LANESBOROUGH REIT

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

	September 30 2007	December 31 2006 (restated)
Assets		
Income properties (Note 4)	**$352,986,938**	$231,564,852
Properties under development (Note 5)	**86,555,709**	20,673,140
Mortgage loans receivable (Note 6)	**-**	17,500,000
Deferred financing costs (Note 7)	**-**	4,451,849
Cash	**5,759,352**	1,588,271
Other assets (Note 8)	**7,021,764**	18,444,089
Future income taxes (Note 12)	**3,351,389**	-
	$455,675,152	$294,222,201
Liabilities and Equity		
Mortgage loans payable (Note 9)	**$328,504,615**	$171,255,511
Convertible debentures (Note 10)	**40,366,798**	42,829,557
Accounts payable and accrued liabilities (Note 11)	**21,556,379**	8,294,598
Future income taxes (Note 12)	**2,838,960**	3,277,025
Distribution payable	**815,960**	-
	394,082,712	225,656,691
Non-controlling interest (Note 13)	**1,727,723**	1,925,515
Equity	**59,864,717**	66,639,995
	$455,675,152	$294,222,201

Approved by the Trustees

"Charles Loewen"

"Cheryl Barker"

The accompanying notes are an integral part of these financial statements.
(unaudited)

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EQUITY

Three Months Ended September 30, 2007:

	Units	Income (Loss)	Distributions	Equity Component of Debentures	Total
Equity, June 30, 2007	$ 78,414,526	$ (7,939,133)	$ (22,764,816)	$ 13,733,498	$ 61,444,075
Issue costs	(5,563)	-	-	-	(5,563)
Maturity of Series A debentures	291,300	-	-	(291,300)	-
Unit-based compensation	55,839	-	-	-	55,839
Income	-	725,735	-	-	725,735
Distributions declared	-	-	(2,451,342)	-	(2,451,342)
Units issued on distribution reinvestment plan	95,976	-	-	-	95,976
Equity, September 30, 2007	$ 78,852,078	$ (7,213,398)	$ (25,216,158)	$ 13,442,198	$ 59,864,717

Three Months Ended September 30, 2006 (restated):

	Units	Income (Loss)	Distributions	Equity Component of Debentures	Total
Equity, June 30, 2006, as previously reported	$ 77,124,854	$ (6,266,736)	$ (13,041,339)	$ 7,081,591	$ 64,898,370
Change in accounting policy (Note 2)	-	636,220	-	-	636,220
Equity, June 30, 2006 restated	77,124,854	(5,630,516)	(13,041,339)	7,081,591	65,534,590
Issue costs	(21,643)	-	-	-	(21,643)
Conversion of debentures	82,102	-	-	(13,545)	68,557
Unit-based compensation	440,757	-	-	-	440,757
Loss	-	(829,956)	-	-	(829,956)
Distributions declared	-	-	(2,417,797)	-	(2,417,797)
Equity, September 30, 2006	$ 77,626,070	$ (6,460,472)	$ (15,459,136)	$ 7,068,046	$ 62,774,508

The accompanying notes are an integral part of these financial statements.
(unaudited)

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EQUITY

Nine Months Ended September 30, 2007:

	Units	Income (Loss)	Distributions	Equity Component of Debentures	Total
Equity, December 31, 2006	$ 77,812,493	$ (8,017,238)	$ (17,898,958)	$ 13,764,313	$ 65,660,610
Change in accounting policy (Note 2)	-	979,385	-	-	979,385
Equity, December 31, 2006 restated	77,812,493	(7,037,853)	(17,898,958)	13,764,313	66,639,995
Change in accounting policy (Note 2)	-	116,458	-	-	116,458
Equity, January 1, 2007 restated	77,812,493	(6,921,395)	(17,898,958)	13,764,313	66,756,453
Issue costs	(29,400)	-	-	-	(29,400)
Conversion of debentures	177,082	-	-	(30,815)	146,267
Maturity of Series A debentures	291,300	-	-	(291,300)	-
Unit-based compensation	268,239	-	-	-	268,239
Loss	-	(292,006)	-	-	(292,006)
Distributions declared	-	-	(7,317,200)	-	(7,317,200)
Units issued on distribution reinvestment plan	332,364	-	-	-	332,364
Equity, September 30, 2007	$ 78,852,078	$ (7,213,401)	$ (25,216,158)	$ 13,442,198	$ 59,864,717

Nine Months Ended September 30, 2006 (restated):

	Units	Income (Loss)	Distributions	Equity Component of Debentures	Total
Equity, December 31, 2005, as previously reported	$ 75,115,429	$ (4,231,487)	$ (8,272,429)	$ 3,935,245	$ 66,546,758
Change in accounting policy (Note 2)	-	346,001	-	-	346,001
Equity, December 31, 2005 restated	75,115,429	(3,885,486)	(8,272,429)	3,935,245	66,892,759
Equity component of issued debentures	-	-	-	3,564,376	3,564,376
Issue costs	(272,562)	-	-	-	(272,562)
Conversion of debentures	2,334,468	-	-	(431,575)	1,902,893
Unit-based compensation	448,735	-	-	-	448,735
Loss	-	(2,574,986)	-	-	(2,574,986)
Distributions declared	-	-	(7,186,707)	-	(7,186,707)
Equity, September 30, 2006	$ 77,626,070	$ (6,460,472)	$ (15,459,136)	$ 7,068,046	$ 62,774,508

