LANESBOROUGH REIT

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31 2011	December 31 2010	January 1 2010
ASSETS			
Non-current assets			
Investment properties (Note 5)	**$439,300,000**	$439,300,000	$440,300,000
Loans and receivables (Note 6)	**500,000**	500,000	7,050,000
Defeasance assets (Note 7)	**3,292,644**	3,313,434	-
Restricted cash (Note 8)	**13,248,494**	21,478,638	6,221,222
Deferred tax asset (Note 13)	**209,584**	185,859	185,859
Total non-current assets	**456,550,722**	464,777,931	453,757,081
Current assets			
Cash	**1,562,888**	925,046	3,629,456
Rent and other receivables (Note 9)	**1,532,114**	1,315,470	1,271,883
Deposits, prepaids and other (Note 10)	**1,104,271**	1,046,795	1,299,519
	4,199,273	3,287,311	6,200,858
Non-current assets classified as held for sale (Note 11)	**79,746,005**	79,763,934	117,896,483
Total current assets	**83,945,278**	83,051,245	124,097,341
TOTAL ASSETS	**$540,496,000**	$547,829,176	$577,854,422
LIABILITIES AND EQUITY			
Liabilities			
Non-current liabilities			
Long-term debt (Note 12)	**$119,022,202**	$128,457,486	$181,890,961
Total non-current liabilities	**119,022,202**	128,457,486	181,890,961
Current liabilities			
Trade and other payables (Note 14)	**63,832,594**	59,244,173	49,976,588
Bank indebtedness (Note 15)	**4,875,000**	2,960,000	-
Current portion of long term debt (Note 12)	**224,294,078**	225,526,496	208,109,294
Deposits from tenants	**2,466,672**	2,121,716	2,081,657
	295,468,344	289,852,385	260,167,539
Non-current liabilities classified as held for sale (Note 11)	**54,343,398**	54,517,719	55,077,197
Total current liabilities	**349,811,742**	344,370,104	315,244,736
Total liabilities	**468,833,944**	472,827,590	497,135,697
Total equity	**71,662,056**	75,001,586	80,718,725
TOTAL LIABILITIES AND EQUITY	**$540,496,000**	$547,829,176	$577,854,422

Approved by the Board of Trustees

"Charles Loewen" *"Cheryl Barker'*

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended March 31 2011	Three Months Ended March 31 2010
Rentals from investment properties	**$ 9,150,517**	$ 10,752,142
Property operating costs	**4,027,510**	4,846,605
Net operating income	**5,123,007**	5,905,537
Interest income	**77,667**	106,432
Interest expense (Note 19)	**(8,716,070)**	(7,413,999)
Trust expense	**(771,745)**	(696,790)
Profit (loss) on sale of investment property	**-**	(22,324)
Fair value gains (losses)	**(300,707)**	(128,416)
Income (loss) before taxes and discontinued operations	**(4,587,848)**	(2,249,560)
Income tax expense (recovery)	**(117,659)**	(227,520)
Income (loss) before discontinued operations	**(4,470,189)**	(2,022,040)
Income from discontinued operations	**723,581**	323,208
Income (loss) and comprehensive income (loss)	**$ (3,746,608)**	$ (1,698,832)
Income (loss) per unit - before discontinued operations: Basic and diluted	**$ (0.243)**	**$ (0.112)**
Income (loss) per unit - discontinued operations: Basic and diluted	**$ 0.039**	**$ 0.018**
Income (loss) and comprehensive income (loss) per unit: Basic and diluted	**$ (0.204)**	**$ (0.094)**

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Three Months Ended March 31 2011	2010
Issued capital		
Balance, beginning and end of period	**$107,860,241**	$ 98,966,638
Contributed surplus		
Balance, beginning of period	**5,544,362**	2,050,158
Value of unit options granted	**2,253**	14,780
Maturity of Series E debentures	**-**	2,835,690
Maturity of Series F debentures	**3,507,495**	-
Issue of warrants	**334,874**	747,285
Debentures purchased under normal course issuer bid	**11,510**	782
Value of deferred units granted	**18,750**	57,625
Balance, end of period	**9,419,244**	5,706,320
Equity component of convertible debentures		
Balance, beginning of period	**9,749,068**	12,638,541
Debentures purchased under normal course issuer bid	**(11,510)**	(782)
Maturity of Series E debentures	**-**	(2,835,690)
Maturity of Series F debentures	**(3,507,495)**	-
Balance, end of period	**6,230,063**	9,802,069
Cumulative earnings (losses)		
Balance, beginning of period	**19,349,151**	25,694,432
Income (loss) and comprehensive income (loss)	**(3,746,608)**	(1,698,832)
Balance, end of period	**15,602,543**	23,995,600
Cumulative distributions to unitholders		
Balance, beginning and end of period	**(67,450,035)**	(58,635,749)
Total equity	**$ 71,662,056**	$ 79,834,878

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31 2011	Three Months Ended March 31 2010
Operating activities		
Income (loss) and comprehensive income (loss) for the period	**$ (3,746,608)**	$ (1,698,832)
Adjustments to reconcile income to cash flows		
Fair value gains (losses)	**300,707**	128,416
Profit (loss) on sale of investment property	**-**	22,324
Accrued rental revenue	**(39,908)**	164,936
Unit-based compensation	**21,003**	72,405
Deferred income taxes	**(64,989)**	(46,988)
Interest income	**(77,667)**	(106,432)
Interest received	**77,667**	106,829
Interest expense	**9,528,170**	8,250,759
Interest paid	**(7,289,317)**	(8,308,861)
Cash from operations	**(1,290,942)**	(1,415,444)
Decrease (increase) in rent and other receivables	**(185,333)**	245,696
Decrease (increase) in deposits, prepaids and other	**(45,633)**	517,513
Decrease (increase) in tenant deposits	**358,019**	479,159
Increase (decrease) in trade and other payables	**1,935,009**	68,352
	771,120	(104,724)
Cash provided by (used in) financing activities		
Proceeds of mortgage loan financing	**400,000**	-
Proceeds of mortgage bond financing	**3,363,000**	6,780,000
Repayment of debentures	**(13,598,000)**	(11,950,000)
Repayment of mortgage loans	**(2,141,614)**	(1,915,961)
Proceeds of line of credit	**1,915,000**	1,260,000
Proceeds of revolving loan commitment	**3,650,000**	5,080,000
Repayment of revolving loan commitment	**(1,000,000)**	(5,080,000)
Expenditures on transaction costs	**(651,150)**	(953,130)
Debentures purchased and cancelled under normal course issuer bid	**(12,246)**	(2,558)
	(8,075,010)	(6,781,649)
Cash provided by (used in) investing activities		
Capital expenditures on completed investment properties	**(300,707)**	(5,886)
Capital expenditures on property and equipment	**(30,104)**	(128,416)
Proceeds of sale	**-**	6,445,841
Change in restricted cash	**8,214,978**	(1,082,646)
	7,884,167	5,228,893
	580,277	(1,657,480)
Add (deduct) decrease (increase) in cash from discontinued operations (Note 11)	**57,565**	(153,166)
	637,842	(1,810,646)
Cash, beginning of period	**925,046**	3,629,456
Cash, end of period	**$ 1,562,888**	$ 1,818,810

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 symbol.

Units	LRT.UN
Series G Convertible Debentures	LRT.DB.G
Mortgage Bonds	LRT.NT.A
Warrants expiring March 10, 2015	LRT.WT
Warrants expiring December 24, 2015	LRT.WT.A

The Trust and its subsidiaries lease, develop and sell residential real estate investments in Canada.

2 *Basis of presentation and continuing operations*

The consolidated financial statements of Lanesborough Real Estate Investment Trust have been prepared in accordance with International Financial Reporting Standards (hereafter IFRS). The consolidated statements for the three months ended March 31, 2011 were authorized for issue in accordance with a resolution of the Board of Trustees on June 8, 2011.

The consolidated financial statements of the Trust reflect the operations of the Trust and Riverside Terrace Inc, LREIT Holdings 18 Corporation, LREIT Holdings 32 Corporation, LREIT Holdings 39 Corporation; which are wholly owned subsidiaries under its control. The consolidated financial statements have been prepared on an historical cost basis except for investment properties and certain financial instruments, that are measured at fair value, as explained in the accounting policies below. The consolidated financial statements have been prepared on a going concern basis and have been prepared in Canadian dollars.

The consolidated 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 sustained losses from investment properties for the three months ended March 31, 2011 of $4,470,189 (2010 - $2,022,536); has a working capital deficit of $15,945,082 as at March 31, 2011 (December 31, 2010 - $10,703,726); and was in breach of net operating income achievement and debt service coverage requirements on individual mortgage loans and one swap mortgage loan during 2010 and as of March 31, 2011.

The Trust is in breach of a net operating income achievement requirement for a $23,218,048 first mortgage loan for six properties in Fort McMurray, Alberta. The Trust is also in breach of a 1.15 debt service coverage requirement in regard to a $21,575,229 swap mortgage loan on a property in Fort McMurray, Alberta with the same lender. The Trust has notified the lender of the breaches and is providing operating information to the lender on a monthly basis.

2 Basis of presentation and continuing operations (continued)

The Trust is in breach of the 1.2 times debt service coverage requirement of a first mortgage loan and a second mortgage loan totaling $71,577,651, on three properties in Fort McMurray, Alberta. The Trust is also in breach of the 1.1 times debt service coverage requirement of a first mortgage loan of $18,366,107, on a property in Fort McMurray, Alberta with the same lender. The lender has provided forbearance to June 30, 2011. It is expected that the extensions of the forbearance will be obtained.

The Trust is in breach of the 1.2 times debt service coverage requirement of a first mortgage loan of $25,268,134, on one property in Fort McMurray, Alberta. The terms of the forbearance are under negotiation.

The breaches of the net operating income achievement and debt service coverage requirements on individual mortgage loans and one swap mortgage loan, as noted above, are a result of the negative impact of the 2009-2010 decline of development activities in the oil sands industry and the associated decline in the rental market conditions in Fort McMurray. Notwithstanding that recently there has been a substantial improvement in the occupancy rate in the Fort McMurray properties of the Trust, all or some of the covenant breaches may continue for the next 12 months. There can be no assurance that the covenant breaches will be remedied.

The Trust is in breach of a covenant under a first mortgage loan which restricts the registration of a secondary mortgage charge. The first mortgage loan is in the amount $19,964,982 and is registered against one investment property in Winnipeg, Manitoba. The lender has demanded that the secondary mortgage charge be discharged by March 15, 2011. The Trust has not complied.

The Trust is not in compliance with the minimum debt service coverage requirement in regard to one mortgage loan in the amount of $4,945,612 and a requirement to obtain mortgage insurance in regard to a $12,835,570 first mortgage loan on two seniors' housing complexes. The Trust has notified the lenders of the breaches. It is the intention of the Trust to arrange replacement financing and/or sell the two seniors' housing complexes within the next 12 months and use the proceeds to repay the mortgage loans.

There are no cross-default covenants between the mortgage loans noted above and the other mortgage loans, mortgage bonds or convertible debentures of the Trust.
As of June 8, 2011, two mortgage loans in breach of debt coverage requirements, in the aggregate amount of $35,766,760, matured in 2010 and have not been renewed. The maturity dates have not been extended and the loans are payable on demand. A forbearance to June 30, 2011 has been obtained for 3 loans in the aggregate amount of $89,943,758, including the two mortgage loans which have matured. As at June 8, 2011, mortgage loans included in non-current liabilities classified as held for sale in the amount of $16,870,000 matured and have not been renewed or refinanced. Management is currently seeking renewals, extensions or refinancing on the mortgage loans. There is no assurance that the mortgage loans will be renewed or refinanced.

2 Basis of presentation and continuing operations (continued)

Continuation of operations is contingent upon improving cash flows from operations and in particular, the operating cash flows from the Fort McMurray portfolio, the completion of the divestiture program in a manner which achieves the targeted sales price and timelines, the continued ability of the Trust to renew or refinance its debt at maturity, including the amount payable on acquisition of Parsons Landing and the revolving loan from a related party, the ability of the Trust to successfully negotiate and extend forbearance arrangements for mortgages with covenant breaches; and the ability of the Trust to retire or refinance debenture debt at maturity.

Management believes that the going concern assumption is appropriate for the financial statements as the increasing economic activity in Fort McMurray has resulted in improved occupancy levels, the Trust has successfully sold 18 properties, the Trust has successfully renewed mortgage loans at maturity and/or obtained forbearance arrangements, and the Trust has successfully retired the Series E and Series F debenture debt in 2010 and 2011 respectively.

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 consolidated financial statements.

Statement of compliance

The interim consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 and IFRS 1. Subject to certain transition election disclosed in Note 25, the accounting policies in Note 3 have been applied consistently in all material respects. Comparative amounts for 2010 have been restated to give effect to changes required for the adoption of IFRS. Note 25 discloses the impact of the transition to IFRS on the Trust's reported financial position, income (loss) and comprehensive income (loss) and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Trust's consolidated financial statements for the year ended December 31, 2010.

The consolidated financial statements are based on IFRS standards issued and outstanding as at June 8, 2011.

3 *Significant accounting policies*

(a) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Trust obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Trust, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Where property is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise corporate acquisitions are accounted for as business combinations.

(b) Investment Properties

The Trust has adopted IAS 40-Investment Properties and has chosen the fair value method of presenting investment properties in the financial statements.

Investment properties comprise completed properties and properties under construction or re-development held to earn rentals or for capital appreciation or both. Properties held under a lease are classified as investment properties when the definition of an Investment Property is met and the lease is accounted for as a finance lease.

In this regard, investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services, initial leasing commissions to bring the property to the condition necessary for it to be capable of operating and similar costs. The carrying amount also includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values are included in income in the period in which they arise. An investment property is derecognized upon sale.

The fair value of investment properties is determined by the Trust using recognized valuation techniques.

Investment properties held for sale are classified as non-current assets held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

3 Significant accounting policies (continued)

(c) Property and Equipment

Property and equipment are measured at cost less accumulated amortization and any accumulated impairment losses, in accordance with IAS 16 "Property and equipment".

The Trust provides for amortization of property and equipment so as to apply the cost of the assets over the estimated useful lives as follows.

	Method	Rate
Buildings	Straight-line	2.5%
Furniture and equipment	Straight-line	5% - 33.3%

Amortization is not recorded for property and equipment held in discontinued operations.

The Trust assesses at the end of each reporting period whether there is any indication that an asset may be impaired. Property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that do not generate independent cash flows are combined into cash-generating units. Cash generating units are tested for impairment at the end of each reporting period and whenever there is an indication that the cash-generating unit may be impaired. If the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense.

