LANESBOROUGH REIT

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30 2014	December 31 2013
ASSETS		
Non-current assets		
Investment properties (Note 4)	**$420,902,857**	$421,040,369
Defeasance assets	**2,806,074**	2,879,978
Restricted cash	**4,328,771**	4,241,812
Total non-current assets	**428,037,702**	428,162,159
Current assets		
Cash	**1,393,887**	2,401,741
Rent and other receivables (Note 5)	**905,028**	10,129,493
Deposits and prepaids	**1,426,105**	893,063
	3,725,020	13,424,297
Assets classified as held for sale (Note 6)	**26,624,487**	26,485,863
Total current assets	**30,349,507**	39,910,160
TOTAL ASSETS	**$458,387,209**	$468,072,319
LIABILITIES AND EQUITY		
Liabilities		
Non-current liabilities		
Long-term debt (Note 7)	**$150,730,676**	$154,124,845
Total non-current liabilities	**150,730,676**	154,124,845
Current liabilities		
Trade and other payables (Note 8)	**11,557,762**	47,306,909
Current portion of long-term debt (Note 7)	**163,540,424**	133,107,487
Deposits from tenants	**2,901,144**	2,518,165
	177,999,330	182,932,561
Liabilities classified as held for sale (Note 6)	**14,774,881**	13,562,900
Total current liabilities	**192,774,211**	196,495,461
Total liabilities	**343,504,887**	350,620,306
Total equity	**114,882,322**	117,452,013
TOTAL LIABILITIES AND EQUITY	**$458,387,209**	$468,072,319

Approved by the Board of Trustees

"Charles Loewen"　　　　*"Cheryl Barker"*

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	**2013**	**2014**	**2013**
Rentals from investment properties	**$ 9,975,172**	$ 10,026,210	**$ 18,883,897**	$ 19,795,098
Property operating costs	**4,050,521**	3,939,488	**8,455,179**	8,014,808
Net operating income	**5,924,651**	6,086,722	**10,428,718**	11,780,290
Interest income	**206,779**	329,946	**591,997**	628,247
Interest expense (Note 9)	**(5,745,943)**	(6,609,966)	**(12,700,225)**	(14,451,844)
Trust expense	**(599,264)**	(790,635)	**(1,219,949)**	(1,321,932)
Gain on sale of investment property	**-**	164,928	**71,235**	164,928
Fair value adjustments (Note 4)	**(684,592)**	1,286,668	**(684,592)**	1,424,522
Fair value adjustment of Parsons Landing	**-**	1,769,760	**-**	2,069,760
Income recovery on Parsons Landing	**-**	742,500	**98,499**	1,641,630
Income (loss) before discontinued operations	**(898,369)**	2,979,923	**(3,414,317)**	1,935,601
Income from discontinued operations (Note 6)	**155,701**	355,731	**267,636**	587,825
Income (loss) and comprehensive income (loss)	**$ (742,668)**	$ 3,335,654	**$ (3,146,681)**	$ 2,523,426
Income (loss) per unit before discontinued operations:				
Basic	**$ (0.043)**	$ 0.158	**$ (0.164)**	$ 0.103
Diluted	**$ (0.043)**	$ 0.156	**$ (0.164)**	$ 0.102
Income per unit from discontinued operations:				
Basic and diluted	**$ 0.008**	$ 0.019	**$ 0.013**	$ 0.031
Income (loss) per unit:				
Basic	**$ (0.035)**	$ 0.177	**$ (0.151)**	$ 0.134
Diluted	**$ (0.035)**	$ 0.175	**$ (0.151)**	$ 0.133

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Three Months Ended June 30		Six Months Ended June 30	
	2014	**2013**	**2014**	**2013**
Issued capital (Note 11)				
Balance, beginning of period	**$116,686,912**	$107,981,081	**$116,100,394**	$107,978,701
Units issued on exercise of:				
Options	**3,400**	-	**22,780**	2,380
Warrants	**12,077**	-	**579,215**	-
Balance, end of period	**116,702,389**	107,981,081	**116,702,389**	107,981,081
Contributed surplus				
Balance, beginning of period	**16,992,325**	17,255,913	**17,091,850**	17,211,070
Value of deferred units granted	**18,750**	18,750	**37,500**	37,500
Value of unit options granted	**60,156**	-	**60,156**	26,093
Warrants exercised	**(2,701)**	-	**(101,590)**	-
Warrants purchased under normal course issuer bid	**(1,685)**	-	**(21,071)**	-
Balance, end of period	**17,066,845**	17,274,663	**17,066,845**	17,274,663
Cumulative earnings				
Balance, beginning of period	**56,205,791**	42,277,990	**58,609,804**	43,090,218
Income (loss) and comprehensive income (loss)	**(742,668)**	3,335,654	**(3,146,681)**	2,523,426
Balance, end of period	**55,463,123**	45,613,644	**55,463,123**	45,613,644
Cumulative distributions to unitholders				
Balance, beginning and end of period	**(74,350,035)**	(67,450,035)	**(74,350,035)**	(67,450,035)
Total equity	**$114,882,322**	$103,419,353	**$114,882,322**	$103,419,353