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	**2006 (restated)**	**2007**	**2006 (restated)**
Revenue				
Rentals from income properties (Note 17)	**$ 12,484,344**	$ 7,877,307	**$ 31,842,131**	$ 20,328,693
Interest and other income	**112,747**	492,945	**934,309**	1,374,598
	12,597,091	8,370,252	**32,776,440**	21,703,291
Expenses				
Property operating costs	**4,751,783**	3,457,746	**13,526,593**	9,402,545
Income before the undernoted	**7,845,308**	4,912,506	**19,249,847**	12,300,746
Financing expense	**6,331,266**	2,998,531	**16,334,352**	8,124,801
Trust expense	**465,499**	728,057	**1,457,558**	1,214,430
Amortization (Note 18)	**2,245,918**	2,285,747	**5,897,389**	5,851,770
	9,042,683	6,012,335	**23,689,299**	15,191,001
Loss before income taxes	**(1,197,375)**	(1,099,829)	**(4,439,452)**	(2,890,255)
Future income tax recovery (Note 12)	**(1,914,082)**	(236,454)	**(4,099,434)**	(280,004)
Income (loss) before non-controlling interest	**716,707**	(863,375)	**(340,018)**	(2,610,251)
Non-controlling interest (Note 13)	**9,028**	33,419	**48,012**	35,265
Income (loss) for the period	**$ 725,735**	$ (829,956)	**$ (292,006)**	$ (2,574,986)
Income (loss) per unit (Note 20)				
Basic	**$ 0.042**	$ (0.048)	**$ (0.017)**	$ (0.151)
Diluted	**0.042**	(0.048)	**(0.017)**	(0.151)
Weighted average number of units (Note 20)				
Basic	**17,474,123**	17,273,001	**17,442,665**	17,096,736
Diluted	**17,477,531**	17,273,001	**17,442,665**	17,096,736

The accompanying notes are an integral part of these financial statements.

(unaudited)

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	**2006 (restated)**	**2007**	**2006 (restated)**
Cash provided by (used in) operating activities				
Income (loss) for the period	**$ 725,735**	$ (829,956)	**$ (292,006)**	$ (2,574,986)
Items not affecting cash				
Straight-line rent adjustment	**(10,072)**	(13,334)	**(42,952)**	(36,515)
Accretion on debt component of convertible debentures (Note 10)	**1,617,178**	866,049	**4,819,559**	2,544,718
Unit-based compensation	**55,839**	440,757	**268,239**	448,735
Amortization (Note 18)	**2,607,037**	2,285,773	**7,012,158**	5,851,848
Future income taxes	**(1,914,082)**	(236,454)	**(4,099,434)**	(280,004)
Non-controlling interest	**(9,028)**	(33,419)	**(48,012)**	(35,265)
Interest paid on convertible debentures	**(1,150,810)**	(1,152,200)	**(3,262,594)**	(1,893,097)
	1,921,797	1,327,216	**4,354,958**	4,025,434
Changes in non-cash operating items (net of effects of acquisition of income properties)	**(486,243)**	(74,379)	**(642,437)**	(196,599)
Tenant inducements and leasing expenses incurred through leasing activity	**(4,356)**	(7,526)	**(100,209)**	(62,882)
	1,431,198	1,245,311	**3,612,312**	3,765,953
Cash provided by (used in) financing activities				
Proceeds of mortgage loan financing	**71,472,391**	6,392,189	**165,870,639**	40,246,429
Proceeds of convertible debentures	**-**	-	**-**	13,680,000
Repayment of Series A debentures	**(1,760,850)**	-	**(1,760,850)**	-
Repayment of mortgage loans on refinancing	**(768,743)**	-	**(31,232,909)**	-
Repayment of principal on mortgage loans	**(1,296,072)**	(794,375)	**(3,366,626)**	(4,425,795)
Transaction costs	**(549,679)**	-	**(1,432,744)**	-
Deferred financing costs	**-**	(403,609)	**-**	(1,164,496)
Issue costs	**-**	(1,788)	**-**	(252,707)
Distributions paid on trust units	**(2,357,709)**	(2,417,183)	**(6,154,688)**	(6,380,175)
Distributions paid on LP units of Village West LP	**(49,925)**	(63,927)	**(133,136)**	(63,927)
	64,689,413	2,711,307	**121,789,686**	41,639,329
Cash provided by (used in) investing activities				
Acquisition of income properties and properties under development	**(51,870,000)**	(3,873,410)	**(91,191,965)**	(57,934,280)
Improvements to income properties	**(828,686)**	(1,321,388)	**(3,021,912)**	(1,877,441)
Increase in properties under development	**(14,386,756)**	-	**(24,606,730)**	-
Mortgage loan receivable advance	**-**	-	**-**	(5,000,000)
Repayment of mortgage loan receivable	**-**	850,000	**-**	850,000
Deposits on potential acquisitions	**(415,975)**	-	**(600,000)**	560,000
Increase in restricted cash	**571,441**	(316,968)	**(1,810,310)**	(448,524)
	(66,929,976)	(4,661,766)	**(121,230,917)**	(63,850,245)
Cash increase (decrease)	**(809,365)**	(705,148)	**4,171,081**	(18,444,963)
Cash, beginning of period	**6,568,717**	5,225,782	**1,588,271**	22,965,597
Cash, end of period	**$ 5,759,352**	$ 4,520,634	**$ 5,759,352**	$ 4,520,634

