

Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

**CHARTWELL SENIORS
HOUSING REAL ESTATE
INVESTMENT TRUST**

Three-month and six-month periods ended
June 30, 2012 and 2011
(Unaudited)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)

(Unaudited)

	Note	June 30, 2012	December 31, 2011
Assets			
Current assets:			
Cash and cash equivalents		\$ 28,064	\$ 10,687
Trade and other receivables		13,412	13,144
Mezzanine loans receivable	5	7,041	9,653
Capital funding receivable		3,851	3,743
Other assets	6	28,545	27,153
Assets held for sale	7	248,219	–
Total current assets		329,132	64,380
Non-current assets:			
Other assets	6	7,318	7,344
Capital funding receivable		53,424	55,377
Intangible assets	4	50,821	52,879
Property, plant and equipment ("PP&E")	3	2,681,177	2,526,541
Total non-current assets		2,792,740	2,642,141
Total assets		\$ 3,121,872	\$ 2,706,521
Liabilities and Unitholders' Equity			
Current liabilities:			
Secured revolving operating credit facility ("Credit Facility")	8(b)	\$ 60,000	\$ 53,000
Accounts payable and other liabilities	11	99,916	111,688
Employee benefits		801	809
Distributions payable		7,759	6,596
Mortgages payable	8(a)	240,727	205,373
Convertible debentures	9	–	76,425
Deferred consideration on business combinations		5,442	5,328
Liabilities related to assets held for sale	7	215,267	–
Total current liabilities		629,912	459,219
Non-current liabilities:			
Mortgages payable	8(a)	1,678,515	1,670,893
Convertible debentures	9	141,345	–
Class B Units of Chartwell Master Care LP ("Class B Units")	12	16,395	14,292
Deferred tax liabilities		6,920	26,325
Total non-current liabilities		1,843,175	1,711,510
Total liabilities		2,473,087	2,170,729
Unitholders' equity	13	648,785	535,792
Subsequent events	20		
Total liabilities and unitholders' equity		\$ 3,121,872	\$ 2,706,521

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Trustees:

"Huw Thomas" _____ 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)

	Note	Three-month periods ended June 30,		Six-month periods ended June 30,	
		2012	2011	2012	2011
Revenue:					
Resident		\$ 217,108	\$ 183,795	\$ 417,484	\$ 365,851
Management and other fees		1,535	793	2,235	1,642
Mezzanine loan interest		96	459	670	1,056
		<u>218,739</u>	<u>185,047</u>	<u>420,389</u>	<u>368,549</u>
Expenses:					
Direct operating		151,598	129,406	294,167	258,869
General, administrative and trust		6,766	6,381	13,130	12,542
		<u>158,364</u>	<u>135,787</u>	<u>307,297</u>	<u>271,411</u>
Income before the undernoted ⁽¹⁾		60,375	49,260	113,092	97,138
Finance costs	17	33,236	25,561	66,257	51,024
Property lease expense		632	492	1,258	1,143
Other expense (income)	16	6,494	5,896	8,671	4,956
Depreciation of PP&E	3	50,039	40,849	93,501	81,026
Amortization of intangible assets	4	950	395	2,060	991
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	18	10,512	(1,755)	38,512	2,609
Loss before income taxes		(41,488)	(22,178)	(97,167)	(44,611)
Income tax expense (benefit):	19				
Current		82	95	141	171
Deferred		(7,683)	(3,425)	(15,059)	(7,470)
		<u>(7,601)</u>	<u>(3,330)</u>	<u>(14,918)</u>	<u>(7,299)</u>
Loss for the period		(33,887)	(18,848)	(82,249)	(37,312)
Other comprehensive income (loss):					
Unrealized foreign currency gain (loss) on translation of foreign operations		666	(1,147)	(745)	(3,104)
Total comprehensive loss		\$ (33,221)	\$ (19,995)	\$ (82,994)	\$ (40,416)

⁽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 (gains) and income taxes.

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)

Six-month period ended June 30, 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, December 31, 2011	\$ 1,456,238	\$ 25,476	\$ (19,865)	\$ (397,800)	\$ (3,972)	\$ (529,176)	\$ 4,891	\$ 535,792
Loss for the period	—	—	—	(82,249)	—	—	—	(82,249)
Other comprehensive loss	—	—	—	—	(745)	—	—	(745)
Issuance of Trust Units pursuant to public offering, net of tax and transaction costs	229,505	—	—	—	—	—	—	229,505
Distributions to unitholders	—	—	—	—	—	(41,409)	—	(41,409)
Issuance of Trust Units under the Distribution Reinvestment Program ("DRIP")	6,974	—	—	—	—	—	—	6,974
Trust Units issued under the Long-Term Incentive Plan ("LTIP"), net of units transferred to Treasury	621	705	(998)	—	—	—	91	419
Interest on LTIP receivable	—	—	(99)	—	—	—	—	(99)
Distributions applied against LTIP receivable	—	—	597	—	—	—	—	597
Unitholders' equity, June 30, 2012	\$ 1,693,338	\$ 26,181	\$ (20,365)	\$ (480,049)	\$ (4,717)	\$ (570,585)	\$ 4,982	\$ 648,785

During the six-month period ended June 30, 2012, distributions were declared and paid at \$0.045 per unit per month. In July 2012, distributions were declared at \$0.045 per unit totalling \$7,689.

