

(iii) The remaining 50% interest in one long-term care facility in which it had previously acquired 50% pursuant to the RegencyCare LTC Facilities acquisition, for $4,120.

(d) Purchase obligations:

Chartwell REIT has entered into various construction contracts related to various internal growth projects. As at June 30, 2007, the remaining commitments under these contracts amounted to approximately $5,446.

As at June 30, 2007, Chartwell REIT has entered into fixed gas contracts with a third-party gas supplier for $308 to provide gas to its facilities.

18. Commitments and contingencies (continued):

(e) At June 30, 2007 contingent consideration on acquisitions of properties, not currently recognized elsewhere in these consolidated financial statements, amounted to $9,293 and consisted of the following:

(i) The vendor of one property is entitled to receive an additional $1,795 contingent upon the property achieving predetermined operating targets, the measurement of which is to be made annually.

(ii) Spectrum is entitled to receive additional consideration of $900 with respect to one property sold to Chartwell REIT in 2006 contingent upon the property achieving certain earnings targets within three years following the close of the acquisition.

(iii) The vendor of one property is entitled to receive an additional $4,000 in respect of certain suites that are being added to the property.

(iv) The vendors of one property are entitled to receive an additional U.S. $3,000, 50% payable by Chartwell REIT and 50% payable by Chartwell REIT's joint venture partner, contingent upon the property achieving a predetermined annualized yield on invested equity, measured quarterly. At June 30, 2007, Chartwell REIT's obligation with respect to the remaining combined consideration was $1,598 (U.S. $1,500).

(v) The vendor of one property is entitled to receive an additional $1,000 contingent upon the property achieving predetermined operating income increases over the three-year period following acquisition.

(f) Mezzanine loans receivable:

As at June 30, 2007, Chartwell REIT has committed to provide additional mezzanine financing to Spectrum, Melior and other parties in the amount of $18,981 (December 31, 2006 - $41,577) (note 4).

Borrowers of 13 mezzanine loans can obligate Chartwell REIT to acquire their interests in the projects at appraised value, subject to certain conditions being satisfied.

18. Commitments and contingencies (continued):

(g) Letters of credit:

As at June 30, 2007, Chartwell REIT was contingently liable for letters of credit in the amount of $1,980 (December 31, 2006 - $639).

(h) Other contracts:

(i) Chartwell REIT's properties in the Province of Quebec are managed by CM Management Limited Partnership ("CM"), a joint venture between Chartwell REIT and Melior. The properties' management agreements are for a term of five years and call for payment of management fees between 4% and 5% of gross revenue. Chartwell REIT owns a 50% interest in CM.

(ii) Chartwell REIT's properties in the United States are managed by HBC. The properties' management agreements are for a term of 20 years and call for payment of management fees between 4% and 5% of gross revenue plus incentive fee based on certain operating targets. Through Chartwell REIT's acquisition of WHSLH, Chartwell REIT owns a 74.5% effective interest in HBC (note 2(c)).

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

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

(b) Reimbursement of legal fees incurred by Melior in relation to mezzanine financings in excess of the lesser of $50,000 and 3% of total budgeted development costs for the related project (note 15(b)).

18. Commitments and contingencies (continued):

(c) For as long as Chartwell REIT and Melior are co-owners of at least one property in the Province of Quebec, payment of 25% of net increased economic value created on Chartwell REIT's internal growth projects in the Province of Quebec, as determined by independent appraisals.

(i) Litigation and claims:

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

19. Supplemental cash flow information:

(a) At June 30, 2007, distributions of $8,897, including $578 applicable to non-controlling interests (December 31, 2006 - $7,335, including $533 applicable to non-controlling interests) remained payable to unitholders. These amounts have been excluded from operating and financing activities in the consolidated statements of cash flows.

(b) The acquisition of net assets during the three-month and six-month periods ended June 30, 2007 (note 2) was partially financed through the issuance of Class B Units of Master LP of nil and $10,145 (three-month and six-month periods ended June 30, 2006 - $2,624 and $2,624), respectively, the issuance of Class B Common Units of a subsidiary of CSH-INGRE LLC of nil and $663 (three-month and six-month periods ended June 30, 2006 - nil and nil), respectively, and the discharge of mezzanine loans receivable of nil and $1,688 (three-month and six-month periods ended June 30, 2006 - nil and $2,758), respectively. These amounts have been excluded from financing and investing activities in the consolidated statements of cash flows.