Supplementary cash flow information (Note 19)

The accompanying notes are an integral part of these financial statements.
(unaudited)

1 *Organization*

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

Basis of presentation

The interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The interim financial statements reflect the operations of the Trust, wholly owned operating subsidiaries and LREIT Village West Limited Partnership ("Village West LP"). The interim financial statements have been prepared on a consistent basis with the December 31, 2006 audited financial statements except for the change in accounting policies disclosed in Note 2. These financial statements do not include all the information and disclosure required by Canadian generally accepted accounting principles for annual financial statements, and should be read in conjunction with the December 31, 2006 audited financial statements and notes thereto.

2 *Change in accounting policies*

Improvements to income properties

In order to provide reliable and more relevant information in regard to property operating costs and improvements to income properties, expenditures relating to improvements to income properties are capitalized to the cost of income properties, effective January 1, 2007. Amortization of improvements is recorded on a straight-line basis over their estimated useful lives ranging from five to twenty-five years. The policy has been applied retroactively, with restatement of prior periods. As a result of the retroactive restatement, the net book value of income properties at December 31, 2006, has increased by $989,495, non-controlling interest at December 31, 2006, has increased by $10,110, retained earnings at December 31, 2006, has increased by $979,385 and retained earnings at December 31, 2005, has increased by $346,001.

Property operating costs are lower by $210,353 and $525,422 for the three and nine months ended September 30, 2006, amortization expense is higher by $30,324 and $58,865 for the three and nine months ended September 30, 2006 and the net book value of income properties is higher by $180,029 and $470,248 for the three and nine months ended September 30, 2006.

Basic and diluted loss per unit is lower than would have been reported under the previous policy by $0.011 and $0.027 per unit for the three and nine months ended September 30, 2006.

Financial instruments

On January 1, 2007, the Trust adopted CICA Handbook Section 1530 "Comprehensive Income", Section 3855 "Financial Instruments - Recognition and Measurement", Section 3861 "Financial Instruments - Disclosure and Presentation".

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles. The Trust adopted these standards prospectively; accordingly, comparative amounts for prior periods have not been restated.

Section 3855 prescribes when a financial asset, financial liability or non-financial instrument is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances.

2 *Changes in accounting policies (continued)*

Financial instruments (continued)

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been restated.

Upon adoption of these new standards, the Trust has designated its financial instruments, as follows:

Financial Statement Item	Classification	Measurement
Mortgage loans receivable	Loans and receivables	Amortized cost
Cash	Held for trading	Fair value
Other assets		
Amounts receivable	Loans and receivables	Amortized cost
Restricted cash	Held for trading	Fair value
Mortgage loans payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Distribution payable	Other financial liabilities	Amortized cost
Convertible debentures - debt portion	Other financial liabilities	Amortized cost

All derivative instruments, including embedded derivatives, are recorded in the balance sheet and statement of operations at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in operations.

Transaction costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to loans and receivables and other financial liabilities are netted against the carrying value of the asset or liability and amortized over the expected life of the instrument using the effective interest method.

Impact of adopting changes in accounting policies

Effective January 1, 2007, the carrying value of financial liabilities are reduced by the cost incurred to obtain financing considered to be transaction costs which were previously disclosed as deferred financing costs on the Consolidated Balance Sheets of the Trust. Deferred financing costs of $4,451,849 that were related to outstanding debt at December 31, 2006, have been reclassified and reduce the carrying value of mortgage loans payable and convertible debentures by $1,819,569 and $2,632,280 respectively.

As a result of adopting changes in accounting policies the Trust recorded transition adjustments reducing the opening balance of cumulative losses at January 1, 2007 by $116,458.

If the accounting policy had not been implemented, financing expense would be reduced by $360,720 and $735,843 for the three and nine months ended September 30, 2007, while amortization of deferred financing costs would be increased by $377,164 and $758,256 for the three and nine months ended September 30, 2007.

2 Changes in accounting policies (continued)

Change in estimate - income taxes
In accordance with GAAP, the Trust is required to: (i) determine its temporary differences between asset balances for income tax purposes and the balances recorded in accordance with GAAP; (ii) determine the periods over which those temporary differences are expected to reverse; and (iii) apply the tax rates enacted at the balance sheet date that will apply in the periods those temporary differences are expected to reverse. The Trust is required to use reasonable estimates in completing the calculation and the result of the calculation is recorded as a future income tax asset or liability.