Assets or cash-generating units that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed the carrying amount of the asset or cash-generating unit (excluding goodwill) is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in net income (loss). Impairment losses for goodwill are not reversed.

3 Significant accounting policies (continued)

(d) Receivables

(i) Rent and other receivables

Rent and other receivables are recognized and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortized cost using the effective interest rate method. Provision is made when there is objective evidence that the Trust will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

(ii) Loans and receivables

Loans and receivables are recognized at amortized cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums directly related to the loans and receivables are recognized in income over the expected life of the loans and receivables. All loans and receivables with maturities greater than 12 months after the financial statements date are classified as non-current assets. Provision is made when there is objective evidence that the Trust will not be able to recover balances in full.

(e) Cash

Cash comprises demand and short-term deposits at the bank with an original maturity of twelve months or less.

Cash deposits, which are not available for use by the Trust within a period of twelve months, are carried as restricted cash.

(f) Non-current assets classified as held for sale

Held for sale assets
Investment Property is transferred to non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

For the sale to be highly probable:

- The Board must be committed to a plan to sell the property, and an active program to locate a buyer and complete the plan must have been initiated
- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification

3 Significant accounting policies (continued)

(f) Non-current assets classified as held for sale (contined)

Non-current assets classified as held for sale are recorded as follows:

Investment Properties	-	fair value as stated in subparagraph (b) Investment Properties above
All other assets	-	lower of carrying value or fair value

Non-current assets classified as held for sale will also be recovered principally through a sale transaction instead of use. Such assets are not depreciated or amortized. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

Discontinued operations
A discontinued operation is a part of the Trust's business that:
- It has disposed or has classified as held for sale and that represents a major line of its business or geographic area of operation;
- Is part of a single coordinated plan to dispose of such a line of business or area of operations, or
- Is a subsidiary acquired exclusively with a view to resell.

The results of discontinued operations are presented separately on the face of the Statement of Comprehensive Income and the assets and liabilities are presented separately on the face of the Statement of Financial Position.

(g) Mortgages loans and mortgage bonds

All mortgages loans and mortgage bonds are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and bonds are subsequently measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the loans and bonds are recognized in the Statement of Comprehensive Income over the expected life of the borrowings. Interest payable is recognized on an accrual basis. All mortgage loans and mortgage bonds with maturities greater than twelve months are classified as non-current liabilities. Notwithstanding the previous statement, mortgage loans and mortgage bonds with maturities greater than twelve months, but which are in breach of a debt covenant, and the debt becomes payable on demand as a result of said breach at the financial statement date, are classified as current liabilities.

(h) Convertible debentures

Convertible debentures are separated into debt and equity components based on the respective fair values at the date of issue. The value of the debt component is calculated at the estimated fair value of the future interest and principal payments due under the terms of the debentures. The value assigned to the equity component of convertible debentures represents the value of the conversion feature.

Subsequent to initial recognition, the liability component of a convertible debenture is measured at amortized cost using the effective interest method. The equity component of a convertible debenture is not measured subsequent to initial recognition.

3 Significant accounting policies (continued)

(i) Unit options

The Trust has a unit option plan available for trustees, officers and employees of the Trust, as well as management company employees of the Trust, including Shelter Canadian Properties Limited and consultants retained by the Trust, including investor relations consultants. Consideration paid by option holders on exercise of unit options is credited to Equity. The fair value based method of accounting is applied to all unit-based compensation. The fair value of the unit options granted is estimated on the date of grant using the Black-Scholes option pricing model. At the end of each reporting period, the estimate of unit options expected to vest is revised and compensation expense in regard to options granted to officers, employees and trustees is recognized.

(j) Tenant deposits

Tenant deposits liabilities are initially recognized at fair value. Where the time value of money is material, tenant deposits are carried at amortized cost, using the effective interest rate method. Any difference between the initial fair value and the nominal amount is included as a component of rentals from investment properties and recognized on a straight-line basis over the lease term.

(k) Revenue recognition

Management has determined that all of the leases with tenants are operating leases.

Rents are recognized as revenue over the terms of the related lease agreements. Rental revenue from leases with contractual rent increases is recognized on a straight-line basis over the term of the respective leases. The difference between the rental revenue recognized and the amount contractually due under the lease agreements is recorded to deferred rent receivable. Recoveries from tenants for property operating costs and property taxes are recognized as revenue during the period in which the applicable costs are incurred.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancelable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, it is reasonably certain that the tenant will exercise that option.

Premiums received to terminate leases are recognized in the income statement when they arise.

Meal and other revenue is recognized on the delivery of the meal or other service.

Interest income is recognized on an accrual basis using the effective interest method.

A property is regarded as sold and the gain or loss on sale is recognized when the significant risks and returns have been transferred to the buyer, which is normally upon closing on unconditional contracts. For conditional exchanges, sales are recognized only when all the significant conditions are satisfied.

3 Significant accounting policies (continued)

(l) Income taxes

Current tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities including interest. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax assets and liabilities are recognized in respect of temporary differences between the tax base and carrying value of assets and liabilities, including accelerated capital allowances, unrelieved tax losses and other short-term temporary differences.

Deferred tax assets are recognized to the extent that it is regarded as probable that the deductible temporary differences can be realized. The recoverability of all tax assets is reassessed at the end of each reporting period.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which that asset or liability will be settled, based on rates enacted or substantively enacted at the end of the reporting period.

(m) Provisions

Provisions are recognized when the Trust has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur; and where a reliable estimate can be made of the amount of the obligation.

Where the effect of discounting is material, provisions are determined by discounting the expected future cash flows. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The amount recognized as a provision is the best estimate at the reporting date of the expenditure required to settle the obligation.

(n) Per unit calculations

Basic per unit amounts are calculated using the weighted average number of units outstanding during the period, including vested deferred units. Diluted per unit amounts are calculated based on the weighted average diluted number of units for the period after considering the dilution effect of unvested deferred units, the potential exercise of outstanding unit options to the extent that the unit options are dilutive and the potential exercise of convertible debentures and warrants to the extent that the debentures and warrants are dilutive. The diluted weighted average number of units is calculated assuming the proceeds that arise from the exercise of the outstanding options are used to purchase units of the Trust at their average market price for the period.

3 Significant accounting policies (continued)

(o) Financial instruments

Financial instruments are measured at fair value on initial recognition. The measurement in subsequent periods and classification of financial assets and liabilities is dependent on the purpose for which the instruments were acquired or issued, their characteristics and the Trust's designation of such instruments. Financial assets and financial liabilities classified as fair value through profit and loss are subsequently measured at fair value with gains and losses recognized in net income (loss). Financial assets classified as held to maturity, loans and receivables, and other liabilities are subsequently measured at their amortized cost, using the effective interest method. Available for sale financial assets are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income until the financial asset is disposed of.

Financial instruments are derecognized when the Trust no longer controls the contractual rights that comprises a financial asset or when the obligation under a financial liability has been discharged, concluded or expired.

Based on the purpose for which assets and liabilities are acquired, the Trust has designated its financial instruments, as follows:

Financial Statement Item	Classification	Measurement
Loans and receivables	Loans and receivables	Amortized cost
Defeasance assets	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Rent and other receivables	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Long term debt		
Mortgage loans	Other liabilities	Amortized cost
Mortgage bonds	Other liabilities	Amortized cost
Debt component of convertible debentures	Other liabilities	Amortized cost
Derivative financial instruments	Fair value in income	Fair value
Mortgage guarantee fees	Other liabilities	Amortized cost
Construction costs	Other liabilities	Amortized cost
Defeased liability	Other liabilities	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Deposits from tenants	Other liabilities	Amortized cost

The Trust assesses impairment of all it financial assets, except those classified as held-for-trading. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in income.

3 Significant accounting policies (continued)

(p) Future changes to significant accounting policies

The following new or amended standards have been issued by the IASB:

- IFRS 7 - Financial Instruments-Disclosure, amendments relating to disclosures with respect to the transfers of financial assets, effective for annual periods beginning on or after July 1, 2011 with earlier application permitted.

- IAS 12 - Income Taxes, amendments applicable to the measurement of deferred tax assets and liabilities where investment property is measured using the fair value model, effective for annual periods beginning on or after January 1, 2012 with earlier application permitted.

- IFRS 9 - replaces IAS 39 - Financial Instruments: Recognition and Measurement, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

- IFRS 10 - Consolidated Financial Statements - replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities, provides a single consolidation model that identifies control as the basis for consolidation for all types of entities, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

- IFRS 11 - Joint Arrangements - supersedes IAS 31 Interests in Joint Ventures and SIC-13-Jointly Controlled Entities-Non-monetary Contributions by Venturers, established principles for the financial reporting by parties to a joint arrangement, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

- IFRS 12 - Disclosure of Interests in Other Entities - combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangement, associates and unconsolidated structured entities, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

- In conjunction with IFRS 10, IFRS 11 and IFRS 12, the IASB also issued amended and retitled IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

- IFRS 13 - Fair Value Measurement - defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

The impact of these changes is not known or reasonably estimatable at this time.

4 Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements of the Trust 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 financial statements 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.

(a) Judgments other than estimates

In the process of applying the accounting policies of the Trust, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Business combinations

The Trust acquires subsidiaries that own real estate. At the time of acquisition, the Trust considers whether the acquisition represents the acquisition of a business. The Trust accounts for an acquisition as a business combination when an integrated set of activities is acquired in addition to the property. More specifically, the following criteria are considered:

- The extent of the land and buildings owned by the subsidiary
- The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, meal services, etc.)
- Whether the subsidiary has allocated its own staff to manage the property and/or to deploy any processes (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information)

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values.

Operating lease contracts

The Trust has entered into leases with tenants. The Trust has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the investment properties and accounts for the leases as operating leases.

4 Significant accounting judgments, estimates and assumptions (continued)

(b) Estimates

Valuations of property

Investment property is stated at fair value as at the financial statement date. Gains or losses arising from changes in the fair values are included in income in the period in which they arise. The valuations are prepared using recognized valuation techniques to determine the fair value of investment properties. The techniques comprise both the capitalized net operating income method and the discounted cash flow method. In certain cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the assets of the Trust.

The determination of the fair value of investment properties requires the use of estimates on future cash flows from assets (considering the implication of lease terms, tenant profiles, anticipated capital expenditures, property conditions and similar variables) and discount rates applicable to those assets. The estimates are based on local market conditions existing at the financial statement date.

Other factors such as the continuing volatility in the global financial system and its effect on real estate markets are reflected in the estimates of market values. Management used their market knowledge and professional judgment and has not relied solely on historic transactional comparables or external appraisals obtained. In these circumstances, there is a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

Taxes

The Trust is subject to income and capital gains taxes. Estimates are required to determine the total provision for current and deferred taxes.

There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. In particular, when calculating deferred taxes, the effective tax rate applicable on the temporary differences in investment property is estimated based on the anticipated date of future transactions.

The Trust recognizes liabilities for current taxes based on estimates of whether taxes will be due. Where the actual taxes are different from the amounts that were initially recorded, the difference will impact the income and deferred tax provisions in the period in which the difference is determined.

5 *Investment properties*

A reconciliation of the carrying amount of Investment Properties at the beginning and end of each period is as follows:

	Three Months Ended March 31 2011	2010
Carrying amount, beginning of period	$439,300,000	$440,300,000
Additions - capital expenditures	300,707	128,416
Fair value gains (losses)	(300,707)	(128,416)
Carrying amount, end of period	$439,300,000	$440,300,000

Investment properties have been valued using the following methods and key assumptions:

(i) *The capitalized net operating income method*. Under this method, capitalization rates are applied to net operating income (revenues less property operating costs). The key assumption is the capitalization rates which are based on reports from external knowledgeable property valuators. The capitalization rate reports provide a range of rates for various geographic regions and for various types and qualities of properties within each region.

The table below provides details of the range of capitalization rates used for valuing the investment properties of the Trust:

	Range Low	High
Residential properties		
Fort McMurray	7.50 %	8.00 %
Yellowknife	6.75 %	9.75 %
Other - primary markets	5.00 %	7.50 %
Other - secondary markets	6.25 %	9.00 %
Commercial properties	7.00 %	9.25 %

5 *Investment properties* (continued)

(ii) *The discounted cash flow method*. Under this method, discount rates are applied to the forecasted cash flows reflecting the initial terms of the leases for the specific property and assumptions as to renewal and new leasing activity. The key assumption is the discount rate applied over the useful life of the investment property.

The table below provides details of the range of discount rates used for valuing the investment properties of the Trust:

	Range	
	Low	High
Residential properties		
Fort McMurray	7.75 %	8.00 %
Yellowknife	7.50 %	8.50 %
Other - primary markets	5.50 %	5.50 %
Other - secondary markets	6.25 %	8.00 %
Commercial properties	7.25 %	7.75 %

(iii) *Direct comparison*. For properties with condominium title, comparisons to the sale price of similar condominium units establishes gross sales proceeds from which the cost of completing a condominium conversion and sales program are deducted to achieve a property value. The key assumption is the cost of the condominium conversion and sales program. Properties with condominium titles include: Colony Square, Laird's Landing, Lakewood Apartments, Lakewood Townhouses, Millennium Village, Parsons Landing, Siena Apartments and Woodland Park.

(iv) *External appraisals.* Independent valuations on all investment properties are carried out in accordance with an established timetable, as reflected in the following schedule, to in order to reduce the risk that the carrying amount of each Investment Property does not differ materially from its fair value:

Property Value	Number of Properties	Aggregate Value at December 31, 2010	Valuation Update Timetable
Greater than $7.5 Million	11	$ 380,000,000	Three years
Less than $7.5 Million	12	59,300,000	Five years
	23	$ 439,300,000	

The Trust utilizes capitalization and discount rates within the ranges provided by external valuators. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next; or should another rate within the provided ranges be considered by the Trust to be more appropriate than the rate previously used, the fair value of the Investment Properties would increase or decrease accordingly.

To assist in the determination of fair value at January 1, 2010, external appraisals were obtained in 2010 for nine properties having an aggregate fair value of $244.4 Million representing 56% of the total value of investment properties. Appraisals were also obtained in 2009 for three properties having an aggregate fair value of $60.6 Million representing 14% of the total value of investment properties.

5 *Investment properties* (continued)

(v) *Property sales*. The sale of properties provides valuable information on market conditions. Projects which are subject to an unconditional sale agreements are valued at the sale price less estimated selling expenses.

The valuation of investment properties considers all of the information generated by the above noted methods and assumptions.

Details on the carrying value of investment properties is provided in Schedule 1.