19. Supplemental cash flow information (continued):

(c) During the three-month and six-month periods ended June 30, 2007, distributions of $664 and $1,286 (three-month and six-month periods ended June 30, 2006 - $391 and $783), respectively, and interest of $282 and $549 (three-month and six-month periods ended June 30, 2006 - $159 and $325), respectively, were applied against instalment loans receivable related to the LTIP. These amounts have been excluded from financing activities on the consolidated statements of cash flows.

(d) During the three-month and six-month periods ended June 30, 2007, Trust Units valued at $957 and $1,863 (three-month and six-month periods ended June 30, 2006 - $525 and $1,009), respectively, were issued pursuant to the Distribution Reinvestment Program. This amount has been excluded from financing activities on the consolidated statements of cash flows.

(e) During the three-month and six-month periods ended June 30, 2007, interest paid amounted to $19,903 and $35,516 (three-month and six-month periods ended June 30, 2006 - $8,533 and $17,590), respectively.

(f) During the three-month and six-month periods ended June 30, 2007, cash distributions on Trust Units amounted to $22,478 and $42,489 (three-month and six-month periods ended June 30, 2006 - $16,586 and $29,608), respectively. In accordance with Chartwell REIT's Third Amended and Restated Declaration of Trust, the REIT may distribute to the REIT unitholders such percentage of the Distributable Income of the REIT as the Trustees in their discretion may determine and declare. Notwithstanding the foregoing, the REIT shall distribute in each year an amount equal to at least 80% of the distributable income of the REIT provided that the REIT receives amounts equal to such distributions from its investments. While the Trustees have discretion over the determination of Distributable Income to be distributed, Chartwell REIT is required under the Declaration of Trust to distribute an amount at least equal to income of Chartwell REIT for tax purposes.

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

20. Income taxes:

	Three-month periods ended June 30, 2007	Three-month periods ended June 30, 2006	Six-month periods ended June 30, 2007	Six-month periods ended June 30, 2006
Future	$ 16,389	$ –	$ 16,389	$ –

Due to the SIFT Rules (note 1(d)), Chartwell REIT commenced recognizing future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax bases of its assets and liabilities, including those related to its subsidiary trust, that are expected to reverse in or after 2007. Future income tax assets or liabilities are recorded using tax rates and laws expected to apply when the temporary differences are expected to reverse. The SIFT Rules resulted in Chartwell REIT including a future income tax liability of $16,389 reflected as a charge to consolidated operations for the three-month and six-month periods ended June 30, 2007. The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities are as follows as at June 30, 2007:

Future income tax assets:	
Mortgages payable	$ 8,639
Issue costs	12,140
Other	3,151
	23,930
Future income tax liabilities:	
Properties	(23,315)
Management contracts, resident contracts customer relationships and other intangibles	(18,018)
Other	(3,890)
Assets held for sale	(4,904)
	(50,127)
	$ (26,197)

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

20. Income taxes (continued):

The future income tax liability is classified as follows:

Future income tax liability	$ 21,293
Liabilities related to assets held for sale	4,904
	$ 26,197

Chartwell REIT has certain subsidiaries in the United States that are subject to tax on their taxable income at rate of approximately 39%. At June 30, 2007, these subsidiaries had accumulated net operating losses available for carryforward for income tax purposes of approximately $1,008 (U.S. $946) expiring in 2025, $2,217 (U.S. $2,081) expiring in 2026 and $18,868 (U.S. $17,709) expiring in 2027, totalling $22,093 (U.S. $20,736).

As at June 30, 2007, the net future tax assets of these corporate subsidiaries consist of net operating losses and tax and book basis differences relating to the United States operations of $6,293 (U.S. $5,907) against which a valuation allowance of $6,293 (U.S. $5,907) has been recorded.