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30 2014	Three Months Ended June 30 2013	Six Months Ended June 30 2014	Six Months Ended June 30 2013
Operating activities				
Income (loss) and comprehensive income (loss)	**$ (742,668)**	$ 3,335,654	**$ (3,146,681)**	$ 2,523,426
Adjustments to reconcile income to cash flows				
Fair value adjustments	**684,592**	(1,286,668)	**684,592**	(1,424,522)
Fair value adjustment of Parsons Landing	**-**	(1,769,760)	**-**	(2,069,760)
Gain on sale of properties	**-**	(164,928)	**(71,235)**	(164,928)
Loss on warrant repurchases	**2,395**	-	**37,342**	-
Write down of note receivable	**-**	190,000	**-**	190,000
Accrued rental revenue	**(119,896)**	16,279	**(208,467)**	(85,019)
Unit-based compensation	**78,906**	18,750	**97,656**	63,593
Deferred income tax expense	**-**	-	**-**	(285,734)
Interest income	**(206,779)**	(329,946)	**(591,997)**	(628,247)
Interest received	**206,779**	178,023	**421,582**	338,910
Interest expense	**6,001,359**	6,806,411	**13,113,298**	14,841,958
Interest paid	**(5,745,024)**	(7,495,532)	**(10,605,708)**	(13,417,976)
Cash from operations	**159,664**	(501,717)	**(269,618)**	(118,299)
Decrease (increase) in rent and other receivables	**64,271**	205,704	**93,994**	152,897
Decrease (increase) in deposits and prepaids	**(652,476)**	(251,768)	**(518,898)**	(258,169)
Increase (decrease) in tenant deposits	**225,882**	142,294	**402,972**	238,505
Increase (decrease) in trade and other payables	**(58,008)**	192,301	**749,524**	(104,125)
	(260,667)	(213,186)	**457,974**	(89,191)
Cash provided by (used in) financing activities				
Proceeds of mortgage loan financing	**10,000,000**	96,000,000	**50,000,000**	117,000,000
Repayment of mortgage loans on refinancing	**(8,104,208)**	(98,944,952)	**(8,104,208)**	(119,344,952)
Payment of acquisition payable of Parsons Landing	**-**	-	**(44,006,731)**	-
Redemption of mortgage bonds	**-**	-	**(10,000,000)**	-
Repayment of long-term debt	**(1,383,142)**	(1,976,503)	**(2,960,454)**	(4,063,979)
Prepayment of mortgage loans	**-**	-	**-**	(1,998,500)
Proceeds of revolving loan commitment	**3,664,136**	4,628,000	**18,409,136**	10,675,000
Repayment of revolving loan commitment	**(10,364,136)**	(500,000)	**(11,014,136)**	(3,700,000)
Expenditures on transaction costs	**(1,586,653)**	(1,085,579)	**(2,623,158)**	(1,355,284)
Exercise of options	**3,400**	-	**22,780**	2,380
Exercise of warrants	**9,375**	-	**477,624**	-
Debentures purchased and cancelled under normal course issuer bid	**-**	(8,000)	**-**	(8,000)
Warrants purchased and cancelled under normal course issuer bid	**(4,080)**	-	**(58,413)**	-
	(7,765,308)	(1,887,034)	**(9,857,560)**	(2,793,335)
Cash provided by (used in) investing activities				
Capital expenditures on investment properties	**(721,349)**	(947,639)	**(920,125)**	(1,302,001)
Capital expenditures on property and equipment	**(103,025)**	(113,336)	**(118,927)**	(127,325)
Decrease in defeasance assets	**36,945**	36,294	**73,904**	72,637
Proceeds of mortgage loans receivable (Note 5)	**8,991,016**	-	**9,491,016**	3,200,000
Taxes paid on property sold	**-**	-	**-**	(1,734,702)
Proceeds of sale	**-**	(1,913)	**(6,877)**	(1,913)
Change in restricted cash	**275,061**	2,713,783	**(90,415)**	1,779,440
	8,478,648	1,687,189	**8,428,576**	1,886,136
Cash increase (decrease)	**452,673**	(413,031)	**(971,010)**	(996,390)
Add (deduct) decrease (increase) in cash from discontinued operations (Note 6)	**(51,546)**	554,063	**(36,844)**	759,416
	401,127	141,032	**(1,007,854)**	(236,974)
Cash, beginning of period	**992,760**	876,272	**2,401,741**	1,254,278
Cash, end of period	**$ 1,393,887**	$ 1,017,304	**$ 1,393,887**	$ 1,017,304

1 *Organization*

Lanesborough Real Estate Investment Trust ("the Trust") is a closed-end real estate investment trust, which was created under the laws of the Province of Manitoba by a Declaration of Trust dated April 23, 2002 and amended on June 12, 2006, June 18, 2008 and December 9, 2009.

The registered office for the Trust is located at 2600 Seven Evergreen Place, Winnipeg, Canada. The Trust is listed on the Toronto Stock Exchange ("TSX"). The following schedule reflects securities of the Trust, which trade on the TSX and the related trading symbols:

Units	LRT.UN
Series G Debentures	LRT.DB.G
Mortgage Bonds	LRT.NT.A
Warrants expiring March 9, 2015	LRT.WT
Warrants expiring December 23, 2015	LRT.WT.A

The Trust and its subsidiaries earn income from real estate investments in Canada.

2 *Basis of presentation and continuing operations*

The condensed consolidated financial statements of the Trust for the three and six months ended June 30, 2014 and 2013 ("Financial Statements"), have been prepared in accordance with International Accounting Standards ("IFRS"). The Financial Statements were authorized for issue in accordance with a resolution of the Board of Trustees on August 14, 2014.

The Financial Statements of the Trust reflect the operations of the Trust and LREIT Holdings 32 Corporation and LREIT Holdings 39 Corporation, which are wholly owned operating subsidiaries under its control. The Financial Statements have been prepared on a historical cost basis except for investment properties and certain financial instruments that are measured at fair value. The Financial Statements have been prepared on a going concern basis and have been prepared in Canadian dollars.

The Financial Statements do not give effect to adjustments that would be necessary should the Trust be required to realize its assets in other than the normal course of business. The use of IFRS applicable to a going concern may be inappropriate as a result of the potential inability of the Trust to continue as a going concern. The Trust incurred a loss from investment properties of $898,369 for the three months ended June 30, 2014 (2013 - income of $2,979,923) and $3,414,317 for the six months ended June 30, 2014 (2013 - income of $1,935,601). The Trust incurred a cash deficiency from operating activities of $260,667 for the three months ended June 30, 2014 (2013 - $213,186) and generated cash from operating activities of $457,974 for the six months ended June 30, 2014 (2013 - cash deficiency of $89,191). After deduction of capital expenditures and regular principal repayments of long term debt, the Trust incurred a cash deficiency of $2,468,183 for the three months ended June 30, 2014 (2013 - $3,250,664) and $3,541,532 for the six months ended June 30, 2014 (2013 - $5,582,496). In addition, the Trust has a working capital deficit of $7,870,494 as at June 30, 2014 (December 31, 2013 - $4,259,858) and the Trust was in breach of a debt service coverage requirement on one mortgage loan and the related interest rate swap liability (December 31, 2013 - one mortgage loan and the related interest rate swap liability).

2 Basis of presentation and continuing operations (continued)

The Trust was in breach of a 1.15 overall Trust debt service coverage requirement of a $15,590,677 mortgage loan and the related $1,030,680 interest rate swap liability on a property in Fort McMurray, Alberta. The Trust has notified the lender of the covenant breach and is providing operating information to the lender on a monthly basis. The covenant breach may continue for the next 12 months and there can be no assurance that the covenant breach will be remedied. The covenant breach is expected to be eliminated as a result of refinancing the mortgage loan in the third quarter of 2014.