6 Loans and receivables

	March 31 2011	December 31 2010	January 1 2010
Second mortgage loan receivable from Gill Apartments Ltd., due October 1, 2014. The loan bears interest at 5% and provides for monthly payments of interest only.	$ 500,000	$ 500,000	$ 500,000
Note receivable from a previous tenant. The loan bears interest at 12% and is secured by mortgages registered against the titles of a residential and a recreational property.	250,000	250,000	250,000
Second mortgage loan receivable from Mainstreet Equity Corp., due June 1, 2011.	-	-	6,550,000
	750,000	750,000	7,300,000
Current portion of loans and receivables	(250,000)	(250,000)	(250,000)
	$ 500,000	$ 500,000	$ 7,050,000

7 *Defeasance assets and defeased liability*

In conjunction with the sale of Woodlily Court on September 1, 2010, an existing $2,818,509 mortgage loan payable was defeased. The defeased loan is due July 1, 2016, bears interest at 5.65%, is repayable in monthly payments of $17,191 and is amortized over 30 years. The Trust purchased Government of Canada bonds, Government of Canada treasury bills and Canada mortgage bonds (hereafter "Defeasance Assets") in the amount of $3,338,341 and pledged the Defeasance Assets as security to the debt holder. The Defeasance Assets mature on or before June 1, 2016, have a weighted average interest rate of 3.75% and have been placed in escrow. The Defeasance Assets and the defeased liability will be measured at amortized cost using the effective interest rate method of amortization until July 1, 2016 at which time the debt will be extinguished.

The following table reflects the effect of the defeasance assets and the defeased liability on income.

		Three Months Ended March 31	
	Recorded as	2011	2010
Interest income on defeasance assets	Interest income	$ 30,784	$ -
Interest expense on defeased liability	Interest expense	(39,057)	-
Amortization of transaction costs	Interest expense	(2,261)	-
		$ (10,534)	$ -

The unamortized balance of transaction costs in respect of the defeased liability is $53,611 (2010 - $55,872).

8 *Restricted cash*

	March 31 2011	December 31 2010	January 1 2010
Tenant security deposits	$ 2,400,080	$ 2,057,086	$ 2,067,736
Reserves required by mortgage loan agreements	10,848,414	473,737	2,111,691
Mortgage bond proceeds held in escrow	-	8,947,815	-
Sale proceeds in escrow	-	-	2,041,795
	$ 13,248,494	$ 11,478,638	$ 6,221,222

9 Rent and other receivables

	March 31 2011	December 31 2010	January 1 2010
Rent receivable	$ 718,874	$ 792,876	$ 759,950
Estimated property operating cost recoveries	37,657	37,657	-
Less: allowance for uncollectible accounts	(36,655)	(364,685)	(422,793)
	719,876	465,848	337,157
Other receivables	352,996	430,288	514,960
Deferred rent receivable	209,242	169,334	169,766
	1,282,114	1,065,470	1,021,883
Current portion of loans and receivables	250,000	250,000	250,000
	$ 1,532,114	$ 1,315,470	$ 1,271,883

The note receivable is comprised of a 12% promissory note from a previous tenant securing the cost of tenant inducements, which were funded by the landlord. The note is secured by mortgages registered against the title of a residential and a recreational property.

10 Deposits, prepaids and other

	March 31 2011	December 31 2010	January 1 2010
Deposits			
Property tax deposits	$ 618,396	$ 482,368	$ 339,705
Deposit on potential acquisition	10,000	10,000	10,000
Performance deposit	166,916	166,916	166,916
Utility deposits	646	38,407	12,320
Deposit with Canada Revenue Agency	250,000	-	-
	1,045,958	697,691	528,941
Prepaid expenses	58,313	349,104	770,578
	$ 1,104,271	$ 1,046,795	$ 1,299,519

11 Non-current assets and non-current liabilities of properties held for sale

The Trust intends to dispose of assets, which do not qualify under the Canadian Income Tax Act for qualifying REITs as defined by the Canadian Income Tax Act. As a result, the Trust has classified the seniors housing complexes as discontinued operations.

In addition, the following investment properties which were sold during 2010, are also classified as non-current assets classified as held for sale.

	March 31 2011	December 31 2010	January 1 2010
Chancellor Gate	$ -	$ -	$ 7,814,000
McIvor Mall	-	-	10,951,000
Woodlily Courts	-	-	5,000,000
Nova Manor	-	-	3,100,000
Three Lakes Village	-	-	11,100,000
	$ -	$ -	$ 37,965,000

During 2010, the Trust sold the following properties:

Property	Sale Date	Consideration
Chancellor Gate	March 1, 2010	$ 7,970,000
McIvor Mall	March 1, 2010	11,200,000
Woodlily Courts	September 1, 2010	6,600,000
Nova Manor	September 30, 2010	3,415,000
Three Lakes Village	November 1, 2010	11,200,000

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

Assets and liabilities classified as "non-current assets and non-current liabilities held for sale" as at March 31, 2011, are as follows:

	March 31 2011	December 31 2010	January 1 2010
ASSETS			
Investment properties held for sale (a)	$ -	$ -	$ 37,965,000
Assets in discontinued operations			
Property and equipment (b)	78,308,803	78,278,699	78,135,000
Cash	499,261	556,826	658,408
Restricted cash	293,837	278,671	277,284
Rent and other receivables	76,669	70,460	89,195
Deposits, prepaids and other	567,435	579,278	771,596
	79,746,005	79,763,934	79,931,483
Non-current assets classified as held for sale	79,746,005	79,763,934	117,896,483
LIABILITIES			
Liabilities in discontinued operations			
Long term debt (c)	47,126,552	47,363,194	48,025,668
Deferred income tax (d)	5,785,706	5,733,036	5,613,292
Trade and other payables	882,106	885,518	1,035,403
Deposits from tenants	549,034	535,971	402,834
Non-current liabilties classified as held for sale	$ 54,343,398	$ 54,517,719	$ 55,077,197

(a) Investment properties

Details on the carrying value of Investment properties held for sale are provided in Schedule 1.

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

Details of income (loss) and cash flow information relating to discontinued operations are as follows.

	Three Months Ended March 31 2011	Three Months Ended March 31 2010
Rental income	$ 3,703,887	$ 3,240,357
Property operating expenses	2,058,537	2,005,620
Net rental income and operating profit	1,645,350	1,234,737
Interest expense	812,100	836,760
Current tax	56,999	45,401
Deferred tax	52,670	29,368
Income from discontinued operations	$ 723,581	$ 323,208
Cash inflow from operating activities	$ 823,834	$ 1,019,806
Cash outflow from investing activities	(45,270)	(10,327)
Cash outflow from financing activities	(836,129)	(856,313)
Increase (decrease) in cash from discontinued operations	$ (57,565)	$ 153,166

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

(b) Property and equipment

March 31, 2011	Cost	Additions/ Disposals	Accumulated Amortization	Net Book Value
Land	$ 6,098,190	$ -	$ -	$ 6,098,190
Buildings and improvements	71,697,286	26,031	(3,050,825)	68,672,492
Furniture, equipment and appliances	1,549,743	4,073	(280,546)	1,273,270
	79,345,219	30,104	(3,331,371)	76,043,952
Valuation adjustment	2,264,851	-	-	2,264,851
	$ 81,610,070	$ 30,104	$ (3,331,371)	$ 78,308,803

December 31, 2010	Cost	Additions/ Disposals	Accumulated Amortization	Net Book Value
Land	$ 6,098,190	$ -	$ -	$ 6,098,190
Buildings and improvements	71,652,524	44,762	(3,050,825)	68,646,461
Furniture, equipment and appliances	1,450,806	98,937	(280,546)	1,269,197
	79,201,520	143,699	(3,331,371)	76,013,848
Valuation adjustment	2,264,851	-	-	2,264,851
	$ 81,466,371	$ 143,699	$ (3,331,371)	$ 78,278,699

January 1, 2010	Cost	Additions/ Disposals	Accumulated Amortization	Net Book Value
Land	$ 6,098,190	$ -	$ -	$ 6,098,190
Buildings and improvements	71,652,524	-	(3,050,825)	68,601,699
Furniture, equipment and appliances	1,450,806	-	(280,546)	1,170,260
	79,201,520	-	(3,331,371)	75,870,149
Valuation adjustment	2,264,851	-	-	2,264,851
	$ 81,466,371	$ -	$ (3,331,371)	$ 78,135,000

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

(b) Property and equipment (continued)

The change in property and equipment is comprised of the following:

	Three Months Ended March 31 2011	2010
Carrying amount, beginning of period	$ 78,278,699	$ 78,135,000
Additions - capital expenditures	30,104	5,886
Carrying amount, end of period	$ 78,308,803	$ 78,140,886

(c) Long term debt

	March 31 2011	December 31 2010	January 1 2010
Secured debt			
Mortgage loans	$ 46,858,161	$ 47,024,490	$ 47,654,114
Total secured debt	46,858,161	47,024,490	47,654,114
Unsecured debt			
Mortgage guarantee fees	320,891	338,704	409,652
Total unsecured debt	320,891	338,704	409,652
Unamortized transaction costs	(52,500)	-	(38,098)
Total long term debt	$ 47,126,552	$ 47,363,194	$ 48,025,668

Certain of the mortgage loans are subject to covenants, including minimum debt service coverage requirements and a requirement to obtain mortgage insurance.

As of March 31, 2011, the Trust was not in compliance with the minimum debt service requirement in regard to a mortgage loan in the amount of $4,945,612.

Subsequent to March 31, 2011, the Trust is not in compliance with a requirement to obtain mortgage insurance in regard to a mortgage loan in the amount of $12,835,570. The Trust has notified the lender of the breach of the requirement.

It is the intention of the Trust to sell both properties within the next 12 months and use the proceeds to repay the mortgage loans.

With the exception of mortgage loans in the amount of $16,870,000, all mortgage loans, which have matured prior to June 8, 2011, have been renewed or refinanced. The Trust has accepted an offer of replacement financing for the mortgage loans in the amount of $16,870,000. Management expects the mortgage loans will be refinanced.

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

(d) Deferred taxes

Deferred tax liabilities consist of the following:

	March 31 2011	December 31 2010	January 1 2010
Temporary differences between the accounting and tax bases of property and equipment	$ 5,576,122	$ 5,547,177	$ 5,427,433
Temporary differences between the accounting and tax bases of investments in subsidiaries	209,584	185,859	185,859
	$ 5,785,706	$ 5,733,036	$ 5,613,292

At March 31, 2011, the Trust has deductible temporary differences and unused tax losses related to discontinued operations for which no deferred tax asset is recognized as follows:

Deductible temporary differences:	
Property and equipment	$ 2,111,021
Transaction costs	$ 308,953

Unused tax losses expiring in:

2026	$ 113,256
2027	2,354,011
2028	2,510,247
2029	2,397,735
2030	1,788,663
2031	252,935
	$ 9,416,847

12 Long-term debt

	March 31 2011	December 31 2010	January 1 2010
Secured debt			
Mortgage loans (a)	$ 257,824,890	$ 259,104,483	$ 293,241,134
Mortgage bonds (b)	13,790,429	10,826,910	-
Convertible debentures (c)	-	13,464,400	24,402,020
Swap mortgage loans (d)	44,362,619	44,832,599	48,625,212
Defeased liability (e)	2,793,762	2,806,222	-
Total secured debt	318,771,700	331,034,614	366,268,366
Unsecured debt			
Convertible debentures (c)	24,322,420	23,948,528	22,541,667
Mortgage guarantee fees (f)	65,109	73,074	290,667
Construction costs payable	337,169	333,831	1,134,621
Total unsecured debt	24,724,698	24,355,433	23,966,955
Accrued interest payable	2,633,848	1,666,375	2,099,067
Unamortized transaction costs			
Mortgage loans (a)	(891,186)	(1,285,457)	(1,213,654)
Mortgage bonds (b)	(1,418,241)	(1,137,864)	-
Convertible debentures (c)	(291,422)	(426,282)	(1,002,844)
Swap mortgage loans (d)	(159,506)	(169,957)	(117,635)
Defeased liability (e)	(53,611)	(52,880)	-
Total unamortized transaction costs	(2,813,966)	(3,072,440)	(2,334,133)
	343,316,280	353,983,982	390,000,255
Less current portion			
Mortgage loans (a)	(175,738,396)	(165,076,432)	(171,514,458)
Convertible debentures (c)	(24,322,420)	(37,412,928)	(11,814,796)
Swap mortgage loans (d)	(22,248,224)	(22,356,458)	(22,774,002)
Defeased liability (e)	(51,611)	(50,897)	-
Mortgage guarantee fees (f)	(33,057)	(32,576)	(58,195)
Construction costs payable	(337,169)	(333,831)	(800,790)
Transaction costs	1,070,647	1,403,001	952,014
Accrued interest payable	(2,633,848)	(1,666,375)	(2,099,067)
Total current portion	(224,294,078)	(225,526,496)	(208,109,294)
	$ 119,022,202	$ 128,457,486	$ 181,890,961

Current portion of unamortized transaction costs			
Mortgage loans (a)	$ 449,885	$ 714,040	$ 859,553
Mortgage bonds (b)	203,909	137,730	-
Convertible debentures (c)	291,422	426,281	15,143
Swap mortgage loans (d)	116,143	115,085	77,317
Defeased liability (e)	9,288	9,864	-
	$ 1,070,647	$ 1,403,000	$ 952,013

12 Long-term debt (continued)

Long-term debt has both fixed and variable interest rates. At March 31, 2011 , the contractual weighted average interest rate for variable rate long-term debt was 8.6% and for fixed rate long-term debt was 6.3% (December 31, 2010 - variable - 6.7%, fixed - 6.2%).

Normal principal installments and principal maturities at face value are as follows:

	Mortgage loans			
Year ending December 31	Normal Principal Installments	Principal Maturities	Convertible Debentures and Mortgage Bonds	Swap Mortgage Loans
2011 - Remainder of year	$ 2,517,631	$160,859,941	$ 25,551,000	$22,076,349
2012	2,484,410	42,844,455		702,495
2013	1,284,815	20,070,963		18,179,071
2014	547,244	8,762,938		
2015	480,779	5,796,987	16,000,000	
Thereafter	136,434	12,038,293		
	$ 7,451,313	$250,373,577	$ 41,551,000	$40,957,915

Year ending December 31	Defeased Liability	Mortgage Guarantee Fees and Construction Costs Payable	Total Long-term Debt	Weighted average interest rate of long-term debt
2011 - Remainder of year	$ 38,437	$ 361,779	$211,405,137	7.3%
2012	53,813	34,542	46,119,715	7.7%
2013	56,896	5,957	39,597,702	5.8%
2014	60,155	-	9,370,337	5.0%
2015	63,602	-	22,341,368	7.8%
Thereafter	2,520,859	-	14,695,586	5.2%
	$ 2,793,762	$ 402,278	$343,529,845	7.0%

The Trust intends to seek renewals of the mortgage principal maturities at market rates.