21. Financial instruments and financial risk management:

In the normal course of business, Chartwell REIT is exposed to various financial risks, including changes in interest rates, changes in foreign currency exchange rates and government regulatory controls. The following describes these financial risks and how they are managed by Chartwell REIT and the fair values of these financial instruments:

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

(a) Foreign currency exchange risk:

At June 30, 2007, through its self-sustaining United States operations, 33% (December 31, 2006 - 19%) of Chartwell REIT's assets and 39% (December 31, 2006 - 26%) of Chartwell REIT's mortgages payable were held in the United States and for the three-month and six-month periods ended June 30, 2007, 40% and 38% (three-month and six-month periods ended June 30, 2006 - 15% and 13%), respectively, of its revenue was generated in the United States. Foreign currency exchange risk results from changes in exchange rates between Chartwell REIT's reporting currency (Canadian dollar) and the U.S. dollar in respect of intercompany balances, cash and other U.S. dollar-denominated financial instruments which are not a component of the self-sustaining U.S. operations.

Chartwell REIT may use derivative financial instruments to hedge its foreign currency exposures. Chartwell REIT's policy is not to use derivative financial instruments for trading or speculative purposes. These derivative instruments may or may not qualify for hedge accounting treatment in the consolidated financial statements. The U.S. operations are primarily funded through U.S. dollar-denominated debt, which serves to mitigate foreign exchange risk.

(b) Interest rate risk:

Interest rate risk arises with changes in interest costs, which affect Chartwell REIT's floating rate debt on an ongoing basis and its fixed-rate debt upon renewal. At June 30, 2007, $20,683 (December 31, 2006 - $78,853) of Chartwell REIT's mortgages and loans payable, excluding hedged loans, bears interest at floating rates. To mitigate interest rate risk, Chartwell REIT fixes or otherwise limits the interest rate on its long-term debt to the extent possible either on renewal or through the purchase of derivative instruments. Generally, Chartwell REIT fixes the term of long-term debt within a range from 5 to 25 years. To limit exposure to the risk of higher interest rates at renewal, Chartwell REIT spreads the maturities of its fixed rate long-term debt over time.

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

To reduce the interest rate cash flow risk on one of its mortgages payable, Chartwell REIT entered into an interest rate swap contract with a notional principal amount of $13,836 that entitles Chartwell REIT to receive interest at floating rates on the notional principal amount and obliges it to pay interest at a fixed rate of 5.95% until the mortgage matures in February 2014. The net interest receivable or payable under the contract is settled quarterly with the counterparty, which is a Canadian chartered bank. The fair value of the interest rate swap contract based on an estimate of the cost to close the contracts as at June 30, 2007 is a loss position of $396, which is included in accrued liabilities on the consolidated balance sheet (note 10). Included in other comprehensive loss for the three-month and six-month periods ended June 30, 2007 is a gain of $446 and a gain of $505, respectively, that relates to the effective portion of the net change in fair value of interest rate swaps designated as hedges.

(c) Credit and collection risk:

Chartwell REIT has four significant categories of receivables: mezzanine borrowers, various provincial governments, resident clients and retirement homes and long-term care facilities to which it provides management services. Chartwell REIT is exposed to credit risk in the collection of its mezzanine loans receivable and the normal credit risk from residents. Collection risk associated with these residents relates to their ability to potentially challenge certain charges. Chartwell REIT provides management and other services to the borrowers of mezzanine loans and through such activities, monitors the status of the underlying development projects securing these loans for signs of possible impairment.

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

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

(d) Fair value:

Fair value represents management's estimates of the market value at a given point in time. The fair values of Chartwell REIT's financial assets and financial liabilities, except as noted, approximate their carrying values due to their short-term nature.

	June 30, 2007	
	Carrying value of loans and receivable and non-trading liabilities	Fair value of loans and receivable and non-trading liabilities
Financial assets:		
Mezzanine loans receivable (i)	$ 105,797	$ 105,360
Capital funding receivable (ii)	47,686	48,589
Financial liabilities:		
Mortgages payable (iii)	1,465,473	1,427,043
Debt component of convertible debentures (iv)	178,800	208,109

The fair value of mortgages payable as at December 31, 2006 was $994,165 as compared to its carrying value of $987,046. As at December 31, 2006, the fair values of mezzanine loans receivable, capital funding receivable, loans payable and convertible debentures approximated their carrying values.