There are no cross-default covenants between the mortgage loan noted above and the other mortgage loans, mortgage bonds or debentures of the Trust.

Continuation of operations is contingent upon improving cash flows from operations and in particular, the operating cash flows from the Fort McMurray portfolio, the continuation of the divestiture program, the continued ability of the Trust to renew or refinance its debt and the continued support of related parties in the form of the renewal of the revolving loan commitment, the provision of advances and the deferral of fees.

Management believes that the going concern assumption is appropriate for the Financial Statements as the Trust has successfully sold 23 properties, including two properties during the year ended December 31, 2013, the Trust has successfully renewed mortgage loans at maturity, the Trust has extended the maturity date for the Series G debentures to 2018, the Trust has successfully eliminated covenant breaches on eight mortgage loans through refinancing and/or improved operations and the Trust has completed the acquisition of Parsons Landing.

If the going concern assumption is inappropriate, adjustments would be necessary to the carrying values of assets and liabilities and reported revenues and expenses used in these Financial Statements.

Statement of compliance

The Financial Statements of the Trust have been prepared in accordance with International Accounting Standards ("IAS") 34 using the same presentation and accounting policies under International Financial Reporting Standards (IFRS). The Trust follows accounting policies under IFRS as disclosed in the December 31, 2013 audited financial statements. The Financial Statements are based on IFRS standards issued and effective as at August 14, 2014.

Effective January 1, 2014, the Trust adopted IFRIC Interpretation 21. The interpretation addresses the accounting for a liability to pay a levy within the scope of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. The adoption of the interpretation had no impact on the amounts recorded in the Financial Statements of the Trust.

The December 31, 2013 annual report is available on SEDAR at www.sedar.com.

2 Basis of presentation and continuing operations (continued)

Future changes to significant accounting policies
The following new or amended standards have been issued by the International Accounting Standards Board (IASB):

(i) IFRS 9 - Financial Instruments

IFRS 9 - Financial Instruments was issued in July 2014 and is the same as disclosed in the audited consolidated financial statements for the year ended December 31, 2013 and has an effective date of implementation of January 1, 2018.

(ii) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers replaces IAS 11 - Construction Contracts and IAS 18 - Revenue, as well as various IFRIC and SIC interpretations; specifies the steps and timing for entities to recognize revenue from contracts, excluding lease contracts; enhances disclosure requirements; and is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted.

The Trust is currently evaluating the impact of these standards on its Financial Statements.

3 Significant accounting judgments, estimates and assumptions

The preparation of the Trust's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected. Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable. In the process of applying the Trust's accounting policies, management has applied the same methodologies in making significant accounting judgments, estimates and assumptions as disclosed in the Trust's Consolidated Financial Statements for the year ended December 31, 2013.

4 Investment properties

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Balance, beginning of period	$420,866,100	$428,760,016	$421,040,369	$427,967,800
Additions - capital expenditures	721,349	947,639	920,125	1,302,001
Fair value adjustments	(684,592)	1,286,668	(684,592)	1,424,522
Dispositions (a)	-	(733,333)	(373,045)	(733,333)
Fair value adjustment of Parsons Landing	-	1,769,760	-	2,069,760
Balance, end of period	$420,902,857	$432,030,750	$420,902,857	$432,030,750

4 Investment properties (continued)

Investment properties have been valued using methods consistent with those used in the annual Financial Statements with the following weighted average capitalization and discount rates:

	Capitalization Rate		Discount Rate	
	Range	Weighted Average	Range	Weighted Average
June 30, 2014	4.75% - 8.00%	6.76 %	6.75% - 10.00%	8.76 %
December 31, 2013	4.75% - 8.00%	6.76 %	6.75% - 10.00%	8.76 %

(a) Dispositions

One condominium unit at Lakewood Townhomes was sold during the six months ended June 30, 2014 (2013 - two condominium units).

(b) Parsons Landing

On March 6, 2014, the acquisition of Parsons Landing was completed.

5 Rent and other receivables

	June 30 2014	December 31 2013
Rent receivable	$ 101,967	$ 223,314
Less: allowance for uncollectible accounts	(23,016)	(32,751)
	78,951	190,563
Loans receivable	-	9,320,600
Other receivables	348,108	348,828
Deferred rent receivable	477,969	269,502
	$ 905,028	$ 10,129,493

6 Assets and liabilities of properties held for sale

The Trust intends to dispose of assets, which do not meet the definition of assets of qualifying REITs as defined by the Income Tax Act (Canada). As a result, the Trust has classified the seniors' housing complexes, which are owned by wholly owned subsidiary companies, as discontinued operations.

Assets and liabilities classified as "held for sale" are as follows:

	June 30 2014	December 31 2013
ASSETS		
Assets in discontinued operations		
Property and equipment	$ 26,489,727	$ 26,370,800
Cash	57,447	20,603
Restricted cash	47,442	43,986
Rent and other receivables	2,457	8,916
Deposits, prepaids and other	27,414	41,558
Assets classified as held for sale	$ 26,624,487	$ 26,485,863
LIABILITIES		
Liabilities in discontinued operations		
Long term debt (a)	$ 14,251,966	$ 13,042,918
Trade and other payables	244,339	261,399
Deposits from tenants	278,576	258,583
Liabilities classified as held for sale	$ 14,774,881	$ 13,562,900

Income information relating to discontinued operations are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Rental income	$ 1,295,639	$ 1,275,736	$ 2,582,600	$ 2,670,218
Property operating expenses	884,522	910,648	1,901,891	1,800,776
Net operating income	411,117	365,088	680,709	869,442
Interest expense (b)	255,416	196,445	413,073	390,114
Current tax expense (recovery)	-	(187,088)	-	177,237
Deferred tax recovery	-	-	-	(285,734)
Income from discontinued operations	$ 155,701	$ 355,731	$ 267,636	$ 587,825

6 *Non-current assets and non-current liabilities of properties held for sale (continued)*

Cash flow information relating to discontinued operations are as follows.

	Three Months Ended June 30 2014	Three Months Ended June 30 2013	Six Months Ended June 30 2014	Six Months Ended June 30 2013
Cash inflow from operating activities	$ 261,997	$ 155,602	$ 360,100	$ 284,537
Cash inflow (outflow) from financing activities	(107,734)	(595,943)	(200,872)	818,792
Cash outflow from investing activities	(102,717)	(113,722)	(122,384)	(1,862,745)
Increase (decrease) in cash from discontinued operations	$ 51,546	$ (554,063)	$ 36,844	$ (759,416)

(a) Long term debt

	June 30 2014	December 31 2013
Secured debt		
Mortgage loans	$ 14,458,744	$ 13,042,918
Unamortized transaction costs	(206,778)	-
Total long term debt	$ 14,251,966	$ 13,042,918

All mortgages which have matured prior to August 14, 2014 have been renewed or refinanced.