12 Long-term debt (continued)

(a) Mortgage loans

	Weighted average interest rates					
	March 31 2011	December 31 2010	January 1 2010	March 31 2011	December 31 2010	January 1 2010
First mortgage loans						
Fixed rate	5.7%	5.7%	5.7%	$ 151,701,132	$ 171,218,636	$ 194,528,633
Variable rate	8.6%	6.8%	6.0%	72,543,105	54,439,020	55,000,000
Total first mortgage loans	6.6%	6.1%	5.8%	224,244,237	225,657,656	249,528,633
Second mortgage loans						
Fixed rate	12.1%	12.2%	10.1%	16,180,000	15,945,000	25,945,763
Variable rate	8.5%	6.5%	5.8%	17,400,653	17,501,827	17,766,738
Total second mortgage loans	10.3%	9.2%	8.3%	33,580,653	33,446,827	43,712,501
Total	7.1%	6.4%	6.1%	257,824,890	259,104,483	293,241,134
Unamortized transaction costs				(891,186)	(1,285,457)	(1,213,654)
				256,933,704	257,819,026	292,027,480
Current portion of mortgage loans				(175,738,396)	(165,076,432)	(171,514,458)
Current portion of unamortized transaction costs				449,885	714,040	859,553
				$ 81,645,193	$ 93,456,634	$ 121,372,575

Certain of the mortgage loans are subject to covenants, including net operating income and minimum debt service coverage requirements and a restriction on the registration of secondary charges against the title to a property. The Trust is not in compliance with five first mortgage loans and one second mortgage loan totaling $158,394,922, as a result of the breach of covenant requirements in respect of the mortgage loans. In accordance with IFRS the total loan balance of $158,394,922 is included in current portion of mortgage loans.

A forbearance to June 30, 2011 has been obtained for two first mortgage loans and one second mortgage loan in the aggregate amount of $89,943,758. It is expected that extensions of the forbearance will be obtained. Two mortgage loans in breach of minimum debt service coverage requirements, in the aggregate amount of $35,766,760, matured in 2010 and have not been renewed. The maturity dates have not been extended and the loans are payable on demand. The forbearance to June 30, 2011 in the aggregate amount of $89,943,758 includes forbearance in regard to the two mortgage loans in the amount of $35,766,760.

As at March 31, 2011, a mortgage loan in the amount of $1,965,019 matured and was not renewed. The loan was renewed subsequent to March 31, 2011.

Except for the two mortgage loans in the amount of $35,766,760, all mortgages which have matured prior to June 8, 2011 have been renewed or refinanced.

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

12 Long-term debt (continued)

(b) Mortgage bonds and warrants

The face value of the mortgage bonds is $16,000,000.

On March 9, 2010, the Trust issued 6,780 five year 9% second mortgage bonds in the principal amount of $1,000 and 6,780,000 in warrants for gross proceeds of $6,780,000. Each warrant entitles the holder to purchase one unit at a price of $1.00 until March 9, 2015.

On the issue date, the value of the mortgage bonds was established based on the net present value of future interest and principal payments with an estimated cost of borrowing of 13.0% and the residual value of $974,805 was assigned to the warrants.

In December 2010, the mortgage bonds were redeemed using proceeds from property sales and the December 23, 2010 mortgage bond issue. At redemption, $875,076 of accretion and $838,423 of unamortized transaction costs were recorded to financing expense. The warrants related to the March 9, 2010 mortgage bond issue continue to be exercisable until their expiry.

On December 23, 2010, the Trust issued 12,637 five year 9% mortgage bonds in the principal amount of $1,000, due December 24, 2015, and 12,637,000 in warrants for gross proceeds of $12,637,000. Each warrant entitles the holder to purchase one unit at a price of $0.75 until December 23, 2015. The mortgage bonds are secured by second mortgage charges registered against five investment properties with a fair value of $54,600,000 (December 31, 2010 - $54,600,000).

On the issue date, the value of the mortgage bonds was established based on the net present value of future interest and principal payments with an estimated cost of borrowing of 13.0% and the residual value of $1,816,905 was assigned to the warrants.

On January 28, 2011, on the second closing of the December 2010 mortgage bond offering, the Trust issued 3,363 five year 9% mortgage bonds in the principal amount of $1,000, due December 24, 2015, and 3,363,000 in warrants for gross proceeds of $3,363,000. Each warrant entitles the holder to purchase one unit at a price of $0.75 until December 23, 2015. The mortgage bonds are secured by second mortgage charges registered against five investment properties with a fair value of $54,600,000.

On the issue date, the value of the mortgage bonds was established based on the net present value of future interest and principal payments with an estimated cost of borrowing of 13.0% and the residual value of $483,521 was assigned to the warrants.

12 Long-term debt (continued)

(b) Mortgage bonds and warrants (continued)

The carrying value of the mortgage bonds is summarized as follows:

	March 31 2011	December 31 2010	January 1 2010
Value, beginning of period	$ 10,826,910	$ -	$ -
Value at issue	2,910,467	16,624,166	-
Accretion	53,052	982,744	-
Redemption	-	(6,780,000)	-
	13,790,429	10,826,910	-
Unamortized transaction costs	(1,418,241)	(1,137,864)	-
	12,372,188	9,689,046	-
Current portion of unamortized transaction costs	(203,909)	(137,730)	-
	$ 12,168,279	$ 9,551,316	$ -

(c) Convertible debentures

The face value of the convertible debentures is as follows:

	March 31 2011	December 31 2010	January 1 2010
Series E	$ -	$ -	$ 11,950,000
Series F	-	13,601,000	13,680,000
Series G	25,551,000	25,595,000	25,732,000
	$ 25,551,000	$ 39,196,000	$ 51,362,000

During the three months ended March 31, 2011, there have not been any conversions of convertible debentures.

The allocation of the convertible debentures to debt and equity components is based on the net present value of future interest and principal payments with an estimated cost of borrowing without conversion option of 15% for the Series E, Series F and Series G debentures.

12 *Long-term debt (continued)*

(c) Convertible debentures (continued)

March 31, 2011	Debt	Equity	Total
Convertible debentures Series G - 7.5%, due December 31, 2011	$ 24,322,420	$ 6,657,410	$ 30,979,830
	24,322,420	6,657,410	30,979,830
Deferred tax liability charged to equity	-	(427,347)	(427,347)
Unamortized transaction costs	(291,422)	-	(291,422)
	24,030,998	6,230,063	30,261,061
Current portion of convertible debentures	(24,322,420)	-	(24,322,420)
Current portion of unamortized transaction costs	291,422	-	291,422
	$ -	$ 6,230,063	$ 6,230,063

December 31, 2010	Debt	Equity	Total
Convertible debentures Series F - 7.5%, due March 11, 2011	$ 13,464,400	$ 3,543,792	$ 17,008,192
Series G - 7.5%, due December 31, 2011	23,948,528	6,668,875	30,617,403
	37,412,928	10,212,667	47,625,595
Deferred tax liability charged to equity	-	(463,599)	(463,599)
Unamortized transaction costs	(426,282)	-	(426,282)
	36,986,646	9,749,068	46,735,714
Current portion of convertible debentures	(37,412,928)	-	(37,412,928)
Current portion of unamortized transaction costs	426,282	-	426,282
	$ -	$ 9,749,068	$ 9,749,068

12 Long-term debt (continued)

(c) Convertible debentures (continued)

January 1, 2010	Debt	Equity	Total
Convertible debentures			
Series E - 8%, due February 17, 2010	$ 11,814,795	$ 2,835,690	$ 14,650,485
Series F - 7.5%, due March 11, 2011	12,587,225	3,564,376	16,151,601
Series G - 7.5%, due December 31, 2011	22,541,667	6,704,571	29,246,238
	46,943,687	13,104,637	60,048,324
Deferred tax liability charged to equity	-	(466,096)	(466,096)
Unamortized transaction costs	(1,002,844)	-	(1,002,844)
	45,940,843	12,638,541	58,579,384
Current portion of convertible debentures	(11,814,795)	-	(11,814,795)
Current portion of unamortized transaction costs	15,143	-	15,143
	$ 34,141,191	$ 12,638,541	$ 46,779,732

The accretion of the debt component for the three months ended March 31, 2011 of $551,073 (2010 - $710,009), which increases the debt component from the initial carrying amount, is included in interest expense.

In January 2010, LREIT initiated normal course issuer bids for the Series F debentures and Series G debentures, under which the Trust is entitled to purchase up to $1,368,000 of Series F debentures and up to $2,573,000 of Series G debentures. The normal course issuer bids commenced on January 13, 2010 and expired on January 12, 2011.

In January 2011, LREIT renewed its normal course issuer bid for the Series G debentures under which, the Trust is entitled to purchase up to $2,557,000 of Series G debentures. The normal course issuer bid commenced January 13, 2011 and expires on December 31, 2011.

During the period from January 1, 2010 to December 31, 2010, the Trust purchased and cancelled Series F debentures with a face value of $79,000 at an average price of $89.29 per $100.00 and Series G debentures with a face value of $137,000 at an average price of $73.47 per $100.00.

During the period from January 1, 2011 to March 31, 2011, the Trust purchased and cancelled Series F debentures with a face value of $3,000 at an average price of $98.00 per $100.00 and Series G debentures with a fair value of $44,000 at an average price of $79.14 per $100.00. Subsequent to March 31, 2011, the Trust purchased and cancelled Series G debentures with a face value of $59,000 at an average price of $85.35 per $100.00.

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

12 Long-term debt (continued)

(d) Swap mortgage loans

The Trust has entered into interest rate swap arrangements whereby the interest rate on the floating rate mortgages, in the amounts of $19,382,686 and $21,575,229, have fixed rates of 5.74% and 5.82% and mature in 2013 and 2018, respectively.

The swaps are used to hedge the exposure to the variable interest rate payments on variable rate mortgage loans. The loans and interest rate swaps have the same contractual terms. The aggregate fair value of the swap mortgage loans is as follows.

	March 31 2011	December 31 2010	January 1 2010
Mortgage loans, subject to swaps	$ 40,957,915	$ 41,238,026	$ 42,319,014
Fair value of interest rate swaps	3,404,704	3,594,573	6,306,198
	44,362,619	44,832,599	48,625,212
Unamortized transaction costs	(159,506)	(169,957)	(117,635)
	44,203,113	44,662,642	48,507,577
Current portion of mortgage loans, subject to swaps	(22,248,224)	(22,356,458)	(22,774,002)
Current portion of unamortized transaction costs	116,143	115,085	77,317
	$ 22,071,032	$ 22,421,269	$ 25,810,892

The swap mortgage loans are subject to covenants, including minimum debt service coverage requirements. The Trust is not in compliance with one swap mortgage loan totaling $21,575,229, as a result of a breach of the minimum debt service coverage requirement. In accordance with IFRS the total balance of $21,575,229 is included in current portion of swap mortgage loans.

The effect of the changes in fair value of the interest rate swaps is included in interest expense.

(e) Defeased liability

	March 31 2011	December 31 2010	January 1 2010
Face value	$ 2,793,762	$ 2,806,222	$ -
Unamortized transaction costs	(53,611)	(52,880)	-
	2,740,151	2,753,342	-
Current portion of defeased liability	(51,611)	(50,897)	-
Current portion of unamortized transaction costs	9,288	9,864	-
	$ 2,697,828	$ 2,712,309	$ -

12 Long-term debt (continued)

(f) Mortgage guarantee fees

	March 31 2011	December 31 2010	January 1 2010
Nelson Ridge Estates	$ 65,109	$ 73,074	$ 103,797
Three Lakes Village	-	-	186,870
	65,109	73,074	290,667
Current portion of mortgage guarantee fees	(33,057)	(32,576)	(58,195)
	$ 32,052	$ 40,498	$ 232,472

13 Income taxes

The major components of income tax recovery (expense) are as follows:

	Three Months Ended March 31 2011	Three Months Ended March 31 2010
Current tax recovery (expense)	$ -	$ -
Deferred tax recovery relating to origination and reversal of temporary differences	270,741	-
Benefit from a previously unrecognized temporary difference of a prior period used to reduce deferred tax expense	23,725	227,520
Deferred tax expense arising from write-down of deferred tax assets	(153,082)	-
Deferred tax recovery (expense)	141,384	227,520
Income tax recovery (expense)	$ 141,384	$ 227,520

The aggregate current and deferred tax relating to items that are credited directly to equity is $117,659 (2010 - $227,520).

13 Income taxes (continued)

The income tax expense of the Trust can be reconciled to its income tax expense that would be calculated using the statutory income tax rate as follows:

	Three Months Ended March 31 2011	Three Months Ended March 31 2010
Loss from continuing operations before income taxes	$ 4,587,848	$ 2,249,560
Statutory income tax rate	26%	0%
Recovery of income taxes calculated using the combined federal and provincial statutory income tax rate	$ 1,192,840	$ -
Non-deductible unit-based compensation	(5,461)	-
Deferred tax assets not recognized in the period	(894,788)	-
Derecognition of previously recognized deferred tax assets	(129,357)	-
Recognition of previously unrecognized deferred tax assets	-	227,520
Other	(21,850)	-
Income tax recovery (expense)	$ 141,384	$ 227,520

The Trust's deferred tax liabilities (assets) in respect of continuing operations are as follows:

	March 31 2011	December 31 2010	January 1 2010
Temporary differences between the accounting and tax basis of:			
Investment properties	$ (742,786)	$ (872,143)	$ (404,017)
Transaction costs	(360,717)	(247,938)	(247,938)
Convertible debentures and mortgage bonds	893,919	934,222	466,096
	$ (209,584)	$ (185,859)	$ (185,859)

The Trust's deferred tax recovery (expense) recognized in loss from continuing operations, in respect of each type of temporary difference, is as follows:

	Three Months Ended March 31 2011	Three Months Ended March 31 2010
Investment properties	$ (129,357)	$ 227,520
Transaction costs	112,779	-
Convertible debentures and mortgage bonds	157,962	-
	$ 141,384	$ 227,520

13 *Income taxes (continued)*

The Trust has deductible temporary differences and unused tax losses related to continuing operations for which no deferred tax asset is recognized as follows:

	March 31 2011	December 31 2010	January 1 2010
Deductible temporary differences			
Investment properties	$ 1,093,373	$ 595,846	$ 1,833,396
	$ 1,093,373	$ 595,846	$ 1,833,396
Unused tax losses expiring in			
2031	$ 3,441,491	$ -	$ -
	$ 3,441,491	$ -	$ -

14 *Trade and other payables*

	March 31 2011	December 31 2010	January 1 2010
Accounts payable - vendor invoices	$ 3,557,238	$ 1,845,566	$ 815,263
Accrued payables	1,304,692	1,120,144	730,522
Prepaid rent	1,250,664	1,208,463	710,803
Payable on acquisition of Parson's Landing	47,720,000	47,720,000	47,720,000
Revolving loan from 2668921 Manitoba Ltd.	10,000,000	7,350,000	-
	$ 63,832,594	$ 59,244,173	$ 49,976,588

The amount payable on acquisition of Parson's Landing includes the acquisition cost payable in the amount of $45,233,000, excluding GST.