In June 2007, new legislation relating to, among other things, the federal income taxation of publicly traded income trusts was enacted. Under the new rules, certain distributions from a "specified investment flow-through" trust (a "SIFT") will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid as returns of capital will not be subjected to this tax.

The new rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its income and investments (a "Qualifying REIT"). In the opinion of management, the Trust does not currently satisfy the prescribed conditions. The new legislation is not expected to apply to the Trust until 2011 as it provides for a transition period for publicly traded entities that existed prior to November 1, 2006. Prior to 2011, the Trust will consider its alternatives, including restructuring its affairs in order to meet the prescribed conditions and become a Qualifying REIT.

As the Trust does not currently meet the criteria for a Qualifying REIT, GAAP requires that the future income tax asset and liability calculation and estimates reflect its current income tax status, notwithstanding the intent of the Trust to become a Qualifying REIT prior to 2011.

Future changes to significant accounting policies
CICA Handbook Sections 3862 "Financial Instruments - Disclosures" and 3863 "Financial Instruments - Presentation", will be effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. These Sections establish standards for presentation of financial instruments and non-financial derivatives and complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Handbook Section 3855 "Financial Instruments - Recognition and Measurement". The sections deal with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

CICA Handbook Section 1535 "Capital Disclosures", will be effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The section will require the Trust to disclose information that enables users of its financial statements to evaluate the Trust's objectives, policies and processes for managing capital.

Management is currently considering the effect on the financial statements of the new standards.

3 *Acquisitions*

During the nine months ended September 30, 2007, the Trust acquired four income properties comprising 442 suites and three properties under development.

The net assets acquired in the transactions are as follows:

Income properties	
Land	$ 17,408,377
Buildings	65,748,658
Furniture, equipment and appliances	1,671,242
Intangible assets	207,223
Mortgage loans payable assumed	(13,982,050)
Vendor take-back mortgage loan payable	(1,600,000)
	69,453,450
Properties under development	
Properties under development	75,457,724
Mortgage loans payable assumed	(6,120,000)
Vendor take-back mortgage loan payable	(6,250,000)
Difference between contractual and market interest rates on mortgage loans payable assumed	(858,673)
Future income tax liability	(309,981)
	61,919,070
	$131,372,520

Consideration:	
Cash	$ 91,191,965
Deposits made in prior year	14,225,000
Mortgage loan receivable, applied to purchase	17,500,000
Acquisition payable	8,455,555
	$131,372,520

Deposits of $4,300,000 and $17,375,000 for the three and nine months ended September 30, 2007 respectively, were applied to the acquisitions of income properties and properties under development.

Included in acquisitions is the townhouse portion of Lakewood Manor on which the tenant holds an option to purchase. Notwithstanding the option to purchase, the acquisition was accounted for as a purchase as substantially all of the benefits and risks of ownership did not effectively transfer to the lessee at the inception of the lease. It had been previously disclosed, as a subsequent event at June 30, 2007, that the townhouse portion of Lakewood Manor was to be accounted for as a sales-type lease.

The use of reasonable estimates is an essential component to the allocation of assets upon acquisition. Estimates are subject to revision if changes in the circumstances on which the estimate was based differ as a result of new information or experience.

4 *Income properties*

September 30, 2007	Cost	Accumulated Amortization	Net Book Value
Land	$ 60,278,579	$ -	$ 60,278,579
Buildings and improvements	296,676,821	(11,545,489)	285,131,332
Furniture, equipment and appliances	7,339,011	(1,330,501)	6,008,510
Intangible assets	3,465,827	(1,897,310)	1,568,517
	$367,760,238	$ (14,773,300)	$352,986,938

December 31, 2006 (restated)	Cost	Accumulated Amortization	Net Book Value
Land	$ 31,961,341	$ -	$ 31,961,341
Buildings and improvements	201,883,832	(8,408,098)	193,475,734
Furniture, equipment and appliances	4,847,496	(843,728)	4,003,768
Intangible assets	4,595,274	(2,471,265)	2,124,009
	$243,287,943	$ (11,723,091)	$231,564,852

Effective January 1, 2007, tenant improvements recorded on acquisition of income properties and tenant inducements and leasing expenses in regard to ongoing leasing, previously presented as components of deferred charges, as well as intangible assets are presented as components of income properties. The period of amortization of the applicable amounts remains unchanged.

The cost of the major renovation at Highland Tower consists of construction costs of $94,698 (2006 - $161,276) and $1,642,565 (2006 - $316,183) for the three and nine months ended September 30, 2007 and carrying costs of nil (2006 - $28,001) and $82,073 (2006 - $114,078) for the three and nine months ended September 30, 2007. Construction costs and carrying costs are included in the cost of buildings. On July 1, 2007 the major in-suite renovations were substantially complete, making all suites available to the rental market. Carrying costs are no longer being capitalized and the cost of the major in-suite renovations are being amortized effective July 1, 2007.