Six-month period ended June 30, 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, December 31, 2010	\$ 1,439,961	\$ 26,417	\$ (21,033)	\$ (336,614)	\$ (5,156)	\$ (451,638)	\$ 4,417	\$ 656,354
Loss for the period	—	—	—	(37,312)	—	—	—	(37,312)
Other comprehensive loss	—	—	—	—	(3,104)	—	—	(3,104)
Distributions to unitholders	—	—	—	—	—	(38,628)	—	(38,628)
Issuance of Trust Units under DRIP	7,825	—	—	—	—	—	—	7,825
Trust Units issued on exchange of Class B Units	272	—	—	—	—	—	—	272
Trust Units issued under LTIP, net of units transferred to Treasury	—	332	(428)	—	—	—	134	38
Interest on LTIP receivable	—	—	(104)	—	—	—	—	(104)
Distributions applied against LTIP receivable	—	—	613	—	—	—	—	613
Unitholders' equity, June 30, 2011	\$ 1,448,058	\$ 26,749	\$ (20,952)	\$ (373,926)	\$ (8,260)	\$ (490,266)	\$ 4,551	\$ 585,954

During the six-month period ended June 30, 2011, distributions were declared and paid at \$0.045 per unit per month.

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		Six-month periods ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Cash provided by (used in):				
Operating activities:				
Loss for the period	\$ (33,887)	\$ (18,848)	\$ (82,249)	\$ (37,312)
Items not affecting cash:				
Depreciation and amortization	50,989	41,244	95,561	82,017
Interest expense	32,398	25,007	60,268	50,008
Interest capitalized to properties under development	(607)	(330)	(1,046)	(573)
Interest income on loans and other receivables	(1,043)	(849)	(2,099)	(1,789)
Mezzanine loan interest	(96)	(459)	(670)	(1,056)
Convertible debenture issuance costs	—	—	5,363	—
Gain recorded on remeasurement of previously held equity interest on acquisition	—	(2,090)	—	(2,090)
Gain on disposal of assets	(279)	—	(279)	—
Impairment on PP&E	—	8,500	—	8,500
Non-cash compensation expense	741	600	1,281	1,090
Changes in fair value of financial instruments and unrealized foreign exchange losses (gains)	10,512	(1,755)	38,512	2,609
Amortization of finance costs and fair value adjustments on mortgages payable	1,445	884	1,672	1,589
Current income taxes	82	95	141	171
Deferred income taxes	(7,683)	(3,425)	(15,059)	(7,470)
Change in trade and other receivables	(9,824)	627	(7,481)	4,104
Change in other assets	(49)	227	(2,227)	(1,330)
Change in accounts payable and other liabilities	(3,809)	1,700	(13,532)	(3,426)
Interest received	38,890	51,128	78,156	95,042
Interest paid	(29,688)	(26,205)	(56,821)	(50,224)
Income taxes paid	(82)	(95)	(141)	(171)
Net cash provided by operating activities	10,259	26,136	23,963	47,492

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		Six-month periods ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Financing activities:				
Proceeds from mortgage financing	7,327	22,160	22,864	22,160
Changes to Credit Facility	31,000	(4,000)	7,000	(2,000)
Mortgage principal repayments	(10,303)	(10,714)	(20,424)	(19,696)
Additions to finance costs	(1,854)	(1,939)	(2,857)	(2,618)
Trust units issued pursuant to:				
Public offerings	204,287	–	204,287	–
Transaction costs	(4,690)	–	(8,776)	–
Issue of convertible debentures	–	–	135,000	–
Redemption of convertible debentures	–	–	(75,000)	–
Convertible debentures issuance costs	–	–	(5,363)	–
Subscription receipts	(4,086)	–	–	–
Distributions paid	(17,035)	(14,816)	(32,774)	(30,247)
Deposits and repayments received under LTIP	200	32	419	32
Net cash provided by (used in) financing activities	204,846	(9,277)	224,376	(32,369)
Investing activities:				
Acquisition of assets under business combinations	(182,688)	(4,680)	(194,466)	(4,680)
Acquisition of land for development	–	–	–	(1,875)
Additions to PP&E and intangible assets	(13,019)	(13,793)	(36,544)	(22,015)
Proceeds from disposal of property, plant and equipment	547	–	547	–
Mezzanine loan repayments	–	600	–	8,187
Change in restricted cash	(1,824)	15	(2,341)	724
Collection of capital funding receivable	929	961	1,845	1,851
Net cash used in investing activities	(196,055)	(16,897)	(230,959)	(17,808)
Increase (decrease) in cash and cash equivalents	19,050	(38)	17,380	(2,685)
Foreign exchange gain (loss) on U.S. dollar-denominated cash	179	(51)	(3)	(325)
Cash and cash equivalents, beginning of period	8,835	11,807	10,687	14,728
Cash and cash equivalents, end of period	\$ 28,064	\$ 11,718	\$ 28,064	\$ 11,718

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 and six-month periods ended June 30, 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 August 10, 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 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 and six-month periods ended June 30, 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 six-month period ended June 30, 2012:

On January 20, 2012, Chartwell acquired a 100% interest in the 70 suite Chartwell Select Georgian Traditions Retirement Residence in Collingwood, Ontario from Spectrum Seniors Holdings LP ("Spectrum") and its 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 operates. The Trust incurred acquisition-related costs of \$271 which have been expensed in other expense (income) in the condensed consolidated interim statements of comprehensive income (loss). Chartwell Select Georgian Traditions Retirement Residence has contributed revenue of \$1,250 and net loss of \$204 from the date of acquisition. The transaction was accounted for as a business combination under IFRS 3.