15 *Bank indebtedness*

Bank indebtedness consists of a revolving line of credit that the Trust obtained from a Canadian chartered bank in the maximum amount of $5,000,000, bearing interest at prime plus 3.5% (2010 - prime plus 3.5%) and repayable on demand. The line of credit is secured by a second mortgage on an income property. The amount available on the line of credit is reduced by $125,000 relating to the issue of a letter of credit. As at March 31, 2011, the line of credit was fully utilized compared to $1,915,000 available at December 31, 2010.

16 Units

The number of units issued, and purchased and cancelled, are as follows:

	Three Months Ended March 31, 2011		Year Ended December 31, 2010	
	Units	Amount	Units	Amount
Outstanding, beginning of period	17,988,339	$107,860,241	17,893,767	$ 98,966,638
Exchange of deferred units	-	-	94,572	79,317
Units issued on payment of distributions	-	-	-	8,814,286
Outstanding, end of period	17,988,339	$107,860,241	17,988,339	$107,860,241

Units issued on payment of distribution
As a result of realized capital gains, the Trust paid a "special" distribution in the form of additional units on December 31, 2010. The distribution was followed by an immediate consolidation of units resulting in Unitholders holding the same number of units after the distribution as were held prior to the distribution.

17 Unit option plan

The Trust may grant options to the Trustees, senior officers and consultants of the Trust. The maximum number of units reserved for issuance under the unit option plan will be limited to 5% of the total number of issued and outstanding units. The Trustees shall set the exercise price at the time that an option is granted under the plan, which exercise price shall not be less than the discounted market price of the units as determined under the policies of the TSX on the date of grant. Options granted to Trustees vest immediately. Options granted to senior officers and consultants vest on a straight-line basis over five years. The options will have a maximum term of five years from the date of grant.

The fair value of each unit option granted is estimated on the date of grant using the Black-Scholes option pricing model.

Unit-based compensation expense for the three months ended March 31, 2011 of $2,253 (2010 - $14,780), relating to options issued was recorded to expense the fair value unit-based compensation. Unit-based compensation is included in trust expense.

17 Unit option plan (continued)

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

	Three Months Ended March 31, 2011			Year Ended December 31, 2010		
	Units	Weighted Average Exercise Price		Units	Weighted Average Exercise Price	
Outstanding, beginning of period	968,500	$	5.58	1,452,000	$	5.56
Cancelled, January 17, 2011	(22,500)		5.42	-		-
Cancelled, March 29, 2010	-		-	(357,500)		5.60
Cancelled, April 1, 2010	-		-	(6,500)		5.64
Cancelled, September 12, 2010	-		-	(6,500)		5.64
Cancelled, September 16, 2010	-		-	(110,000)		5.47
Cancelled, October 8, 2010	-		-	(3,000)		5.10
Outstanding, end of period	946,000	$	5.58	968,500	$	5.58
Vested, end of period	917,800			912,100		

At March 31, 2011 the following unit options were outstanding:

Exercise price	Options outstanding	Options vested	Expiry date
$ 5.80	625,000	625,000	July 26, 2011
5.30	90,000	90,000	June 8, 2012
5.10	231,000	202,800	January 7, 2013
	946,000	917,800	

18 Deferred unit plan

The Trust has adopted a deferred unit plan, under which, any trustee, officer, employee, or consultant employee of the Trust may elect to have their annual bonus, annual board retainer or board meeting fees payable to that person by the Trust paid, in whole or in part, in the form of deferred units. The number of deferred units received by a participant is determined by dividing the amount of the annual bonus, annual board retainer or board meeting fees, as applicable, to be paid in the form of deferred units on that date by the fair market value of the Trust's units.

Deferred units granted to Trustees shall vest immediately. Deferred units granted to participants other than Trustees shall vest 33% on the first anniversary of grant, 33% on the second anniversary of grant, and 34% on the third anniversary of grant. In the event of any change of control, any unvested deferred units shall vest upon the earlier of the next applicable vesting date and the date that is immediately prior to the date upon which the change of control is completed. The board shall have the discretion to vary the manner in which deferred units vest for any participant.

The deferred units credited to a participant (including deferred units that have not yet vested) shall vest immediately and be redeemable by the participant following termination other than for cause, retirement, or death. In the event that a participant is terminated for cause, only the deferred units that have vested shall be redeemable and any unvested deferred units shall be cancelled.

18 Deferred unit plan (continued)

Whenever cash distributions are paid on the units of the Trust, additional deferred units will be credited to the participant based on the number of deferred units held, the amount of the distribution and the market value of a unit of the Trust on the date of the distribution. Additional deferred units shall vest at the same time and on the same basis as the deferred units in respect of which they are credited.

Deferred units granted to Trustees, and fully vested, totaled 36,765 for the three months ended March 31, 2011 (2010 - 92,765) and 436,184 aggregate deferred units were outstanding at March 31, 2011 (2010 - 338,476).

Unit-based compensation expense of $18,750 for the three months ended March 31, 2011 (2010 - $57,625) relating to deferred units granted was recorded to expense the fair value unit-based compensation. Unit-based compensation is recorded in trust expense.

19 Interest expense

	Three Months Ended March 31 2011	Three Months Ended March 31 2010
Interest on acquisition payable	$ 2,591,585	$ 2,591,585
Forgiveness of interest on acquisition payable	(1,691,585)	(1,691,585)
	900,000	900,000
Mortgage loan interest	4,861,557	4,310,241
Mortgage bond interest	360,000	36,780
Accretion of mortgage bonds	53,052	9,030
Convertible debenture interest	732,586	856,495
Accretion of the debt component of convertible debentures	551,073	710,009
Swap mortgage loan interest	585,450	603,753
Change in fair value of interest rate swaps	(189,869)	(379,298)
Amortization of transaction costs	862,221	366,989
	$ 8,716,070	$ 7,413,999

20 *Per unit calculations*

Basic per unit information is calculated based on the weighted average number of units outstanding for the period, including vested deferred units. Diluted per unit information is calculated based on the weighted average diluted number of units for the period, considering the dilutive effect of unvested deferred units, the potential exercise of outstanding unit options to the extent that the unit options are dilutive and the potential conversion of outstanding convertible debentures and warrants to the extent that the debentures and the warrants are dilutive.

Income (loss) per unit calculations are based on the following:

	Three Months Ended March 31 2011	Three Months Ended March 31 2010
Income (loss) and diluted income (loss) - before discontinued operations	$ (4,470,189)	$ (2,022,040)
Weighted average number of:		
Units	17,988,339	17,893,767
Deferred units	399,419	235,244
Total, basic and diluted	18,387,758	18,129,011

	Three Months Ended March 31 2011	Three Months Ended March 31 2010
Income and diluted income - discontinued operations	$ 723,581	$ 323,208
Weighted average number of:		
Units	17,988,339	17,893,767
Deferred units	399,419	235,244
Total, basic and diluted	18,387,758	18,129,011

	Three Months Ended March 31 2011	Three Months Ended March 31 2010
Income and diluted income	$ 3,746,608	$ 1,698,832
Weighted average number of:		
Units	17,988,339	17,893,767
Deferred units	399,419	235,244
Total, basic and diluted	18,387,758	18,129,011

21 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, to December 31, 2015. Under the property management agreement, Shelter Canadian Properties Limited will administer the day-to-day operations of the Trust's portfolio of income properties, except for the seniors housing complexes and Siena Apartments. The Trust pays property management fees equal to 4% of gross receipts from the income 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 income 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 $368,068 for the three months ended March 31, 2011 (2010 - $427,996). Property management fees are included in property operating costs.

The Trust incurred leasing commissions on commercial investment properties included in continuing operations payable to Shelter Canadian Properties Limited of $2,097 for the three months ended March 31, 2011 (2010 - $2,407).

Included in trade and other payables at March 31, 2011 is a balance of $364,692 (December 31, 2010 - $16,742), payable to Shelter Canadian Properties Limited in regard to outstanding property management fees.

21 Related party transactions (continued)

Services agreement
The Trust has entered into a services agreement with Shelter Canadian Properties Limited to December 31, 2015. 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, valuation adjustments and defeasance assets.

The Trust incurred service fees of $426,699 for the three months ended March 31, 2011 (2010 - $437,885). Service fees are included in trust expense.

Included in trade and others payables at March 31, 2011 is a balance of $433,409 (2009 - nil) payable to Shelter Canadian Properties Limited in regard to outstanding property management fees. The amount payable is non-interest bearing and has no terms of repayment.

Financing
On June 30, 2009, the Trust obtained a second mortgage loan in the amount of $500,000 from 2668921 Manitoba Ltd. The loan bears interest at 7.5%, was due on January 1, 2011 and is secured by a second mortgage charge on an income property. The loan was extended to June 30, 2011 at the same terms and conditions, and a processing fee of $7,500 was paid to 2668921 Manitoba Ltd. in regard to the extension of the loan. The loan is included in current portion of long term debt at March 31, 2011. Interest of $37,500 for the three months ended March 31, 2011 (2010 - $9,555) is included in interest expense.

On June 30, 2009, the Trust obtained a $2.7 Million revolving loan commitment from 2668921 Manitoba Ltd. for general operating purposes. The loan commitment was increased to $5 Million on September 2, 2009 and to $10 Million on November 9, 2010. The loan bears interest at 14% (2010 - 14%), is due on June 30, 2011 and is secured by mortgage charges against the title to six income properties and the assignment of a $500,000 mortgage loan receivable. As of March 31, 2011, $10,000,000 has been drawn and is included in trade and other payables. The loan has been renewed and increased from $10 Million to $12 Million subsequent to March 31, 2011. The loan matures on December 31, 2011 and the interest rate is 14% to June 30, 2011 and 11% thereafter.

Interest on the revolving loan of $268,337 for the three months ended March 31, 2011 (2010 - $19,113) is included in interest expense.

Included in accrued interest payable at March 31, 2011 is a balance of $268,337 (2010 - nil) payable to Shelter Canadian Properties Limited in regard to outstanding interest. The amount payable is non-interest bearing and has no terms of repayment.

The second mortgage loan and the revolving loan were approved by the independent Trustees.

Guarantees
Certain of the mortgage loans payable have been guaranteed by Shelter Canadian Properties Limited. There were not any fees charged to the Trust in regard to the guarantees.

22 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
The Trust is in breach of the net operating income and minimum debt service coverage requirements on five mortgage loans and a derivative financial instrument totaling $160,005,169 on properties in Fort McMurray, Alberta. The Trust has obtained a forbearance to June 30, 2011 on three mortgage loans totaling $89,943,758. The Trust is continuing to negotiate with the lenders and management believes that all of the covenant breaches will be resolved. As rental market conditions in Fort McMurray may not improve substantially in the near future, all of the affected properties may not attain income levels in 2011, which satisfy the existing minimum debt service coverage requirements.

The Trust is also in breach of restrictions on the registration of secondary charges against the title to a property in Winnipeg, Manitoba.

There is no assurance that the lenders will not accelerate payment of the mortgage loans.

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, Nova 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 others cross-default covenants with respect to other mortgage loans of the Trust.

22 *Financial instruments and risk management (continued)*

Liquidity risk - debt maturities
Liquidity risk arises from the possibility that the Trust will not have sufficient debt or equity capital available to compile the acquisition of Parsons Landing on the agreed date and 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 March 31, 2011, the weighted average term to maturity of the fixed rate mortgages on investment properties is 3.0 years (2010 - 2.9 years).

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

	Mortgage loans			
Year ending December 31	Normal Principal Installments	Principal Maturities	Convertible Debentures and Mortgage Bonds	Derivative Financial Instruments
2011 - Remainder of year	$ 2,517,631	$160,859,941	$ 25,551,000	$22,076,349
2012	2,484,410	42,844,455	-	702,495
2013	1,284,815	20,070,963	-	18,179,071
2014	547,244	8,762,938	-	-
2015	480,779	5,796,987	16,000,000	-
Thereafter	136,434	12,038,293	-	-
	$ 7,451,313	$250,373,577	$ 41,551,000	$40,957,915

Year ending December 31	Defeased Liability	Mortgage Guarantee Fees and Construction Costs Payable	Other Payables	Total
2011 - Remainder of year	$ 38,437	$ 361,779	$ 22,837,598	$234,242,735
2012	53,813	34,542	48,336,668	94,456,383
2013	56,896	5,957	-	39,597,702
2014	60,155	-	-	9,370,337
2015	63,602	-	-	22,341,368
Thereafter	2,520,859	-	-	14,695,586
	$ 2,793,762	$ 402,278	$ 71,174,266	$414,704,111

Other payables include trade and other payables, bank indebtedness, and deposits from tenants.

In accordance with IFRS, the balance of the six mortgage loans and one swap mortgage loan in the amount of $158,394,922 and $21,575,229, respectively, which are not in compliance with covenants, including net operating income and minimum debt service coverage requirements, and restriction on the registration of secondary charges against the title to the property have been included with amounts due in 2011.

22 Financial instruments and risk management (continued)

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 the majority of the 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 March 31, 2011 the percentage of fixed rate mortgage loans to total mortgage loans was 65% (2010 - 72%).

The Trust has variable rate mortgage loans on investment properties totaling $89,943,758, or 35% of the total mortgage loans at March 31, 2011 (2010 - 28%).

As at March 31, 2011, the Trust has total contractual mortgage principal maturities on investment properties which mature on or prior to March 31, 2014 of $79,083,528, representing 31% of total mortgage loans. Should the amounts be refinanced upon maturity at an interest rate differential of 1%, interest expense would change by $790,835 per year.

As at March 31, 2011, the Trust had variable rate mortgages totaling $89,943,758. Should interest rates change by 1%, interest expense would change by $899,438 per year.