On April 1, 2007, Woodland Park achieved a level of occupancy necessary for the property to be classified as an income property and as a result, costs totaling $38,750,622 were transferred from properties under development to income properties.

As at September 30, 2007, no circumstances have occurred that indicate that the carrying value of income properties is less than the fair value.

5 *Properties under development*

	September 30 2007	December 31 2006 (audited)
Laird's Landing (formerly Park View Apartments)	$ 40,013,757	$ 19,434,308
Clarington Seniors Residence	24,847,347	-
Elgin Lodge	8,173,345	1,238,832
Millennium Village	13,521,260	-
	$ 86,555,709	$ 20,673,140

The cost of properties under development for the nine months ended September 30, 2007, includes carrying costs of $1,624,102 (2006 - $97,600).

6 *Mortgage loans receivable*

	September 30 2007	December 31 2006 (audited)
Lakewood Manor	-	8,500,000
Millennium Village	-	4,000,000
Nova Court	-	5,000,000
	$ -	$ 17,500,000

7 *Deferred financing costs*

Deferred financing costs are net of accumulated amortization of nil (December 31, 2006 - $1,208,527).

Effective January 1, 2007, financing costs previously presented as deferred charges are presented as transaction costs and are included as components of mortgage loans payable and convertible debentures.

8 *Other assets*

	September 30 2007	December 31 2006 (audited)
Amounts receivable	$ 1,581,304	$ 1,158,445
Property tax deposits and other	1,203,150	1,302,853
Deposits on potential acquisitions	650,000	14,240,975
Straight-line rent receivable	275,882	232,930
Restricted cash	3,246,968	1,436,658
Above market in place leases, net of accumulated amortization of $59,266, (2006 - $51,498)	64,460	72,228
	$ 7,021,764	$ 18,444,089

Amounts receivable includes amounts due from tenants of $343,023 (2006 - $340,016) and a loan receivable from a tenant of $95,434 (2006 - $210,091).

8 *Other assets (continued)*

Restricted cash consists primarily of funds held in trust for residential tenant security deposits, as well as interest and repair reserves required by lenders of $980,131 (2006 - $48,250).

9 *Mortgage loans payable*

Mortgage loans payable consists of the following:

	Interest Rates at September 30, 2007			
	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	September 30 2007
Income properties				
Fixed rate mortgages	4.1% - 11.0%	6.2%	5.3 years	$277,443,177
Floating rate mortgages	6.3% - 7.3%	7.2%	Demand	11,511,640
Non interest bearing vendor take-back second mortgage			Demand	236,475
				289,191,292
Properties under development				
Fixed rate mortgages	5.8% - 16.0%	9.4%	1.5 years	11,370,000
Floating rate mortgages	7.3% - 8.3%	7.5%	Demand	29,964,663
				41,334,663
				330,525,955
Difference between contractual and market interest rates on mortgage loans assumed				585,292
Unamortized transaction costs				(2,606,632)
				$328,504,615

	Interest Rates at December 31, 2006			
	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31 2006 (audited)
Income properties				
Fixed rate mortgages	4.1% - 12.5%	5.6%	6.5 years	$156,322,913
Floating rate mortgages	6.5% - 7.0%	7.0%	Demand	8,046,123
Non interest bearing vendor take-back second mortgage			Demand	236,475
				164,605,511
Properties under development				
Floating rate mortgages	7.0%	7.0%	Demand	6,650,000
				$171,255,511

9 Mortgage loans payable (continued)

Approximate principal repayments are as follows:

Year ending December 31	
2007 - remainder of year	$ 45,076,382
2008	38,830,116
2009	32,340,544
2010	7,371,085
2011	12,393,055
Thereafter	194,514,773
	$330,525,955

The floating rate mortgage loans payable are payable on demand until such time as the interest rate and term are fixed. The income properties have been pledged as security under the related mortgage agreements.

The difference between contractual and market interest rates on mortgage loans assumed is amortized over the term of the respective mortgages. The balance of $585,292 is net of accumulated amortization of $232,051 (2006 - nil) at September 30, 2007. The difference relates to mortgage loans assumed on acquisition of properties under development. The amortization of $62,638 (2006 - nil) for the three months ended September 30, 2007 and $232,051 (2006 - nil) for the nine months ended September 30, 2007 is recorded as a reduction of the carrying value of properties under development.

Certain of the mortgage loans payable are subject to covenants, including minimum debt service ratios. The Trust is in compliance with all covenants in regard to mortgage loans payable as at September 30, 2007.