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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

2. Acquisitions (continued):

On April 1, 2012, Chartwell purchased a 50% interest in the 97 suite Renaissance Retirement Residence located in Kamloops, British Columbia from Spectrum. The purchase price was \$7,525, 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. These transactions are in line with Chartwell's strategy to increase its ownership in properties it operates. The Trust incurred acquisition-related costs of \$68 which have been expensed in other expense (income) in the condensed consolidated interim statements of comprehensive income (loss). Renaissance Retirement Residence has contributed revenue of \$325 and net loss of \$58 from the date of acquisition. The transaction was accounted for as a joint venture under IAS 31. Chartwell is proportionately consolidating this property.

On May 1, 2012, Chartwell and Health Care REIT Inc. ("HCN") completed the acquisition of a portfolio of 42 retirement communities (the "Properties") located in Ontario, Quebec, British Columbia and Alberta ("Maestro portfolio"). Under the terms of the purchase and sale agreement, Chartwell and HCN each acquired a 50% interest in 39 communities ("JV properties"). In addition, HCN acquired the three other communities ("HCN Properties"). Under the terms of the co-ownership agreement, Chartwell and HCN will share equally in the risks and rewards of the investment in the JV properties, with Chartwell being the property manager of all the Properties. The co-ownership structure provides for major decisions to be made by a board comprising equal members from Chartwell and HCN. Dispute resolution and liquidity mechanisms are included.

Under the terms of the co-ownership agreement, the parties are subject, with limited exceptions, to certain non-competition restrictions within specified geographic zones surrounding the properties. Chartwell and HCN have agreed to offer to each other the opportunity to co-invest in additional Canadian seniors housing properties within these geographic zones. In addition, HCN has granted Chartwell the option to purchase a 50% interest in the three HCN Properties at the higher of fair market value and HCN's investment in the HCN Properties during the term of the co-ownership agreement, provided that Chartwell continues to manage the HCN 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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

2. Acquisitions (continued):

The Properties will be managed by Chartwell pursuant to a management agreement, which provides for: (a) a base fee equal to 5% of gross revenue from each property to be paid to Chartwell; and (b) an incentive fee equal to 10% of outperformance, or a reduction of 10% for underperformance, relative to approved annual operating targets, to be paid to Chartwell provided that the total management fee paid to Chartwell does not exceed 6% of gross revenue from the Properties and is not less than 4% of gross revenue from the Properties.

In respect of the three HCN Properties, the management agreement will have an initial term of three years, with one year renewal options at HCN's election. Both Chartwell and HCN have the right to terminate the management agreement on 180 days notice in respect of the HCN Properties. In respect of the JV Properties, the management agreement will have an initial term of three years and will automatically renew for three-year terms provided that the co-ownership agreement remains in effect.

The 100% purchase price for the JV Properties was \$843,815 and was settled by the assumption of mortgage debt of \$449,809, with the remaining balance, net of working capital adjustments, settled in cash. Chartwell's share of the net purchase price was partially funded from the proceeds of subscription receipts (note 10). This acquisition is consistent with Chartwell's strategy to focus on its core business and expand its presence in existing Canadian markets. This transaction was accounted for as a business combination under IFRS 3.

In connection with the Maestro portfolio acquisition, the Trust incurred acquisition-related costs of \$9,438 which have been expensed in other expense (income) in the condensed consolidated interim statements of comprehensive income (loss).

In the two-month period ended June 30, 2012, the JV Properties contributed revenue of \$15,070 and loss of \$8,294 at 50% ownership, which includes \$7,550 of transaction costs. If the acquisition had occurred at January 1, 2012, extrapolating the results of this portfolio for the two-month period ended June 30, 2012, management estimates that the consolidated revenue would have been \$45,210 and the consolidated loss for the period would have been \$9,782 at 50% ownership. Chartwell is proportionately consolidating these assets.

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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

2. Acquisitions (continued):

The following table summarizes the provisional allocation of the purchase to each major category of assets acquired and liabilities assumed at the date of acquisition and the major categories of consideration transferred at Chartwell's ownership:

Date of acquisition	January 20, 2012	April 1, 2012	May 1, 2012	
Segment	Canadian Retirement Operations			
Location	Province of Ontario (70 suites)	Province of British Columbia (97 suites)	Various Provinces (7,662 suites)	Total
PP&E	\$ 15,500	\$ 7,525	\$ 432,178	\$ 455,203
Other liabilities	(423)	(121)	(503)	(1,047)
Mortgages assumed	(11,435)	(4,691)	(235,175)	(251,301)
Net assets acquired	\$ 3,642	\$ 2,713	\$ 196,500	\$ 202,855
Discharge of mezzanine loan receivable	\$ 938	\$ 699	\$ –	\$ 1,637
Settlement of accounts receivable	926	826	–	1,752
Cash consideration	1,778	1,188	196,500	199,466
Total consideration transferred	\$ 3,642	\$ 2,713	\$ 196,500	\$ 202,855

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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

2. Acquisitions (continued):

(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.