(b) Interest expense

	Three Months Ended June 30 2014	Three Months Ended June 30 2013	Six Months Ended June 30 2014	Six Months Ended June 30 2013
Mortgage loan interest	$ 186,490	$ 182,862	$ 344,147	$ 367,947
Amortization of transaction costs	68,926	13,583	68,926	22,167
	$ 255,416	$ 196,445	$ 413,073	$ 390,114

7 *Long-term debt*

	June 30 2014	December 31 2013 (Note 20)
Secured debt		
Mortgage loans (a)	$ 281,684,413	$ 244,586,398
Interest rate swap liability (b)	1,030,680	1,188,106
Mortgage bonds (c)	5,685,962	14,913,008
Debentures (d)	24,873,800	24,873,800
Defeased liability	2,614,957	2,644,615
Total secured debt	315,889,812	288,205,927
Mortgage guarantee fees	-	91,362
Total debt	315,889,812	288,297,289
Accrued interest payable	2,121,805	1,975,830
Unamortized transaction costs		
Mortgage loans	(2,482,644)	(1,909,636)
Mortgage bonds	(220,896)	(754,795)
Debentures	(1,018,190)	(352,422)
Defeased liability	(18,787)	(23,934)
Total unamortized transaction costs	(3,740,517)	(3,040,787)
	314,271,100	287,232,332
Less current portion		
Mortgage loans	(162,342,308)	(122,180,991)
Interest rate swap liability	(1,030,680)	(1,188,106)
Mortgage bonds	-	(9,319,958)
Defeased liability	(61,854)	(60,167)
Mortgage guarantee fees	-	(44,587)
Accrued interest payable	(2,121,805)	(1,975,830)
Transaction costs	2,016,223	1,662,152
Total current portion	(163,540,424)	(133,107,487)
	$ 150,730,676	$ 154,124,845
Current portion of unamortized transaction costs		
Mortgage loans	$ 1,649,375	$ 1,023,567
Mortgage bonds	141,031	329,655
Debentures	215,231	298,539
Defeased liability	10,586	10,391
	$ 2,016,223	$ 1,662,152

7 Long-term debt (continued)

(a) Mortgage loans

	Weighted average interest rates		Amount	
	June 30 2014	December 31 2013	June 30 2014	December 31 2013
First mortgage loans				
Fixed rate	4.5%	4.6%	$ 173,889,936	$ 176,340,766
Variable rate	6.9%	6.1%	89,788,190	50,239,345
Total first mortgage loans	5.3%	4.9%	263,678,126	226,580,111
Second mortgage loans				
Fixed rate	11.8%	11.8%	4,500,000	4,500,000
Variable rate	11.1%	11.1%	13,506,287	13,506,287
Total second mortgage loans	11.3%	11.3%	18,006,287	18,006,287
Total	5.7%	5.4%	$ 281,684,413	$ 244,586,398

Certain of the mortgage loans are subject to covenants, including net operating income achievement, debt service coverage and restrictions on the registration of secondary charges against the title to a property. As of June 30, 2014, the Trust is not in compliance with a debt service coverage requirement for one mortgage loan. In accordance with IFRS the balance of $15,590,677 is included in current liabilities. The covenant breach is expected to be eliminated as a result of refinancing the mortgage loan in the third quarter of 2014.

All mortgages which have matured prior to August 14, 2014 have been renewed or refinanced.

Mortgage loans are secured by mortgage charges registered against specific investment properties and are secured by assignments of book debts and rents and by repayment guarantees.

(b) Interest rate swap liability

The Trust has an interest rate swap arrangement whereby the interest rate on a variable rate mortgage loan, in the amount of $15,590,677, was fixed at a rate of 5.82% and matures in 2018.

The swap arrangement is used to hedge the exposure to the variable interest rate payment on a variable rate mortgage loan. The interest rate swap liability of $1,030,680 and the mortgage loan of $15,590,677 have the same contractual terms.

The Trust is not in compliance with a debt service coverage requirement for the mortgage loan. In accordance with IFRS the mortgage loan and interest rate swap liability are included in current portion of long-term debt. The covenant breach is expected to be eliminated as a result of refinancing the mortgage loan in the third quarter of 2014.

The change in the fair value of interest rate swap liability of $82,714 for the three months ended June 30, 2014 (2013 - $72,791) and $157,426 for the six months ended June 30, 2014 (2013 - $141,251) was recorded in interest expense.

7 Long-term debt (continued)

(c) Mortgage bonds

	June 30 2014	December 31 2013
Balance, beginning of period	$ 14,913,008	$ 14,458,831
Accretion	772,954	454,177
Redemption	(10,000,000)	-
Balance, end of period	$ 5,685,962	$ 14,913,008

The face value of the 9% mortgage bonds due December 24, 2015 is $6,000,000 (December 31, 2013 - $16,000,000).

(d) Debentures

The face value and carrying value of the 9.5% Series G debentures due June 30, 2018 is $24,873,800 (December 31, 2013 - $24,873,800).

On June 16, 2014, LREIT obtained approval from the holders of the Series G debentures to extend the maturity date of the debentures from February 28, 2015 to June 30, 2018.

On June 17, 2013, LREIT initiated a normal course issuer bid for the Series G debentures under which, the Trust was entitled to purchase up to $2,493,000 of Series G debentures. The normal course issuer bid expired on June 16, 2014.

On June 23, 2014, LREIT initiated a normal course issuer bid for the Series G debentures under which, the Trust is entitled to purchase up to $2,476,380 of Series G debentures. The normal course issuer bid expires on June 22, 2015.

During the period from January 1, 2014 to August 14, 2014, the Trust has not purchased any debentures.

The Trust is not required to purchase any debentures under the normal course issuer bid.