With the exception of derivative financial instruments; the Trust does not trade 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:

	March 31 2011	December 31 2010	January 1 2010
Rent receivable overdue:			
0 to 30 days	305,441	166,510	146,409
31 to 60 days	77,769	38,556	29,555
More than 60 days	335,664	587,810	583,986
	$ 718,874	$ 792,876	$ 759,950

22 Financial instruments and risk management (continued)

Credit risk (continued)
A reconciliation of allowance for doubtful accounts is as follows:

	March 31 2011	December 31 2010	January 1 2010
Balance, beginning of period	$ 38,635	$ 97,903	$ 97,903
Amount charged to bad debt expense relating to impairment of rent receivable	9,189	51,981	-
Amounts written off as uncollectible	(11,169)	(111,249)	-
Balance, end of period	$ 36,655	$ (59,268)	$ 97,903
Amount charged to bad debts as a percent of rentals from investment properties	0.10%	0.13%	N/A

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.

22 ***Financial instruments and risk management (continued)***

Fair values

Financial instruments include loans and receivables, defeasance assets, and liabilities, cash and restricted cash, rent and other receivables, deposits, mortgage loans, mortgage bonds, convertible debentures, derivative financial instruments, mortgage guarantee fees, construction costs, trade and other payables, bank indebtedness and deposits from tenants.

Except for financial assets and liabilities which are carried at fair value, a comparison of the carrying amounts and fair value of the financial instruments of the Trust that are carried in the financial statements is provided below.

	Carrying Value		
	March 31 2011	December 31 2010	January 1 2010
Financial assets			
Loans and receivables	500,000	500,000	7,050,000
Defeasance assets	3,292,644	3,313,434	-
Restricted cash	13,248,494	21,478,638	6,221,222
Cash	1,562,888	925,046	3,629,456
Rent and other receivables	1,532,114	1,315,470	1,271,883
Deposits	795,958	697,691	528,941
Financial liabilities			
Mortgages loans	257,824,890	259,104,483	293,241,134
Mortgage bonds	13,336,348	10,454,939	-
Convertible debentures	24,322,420	37,412,928	46,943,687
Defeased liability	2,793,762	2,806,222	-
Mortgage guarantee fees	65,109	73,074	290,667
Construction costs	337,169	333,831	1,134,621
Trade and other payables	63,584,847	59,244,173	49,976,588
Bank indebtedness	4,875,000	2,960,000	-
Deposits from tenants	2,466,672	2,121,716	2,081,657

	Fair Value		
	March 31 2011	December 31 2010	January 1 2010
Financial assets			
Loans and receivables	403,149	397,542	7,390,271
Defeasance assets	-	-	-
Restricted cash	13,248,494	21,478,638	6,221,222
Cash	1,562,888	925,046	3,629,456
Rent and other receivables	1,532,114	1,315,470	1,271,883
Deposits	795,958	697,691	528,941
Financial liabilities			
Mortgages loans	257,783,872	259,121,541	293,241,134
Mortgage bonds	14,408,845	11,331,068	-
Convertible debentures	21,817,344	31,772,040	31,325,026
Defeased liability	-	-	-
Mortgage guarantee fees	65,109	73,074	290,667
Construction costs	337,169	333,831	1,010,582
Trade and other payables	63,584,847	59,244,173	49,976,588
Bank indebtedness	4,875,000	2,960,000	-
Deposits from tenants	2,466,672	2,121,716	2,081,657

22 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:

- 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.
- Loans and receivables are estimated by discounting expected future cash flows using current market interest rates.
- 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.
- In regard to mortgages loans, mortgage bonds the debt component of convertible debentures, mortgage guarantee fees and construction costs:
  - The fair value of floating rate borrowings is estimated by discounting future 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 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 fair value of debt component of convertible debentures are based on quoted market prices.

Fair value hierarchy

The fair value of the swap mortgage loans has been determined using Level 2 of the fair value hierarchy as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 - Use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data
- Level 3 - Use of a model with inputs that are not based on observable market data

23 Management of capital

The capital structure of the Trust is comprised of the following:

	March 31 2011	December 31 2010	January 1 2010
Mortgage loans	$256,933,704	$257,819,026	$292,027,480
Mortgage bonds	12,372,188	9,689,046	-
Convertible debentures - debt component	24,030,998	36,986,646	45,940,843
Swap mortgage loans	44,203,113	44,662,642	48,507,577
Equity	71,662,056	75,001,586	80,718,725
	$409,202,059	$424,158,946	$467,194,625

The Trust manages capital in order to safeguard its ability to continue as a going concern and to ensure an appropriate balance of risk and return.

The overall capital management strategy addresses the following considerations:

- The equity component of acquired properties is primarily funded from the proceeds of trust units or convertible debentures.
- Mortgage debt financing is arranged to optimise the leveraged returns from the real estate portfolio.
- Total mortgage debt financing is maintained within the overall debt limits as established by the Declaration of Trust. The Declaration of Trust provides for mortgage indebtedness of the Trust up to 75% of the appraised value of all properties.
- Whenever possible, the Trust will utilize fixed rate debt financing.
- Mortgage due dates are structured to reflect the properties being financed and debt maturity dates will be staggered, to the extent possible, in order to reduce refinancing risk.
- The Trust is undertaking a divestiture program targeting the sale of assets in order to reduce total debt including convertible debenture debt.

The Trust monitors capital from time-to-time using a variety of measures. Monitoring procedures are performed as a part of the overall management of operations and are performed with the goal of enhancing the ability of the Trust to access capital and/or reduce the cost of capital.

In order to maintain or adjust the capital structure the Trust may (i) issue units, debentures or mortgage debt and other securities, such as unit purchase warrants; (ii) adjust the amount of distributions (if any) paid to unitholders; (iii) return capital to unitholders; (iv) purchase units or debentures; or (v) reduce debt.

Market requirements for attracting capital may vary in ways that the Trust may not be able to accurately predict.

24 Segmented financial information

Investment properties are located in Fort McMurray, Alberta (13 properties), Yellowknife, Northwest Territories (2 properties) and other locations in Canada (7 properties).

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

Three months ended March 31, 2011:

	Investment Properties			
	Fort McMurray	Other	Trust	Total
Rental revenue	5,668,693	3,480,343	1,481	9,150,517
Property operating costs	2,400,054	1,627,456	-	4,027,510
Interest income	11,821	4,251	61,595	77,667
Interest expense	4,759,950	696,835	3,259,285	8,716,070
Income (loss) and comprehensive income (loss) before discontinued operations	(1,709,638)	1,089,745	(3,850,296)	(4,470,189)
Cash from operating activities	180,602	1,496,758	(1,730,074)	(52,714)
Cash from financing activities	849,189	(1,194,852)	(6,893,218)	(7,238,881)
Cash from investing activities	(842,147)	(178,944)	8,950,528	7,929,437
Total assets excluding non-current assets held for sale at March 31, 2011	330,631,354	117,066,570	13,052,071	460,749,995

Three months ended March 31, 2010:

	Investment Properties			
	Fort McMurray	Other	Trust	Total
Rental revenue	6,687,577	4,060,785	3,780	10,752,142
Property operating costs	2,663,317	2,183,288	-	4,846,605
Interest income	1,696	18,115	86,621	106,432
Interest expense	3,812,674	981,168	2,620,157	7,413,999
Income (loss) and comprehensive income (loss) before discontinued operations	213,282	641,981	(2,877,303)	(2,022,040)
Cash from operating activities	2,088,218	829,324	(4,042,072)	(1,124,530)
Cash from financing activities	(1,224,611)	(448,716)	(4,252,009)	(5,925,336)
Cash from investing activities	(376,703)	(70,001)	5,685,924	5,239,220
Total assets excluding non-current assets held for sale at December 31, 2010	329,832,749	117,102,384	21,130,109	468,065,242

25 Adoption of International Financial Reporting Standards

Effective January 1, 2011, the Trust adopted International Financial Reporting Standards ("IFRS") on a prospective basis. As a result, financial information which was previously issued under Canadian generally accepted accounting principles ("GAAP") has been recalculated and presented in accordance with IFRS as reflected in Note 3.

The effects of the transition to IFRS are summarized as follows:

a) Transition elections made under IFRS 1 and other applicable standards

(i) Investment Properties
The Trust has elected to carry Investment Properties at fair value.

(ii) Property and Equipment
The Trust has elected to restate Property and Equipment at fair value on transition to IFRS.

(iii) Business combinations
The Trust has elected not to restate business combinations that occurred prior to January 1, 2010. Accordingly, acquisition-related transaction costs associated with business combinations completed prior to January 1, 2010 continue to be capitalized.

b) Reconciliation between financial information previously reported under GAAP to IFRS

In accordance with IFRS 1, a Statement of Financial Position as of the date of transition to IFRS, January 1, 2010, prepared in accordance with IFRS is to be included in the financial statements. This is necessary for the first reporting year. IFRS 1 also requires reconciliation between financial information previously disclosed under GAAP to the IFRS presentation, as reflected in the following schedules:

- Schedule 2 attached provides a reconciliation of the information previously issued under GAAP at December 31, 2009 to the IFRS presentation of the January 1, 2010 opening Statement of Financial Position in these financial statements;
- Schedule 3 attached provides a reconciliation of the information previously issued under GAAP in the Balance Sheet as of March 31, 2010 to the IFRS presentation;
- Schedule 4 attached provides a reconciliation of the information previously issued under GAAP as of March 31, 2010 to the IFRS presentation in the Statement of Comprehensive Income (Loss) and the Statement of Cash Flows in these financial statements;
- Schedule 5 attached provides a reconciliation of the information previously issued under GAAP as of December 31, 2010 to the IFRS presentation provided on the Statement of Financial Position in these financial statements;
- Schedule 6 attached provides a reconciliation of the information previously issued under GAAP in the Statement of Comprehensive Income (Loss) and the Statement of Cash Flows for the year ended December 31, 2010 to the IFRS presentation.

25 Adoption of International Financial Reporting Standards (continued)

Generally speaking, the reconciliation reflects five types of adjustments between GAAP and IFRS as follows:

1. Changes in presentation of Statement of Financial Position items to conform to IFRS requirements for continuing operations.
2. Changes in presentation of Statement of Financial Position items to conform with IFRS requirements for held for sale properties and discontinued operations;
3. Changes in presentation of the Statement of Comprehensive Income (Loss);
4. Changes in presentation of the Statement of Cash Flows; and
5. Changes in measurement affecting the Statement of Financial Position, the Statement of Comprehensive Income (Loss) and the Statement of Equity.

Changes in presentation of Statement of Financial Position items to conform with IFRS requirements for continuing operations.

The changes in presentation are:

a) the statement of financial position under IFRS is classified between current and non-current assets and liabilities;

b) under GAAP, several classes of assets were included in the caption "other assets" whereas under IFRS, the assets are segregated by asset type;

c) under IFRS, tenant deposits are segregated from accounts payable; and

d) under IFRS, several classes of liabilities, including mortgage loans, convertible debentures and mortgage bonds, are included in the caption "Long term debt" whereas under GAAP, the liabilities were segregated under separate categories.

The adjustments to the GAAP carrying values which result from these changes are reflected in Schedule 2, 3 and 5 under the caption "Change in Presentation".

Changes in presentation of Statement of Financial Position items to conform to IFRS requirements for held for sale properties and discontinued operations.

Under GAAP, any property which is held for sale may be presented as discontinued operations with all assets, liabilities, revenues and expenses included in discontinued operations.

Under IFRS: (a) discontinued operations only apply to a discontinued line of business or geographic segment; (b) assets and liabilities of discontinued properties are carried as current assets; and (c) Investment property assets of held for sale properties are carried as current assets.

The changes in presentation are:

a) only the seniors housing complexes which are a distinct line of business continue to be included in discontinued operations;

b) for properties identified as held for sale, only the carrying value of the distinct property is classified as held for sale, all other assets and liabilities are reflected as continuing operations; and

25 Adoption of International Financial Reporting Standards (continued)

c) some income properties which were reflected as held for sale under GAAP are not recognized as held for sale under IFRS.

The adjustments to the GAAP carrying values which result from these changes are reflected in Schedule 2, 3 and 5 under the caption "Change in Recognition of Held for Sale Properties and Discontinued Operations".

Changes in presentation of the Statement of Comprehensive Income (Loss)

The changes in presentation are:

a) Under GAAP, Interest income was recorded as revenue under the caption "Interest and other income". Upon adoption to IFRS, Interest income is reflected separately following the calculation of Net Operating Income;

b) Under GAAP, miscellaneous revenues are recorded as revenue under the caption "Interest and other income". Upon adoption of IFRS, such revenues are included in Rentals from investment properties;

The adjustments to the Statement of Comprehensive Income (Loss) which result from these changes are reflected in Schedule 4 and 6 under the caption "Change in Presentation".

c) Upon adoption of IFRS, discontinued operations are comprised solely of operating revenues and expenses from the seniors housing complexes. Operating revenues and expenses from investment properties which were classified as discontinued operations under GAAP have been reclassified to the appropriate revenue and expense category.

The adjustments to the Statement of Comprehensive Income (Loss) which result from these changes are reflected in Schedule 4 and 6 under the caption "Change in Recognition of Held for Sale Properties and Discontinued Operations".

The above changes do not result in a change to income or opening equity.

Changes in presentation of the Statement of Cash Flows

The changes in presentation are:

a) Under GAAP, cash flow from discontinued operations is reflected separately. Upon adoption of IFRS, cash flow transactions from discontinued operations are reflected with cash flow from operating activities, financing activities and investing activities. The net increase/decrease in cash transactions from discontinued operations is deducted from/added to the total change in cash flow to arrive at net cash flow from investment properties; and

b) Under GAAP, cash balances in discontinued properties is included in cash. Upon adoption of IFRS, cash balances in discontinued properties are included in assets of discontinued properties.

The adjustments to the Statements of Cash Flows which result from these changes are reflected in Schedule 4 and 6 under the caption "Change in Recognition of Held for Sale Properties and Discontinued Operations".

25 Adoption of International Financial Reporting Standards (continued)

Changes in measurement affecting the Statement of Financial Position, Statement of Comprehensive Income (Loss) and Statement of Equity.

There are five areas where changes in measurement have occurred, as follows:

1. Investment properties are measured at fair value for IFRS and were valued at amortized cost for GAAP;
2. Property and equipment is valued at fair value on conversion to IFRS;
3. Change in measurement of convertible debentures;
4. Change in measurement of mortgage bonds; and
5. Change in treatment of leasehold improvements.

The following is a summary of the adjustments that were made to effect the above noted changes.