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)
Net assets acquired	\$	46,823
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
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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

3. Property, plant and equipment:

	Land	Building	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost						
Balance, December 31, 2010	\$ 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	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	–	5,988	2,908	27,123	504	36,523
Additions through business combinations	45,966	394,233	9,866	–	5,138	455,203
Disposals	–	–	–	–	(264)	(264)
Derecognition	–	(701)	(284)	–	–	(985)
Transfers	3,318	45,849	1,893	(51,060)	–	–
Transfers to assets held for sale	(25,621)	(242,853)	(5,903)	–	–	(274,377)
Exchange differences on translation of United States Operations	106	986	45	(46)	8	1,099
Balance, June 30, 2012	\$ 318,259	\$ 2,592,539	\$ 72,152	\$ 33,294	\$ 23,926	\$ 3,040,170
Depreciation and impairment losses						
Balance, December 31, 2010	\$ –	\$ 148,291	\$ 13,707	\$ –	\$ –	\$ 161,998
Depreciation	–	155,480	15,364	–	–	170,844
Disposals due to step acquisitions	–	(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	–	85,332	8,169	–	–	93,501
Disposals	–	–	–	–	–	–
Derecognition	–	(701)	(284)	–	–	(985)
Transfers to assets held for sale	–	(28,608)	(1,886)	–	–	(30,494)
Exchange differences on translation of United States Operations	–	480	61	–	–	541
Balance, June 30, 2012	\$ –	\$ 325,474	\$ 31,639	\$ 1,880	\$ –	\$ 358,993
Carrying amounts						
Balance, December 31, 2011	\$ 294,490	\$ 2,120,066	\$ 38,048	\$ 55,397	\$ 18,540	\$ 2,526,541
Balance, June 30, 2012	318,259	2,267,065	40,513	31,414	23,926	2,681,177

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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

3. Property, plant and equipment (continued):

During the six-month period ended June 30, 2012, the Trust capitalized \$1,046 of borrowing costs related to development projects under construction at an average capitalization rate of 5.45%. During the twelve-month period ended December 31, 2011, the Trust capitalized \$1,303 of borrowing costs related to development projects under construction at an average capitalization rate of 5.43%.

Included in PP&E are assets under finance leases with a carrying value as at December 31, 2011 of \$99,020. As at June 30, 2012, these assets have been classified as assets held for sale (note 7). 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.

On April 5, 2012, the Trust disposed of vacant land in Magog, Quebec for \$537. As a result of this transaction, the Trust recorded a gain of \$269 included in other expense (income) (note 16).

During the three-month period ended June 30, 2012, the Trust purchased two parcels of land from a company controlled by one of the executives of Chartwell. The total consideration was \$504 and the executive was not involved in the approval process to purchase the land.

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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

4. Intangible assets:

	Management contracts	Licenses	Other ⁽¹⁾	Total
Cost				
Balance, December 31, 2010	\$ 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	–	–	21	21
Derecognition	–	–	(12)	(12)
Exchange differences on translation of United States Operations	–	–	13	13
Balance, June 30, 2012	\$ 980	\$ 44,334	\$ 15,176	\$ 60,490
Amortization and impairment losses				
Balance, December 31, 2010	\$ 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	32	–	2,028	2,060
Derecognition	–	–	(12)	(12)
Exchange differences on translation of United States Operations	–	–	32	32
Balance, June 30, 2012	\$ 318	\$ –	\$ 9,351	\$ 9,669
Carrying amounts				
Balance, December 31, 2011	\$ 694	\$ 44,334	\$ 7,851	\$ 52,879
Balance, June 30, 2012	662	44,334	5,825	50,821

⁽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 and six-month periods ended June 30, 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)	
			June 30, 2012	December 31, 2011
Spectrum and Partners, outside Quebec	(a)	10% - 14%	\$ 9,968	\$ 11,605
Melior, Spectrum and Partners, in Quebec	(b)	10%	8,551	8,551
Seasons	(c)	10%	2,607	2,607
			21,126	22,763
Provision, opening balance			13,110	21,535
Additions to provision/reallocated on collection of certain accounts receivable			975	851
Offset against principal amount of loans			–	(9,276)
Provision, closing balance			14,085	13,110
			\$ 7,041	\$ 9,653

(a) Spectrum and Partners, outside Quebec:

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

During the six-month period ended June 30, 2012, two mezzanine loans in the amount of \$1,637 were settled as part of the consideration on the acquisition of two properties.

Chartwell continues to work with Spectrum to collect its accounts receivable and mezzanine loans and to manage certain of its operating 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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

5. Mezzanine loans receivable (continued):

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

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

(c) Seasons:

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

Subsequent to June 30, 2012, Seasons repaid the outstanding mezzanine loan in cash.