8 Trade and other payables

	June 30 2014	December 31 2013
Accounts payable - vendor invoices	$ 1,806,560	$ 982,173
Accrued payables	606,900	658,892
Prepaid rent	844,302	754,113
Revolving loan from 2668921 Manitoba Ltd.	8,300,000	905,000
Payable on acquisition of Parsons Landing	-	44,006,731
	$ 11,557,762	$ 47,306,909

9 *Interest expense*

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Mortgage loan interest	$ 4,394,251	$ 4,224,223	$ 8,290,234	$ 8,927,710
Change in fair value of interest rate swap	(82,714)	(72,791)	(157,426)	(141,251)
Mortgage bond interest	135,000	360,000	311,918	720,000
Accretion of mortgage bonds	46,363	109,004	772,954	218,445
Debenture interest	598,846	592,824	1,181,506	1,185,648
Amortization of transaction costs	654,197	496,706	1,647,724	1,741,292
Interest on acquisition payable	-	900,000	653,315	1,800,000
	$ 5,745,943	$ 6,609,966	$ 12,700,225	$ 14,451,844

10 *Per unit calculations*

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Income (loss) before discontinued operations	$ (898,369)	$ 2,979,923	$ (3,414,317)	$ 1,935,601
Income from discontinued operations	155,701	355,731	267,636	587,825
Income (loss)	$ (742,668)	$ 3,335,654	$ (3,146,681)	$ 2,523,426

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Weighted average number of units:				
Units	20,087,639	18,091,011	19,985,547	18,089,232
Deferred units	839,334	751,893	831,754	738,761
Total basic	20,926,973	18,842,904	20,817,301	18,827,993
Total diluted	20,926,973	19,077,499	20,817,301	19,018,718

11 Units

	Six Months Ended June 30, 2014		Year Ended December 31, 2013	
	Units	Amount	Units	Amount
Outstanding, beginning of period	19,423,011	$116,100,394	18,084,011	$107,978,701
Units issued on:				
Exercise of options	67,000	22,780	7,000	2,380
Exercise of warrants	610,375	579,215	1,332,000	1,219,313
Payment of distribution	-	-	6,448,598	6,900,000
Consolidation of units	-	-	(6,448,598)	-
Outstanding, end of period	20,100,386	$116,702,389	19,423,011	$116,100,394

12 Warrants

Warrants expiring March 9, 2015:

On March 9, 2010, the Trust issued 6,780,000 trust unit purchase warrants ("March 2015 warrants"). Each warrant entitles the purchaser to purchase one unit at a price of $1.00 prior to March 9, 2015.

	June 30 2014	December 31 2013
Balance, beginning of period	6,780,000	6,780,000
Warrants exercised	(79,375)	-
Purchased and cancelled under normal course issuer bid	(36,200)	-
Balance, end of period	6,664,425	6,780,000

On January 24, 2014, the Trust implemented a normal course issuer bid under which the Trust is entitled to purchase up to an aggregate of 678,000 March 2015 warrants. The normal course issuer bid commenced on January 24, 2014 and will expire on January 23, 2015. Subsequent to June 30, 2014, 32,800 March 2015 warrants were purchased and cancelled.

12 Warrants (continued)

Warrants expiring December 23, 2015:

On December 23, 2010 and January 28, 2011, the Trust issued a total of 16,000,000 trust unit purchase warrants ("December 2015 warrants"). Each warrant entitles the purchaser to purchase one unit at a price of $0.75 prior to December 23, 2015.

	June 30 2014	December 31 2013
Balance, beginning of period	14,493,000	15,825,000
Warrants exercised	(531,000)	(1,332,000)
Purchased and cancelled under normal course issuer bid	(89,500)	-
Balance, end of period	13,872,500	14,493,000

On January 24, 2014, the Trust implemented a normal course issuer bid under which the Trust is entitled to purchase up to an aggregate of 1,404,150 December 2015 warrants. The normal course issuer bid commenced on January 24, 2014 and will expire on January 23, 2015. Subsequent to June 30, 2014, 45,100 December 2015 warrants were purchased and cancelled.

Subsequent to June 30, 2014, 51,500 December 2015 warrants were exercised at a price of $0.75.

13 Unit option plan

On May 19, 2014, the Trust granted options to purchase 200,000 units at $1.11 per trust unit. The options vested immediately and will expire five years from the date they were granted. The fair value of the options issued of $60,156 was calculated using the Black-Scholes option pricing model, assuming a weighted average volatility of 27.55% on the underlying trust units, a dividend yield rate of 0% and the risk free interest rate of 1.50%. The fair value of the options issued was recorded to expense the fair value of unit-based compensation. Unit-based compensation is recorded in trust expense.

13 Unit option plan (continued)

A summary of the status of the unit options and changes during the period is as follows:

	Six Months Ended June 30, 2014		Year Ended December 31, 2013	
	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Outstanding, beginning of period	333,000	$ 0.41	891,000	$ 1.69
Exercised, February 14, 2014	(30,000)	0.34	-	-
Exercised, March 25, 2014	(27,000)	0.34	-	-
Exercised, April 11, 2014	(10,000)	0.34	-	-
Issued, May 19, 2014	200,000	1.11	-	-
Cancelled, January 7, 2013	-	-	(231,000)	5.10
Issued, January 15, 2013	-	-	180,000	0.65
Exercised, February 15, 2013	-	-	(7,000)	0.34
Cancelled, July 15, 2013	-	-	(350,000)	0.60
Cancelled, July 15, 2013	-	-	(150,000)	0.65
Outstanding, end of period	466,000	$ 0.72	333,000	$ 0.41
Vested, end of period	466,000		333,000	

At June 30, 2014 the following unit options were outstanding:

Exercise price	Options outstanding	Options vested	Expiry date
$ 0.34	176,000	176,000	December 12, 2016
0.60	60,000	60,000	November 19, 2017
0.65	30,000	30,000	January 15, 2018
1.11	200,000	200,000	May 19, 2019
	466,000	466,000	

14 Deferred unit plan

Deferred units granted to Trustees totaled 15,244 for the three months ended June 30, 2014 (2013 - 25,685) and 30,488 for the six months ended June 30, 2014 (2013 - 52,093). Aggregate deferred units outstanding and fully vested at June 30, 2014 were 854,578 (2013 - 777,577).

Unit-based compensation expense of $18,750 for the three months ended June 30, 2014 (2013 - $18,750) and $37,500 for the six months ended June 30, 2014 (2013 - $37,500) relating to deferred units granted was recorded to expense the fair value of unit-based compensation. Unit-based compensation is recorded in trust expense.