<u>Investment properties are measured at fair value for IFRS and were valued at amortized cost for GAAP</u>

The measurement of investment properties at fair value rather than amortized cost resulted in the following financial statement impacts.

Statement of Financial Position

- Investment properties and investment property held for sale were adjusted by the difference between fair value at the financial statement date and the carrying value;
- A deferred tax asset associated with the difference between carrying value and tax value was recognized;
- Opening retained earnings as of January 1, 2010 is adjusted to reflect the above; and
- The income component of retained earnings is adjusted for the income effect noted below.

Statement of Comprehensive Income (Loss)

- Amortization recorded under GAAP was reversed;
- Valuation adjustments required to carry the assets at fair value were recorded; and
- Gain on sale recorded under GAAP was reversed.

<u>Property and equipment is valued at fair value on conversion to IFRS</u>

IFRS 1 provides an option to re-value property and equipment at fair value on conversion to IFRS. The Trust exercised this option.

Statement of Financial Position

- Property and equipment were adjusted by the difference between fair value at the January 1, 2010 transition to IFRS and the carrying value;
- A deferred tax liability associated with the difference between carrying value and tax value is recognized;
- Opening retained earnings is adjusted for the difference as of January 1, 2010; and
- The income component of retained earnings is adjusted for the income effect noted below.

25 Adoption of International Financial Reporting Standards (continued)

Statement of Comprehensive Income (Loss)

- An adjustment to deferred income tax liability is made of each financial statement date.

<u>Change in measurement of convertible debentures under IFRS</u>

Under IFRS, there is a requirement to apply deferred tax calculations to the carrying value of convertible debentures with the following financial statement impacts:

Statement of Financial Position

- A deferred tax liability relating to the equity portion of convertible debentures is recognized;
- A deferred tax asset relating to transaction costs on convertible debentures is recognized;
- Contributed surplus is reduced by the deferred liability recognized; and
- Opening retained earnings is adjusted.

The application of this revision did not result in a change to income.

<u>Change in measurement of mortgage bonds</u>

a) Change in measurement of warrants

The sale of mortgage bonds included the sale of warrants. Under GAAP, the value assigned to warrants is established by a Black-Scholes calculation and the value assigned to the mortgage bonds is a residual value. Under IFRS, the value assigned to the mortgage bonds is calculated first based on an effective interest rate calculation, and the value assigned to the warrants is the residual value. The completion of the calculation using IFRS resulted in a different value for warrants being recognized with the following financial statement impacts:

Statement of Financial Position

- Mortgage bond debt was adjusted by the change in the value of the debt/warrants;
- The value of warrants carried in contributed surplus was revised; and
- The income component of retained earnings is adjusted for the income effect noted below.

Income statement

- Accretion expense is adjusted to reflect the revised value of the warrants.

b) Apply deferred income tax calculations to the carrying value of mortgage bonds

The adjustments are the same as noted above for convertible debentures.

25 Adoption of International Financial Reporting Standards (continued)

Change in treatment of leasehold improvements

Under GAAP, leasehold improvements are either charged to expense or capitalized to building and amortized on a straight line basis over the term of the lease. Under IFRS, leasehold improvements are treated as rental incentives and are amortized as a reduction of rental revenue over the term of the lease.

The adjustment to the Statement of Financial Position and Statement of Comprehensive Income (Loss) which result from the changes are reflected in Schedule 2, 3, 4, 5, and 6 under the "Change in Measurements".

c) Change in estimates

Except for items noted below, estimates previously made by the Trust under GAAP were consistently applied under IFRS

Change in valuation under IFRS involving unit options

Under IFRS, there is a requirement to estimate the value of forfeited options at the inception of each option issue.

Statement of Financial Positon

- Contributed surplus was reduced to reflect the revised value of unit options; and
- Opening retained earnings is adjusted as of January 1, 2010.

There is no income statement effect.

Change in valuation under IFRS involving contingent considerations

As part of the establishment of fair values for property and equipment, the assumptions surrounding the accrual of a liability for contingent consideration were re-examined. The financial statements reflect the current estimate that no contingent consideration will be payable with the following financial statement impacts:

Statement of Financial Position

- A reduction of non current liability of properties held for sale to reflect the revised liability estimate; and
- Opening retained earnings is adjusted as of January 1, 2010.

The adjustment to the Statement of Financial Position which result from these changes are reflected in Schedule 2, 3 and 5.

26 Commitments

Acquisition

Parsons Landing Apartments
On September 1, 2008, the Trust acquired possession of Parsons Landing, a residential property located in Fort McMurray, Alberta, for a total cost of $63,200,000, including GST. On November 1, 2007, the Trust provided a $10,000,000 second mortgage loan which bore interest at 8%. On possession of Phase I of the property on May 14, 2008, a purchase instalment payment of $2,500,000 was made and $5,250,000 of the second mortgage loan was applied to the purchase price. On possession of Phase II of the property on September 1, 2008, the balance of the second mortgage loan of $4,750,000 was applied to the purchase price. After accounting for the payment of an additional deposit of $2,500,000 on October 1, 2008, the balance owing on Parsons Landing was $48,220,000 as of December 31, 2008, including GST. The balance owing was originally due on February 28, 2009.

Parsons Landing Apartments (continued)
The permanent mortgage financing for Parsons Landing is uncompleted and, as a result, the vendor has agreed to several extensions of the deadline for payment of the balance owing, the latest of which extends the deadline for payment of the balance owing to September 30, 2012, with interest of $28,910,579 from January 1, 2010 to September 30, 2012. The vendor has agreed to accept interest payments of $300,000 per month to September 30, 2012 and to forgive interest in excess of $300,000 per month, for the period from January 1, 2010 to September 30, 2012 in the amount of $19,010,579, on closing. A purchase instalment payment of $500,000 was also made on May 12, 2009.

On closing, the vendor has agreed to provide a second mortgage to a maximum of $12,000,000, for a 3 year term with interest at 8% for the first 30 months, 12% for the next 4 months and 24% thereafter, provided that the Trust makes an additional payment of $2,000,000 on February 1, 2012 and $3,000,000 prior to closing. On closing, the vendor has also agreed to provide a credit of $1,440,000 for furniture purchased by the Trust. In addition, 2668921 Manitoba Ltd. has agreed to maintain the revolving loan with the Trust, in the amount of $8,800,000, until closing.

As of March 31, 2011, the amount payable in regard to the acquisition of Parsons Landing, including GST and excluding accrued interest, is $47,720,000.

The Trust may also elect at any time to surrender possession of Parsons Landing, along with the furniture, to the vendor for the amount of $1.

Management Contracts

The Trust has retained the following third party managers to provide on-site management services to the seniors housing complexes:

Property	Manager	Term Expiring
Riverside Terrace	LutherCare Communities	July 31, 2015
Chateau St. Michael's	Integrated Life Care Inc.	September 30, 2015
Elgin Lodge	Kingsway Arms Management Inc.	May 31, 2016
Clarington Seniors Residence	Kingsway Arms Management Inc.	February 12, 2017

In addition, Siena Apartments is managed by Pacer Management Inc. for a term expiring 2012.

27 Contingencies

GST Assessment
The Trust has been assessed for additional GST in the amount of $2,393,503, plus interest of $359,150, for a total amount of $2,752,653 in regard to the acquisition of a property in Fort McMurray. The Trust has appealed the assessment. The outcome of the appeal is uncertain and, as a result, the Trust has not made an accrual in this regard. A deposit in the amount of $250,000 has been paid to the Canada Revenue Agency.

Contingent consideration on acquisition - Elgin Lodge
During the five year period from June 1, 2006, Kingsway Arms Management Services Inc. is entitled to a one-time payment equal to 50% of the amount by which the appraised value of the expanded Elgin Lodge property exceeds the total of the cost to the Trust, including the expansion costs and the unpaid portion of a 12% return on equity. The Trust estimates that contingent consideration will not be payable as a result of this requirement.

Contingent consideration on acquisition - Clarington Seniors Residence
During the five year period after lease-up is achieved, Kingsway Arms Management Services Inc. is entitled to a one-time payment equal to 50% of the amount by which the appraised value of the property exceeds the total of the acquisition cost to the Trust and the unpaid portion of an 8% return on equity. The Trust estimates that contingent consideration will not be payable as a result of this requirement.

28 Subsequent events

Bank indebtedness
Subsequent to March 31, 2011, the Trust drew $330,000 and repaid $330,000 on the line of credit.

Revolving loan
Subsequent to March 31, 2011, the Trust drew $2,357,000 and repaid $2,700,000 on the revolving loan from 2668921 Manitoba Ltd.

Mortgage refinancing

Subsequent to March 31, 2011, a new second mortgage loan was obtained in the amount of $16,300,000 bearing interest at the greater of bank prime plus 5% or 8% per annum for the first 24 months and 25% per annum thereafter and maturing May 1, 2013.

LANESBOROUGH REAL ESTATE INVESTMENT TRUST **Schedule 1**

INVESTMENT PROPERTIES AND PROPERTY & EQUIPMENT
SUMMARY OF CARRYING VALUE

	Carrying Value					
	March 31 2011	December 31 2010	January 1 2010	Appraised Value	Latest Appraised Date	Valuators
FORT McMURRAY						
Gannet Place	7,100,000	7,100,000	6,900,000	10,300,000	September 2008	Colliers International Realty Advisors Inc.
Laird's Landing	53,700,000	53,700,000	55,800,000	56,000,000	March 2011	Colliers International Realty Advisors Inc.
Lakewood Manor Apartments	22,400,000	22,400,000	25,100,000	22,000,000	July 2010	Colliers International Realty Advisors Inc.
Lakewood Manor Townhomes	21,200,000	21,200,000	21,500,000	18,800,000	January 2011	Colliers International Realty Advisors Inc.
Lunar Apartments	3,900,000	3,900,000	3,900,000	6,800,000	September 2008	Colliers International Realty Advisors Inc.
Millennium Village	21,700,000	21,700,000	20,400,000	32,545,000	November 2007	Independent Appraisals Ltd.
Nelson Ridge Estates	59,000,000	59,000,000	58,400,000	57,400,000	January 2011	Colliers International Realty Advisors Inc.
Parkland Apartments	2,500,000	2,500,000	2,500,000	3,450,000	September 2008	Colliers International Realty Advisors Inc.
Parsons Landing	45,900,000	45,900,000	46,100,000	44,200,000	January 2011	Colliers International Realty Advisors Inc.
Siena Apartments	29,600,000	29,600,000	27,500,000	30,000,000	July 2007	Colliers International Realty Advisors Inc.
Skyview Apartment	4,700,000	4,700,000	5,100,000	8,400,000	September 2008	Colliers International Realty Advisors Inc.
Snowbird Manor	6,900,000	6,900,000	6,900,000	10,000,000	September 2008	Colliers International Realty Advisors Inc.
Whimbrel Terrace	7,500,000	7,500,000	7,500,000	11,130,000	September 2008	Colliers International Realty Advisors Inc.
Woodland Park	39,100,000	39,100,000	39,300,000	40,250,000	January 2011	Independent Real Property Appraisals Ltd.
Total Fort McMurray	325,200,000	325,200,000	326,900,000	351,275,000		
YELLOWKNIFE						
Beck Court	18,000,000	18,000,000	17,200,000	20,000,000	January 2011	Colliers International Realty Advisors Inc.
Nova Court	21,000,000	21,000,000	19,800,000	19,000,000	January 2011	Colliers International Realty Advisors Inc.
Total Yellowknife	39,000,000	39,000,000	37,000,000	39,000,000		
OTHER						
156 / 204 East Lake Boulevard	2,500,000	2,500,000	2,500,000	2,600,000	October 2010	Cushman & Wakefield Ltd.
Colony Square	48,400,000	48,400,000	49,100,000	53,630,000	November 2010	Hoffer Wilkinson & Associates Ltd.
Highland Tower	6,800,000	6,800,000	7,200,000	8,400,000	December 2009	Dennis T. Browaty & Associates Ltd.
Norglen Terrace	4,800,000	4,800,000	4,800,000	5,550,000	January 2010	Colliers International Realty Advisors Inc.
Purolator	1,500,000	1,500,000	1,500,000	1,300,000	June 2003	Royal LePage Advisors Inc.
Westhaven Manor	4,000,000	4,000,000	4,000,000	4,400,000	December 2007	Colliers International Realty Advisors Inc.
Willowdale Gardens	7,100,000	7,100,000	7,300,000	7,500,000	October 2009	Hoffer Wilkinson & Associates Ltd.
Total Other	75,100,000	75,100,000	76,400,000	83,380,000		
Total Investment Properties	439,300,000	439,300,000	440,300,000	473,655,000		

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

INVESTMENT PROPERTIES AND PROPERTY & EQUIPMENT
SUMMARY OF CARRYING VALUE
Schedule 1
Page 2

	Carrying Value					
	March 31 2011	December 31 2010	January 1 2010	Appraised Value	Latest Appraised Date	Valuators
Details of Investment Properties Held for Sale and Property and Equipment						
Investment Properties Held for Sale						
Chancellor Gate	-	-	7,814,000	7,125,000	September 2007	Hoffer Wilkinson & Associates Ltd.
McIvor Mall	-	-	10,951,000	10,540,000	March 2009	Hoffer Wilkinson & Associates Ltd.
Nova Manor	-	-	3,100,000	4,990,000	July 2008	Colliers International Realty Advisors Inc.
Three Lakes Village	-	-	11,100,000	10,640,000	January 2010	Colliers International Realty Advisors Inc.
Woodlily Courts	-	-	5,000,000	3,825,000	April 2006	Crown Appraisals
Total Investment Properties Held for Sale	-	-	37,965,000	37,120,000		
Property and Equipment						
Chateau St. Michael's	7,376,017	7,351,505	7,300,000	7,300,000	July 2009	Suncorp Valuations
Clarington Seniors Residence	21,504,740	21,504,740	21,500,000	21,500,000	March 2009	Altus Group Limited
Elgin Lodge	18,625,661	18,620,069	18,600,000	18,600,000	October 2009	Altus Group Limited
Riverside Terrace	30,802,385	30,802,385	30,735,000	30,735,000	June 2009	Suncorp Valuations
Total Property and Equipment	78,308,803	78,278,699	78,135,000	78,135,000		

LANESBOROUGH REAL ESTATE INVESTMENT TRUST **Schedule 2**
RECONCILIATION OF DECEMBER 31, 2009 GAAP BALANCE SHEET TO
JANUARY 1, 2010 IFRS STATEMENT OF FINANCIAL POSITION