6. Other assets:

	June 30, 2012	December 31, 2011
Restricted cash	\$ 13,637	\$ 11,625
Prepaid expenses and deposits	13,605	9,292
Lease purchase option	4,352	4,362
Other assets	4,269	9,218
	<hr/>	<hr/>
	\$ 35,863	\$ 34,497
Current	\$ 28,545	\$ 27,153
Non-current	7,318	7,344
	<hr/>	<hr/>
	\$ 35,863	\$ 34,497

Restricted cash relates to capital expenditure reserves required in the United States for certain mortgages and a net operating income guarantee relating to the acquisition of the Maestro portfolio.

Included in other assets as at June 30, 2012 is nil (December 31, 2011 - \$5,000) deposit on the purchase of the Maestro portfolio (note 2).

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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

7. Assets and liabilities held for sale:

During the three-month period ended June 30, 2012, the Trust entered into an agreement to dispose of five properties in the United States for \$295,249 (U.S. \$290,000). Chartwell's ownership interest in these properties is 50%. The purchaser is expected to assume debt with an outstanding balance of \$202,787 (U.S. \$199,182) as of June 30, 2012 with the balance, net of working capital adjustments and holdbacks, to be paid in cash. The carrying value of the Trust's interest in these properties as of June 30, 2012 was \$98,066.

During the three-month period ended June 30, 2012, the Trust entered into an agreement to dispose of six properties in the United States for \$168,496 (U.S. \$165,500). The purchaser is expected to assume debt with an outstanding balance of \$108,740 (U.S. \$106,807) as of June 30, 2012 with the balance, net of working capital to be paid in cash. The carrying value of these properties as of June 30, 2012 was \$145,817.

These transactions are expected to close in the fourth quarter of 2012 subject to regulatory and lender approvals and certain other closing conditions.

The following table summarizes the significant assets and liabilities held for sale on June 30, 2012:

Assets classified as held for sale:	
Trade and other receivables	\$ 581
Other assets	3,755
PP&E, net	243,883
	<hr/>
	\$ 248,219
	<hr/>
Liabilities classified as held for sale:	
Accounts payable and other liabilities	\$ 5,796
Mortgages payable	209,471
	<hr/>
	\$ 215,267

Included in assets held for sale are five assets under finance leases with a carrying value as at June 30, 2012 of \$96,563.

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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

8. 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 June 30, 2012, excluding mortgages related to assets held for sale, are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total maturing debt principal	Weighted average interest rate %
Remainder of 2012	\$ 26,117	\$ 153,093	\$ 179,210	11	4.94
2013	45,935	163,765	209,700	11	5.04
2014	50,019	158,615	208,634	11	4.36
2015	37,360	262,363	299,723	19	5.08
2016	32,083	207,394	239,477	14	6.10
2017	23,929	258,420	282,349	18	5.70
2018	24,525	41,359	65,884	3	5.55
2019	24,536	5,951	30,487	—	6.18
2020	24,692	48,899	73,591	3	4.54
2021	22,431	50,150	72,581	3	4.70
2022	19,188	39,145	58,333	3	5.60
2023	16,213	14,224	30,437	1	6.01
2024	12,081	17,394	29,475	1	7.13
Thereafter	112,858	21,385	134,243	2	4.97
	<u>\$ 471,967</u>	<u>\$ 1,442,157</u>	1,914,124	<u>100</u>	
Mark-to-market adjustments on acquisition			21,828		
Financing costs			(16,710)		
			<u>\$ 1,919,242</u>		
Current			\$ 240,727		
Non-current			1,678,515		
			<u>\$ 1,919,242</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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

8. Secured debt (continued):

	June 30, 2012	December 31, 2011
Mortgages at fixed rates:		
Mortgages	\$1,763,258	\$1,784,835
Interest rates	1.83% - 10.00%	2.50% - 10.00%
Weighted average interest rate	5.26%	5.54%
Mortgages at variable rates:		
Mortgages	\$150,866	\$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	4.66%	4.37%
Blended weighted average rate	5.22%	5.48%

During the three-month and six-month periods ended June 30, 2012, interest expense on mortgages payable amounted to \$27,470 and \$53,014 (three-month and six-month periods ended June 30, 2011 - \$23,171 and \$46,423), respectively.

(b) Credit Facility:

Chartwell has arranged for an \$85,000 Credit Facility. During the three-month period ended June 30, 2012, the Credit Facility was renewed and now matures on June 22, 2013. Under the renewal terms and conditions, amounts outstanding under the Credit Facility bear interest at the bank's prime rate plus 1.25% or the applicable bankers' acceptance rate plus 2.25%. Additional terms include minimum equity requirements and covenants requiring limitations on the amount of cash distributions that can be paid to unitholders. The Credit Facility is secured by charges on specific properties. At June 30, 2012, the maximum available borrowing capacity under the Credit Facility was \$76,300 (December 31 2011 - \$85,000) based on the security provided. Of this capacity, \$2,771 (December 31, 2011 - \$2,253) has been allocated to support various letters of credit issued by Chartwell. As at June 30, 2012, \$60,000 (December 31, 2011 - \$53,000) was outstanding 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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

9. 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 June 30, 2012 was \$104.70. (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:

	June 30, 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	141,345	–

(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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

9. 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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

10. 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. 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 was paid from the funds held in escrow. Immediately prior to conversion to Trust Units, the subscription receipts were adjusted to fair value and \$229,505, net of tax and transaction costs, was recorded in unitholders' equity. The Trust recognized a corresponding loss for the three-month and six-month periods ended June 30, 2012 of \$8,720 and \$29,647, respectively, due to the 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 (gains). The Trust incurred transaction-related costs of \$8,776, before tax effect, recorded in equity.