15 Related party transactions

Related party transactions have occurred in the normal course of operations and are measured at the exchange amount which is the amount established and agreed by the related parties. Shelter Canadian Properties Limited is a related party by virtue of the property management agreement and services agreement with the Trust and 2668921 Manitoba Ltd., the parent company to Shelter Canadian Properties Limited, is a related party as 2668921 Manitoba Ltd. is owned by a family member of an officer and Trustee of the Trust.

Management agreement
The Trust has entered into a property management agreement with Shelter Canadian Properties Limited, the current term of which expires on December 31, 2024. Under the property management agreement, Shelter Canadian Properties Limited will administer the day-to-day operations of the Trust's portfolio of investment properties, except for the seniors' housing complexes. The Trust pays property management fees equal to 4% of gross receipts from the investment properties owned by the Trust. In regard to commercial properties, Shelter Canadian Properties Limited is also entitled to leasing commissions on new leases of 3% to 5% of base rental payments and leasing commissions on renewal of 1 1/2% to 2 1/2% of base rental payments. Shelter Canadian Properties Limited is also entitled to tenant improvement and renovation fees equal to 5% of the total cost of such work. Property management fees are included in property operating costs; leasing fees and tenant improvement fees are capitalized to investment properties; and, during the period of major in-suite renovations or development, renovation fees are capitalized to the cost of buildings and properties under development.

The Trust incurred property management fees payable to Shelter Canadian Properties Limited of $424,952 for the three months ended June 30, 2014 (2013 - $429,022) and $802,585 for the six months ended June 30, 2014 (2013 - $836,132).

Included in trade and other payables at June 30, 2014 is a balance of $43,086 (December 31, 2013 - $7,160), payable to Shelter Canadian Properties Limited in regard to outstanding property management fees.

Services agreement
The Trust has entered into a services agreement with Shelter Canadian Properties Limited, the current term of which expires on December 31, 2024. Under the services agreement, Shelter Canadian Properties Limited provides the Trust management and support services for the administration of the day-to-day activities of the Trust. The Trust pays service fees equal to 0.3% of the gross book value of the assets of the Trust, excluding cash, fair value gains (losses) and defeasance assets. Service fees are included in trust expense.

The Trust incurred service fees of $337,061 for the three months ended June 30, 2014 (2013 - $353,225) and $674,224 for the six months ended June 30, 2014 (2013 - $719,718).

Included in trade and other payables at June 30, 2014 is a balance of $112,815 (December 31, 2013 - nil) payable to Shelter Canadian Properties Limited in regard to outstanding service fees.

15 Related party transactions (continued)

Services fee and renovation fee for Lakewood Townhomes condominium sales program
The Trust has entered into an agreement with Shelter Canadian Properties Limited, in regard to the condominium sales program at Lakewood Townhomes. Under the agreement, Shelter Canadian Properties Limited will administer the sales program and the completion of the in-suite renovations. The Trust pays a service fee equal to 5% of the gross sales proceeds and Shelter Canadian Properties Limited is responsible for the payment of a fixed fee to an external real estate broker for providing brokerage services. If it is necessary to increase the fixed fee to the external real estate broker due to market conditions, the fee payable to Shelter Canadian Properties Limited increases by the amount of the increase in the fixed rate. The Trust also pays a renovation fee equal to 5% of the cost of the in-suite upgrade costs for the condominium sales program.

The Trust incurred service fees payable to Shelter Canadian Properties Limited of nil for the three months ended June 30, 2014 (2013 - $50,390) and $24,932 for the six months ended June 30, 2014 (2013 - $50,390). The Trust incurred renovation fees payable to Shelter Canadian Properties Limited of nil for the six months ended June 30, 2014 (2013 - nil).

Financing
On January 1, 2013, the Trust had a $12 Million revolving loan commitment from 2668921 Manitoba Ltd. for general operating purposes. The loan commitment was increased to $15 Million effective July 1, 2013. The loan matures September 30, 2014 and bears interest at 12%, subject to a maximum interest and fee payment of $1,206,357 for the period from January 1, 2014 to September 30, 2014 (2013 - 12% to June 30, 2013, 12% from July 1, 2013 to December 31, 2013 subject to maximum interest and fee payments of $404,916 and $897,637, respectively). The renewal at January 1, 2014 encompassed an extension fee of $25,000 (2013 - $25,000 and $25,000 at January 1, 2013 and July 1, 2013, respectively).

During the six months ended June 30, 2014, the Trust received advances of $18,409,136 (2013 - $10,675,000) and repaid advances of $11,014,136 (2013 - $3,700,000) against the revolving loan, resulting in a balance of $8,300,000 (December 31, 2013 - $905,000). The revolving loan balance is included in trade and other payables.

Interest on the revolving loan of $354,785 for the three months ended June 30, 2014 (2013 - $187,010) and $731,971 for the six months ended June 30, 2014 (2013 - $379,916) is included in interest expense.

Included in accrued interest payable at June 30, 2014 is a balance of nil (December 31, 2013 - nil) payable to 2668921 Manitoba Ltd. in regard to outstanding interest on the revolving loan.

The loan is secured by mortgage charges against the title to four investment properties and two seniors' housing complexes.

The revolving loan commitment was considered and approved by the independent Trustees.

Guarantees
Obligations, including certain mortgage loans payable, have been guaranteed or indemnified by Shelter Canadian Properties Limited and/or its parent company, 2668921 Manitoba Ltd. No fees were charged to the Trust in regard to the guarantees.

16 Financial instruments and risk management

Risk management
In the normal course of business, the Trust is exposed to financial risk that arises from its indebtedness, including fluctuations in interest rates and in the credit quality of its tenants. Management's involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Trust, management takes steps to avoid undue concentrations of risk. The Trust manages the risks, as follows:

Liquidity risk - debt covenant requirements
At June 30, 2014, the Trust is in breach of a 1.15 overall Trust debt service coverage requirement of a $15,590,677 mortgage loan and the associated $1,030,680 interest rate swap liability on a property in Fort McMurray, Alberta. The Trust has notified the lender of the covenant breach and is providing operating information to the lender on a monthly basis. The covenant breach may continue for the next 12 months and there can be no assurance that the covenant breach will be remedied. The covenant breach is expected to be eliminated as a result of refinancing the mortgage loan in the third quarter of 2014.

There is no assurance that the lender will not accelerate payment of the mortgage loan.

The Bond Indenture which governs the mortgage bonds of LREIT provides for the bonds to become payable on demand in the event that the Series G debentures or any of the first mortgages on Beck Court, Norglen Terrace, Highland Tower or Westhaven Manor are in default for more than ten days and the default results in the acceleration of debt payments.