10 Convertible debentures

During the period ended September 30, 2007, holders of convertible debentures exercised their right to convert to units, as follows:

		Units Issued	
Convertible Debentures	Conversion Price	Three Months Ended September 30 2007	Nine Months Ended September 30 2007
Series A	$ 6.00	-	2,166
Series D	5.00	-	28,200

		Units Issued	
Convertible Debentures	Conversion Price	Three Months Ended September 30 2006	Nine Months Ended September 30 2006
Series A	$ 5.50	-	6,544
Series A	6.00	7,166	7,166
Series D	5.00	6,000	412,600

10 Convertible debentures (continued)

September 30, 2007	Debt	Equity	Total
Convertible debentures			
Series D - 8%, due March 16, 2008	$ 1,554,839	$ 325,696	$ 1,880,535
Series E - 8%, due February 17, 2010	10,355,775	2,847,555	13,203,330
Series F - 7.5%, due March 11, 2011	10,957,275	3,564,376	14,521,651
Series G - 7.5%, due December 31, 2011	19,809,291	6,704,571	26,513,862
	42,677,180	13,442,198	56,119,378
Unamortized transaction costs	(2,310,382)	-	(2,310,382)
	$ 40,366,798	$ 13,442,198	$ 53,808,996

December 31, 2006 (audited)	Debt	Equity	Total
Convertible debentures			
Series A - 10%, due August 30, 2007	$ 1,638,179	$ 293,557	$ 1,931,736
Series D - 8%, due March 16, 2008	1,616,384	354,254	1,970,638
Series E - 8%, due February 17, 2010	9,957,343	2,847,555	12,804,898
Series F - 7.5%, due March 11, 2011	10,528,607	3,564,376	14,092,983
Series G - 7.5%, due December 31, 2011	19,089,044	6,704,571	25,793,615
	$ 42,829,557	$ 13,764,313	$ 56,593,870

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 Series D, Series E, Series F and Series G debentures.

The accretion of the debt component for the three months ended September 30, 2007 of $1,617,178 (2006 - $866,049) and for the nine months ended September 30, 2007 of $4,819,559 (2006 - $2,544,718), which increases the debt component from the initial carrying amount, is included in financing expense.

On August 31, 2007, the Trust repaid $1,760,850 in regard to the maturity of Series A debentures, including accrued interest to August 31, 2007 of $83,850.

11 Accounts payable and accrued liabilities

	September 30 2007	December 31 2006 (audited)
Accounts payable and accrued liabilities	$ 1,995,835	$ 2,207,600
Acquisition payable	8,509,120	-
Construction costs payable on properties under development	6,184,872	2,730,762
Mortgage and debenture interest payable	2,488,222	1,732,235
Tenant security deposits	2,367,045	1,606,147
Below market in-place leases, net of accumulated amortization of $64,309 (2006 - $57,740)	11,285	17,854
	$ 21,556,379	$ 8,294,598

11 Accounts payable and accrued liabilities (continued)

The acquisition payable relates to the acquisition of Phase I and Phase II of Millennium Village. The property is expected to be acquired in four separate phases, with the acquisition payable due up to 180 days from the acquisition of Phase IV. The acquisition payable bore interest at 6% to August 31, 2007, 8% from September 1, 2007 until the acquisition of Phase IV, which is expected to occur on November 15, 2007, and at prime plus 3% thereafter, and is expected to be paid in March 2008. Included in acquisition payable at September 30, 2007 is accrued interest of $53,565.

12 Future income taxes

Future income taxes consists of the following components:

	September 30 2007	December 31 2006 (audited)
Future income tax assets:		
Future income taxes related to difference in tax and book value of the Trust	$ 3,351,389	$ -
Future income tax liabilities:		
Future income taxes related to difference in tax and book value of wholly owned operating subsidiaries	$ 3,489,862	$ 3,389,586
Future income taxes related to operating losses of wholly owned operating subsidiaries	(650,902)	(112,561)
	$ 2,838,960	$ 3,277,025

Future income tax recoveries:

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
Current income tax recovery at Canadian statutory tax rates	$ 136,558	$ 246,159	$ 473,303	$ 350,335
Increase in future income tax recoveries resulting from the change in tax status with the enactment of Bill C-52	1,479,809	-	3,351,389	-
Lease-up period operations capitalized to Properties Under Development, included in taxable income	158,141	-	243,288	-
Differences between net income per the financial statements and taxable income per wholly-owned operating subsidiaries	154,173	246,517	28,960	180,604
Adjustment to future tax liabilities for changes to the differance between Tax and GAAP carrying values	(14,599)	(256,222)	2,494	(250,935)
	$ 1,914,082	$ 236,454	$ 4,099,434	$ 280,004

13 Non-controlling interest

Non-controlling interest represents the interest of the holder of the Class B units (LP Units) of Village West LP, an entity controlled by the Trust, which is consolidated in these financial statements. The holder of the LP Units of Village West LP is entitled to receive distributions equal to those provided to holders of units of the Trust. LP Units are transferable and are exchangeable, at the option of the holder on a one for one basis for units of the Trust. As at September 30, 2007, there were 356,617 (December 31, 2006 - 356,617) LP Units of Village West LP outstanding.