11. Accounts payable and other liabilities:

	Note	June 30, 2012	December 31, 2011
Accounts payable and accrued liabilities		\$ 76,855	\$ 93,325
Resident deposits		3,971	4,014
Deferred revenue		8,284	6,897
Deferred Trust Units	(a)	4,222	3,013
Restricted Trust Units	(b)	1,140	676
Fair value of LTIP option component		5,444	3,731
Other liabilities		–	32
		<u>\$ 99,916</u>	<u>\$ 111,688</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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

11. Accounts payable and other liabilities (continued):

(a) Deferred Unit Plan:

The following table summarizes the Deferred Trust Unit activity since December 31, 2010:

	Units outstanding	Amount
Balance, December 31, 2010	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	67,285	596
Reinvested distributions	11,272	111
Change in fair value	–	502
Balance, June 30, 2012	433,107	\$ 4,222

(b) Restricted Unit Plan:

During the six-month period ended June 30, 2012, 85,841 Restricted Trust Units related to grants were issued, with no units subsequently being cancelled, and 7,244 units were issued related to reinvested distributions. As of June 30, 2012, the liability associated with Restricted Trust Units was \$1,140 (December 31, 2011 - \$676).

12. 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 June 30, 2012 was \$9.75 (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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

13. Trust Units:

The following Trust Units are issued and outstanding:

	Number of voting Units	Amount
Balance, December 31, 2010	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	801,720	6,974
Trust Units released on settlement of LTIP receivable	92,972	621
Trust Units issued in exchange of subscription receipts, net of tax and transaction costs	24,913,125	229,505
Balance, June 30, 2012	168,499,443	\$ 1,693,338

The following table summarizes Trust Units issued under the LTIP:

	Number of Trust Units issued under LTIP	Amount
Balance, December 31, 2010	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	210,642	1,925
Trust Units surrendered for cancellation under LTIP	(57,278)	(599)
Trust Units released on settlement of LTIP receivable	(92,972)	(621)
Balance, June 30, 2012	2,253,237	\$ 26,181

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%.

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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

14. Segmented information:

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

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 June 30, 2012						
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Consolidated
Revenue:						
Resident Management and other fees	\$ 106,344	\$ 50,991	\$ 59,773	\$ 217,108	\$ –	\$ 217,108
Mezzanine loan interest	–	–	–	–	1,535	1,535
	–	–	–	–	96	96
	106,344	50,991	59,773	217,108	1,631	218,739
Expenses:						
Direct operating General, administrative and trust	68,084	44,284	39,230	151,598	–	151,598
	–	–	–	–	6,766	6,766
	68,084	44,284	39,230	151,598	6,766	158,364
Income (loss) before the undernoted ⁽¹⁾	38,260	6,707	20,543	65,510	(5,135)	60,375
Finance costs (recovery):						
Contractual interest	12,816	3,336	11,318	27,470	2,459	29,929
Other	640	(448)	525	717	2,590	3,307
Property lease expense	32	67	533	632	–	632
Other expense (income):						
Interest	(4)	(825)	(2)	(831)	(212)	(1,043)
Other	5,425	–	723	6,148	1,389	7,537
Depreciation and amortization	29,650	2,262	18,875	50,787	202	50,989
Changes in fair values of financial instruments and unrealized foreign exchange losses	–	–	–	–	10,512	10,512
	48,559	4,392	31,972	84,923	16,940	101,863
Income (loss) before income taxes	(10,299)	2,315	(11,429)	(19,413)	(22,075)	(41,488)
Income tax benefit	–	–	–	–	(7,601)	(7,601)
Net income (loss)	\$ (10,299)	\$ 2,315	\$ (11,429)	\$ (19,413)	\$ (14,474)	\$ (33,887)
Expenditures for non-current assets:						
Acquisition - properties, land held for development, limited life intangible assets, licenses and other assets	\$ 439,703	\$ –	\$ –	\$ 439,703	\$ –	\$ 439,703
Capital additions	5,816	3,990	2,135	11,941	1,078	13,019

⁽¹⁾ Refers to income (loss) 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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