There are no other cross-default covenants with respect to other mortgage loans of the Trust.

Liquidity risk - debt maturities
Liquidity risk arises from the possibility that the Trust will not have sufficient debt or equity capital available to refinance its debt as it matures.

The risk associated with the refinancing of maturing debt is mitigated as the maturity dates of the mortgage portfolio are staggered over a number of years.

As at June 30, 2014, the weighted average term to maturity of the fixed rate mortgages on investment properties is 3.3 years (December 31, 2013 - 3.4 years).

16 Financial instruments and risk management (continued)

Liquidity risk - debt maturities (continued)

The repayment obligations in regard to the financial liabilities of the Trust, at face value, are as follows:

	Mortgage Loans			
June 30, 2014	Normal Principal Installments	Principal Maturities	Debentures and Mortgage Bonds	Defeased Liability
2014 Remainder of year (1)	$ 2,032,858	$ 58,619,912	$ -	$ 30,509
2015	2,883,996	103,006,760	6,000,000	63,602
2016	2,828,671	7,540,966	-	2,520,846
2017	2,794,525	18,008,996	-	-
2018	1,228,287	55,302,117	24,873,800	-
Thereafter	-	27,437,325	-	-
	$ 11,768,337	$269,916,076	$ 30,873,800	$ 2,614,957

June 30, 2014	Other Payables (2)	Total
2014 Remainder of year	$ 17,611,391	$ 78,294,670
2015	-	111,954,358
2016	-	12,890,483
2017	-	20,803,521
2018	-	81,404,204
Thereafter	-	27,437,325
	$ 17,611,391	$332,784,561

(1) Mortgage loan principal maturities include a mortgage loan which is not in compliance with a debt service coverage requirement. In accordance with IFRS, the mortgage loan and the related interest rate swap liability, with an aggregate amount of $16,621,357, are reflected as a current liability. In accordance with IFRS, a $4,391,250 term loan maturing on August 1, 2015 which is reflected as a current liability as the loan document is a demand promissory note.

(2) Other payables include trade and other payables, accrued interest payable, interest rate swap liability and deposits from tenants.

Interest rate risk

Interest rate risk arises from debt financing including the risk that the Trust will not be able to refinance the mortgage loans with terms as favourable as those of existing mortgage loans. The risk is minimized by having mortgage loans on fixed term arrangements. In addition, the maturity dates of the mortgages are staggered over a number of years to reduce the exposure in any one year. At June 30, 2014 the percentage of fixed rate mortgage loans to total mortgage loans was 63% (December 31, 2013 - 72%).

The Trust has variable rate mortgage loans on investment properties totaling $103,294,477, or 37% of the total mortgage loans at June 30, 2014 (December 31, 2013 - 28%). Should interest rates change by 1%, interest expense would change by $1,032,945 per year.

16 Financial instruments and risk management (continued)

Interest rate risk (continued)
As at June 30, 2014, the Trust has total fixed rate mortgage principal maturities on investment properties which mature on or prior to June 30, 2017 of $52,762,082 representing 19% of total mortgage loans. Should the amounts be refinanced upon maturity at an interest rate differential of 1%, interest expense would change by $527,621 per year.

With the exception of the interest rate swap arrangement, the Trust has not traded in financial instruments.

Credit risk
Credit risk arises from the possibility that tenants may be unable to fulfil their lease commitments. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Trust has credit policies to address credit risk that include the analysis of financial position and credit history of a prospective tenant and by obtaining security deposits whenever permitted by legislation. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

Rent is past due when a tenant has failed to make a payment when contractually due. The following is an aging of rent receivable past due but not impaired:

	June 30 2014	December 31 2013
Rent receivable overdue:		
0 to 30 days	$ 68,614	$ 123,531
31 to 60 days	8,998	38,555
More than 60 days	24,355	61,228
	$ 101,967	$ 223,314

A reconciliation of allowance for doubtful accounts is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Balance, beginning of period	$ 11,674	$ 25,858	$ 32,751	$ 20,051
Amount charged to bad debt expense relating to impairment of rent receivable	16,520	10,340	18,767	16,661
Amounts written off as uncollectible	(5,178)	(15,303)	(28,502)	(15,817)
Balance, end of period	$ 23,016	$ 20,895	$ 23,016	$ 20,895
Amount charged to bad debts as a percent of rentals from investment properties	0.17%	0.10%	0.10%	0.08%

16 Financial instruments and risk management (continued)

Market risk
Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The Trust does not have financial instruments that are affected by changes in market prices.

Currency risk
Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Trust does not have any transactions denominated in foreign currency and is not exposed to foreign currency risk.

Other price risk
Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with the financial instruments of the Trust are not exposed to other price risk.

Fair values
Except for the interest rate swap liability which is carried at fair value, a comparison of the carrying amounts and fair value of the financial instruments of the Trust is provided below.

	Carrying Value		Fair Value	
	June 30 2014	December 31 2013	June 30 2014	December 31 2013
Financial assets				
Defeasance assets	2,806,074	2,879,978	-	-
Restricted cash	4,328,771	4,241,812	4,328,771	4,241,812
Cash	1,393,887	2,401,741	1,393,887	2,401,741
Rent and other receivables	905,028	10,129,493	905,028	10,129,493
Deposits	898,373	379,277	898,373	379,277
Financial liabilities				
Mortgages loans	281,684,413	244,586,398	284,302,688	245,530,710
Mortgage bonds	5,685,962	14,913,008	5,776,747	15,226,306
Debentures	24,873,800	24,873,800	24,952,098	24,647,812
Defeased liability	2,614,957	2,644,615	-	-
Mortgage guarantee fees	-	91,362	-	91,362
Trade and other payables	11,557,762	47,306,909	11,557,762	47,306,909
Deposits from tenants	2,901,144	2,518,165	2,901,144	2,518,165

16 Financial instruments and risk management (continued)

Fair values (continued)
The fair value of the financial assets and liabilities are included at an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash, rent and other receivables, deposits, trade and other payables and deposits from tenants approximate their carrying amounts due to the short-term maturities of these instruments. The valuation method is classified as level 2 of the fair value hierarchy as the inputs are directly or indirectly observable market data.
- Restricted cash is estimated by discounting expected future cash flows using current market interest rates. The valuation method is classified as level 2 of the fair value hierarchy as the inputs are directly or indirectly observable market data.
- The fair value of the defeasance assets and the defeased liability have a fair value of nil on a net basis as there was no cash flow impact to the Trust from the defeasance assets or defeased liability. The valuation method is classified as level 2 of the fair value hierarchy as the inputs are directly or indirectly observable market data.
- In regard to mortgages loans, mortgage bonds, debentures and mortgage guarantee fees:
  - The fair value of floating rate borrowings is estimated by discounting expected cash flows using rates currently available for debt or similar terms and remaining maturities. Given the variable interest rate, the fair value approximates the carrying value before deducting unamortized transaction costs. The valuation method is classified as level 2 of the fair value hierarchy as the inputs are directly or indirectly observable market data.
  - The fair value of the fixed rate borrowings is estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The valuation method is classified as level 2 of the fair value hierarchy as the inputs are directly or indirectly observable market data. The current market interest rates used to calculate the fair value range between 2.07% and 5.51%.
  - The fair value of debentures is based on quoted market prices. The valuation method is classified as level 2 of the fair value hierarchy as the inputs are directly or indirectly observable market data.