Non-controlling interest consists of the following:

	September 30 2007	December 31 2006 (restated)
Opening balance	$ 1,925,515	$ -
LP Units of Village West LP issued	-	2,739,704
Share of loss of Village West Townhouses	(48,012)	(74,361)
Distributions on LP Units of Village West LP	(149,780)	(139,828)
Exchange of 100,000 LP Units for Units of the Trust	-	(600,000)
	$ 1,727,723	$ 1,925,515

14 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 and its parent company, 2668921 Manitoba Ltd., are related parties of the Trust by virtue of the fact that all outstanding shares of 2668921 Manitoba Ltd. are owned by the family trust of an Officer and Trustee of the Trust.

Management agreement

The Trust incurred property management fees to Shelter Canadian Properties Limited of $443,113 for the three months ended September 30, 2007 (2006 - $259,345) and $1,107,109 for the nine months ended September 30, 2007 (2006 - $691,863). Property management fees are included in property operating costs and properties under development.

The property management agreement has been renewed with the same terms and conditions for a further five year term which expires on August 30, 2012.

Included in accounts payable and accrued liabilities at September 30, 2007 is a balance of $66,938 (2006 - $20,023), payable to Shelter Canadian Properties Limited.

14 Related party transactions (continued)

Services agreement
The Trust incurred service fees to Shelter Canadian Properties Limited of $304,923 for the three months ended September 30, 2007 (2006 - $163,308) and $808,880 for the nine months ended September 30, 2007 (2006 - $434,246). Service fees are included in Trust expense.

The services agreement has been renewed with the same terms and conditions for a further one year term which expires on August 30, 2008.

Unit-based compensation expense for the three months ended September 30, 2007 of $2,847 (2006 - $2,847) and for the nine months ended September 30, 2007 of $8,541 (2006 - $8,541) , relating to options issued under the services agreement, was recorded to amortize the fair value of the unit-based compensation over the term of the services agreement.

Acquisition
The Trust has entered into a development agreement with Shelter Canadian Properties Limited to develop Laird's Landing (formerly Park View Apartments), a residential property located in Fort McMurray, Alberta. During the three and nine months ended September 30, 2007, $151,707 (2006 - nil) and $347,801 (2006 - nil) respectively, was recorded to properties under development in regard to the development and construction supervision services provided by Shelter Canadian Properties Limited.

Included in construction costs payable on properties under development at September 30, 2007 is a balance of $470,206 (2006 - nil) payable to Shelter Canadian Properties Limited in regard to the development and construction services.

15 Units

A summary of the status of the units and changes during the year is as follows:

	Nine Months Ended September 30 2007	Year Ended December 31 2006 (audited)
Outstanding, beginning of period	17,392,235	16,855,286
Units issued on conversion of debentures	30,366	434,510
Units issued on distribution reinvestment plan	61,018	2,439
Units issued on exchange of LP units of Village West LP	-	100,000
Outstanding, end of period	17,483,619	17,392,235

16 Unit option plan

On June 8, 2007, the Trust granted options to each of the four independent trustees to acquire 30,000 units at $5.30 per unit. The options have vested and expire on June 8, 2012.

The fair value of each unit option granted is estimated on the date of grant using the Black-Scholes option pricing model. The assumptions used for the options granted on June 8, 2007 are dividend yield of 9.35%, expected volatility of 23.46%, risk-free interest rate of 4.66% and life of options of five years.

Unit-based compensation expense of $52,992 for the three months ended September 30, 2007 (2006 - $437,910) and $259,698 for the nine months ended September 30, 2007 (2006 - $440,194), relating to the options issued was recorded to expense the fair value unit-based compensation, including $45,058 for the nine months ended September 30, 2007 relating to the options issued on June 8, 2007. Unit-based compensation is included in trust expense.

	Nine Months Ended September 30, 2007		Year Ended December 31, 2006	
	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Outstanding, beginning of period	1,000,000	$ 5.77	10,000	$ 4.00
Granted, January 17, 2006	-	-	30,000	5.42
Granted, July 26, 2006	-	-	960,000	5.80
Granted, June 8, 2007	120,000	5.30	-	-
Outstanding, end of period	1,120,000	$ 5.72	1,000,000	$ 5.77
Vested, end of period	664,000		392,000	

At September 30, 2007 the following unit options granted were outstanding:

Exercise price	Options outstanding	Options vested	Expiry date
$ 4.00	10,000	10,000	October 29, 2007
$ 5.42	30,000	30,000	January 17, 2011
$ 5.80	960,000	504,000	July 26, 2011
$ 5.30	120,000	120,000	June 8, 2012
	1,120,000	664,000	

17 Rentals from income properties

Rental revenue contractually due from tenants includes the recovery of property operating costs from tenants of $400,290 for the three months ended September 30, 2007 (2006 - $341,176) and $1,205,099 for the nine months ended September 30, 2007 (2006 - $1,181,585) and meal revenue of $263,418 for the three months ended September 30, 2007 (2006 - $217,591) and $771,471 for the nine months ended September 30, 2007 (2006 - $491,774).