	GAAP	Change in presentation	Change in Recognition of Held for Sale Properties and Discontinued Operations	Change in measurement	IFRS
ASSETS					
Non-current assets					
Investment properties	383,889,710		40,601,761	15,808,529	440,300,000
Loans and receivables	7,050,000			-	7,050,000
Restricted cash	-	5,228,907	992,315	-	6,221,222
Deferred tax asset	-			185,859	185,859
Total Non-current assets	390,939,710	5,228,907	41,594,076	15,994,388	453,757,081
Current assets					
Cash	4,287,864		(658,408)	-	3,629,456
Other assets	7,074,109	(7,074,109)		-	-
Rent and other receivables	-	642,479	629,404	-	1,271,883
Deposits, prepaids and other	-	1,202,723	96,796	-	1,299,519
	11,361,973	(5,228,907)	67,792	-	6,200,858
Non-current assets classified as held for sale	134,842,883		(41,661,868)	24,715,468	117,896,483
Total current assets	146,204,856	(5,228,907)	(41,594,076)	24,715,468	124,097,341
TOTAL ASSETS	537,144,566	-	-	40,709,856	577,854,422
LIABILITIES AND EQUITY					
LIABILITIES					
Long-term liabilities					
Long-term debt	-	129,036,500	52,854,461	-	181,890,961
Mortgage loans	281,374,398	(281,374,398)		-	-
Mortgage bonds	-			-	-
Convertible debentures	45,940,843	(45,940,843)		-	-
Total long-term liabilities	327,315,241	(198,278,741)	52,854,461	-	181,890,961
Current liabilities					
Deposits from tenants	-	1,815,366	266,291	-	2,081,657
Accounts payable & accrued liabilities	60,783,383	(60,783,383)		-	-
Trade and other payables	-	49,137,464	839,124	-	49,976,588
Bank indebtedness	-	-		-	-
Current portion of long term debt	-	208,109,294		-	208,109,294
	60,783,383	198,278,741	1,105,415	-	260,167,539
Non-current liabilities classified as held for sale	107,506,055	-	(53,959,876)	1,531,018	55,077,197
Total current liabilities	168,289,438	198,278,741	(52,854,461)	1,531,018	315,244,736
TOTAL LIABILITIES	495,604,679	-	-	1,531,018	497,135,697
EQUITY					
Issued capital	98,966,638				98,966,638
Contributed surplus	2,536,643			(486,485)	2,050,158
Equity component of convertible debentures	13,104,637			(466,096)	12,638,541
Retained earnings	(73,068,031)			40,131,419	(32,936,612)
Cumulative earnings	-				-
Cumulative distributions to unit holders	-				-
TOTAL EQUITY	41,539,887	-	-	39,178,838	80,718,725
TOTAL LIABILITIES AND EQUITY	537,144,566	-	-	40,709,856	577,854,422

LANESBOROUGH REAL ESTATE INVESTMENT TRUST **Schedule 3**
RECONCILIATION OF MARCH 31, 2010 GAAP BALANCE SHEET TO
MARCH 31, 2010 IFRS STATEMENT OF FINANCIAL POSITION

	GAAP	Change in presentation	Change in Recognition of Held for Sale Properties and Discontinued Operations	Change in measurement	IFRS
ASSETS					
Non-current assets					
Investment properties	381,766,405		40,648,399	17,885,196	440,300,000
Loans and receivables	10,050,000			-	10,050,000
Restricted cash	-	6,330,048	969,379		7,299,427
Deferred tax asset				185,859	185,859
Total Non-current assets	391,816,405	6,330,048	41,617,778	18,071,055	457,835,286
Current assets					
Cash	2,630,383		(811,573)	-	1,818,810
Other assets	8,019,209	(8,019,209)		-	-
Rent and other receivables	-	549,726	409,286	-	959,012
Deposits, prepaids and other	-	1,139,435	93,934	-	1,233,369
	10,649,592	(6,330,048)	(308,353)	-	4,011,191
Non-current assets classified as held for sale	123,008,897		(41,309,425)	17,127,259	98,826,731
Total current assets	133,658,489	(6,330,048)	(41,617,778)	17,127,259	102,837,922
TOTAL ASSETS	525,474,894	-	-	35,198,314	560,673,208
LIABILITIES AND EQUITY					
LIABILITIES					
Long-term liabilities					
Long-term debt	-	147,519,978	43,412,868	1,129,204	192,062,050
Mortgage loans	279,961,438	(279,961,438)		-	-
Mortgage bonds	3,784,133	(3,784,133)		-	-
Convertible debentures	34,835,350	(34,835,350)		-	-
Total long-term liabilities	318,580,921	(171,060,943)	43,412,868	1,129,204	192,062,050
Current liabilities					
Deposits from tenants	-	1,889,973	226,291	-	2,116,264
Accounts payable & accrued liabilities	61,279,143	(61,279,143)		-	-
Trade and other payables	-	50,022,200	597,779	-	50,619,979
Bank indebtedness	1,260,000	-		-	1,260,000
Current portion of long term debt	-	180,427,913		-	180,427,913
	62,539,143	171,060,943	824,070	-	234,424,156
Non-current liabilities classified as held for sale	97,054,134	-	(44,236,938)	1,534,928	54,352,124
Total current liabilities	159,593,277	171,060,943	(43,412,868)	1,534,928	288,776,280
TOTAL LIABILITIES	478,174,198	-	-	2,664,132	480,838,330
EQUITY					
Issued capital	98,966,638				98,966,638
Contributed surplus	7,557,504			(1,851,184)	5,706,320
Equity component of convertible debentures	10,268,165			(466,096)	9,802,069
Cumulative earnings	(10,855,862)			34,851,462	23,995,600
Cumulative distributions to unit holders	(58,635,749)				(58,635,749)
TOTAL EQUITY	47,300,696	-	-	32,534,182	79,834,878
TOTAL LIABILITIES AND EQUITY	525,474,894	-	-	35,198,314	560,673,208

LANESBOROUGH REAL ESTATE INVESTMENT TRUST **Schedule 4**
RECONCILIATION OF COMPREHENSIVE INCOME (LOSS)
BETWEEN GAAP AND IFRS FOR THE THREE MONTHS ENDED MARCH 31, 2010

	GAAP	Change in Presentation	Change in Recognition of Held for Sale Properties and Discontinued Operations	Change in Measurement	IFRS
Rentals from investment properties	8,863,379	119,836	1,768,927	-	**10,752,142**
Interest and other income	208,628	(208,628)		-	**-**
Property operating costs	3,686,293	-	1,160,312	-	**4,846,605**
Net operating income	5,385,714	(88,792)	608,615	-	**5,905,537**
Interest income	-	88,792	17,640	-	**106,432**
Interest expense	(6,431,439)	-	(990,536)	7,976	**(7,413,999)**
Amortization expense	(2,227,407)	-	-	2,227,407	**-**
Trust expense	(696,790)	-	-	-	**(696,790)**
Profit (loss) on sale of investment property	-	-	-	(22,324)	**(22,324)**
Fair value gains (losses)	-	-	-	(128,416)	**(128,416)**
Income (loss) for the period before taxes and discontinued operations	(3,969,922)	-	(364,281)	2,084,643	**(2,249,560)**
Income tax expense (recovery)	-			(227,520)	**(227,520)**
Income (loss) for the period before discontinued operations	(3,969,922)	-	(364,281)	2,312,163	**(2,022,040)**
Income from discontinued operations	7,547,136	-	364,281	(7,588,209)	**323,208**
Income (loss) and comprehensive income (loss)	3,577,214	-	-	(5,276,046)	**(1,698,832)**

LANESBOROUGH REAL ESTATE INVESTMENT TRUST
RECONCILIATION OF CASH FLOWS BETWEEN GAAP AND IFRS
FOR THE THREE MONTHS ENDED MARCH 31, 2010

	GAAP	Change in Presentation	Change in Recognition of Held for Sale Properties and Discontinued Operations	Change in Measurement	IFRS
Cash flow from operating activities	(691,235)	-	586,511	-	**(104,724)**
Cash flow from investing activities	(2,976,964)	-	8,205,857	-	**5,228,893**
Cash flow from financing activities	(6,275,101)	-	(506,548)	-	**(6,781,649)**
Cash flow from discontinued operations	8,285,819	-	(8,285,819)	-	**-**
Cash decrease	(1,657,481)	-	1	-	**(1,657,480)**
Deduct: Cash increase from discontinued operations	-	-	(153,166)	-	**(153,166)**
	(1,657,481)	-	(153,165)	-	**(1,810,646)**
Cash at the beginning of the period	4,287,864	-	(658,408)	-	**3,629,456**
Cash at March 31, 2010	2,630,383	-	(811,573)	-	**1,818,810**

LANESBOROUGH REAL ESTATE INVESTMENT TRUST **Schedule 5**
RECONCILIATION OF DECEMBER 31, 2010 GAAP BALANCE SHEET
TO DECEMBER 31, 2010 IFRS STATEMENT OF FINANCIAL POSITION

	GAAP	Change in Presentation	Change in Recognition of Held for Sale Properties and Discontinued Operations	Change in Measurement	IFRS
ASSETS					
Non-current assets					
Investment properties	361,798,003		52,614,902	24,887,095	439,300,000
Loans and receivables	500,000			-	500,000
Defeasance assets	3,313,434				3,313,434
Restricted cash	-	20,395,044	1,083,594	-	21,478,638
Deferred tax asset				185,859	185,859
Total Non-current assets	365,611,437	20,395,044	53,698,496	25,072,954	464,777,931
Current assets					
Cash	1,697,498	(232,608)	(539,844)	-	925,046
Other assets	21,835,938	(21,835,938)		-	-
Rent and other receivables	-	689,703	566,922	58,845	1,315,470
Deposits, prepaids and other	-	983,799	62,996	-	1,046,795
	23,533,436	(20,395,044)	90,074	58,845	3,287,311
Non-current assets classified as held for sale	121,510,739		(53,788,570)	12,041,766	79,763,934
Total current assets	145,044,175	(20,395,044)	(53,698,496)	12,100,611	83,051,245
TOTAL ASSETS	510,655,612	-	-	37,173,565	547,829,176
LIABILITIES AND EQUITY					
LIABILITIES					
Long-term liabilities					
Long-term debt	-	108,121,655	19,963,860	371,971	128,457,486
Mortgage loans	258,713,190	(258,713,190)		-	-
Mortgage bonds	9,317,075	(9,317,075)		-	-
Defeased liability	2,753,342	(2,753,342)		-	-
Convertible debentures	36,986,646	(36,986,646)		-	-
Total long-term liabilities	307,770,253	(199,648,598)	19,963,860	371,971	128,457,486
Current liabilities					
Deposits from tenants	-	1,900,493	221,223	-	2,121,716
Accounts payable & accrued liabilities	66,138,326	(66,138,326)		-	-
Trade and other payables	-	58,671,855	572,318	-	59,244,173
Bank indebtedness	2,960,000	-		-	2,960,000
Current portion of long term debt	-	205,214,576	20,311,920	-	225,526,496
	69,098,326	199,648,598	21,105,461	-	289,852,385
Non-current liabilities classified as held for sale	94,047,798	-	(41,069,321)	1,539,242	54,517,719
Total current liabilities	163,146,124	199,648,598	(19,963,860)	1,539,242	344,370,104
TOTAL LIABILITIES	470,916,377	-	-	1,911,213	472,827,590
EQUITY					
Issued capital	107,860,241				107,860,241
Contributed surplus	9,827,551			(2,476,134)	7,351,417
Equity component of convertible debentures	10,212,667			(466,096)	9,746,571
Cumulative earnings	(20,711,189)			38,204,582	17,493,392
Cumulative distributions to unit holders	(67,450,035)				(67,450,035)
TOTAL EQUITY	39,739,235	-	-	35,262,352	75,001,586
TOTAL LIABILITIES AND EQUITY	510,655,612	-	-	37,173,565	547,829,176

LANESBOROUGH REAL ESTATE INVESTMENT TRUST **Schedule 6**
RECONCILIATION OF COMPREHENSIVE INCOME (LOSS)
BETWEEN GAAP AND IFRS FOR THE YEAR ENDED DECEMBER 31, 2010

	GAAP	Change in Presentation	Change in Recognition of Held for Sale Properties and Discontinued Operations	Change in Measurement	IFRS
Rentals from investment properties	31,385,914	504,807	7,953,122	58,845	**39,902,688**
Interest and other income	959,149	(959,149)	-	-	**-**
Property operating costs	12,464,247	-	4,077,123	-	**16,541,370**
Net operating income	19,880,816	(454,342)	3,875,999	58,845	**23,361,318**
Interest income	-	454,342	27,932	-	**482,274**
Interest expense	(28,793,113)	-	(3,880,147)	1,138,386	**(31,534,874)**
Amortization expense	(8,513,147)	-	(204,396)	8,717,543	**-**
Trust expense	(3,035,583)	-	-	-	**(3,035,583)**
Profit (loss) on sale of investment property	-	-	-	1,947,913	**1,947,913**
Fair value gains (losses)	-	-	-	(1,586,890)	**(1,586,890)**
Income (loss) for the period before taxes and discontinued operations	(20,461,027)	-	(180,612)	10,275,797	**(10,365,842)**
Income tax expense (recovery)	-			236,189	**236,189**
Income (loss) for the period before discontinued operations	(20,461,027)	-	(180,612)	10,039,608	**(10,602,031)**
Income from discontinued operations	14,182,120		180,612	(12,673,702)	**1,689,030**
Income (loss) and comprehensive income (loss)	(6,278,907)	-	-	(2,634,094)	**(8,913,001)**

LANESBOROUGH REAL ESTATE INVESTMENT TRUST
RECONCILIATION OF CASH FLOWS BETWEEN GAAP AND IFRS
FOR THE YEAR ENDED DECEMBER 31, 2010

	GAAP	Change in Presentation	Change in Recognition of Held for Sale Properties and Discontinued Operations	Change in Measurement	IFRS
Cash flow from operating activities	(4,220,858)	-	2,655,739	-	**(1,565,119)**
Cash flow from investing activities	(9,701,487)	-	17,226,465	-	**7,524,978**
Cash flow from financing activities	(5,554,115)	-	(3,211,736)	-	**(8,765,851)**
Cash flow from discontinued operations	16,886,094	-	(16,886,094)	-	**-**
Cash decrease	(2,590,366)	-	(215,626)	-	**(2,805,992)**
Add: Cash decrease from discontinued operations	-	-	101,582	-	**101,582**
	(2,590,366)	-	(114,044)	-	**(2,704,410)**
Cash at the beginning of the period	4,287,864	-	(658,408)	-	**3,629,456**
Cash at December 31, 2010	1,697,498	-	(772,452)	-	**925,046**