(i) The fair value of mezzanine loans receivable is an estimate based on the rates currently charged on Chartwell REIT's mezzanine loans. The fair value of mezzanine loans receivable is below the carrying value because costs associated with the origination of these mezzanine loans have been offset against the applicable mezzanine loan receivable and are being amortized using the effective interest method. The carrying value of the mezzanine loans has not been written down as management intends to hold them to maturity such that it will recover the carrying amount.

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

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

(ii) The fair value of capital funding receivable is an estimate based on the yield of the applicable bonds issued by the Province of Ontario.

(iii) The fair value of mortgages payable is an estimate based on the rates currently prevailing for similar instruments of similar maturities.

(iv) The fair value of the convertible debentures is based on market quotes. The carrying value of the convertible debentures is recorded as financial liability and equity as follows:

Liability	$ 178,800
Equity	14,878
	$ 193,678

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

(e) Reliance on government subsidies:

Chartwell REIT holds licenses related to each of its long-term care facilities, which receive funding from the relevant provincial government. During the three-month and six-month periods ended June 30, 2007, the REIT received approximately $16,623 and $31,423 (three-month and six-month periods ended June 30, 2006 - $12,350 and $23,613), respectively, in respect of these licenses, which has been recorded to resident revenue.

22. Guarantees:

At June 30, 2007, Chartwell REIT remains as a guarantor on the debt of two properties to a maximum amount of $23,850 (December 31, 2006 - $23,850). As at June 30, 2007, $17,847 (December 31, 2006 - $18,560) of the loans was outstanding. The guarantees are in relation to the properties that were sold to Spectrum for $3,865. Spectrum has indemnified Chartwell REIT for these guarantees and pays an annual guarantee fee.

At June 30, 2007, Chartwell REIT remains as a guarantor of the debt of one managed property with the balance of $3,100. The borrower has indemnified Chartwell REIT for this guarantee.

At June 30, 2007, Chartwell REIT and its joint venture partners provided joint and several guarantees of the debt of the co-owned properties. Effectively, Chartwell REIT guarantees its partners' 50% share of this debt to a maximum amount of $51,045, of which $45,833 (December 31, 2006 - $45,516) was outstanding at June 30, 2007. In the opinion of management, at June 30, 2007, the value of each of these properties exceeds the respective total amount of debt outstanding.

23. Assets held for sale:

On June 30, 2007, Chartwell REIT indirectly acquired from independent sellers a 100% interest in the RegencyCare LTC Facilities (note 2(a)). Under the participation agreement between ING and Chartwell REIT, ING is committed to participate as a 50% partner in the acquisition. However, certain legal and structural steps remained incomplete at June 30, 2007. Therefore, the REIT was sole owner of the facilities at June 30, 2007 for accounting purposes and classified 50% of the assets acquired as held for sale.

On August 1, 2007, these steps were completed and ING became 50% partner in the facilities for consideration of approximately $42,398.

No operating results are reflected in the consolidated statements of operations and comprehensive income related to Chartwell REIT's interest in the RegencyCare LTC Facilities.

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

23. Assets held for sale (continued):

The following table sets forth the assets held for sale and liabilities related to assets held for sale as at June 30, 2007:

Assets	
Properties	$ 85,014
Resident contracts and other intangibles	4,100
Other assets	26,908
Licences	6,483
	122,505
Liabilities	
Mortgages	74,233
Other liabilities	970
Future income tax liability	4,904
	80,107
Net assets held for sale	$ 42,398

24. Subsequent events:

(a) RegencyCare LTC Facilities:

On July 5, 2007, Chartwell REIT acquired, from a different independent seller, the remaining 50% interest in one long-term care facility in which it had previously acquired 50%, pursuant to the RegencyCare LTC Facilities acquisition. Total consideration was $4,120, net of estimated assumed debt and working capital.

On August 1, 2007, ING became a 50% partner in the RegencyCare LTC Facilities.

24. Subsequent events (continued):

(b) Subsequent to June 30, 2007, Chartwell REIT acquired one senior housing facility in Quebec for a purchase price of $15,250.

(c) Subsequent to June 30, 2007, Chartwell REIT acquired Rouge Valley Retirement Home from Spectrum for a total purchase price of $19,700.

(d) Subsequent to June 30, 2007, Chartwell REIT advanced $2,651 of mezzanine loans to Spectrum, Melior and Spectrum's joint venture partners.