14. Segmented information (continued):

	Six-month period ended June 30, 2012					
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Consolidated
Revenue:						
Resident Management and other fees	\$ 196,728	\$ 101,478	\$ 119,278	\$ 417,484	\$ -	\$ 417,484
Mezzanine loan interest	-	-	-	-	2,235	2,235
	-	-	-	-	670	670
	196,728	101,478	119,278	417,484	2,905	420,389
Expenses:						
Direct operating	126,747	88,626	78,794	294,167	-	294,167
General, administrative and trust	-	-	-	-	13,130	13,130
	126,747	88,626	78,794	294,167	13,130	307,297
Income (loss) before the undernoted ⁽¹⁾	69,981	12,852	40,484	123,317	(10,225)	113,092
Finance costs (recovery):						
Contractual interest	23,706	6,758	22,550	53,014	4,558	57,572
Other	752	(830)	583	505	8,180	8,685
Property lease expense	63	134	1,061	1,258	-	1,258
Other expense (income):						
Interest	(10)	(1,682)	(4)	(1,696)	(403)	(2,099)
Other	8,461	-	920	9,381	1,389	10,770
Depreciation and amortization	52,872	4,614	37,682	95,168	393	95,561
Changes in fair values of financial instruments and unrealized foreign exchange losses	-	-	-	-	38,512	38,512
	85,844	8,994	62,792	157,630	52,629	210,259
Income (loss) before income taxes	(15,863)	3,858	(22,308)	(34,313)	(62,854)	(97,167)
Income tax benefit	-	-	-	-	(14,918)	(14,918)
Net income (loss)	\$ (15,863)	\$ 3,858	\$ (22,308)	\$ (34,313)	\$ (47,936)	\$ (82,249)
Expenditures for non-current assets:						
Acquisition - properties, land held for development, limited life intangible assets, licenses and other assets	\$ 455,203	\$ -	\$ -	\$ 455,203	\$ -	\$ 455,203
Capital additions	24,484	6,618	4,108	35,210	1,334	36,544

⁽¹⁾ Refers to income (loss) 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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

14. Segmented information (continued):

	Three-month period ended June 30, 2011					
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Consolidated
Revenue:						
Resident Management and other fees	\$ 88,923	\$ 49,335	\$ 45,537	\$ 183,795	\$ -	\$ 183,795
Mezzanine loan interest	-	-	-	-	793	793
	-	-	-	-	459	459
	88,923	49,335	45,537	183,795	1,252	185,047
Expenses:						
Direct operating	56,340	42,627	30,439	129,406	-	129,406
General, administrative and trust	-	-	-	-	6,381	6,381
	56,340	42,627	30,439	129,406	6,381	135,787
Income (loss) before the undernoted ⁽¹⁾	32,583	6,708	15,098	54,389	(5,129)	49,260
Finance costs (recovery):						
Contractual interest	10,799	3,514	9,674	23,987	792	24,779
Other	573	(577)	438	434	349	783
Property lease expense	32	28	432	492	-	492
Other expense (income):						
Interest	(4)	(793)	-	(797)	(52)	(849)
Other	(3)	-	8,500	8,497	(1,753)	6,744
Depreciation and amortization	23,546	2,497	14,856	40,899	345	41,244
Changes in fair values of financial instruments and unrealized foreign exchange gains	-	-	-	-	(1,755)	(1,755)
	34,943	4,669	33,900	73,512	(2,074)	71,438
Income (loss) before income taxes	(2,360)	2,039	(18,802)	(19,123)	(3,055)	(22,178)
Income tax benefit	-	-	-	-	(3,330)	(3,330)
Net income (loss)	\$ (2,360)	\$ 2,039	\$ (18,802)	\$ (19,123)	\$ 275	\$ (18,848)
Expenditures for non-current assets:						
Acquisition - properties, land held for development, limited life intangible assets, licenses and other assets	\$ 23,590	\$ -	\$ -	\$ 23,590	\$ -	\$ 23,590
Capital additions	4,438	5,872	3,483	13,793	-	13,793

⁽¹⁾ Refers to income (loss) 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 gains 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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

14. Segmented information (continued):

	Six-month period ended June 30, 2011					
	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Consolidated
Revenue:						
Resident Management and other fees	\$ 176,664	\$ 97,404	\$ 91,783	\$ 365,851	\$ -	\$ 365,851
Mezzanine loan interest	-	-	-	-	1,642	1,642
	-	-	-	-	1,056	1,056
	176,664	97,404	91,783	365,851	2,698	368,549
Expenses:						
Direct operating	113,055	84,847	60,967	258,869	-	258,869
General, administrative and trust	-	-	-	-	12,542	12,542
	113,055	84,847	60,967	258,869	12,542	271,411
Income (loss) before the undernoted ⁽¹⁾	63,609	12,557	30,816	106,982	(9,844)	97,138
Finance costs (recovery):						
Contractual interest	21,572	7,061	19,438	48,071	1,482	49,553
Other	1,057	(1,069)	829	817	653	1,470
Property lease expense	63	135	946	1,144	-	1,144
Other expense (income):						
Interest	(9)	(1,597)	-	(1,606)	(183)	(1,789)
Other	1,139	-	8,500	9,639	(2,894)	6,745
Depreciation and amortization	46,936	4,648	29,621	81,205	812	82,017
Changes in fair values of financial instruments and unrealized foreign exchange losses	-	-	-	-	2,609	2,609
	70,758	9,178	59,334	139,270	2,479	141,749
Income (loss) before income taxes	(7,149)	3,379	(28,518)	(32,288)	(12,323)	(44,611)
Income tax benefit	-	-	-	-	(7,299)	(7,299)
Net income (loss)	\$ (7,149)	\$ 3,379	\$ (28,518)	\$ (32,288)	\$ (5,024)	\$ (37,312)
Expenditures for non-current assets:						
Acquisition - properties, land held for development, limited life intangible assets, licenses and other assets	\$ 23,590	\$ -	\$ -	\$ 23,590	\$ -	\$ 23,590
Capital additions	8,591	9,692	5,607	23,890	-	23,890