The fair value of the swap mortgage loan has been determined using level 2 of the fair value hierarchy whereby the Trust makes use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data.

17 Segmented financial information

Operating segments are established on a geographic basis comprised of properties located in Fort McMurray and properties located in other areas ("Other Investment Properties"). An operating segment is also established for properties sold.

An operating segment was established for Parsons Landing in order to segregate the operations of the property as a result of a fire and the subsequent reconstruction and re-leasing of the property.

Revenue is primarily derived from the operations of residential real estate comprised of multi family rental properties.

Three months ended June 30, 2014:

	Investment Properties					
	Fort McMurray	Other Investment Properties	Properties Sold	Parsons Landing	Trust	Total
Rental revenue	5,989,170	2,745,656	-	1,240,346	-	9,975,172
Property operating costs	2,253,339	1,351,118	21,339	424,725	-	4,050,521
Net operating income	3,735,831	1,394,538	(21,339)	815,621	-	5,924,651
Interest income	7,227	2,350	69	1,716	195,417	206,779
Interest expense	2,889,425	619,684	-	957,320	1,279,514	5,745,943
Income (loss) before discontinued operations	916,443	25,201	(21,270)	(139,983)	(1,678,760)	(898,369)
Cash from operating activities	373,921	828,141	(79,158)	97,739	(1,743,307)	(522,664)
Cash from financing activities	(435,216)	(25,889)	25,000	96,470	(7,317,939)	(7,657,574)
Cash from investing activities	218,156	(562,343)	-	(107,225)	9,032,777	8,581,365

Three months ended June 30, 2013:

	Investment Properties					
	Fort McMurray	Other Investment Properties	Properties Sold	Parsons Landing	Trust	Total
Rental revenue	6,285,528	2,734,087	875,847	130,748	-	10,026,210
Property operating costs	2,196,215	1,277,203	393,484	72,586	-	3,939,488
Net operating income	4,089,313	1,456,884	482,363	58,162	-	6,086,722
Interest income	48,295	2,118	9,146	246	270,141	329,946
Interest expense	2,523,132	1,207,216	123,436	900,000	1,856,182	6,609,966
Income (loss) before discontinued operations	2,512,930	736,353	434,279	1,670,668	(2,374,307)	2,979,923
Cash from operating activities	1,462,755	411,145	421,957	46,171	(2,710,816)	(368,788)
Cash from financing activities	(1,695,216)	(81,723)	(407,604)	807,473	85,979	(1,291,091)
Cash from investing activities	119,221	(357,876)	16,617	(739,831)	2,762,780	1,800,911

17 Segmented financial information (continued)

Six months ended June 30, 2014:

	Investment Properties					
	Fort McMurray	Other Investment Properties	Properties Sold	Parsons Landing	Trust	Total
Rental revenue	11,338,831	5,360,870	1,065	2,183,131	-	18,883,897
Property operating costs	4,789,272	2,714,361	103,437	848,109	-	8,455,179
Net operating income	6,549,559	2,646,509	(102,372)	1,335,022	-	10,428,718
Interest income	14,903	4,791	341	3,068	568,894	591,997
Interest expense	5,817,299	1,238,519	-	1,879,948	3,764,459	12,700,225
Income (loss) before discontinued operations	881,209	660,778	(102,031)	(443,359)	(4,410,914)	(3,414,317)
Cash from operating activities	971,848	1,404,705	(237,999)	(15,601)	(2,025,079)	97,874
Cash from financing activities	(1,490,745)	(667,410)	(14,345)	219,896	(7,704,084)	(9,656,688)
Cash from investing activities	(122,635)	(733,495)	-	(157,225)	9,564,315	8,550,960
Total assets excluding assets held for sale at June 30, 2014	267,004,452	107,481,442	4,346	53,953,861	3,318,621	431,762,722

Six months ended June 30, 2013:

	Investment Properties					
	Fort McMurray	Other Investment Properties	Properties Sold	Parsons Landing	Trust	Total
Rental revenue	12,440,283	5,467,840	1,756,227	130,748	-	19,795,098
Property operating costs	4,461,449	2,667,206	813,567	72,586	-	8,014,808
Net operating income	7,978,834	2,800,634	942,660	58,162	-	11,780,290
Interest income	55,449	4,060	18,399	278	550,061	628,247
Interest expense	5,950,696	2,391,110	247,127	1,800,000	4,062,911	14,451,844
Income (loss) before discontinued operations	3,277,236	740,809	780,138	1,969,830	(4,832,412)	1,935,601
Cash from operating activities	2,550,489	585,705	716,025	(167,335)	(4,058,612)	(373,728)
Cash from financing activities	(1,734,380)	(278,040)	(594,492)	1,002,461	(2,007,676)	(3,612,127)
Cash from investing activities	(982,407)	(448,892)	(68,213)	(739,831)	5,988,224	3,748,881
Total assets excluding assets held for sale at December 31, 2013	267,258,190	107,485,081	366,541	53,557,016	12,919,628	441,586,456

18 Contingencies

In the normal course of operations, the Trust will become subject to a variety of legal and other claims. Management and legal counsel evaluate all claims on their apparent merits, and an estimate of the costs to satisfy such claims is recorded. Although the outcome of legal and other claims are not reasonably determined, management believes that any such outcome will not be material.

19 Subsequent event

Revolving loan
Subsequent to June 30, 2014, the Trust received advances of $1,500,000 resulting in a balance of $9,800,000 as of the date of the Financial Statements.

20 Comparative figures

For comparative purposes, certain of the prior year figures have been reclassified.