⁽¹⁾ Refers to income (loss) 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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

14. Segmented information (continued):

June 30, 2012	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Consolidated
Total assets	\$ 1,839,269	\$ 338,911	\$ 901,960	\$ 3,080,140	\$ 41,732	\$ 3,121,872
Total liabilities	\$ 1,219,440	\$ 232,546	\$ 782,780	\$ 2,234,766	\$ 238,321	\$ 2,473,087

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

15. Financial instruments and financial risk management:

Chartwell's financial instruments and financial risk management has not changed significantly since December 31, 2011, with the exception of major contractual obligations. The following table summarizes the major contractual obligations as at June 30, 2012:

	Total	Remainder of 2012	2013	2014	2015	2016	Thereafter
Mortgages payable	\$ 1,914,124	\$ 179,210	\$ 209,700	\$ 208,634	\$ 299,723	\$ 239,477	\$ 777,380
Accounts payable and other liabilities	99,916	99,916	—	—	—	—	—
Convertible debentures	135,000	—	—	—	—	—	135,000
Credit Facility	60,000	60,000	—	—	—	—	—
Purchase obligations ⁽¹⁾	12,805	12,609	196	—	—	—	—
Property operating leases	8,932	812	1,624	1,624	1,624	1,624	1,624
Other operating leases	11,720	617	1,279	1,360	1,308	1,132	6,024
Land leases	15,861	197	395	395	395	395	14,084
Total contractual obligations	\$ 2,258,358	\$ 353,361	\$ 213,194	\$ 212,013	\$ 303,050	\$ 242,628	\$ 934,112

⁽¹⁾Relates to construction contracts, deferred purchase consideration and fixed price utilities contracts.

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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

16. Other expense (income):

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2012	2011	2012	2011
Interest income on loans and receivables	\$ (1,043)	\$ (849)	\$ (2,099)	\$ (1,789)
Gain on sale of assets	(279)	–	(279)	–
Impairment on PP&E	–	8,500	–	8,500
Transaction costs arising on business acquisitions and asset disposals	7,816	335	11,049	335
Gain recorded on remeasurement of previously held equity interest on acquisition	–	(2,090)	–	(2,090)
Other expense	\$ 6,494	\$ 5,896	\$ 8,671	\$ 4,956

17. Finance costs:

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2012	2011	2012	2011
Contractual mortgage interest expense	\$ 27,470	\$ 23,171	\$ 53,014	\$ 46,423
Interest expense on convertible debentures	1,924	1,106	3,298	2,212
Credit Facility and other interest expense	535	502	1,260	918
	29,929	24,779	57,572	49,553
Interest capitalized to properties under development	(607)	(330)	(1,046)	(573)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	1,445	884	1,672	1,589
Distributions on Class B Units recorded as interest expense	227	228	454	455
Distributions on subscription receipts	2,242	–	2,242	–
Convertible debenture issuance costs	–	–	5,363	–
Total finance costs	\$ 33,236	\$ 25,561	\$ 66,257	\$ 51,024

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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

18. Changes in fair values of financial instruments and unrealized foreign exchange losses (gains):

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2012	2011	2012	2011
Changes in fair value of convertible debentures	\$ 945	\$ (112)	\$ 4,920	\$ (1,050)
Changes in fair value of interest rate swap	(81)	(288)	(235)	(139)
Unrealized foreign exchange losses (gains)	(1,518)	291	(90)	1,628
Changes in fair value of LTIP option component	1,179	(588)	1,666	1,412
Changes in fair value of Class B Units (note 12)	1,009	(1,446)	2,102	370
Changes in fair value of Deferred Trust Units (note 11)	258	388	502	388
Changes in fair value of subscription receipts (note 10)	8,720	–	29,647	–
Changes in fair values of financial instruments and unrealized foreign exchange losses (gains)	\$ 10,512	\$ (1,755)	\$ 38,512	\$ 2,609

19. Income taxes:

For the three-month and six-month periods ended June 30, 2012, Chartwell recorded a current income tax expense of \$82 and \$141 (three-month and six-month periods ended June 30, 2011 - \$95 and \$171) and a deferred income tax benefit of \$7,683 and \$ 15,059 (three-month and six-month periods ended June 30, 2011 - \$3,425 and \$7,470), respectively.

The average effective tax rate for the six-month period ended June 30, 2012 was higher than the average effective tax rate for the six-month period ended June 30, 2011 primarily due to the increase in the opening deferred tax liability for the change in the Ontario surtax that was enacted during Q2, 2012 as well as 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 six-month period ended June 30, 2012.

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 and six-month periods ended June 30, 2012 and 2011

(Unaudited)

20. Subsequent events:

In July 2012, the Trust provided Spectrum with a limited waiver of its rights of first refusal to purchase two properties with outstanding mezzanine loans of \$4,030. Upon closing of the sale of these properties, Spectrum is required to repay all of its mezzanine loans and other amounts due to Chartwell, as well as to pay a termination fee of \$1,500.