18 Amortization

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006 (restated)	2007	2006 (restated)
Building	$ 1,828,861	$ 1,260,548	$ 4,676,621	$ 3,211,319
Furniture, equipment and appliances	193,981	135,025	458,054	336,737
Intangible assets, except for in-place leases	223,076	776,891	762,714	1,908,310
Deferred financing costs	-	113,283	-	395,404
	2,245,918	2,285,747	5,897,389	5,851,770
Transaction costs	360,720	-	1,113,570	-
Above market in-place leases	2,589	3,209	7,768	9,627
Below market in-place leases	(2,190)	(3,183)	(6,569)	(9,549)
	$ 2,607,037	$ 2,285,773	$ 7,012,158	$ 5,851,848

19 Supplementary cash flow information

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
Interest paid and received				
Interest paid on mortgage loans payable	$ 3,332,460	$ 2,010,290	$ 9,544,156	$ 5,404,029
Interest received on mortgage loans receivable	$ 109,589	$ 330,273	$ 660,986	$ 670,273
Other interest received	$ 110,884	$ 456,473	$ 394,013	$ 690,273
Cash distributions				
Distributions declared	$ 2,451,342	$ 2,417,797	$ 7,317,200	$ 7,186,707
Distributions payable beginning of period	815,118	805,918	-	-
Distributions payable end of period	(815,960)	(806,532)	(815,960)	(806,532)
Distributions to participants in the DRIP	(92,791)	-	(346,552)	-
Distributions paid on trust units	$ 2,357,709	$ 2,417,183	$ 6,154,688	$ 6,380,175

20 Per unit calculations

Basic per unit information is calculated based on the weighted average number of units outstanding for the year. Diluted per unit information is calculated based on the weighted average diluted number of units for the year, considering the potential exercise of outstanding unit options to the extent that the unit options are dilutive and the potential conversion of outstanding convertible debentures to the extent that the debentures are dilutive and the potential conversion of the outstanding Class B units of Village West LP to the extent that the units are dilutive.

Loss per unit calculations are based on the following:

	Three Months Ended September 30 2007	Three Months Ended September 30 2006 (restated)	Nine Months Ended September 30 2007	Nine Months Ended September 30 2006 (restated)
Income (loss)	$ 725,735	$ (829,956)	$ (292,006)	$ (2,574,986)
Dilutive options	-	-	-	-
Diluted income (loss)	$ 725,735	$ (829,956)	$ (292,006)	$ (2,574,986)
Weighted average number of units	17,474,123	17,135,004	17,442,665	17,006,214
Dilutive options	3,408	-	-	-
Weighted average diluted number of units	17,477,531	17,135,004	17,442,665	17,006,214

21 Distribution of income

In accordance with the Declaration of Trust, the Trust shall issue cash distributions in an amount equal to the aggregate of taxable income from operations and realized capital gains, net of any realized allowable capital losses.

The minimum distribution required by the Declaration of Trust is nil (2006 - nil) and nil (2006 - nil) for the three and nine months ended September 30, 2007.

22 Financial instruments and risk management

Fair values

As at September 30, 2007, the carrying values of cash, restricted cash, amounts receivable, mortgage loans receivable, accounts payable and accrued liabilities and distribution payable approximate fair value due to the immediate or short-term maturities of these instruments.

The fair value of the mortgage loans payable are impacted by changes in market yields which can result in differences between the carrying value and fair value of the instruments. The fair value of mortgage loans payable has been estimated based on the current market rates for mortgages of similar terms and conditions. The estimated fair value of mortgage loans payable is $329,707,000 at September 30, 2007 (December 31, 2006 - $172,000,000).

The fair value of the debt components of convertible debentures are impacted by changes in market yields which can result in differences in the carrying value and fair value of the instruments. The fair value of the debt components of convertible debentures has been estimated based on the current market rates for debentures with similar terms and conditions. The carrying value of the debt components of convertible debentures at September 30, 2007 and December 31, 2006 approximates fair value.

Risk management

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. The Trust manages the risks, as follows:

Interest rate risk is minimized for the mortgage loans payable on demand, which are financed at variable rates, by structuring the mortgage loans with an option to fix the interest rate. The Declaration of Trust restricts mortgage loans on income properties from being greater than 75% of the appraised value of the income properties.

Credit risk arises from the possibility that tenants may experience financial difficulty and not be able to fulfil their lease commitments. The credit risk is limited to the recorded amount of tenant receivables. Anticipated bad debt loss has been provided for in the allowance for doubtful accounts. The risk of credit loss is mitigated by ensuring that the tenant mix is diversified and by limiting the exposure to any one tenant. Prior to July 1, 2007 no single tenant accounted for 10% or more of the rentals from income properties. With the acquisition and lease-up of Lakewood Manor on July 1, 2007, the Trust has a tenant accounting for 10% of rentals from income properties as the entire property has been leased to a single tenant. Credit risk has been managed by the Trust leasing to a credit worthy tenant. Credit risk also arises from the possibility that a borrower may default on the repayment of a loan from the Trust. The risk is mitigated by ensuring that security is obtained in support of the mortgage loans receivable and the loan receivable from tenant.

23 Segmented financial information

The assets are located in and revenue is derived from the operation of commercial, light industrial and residential real estate in Canada. Commercial real estate consists of retail properties and office and retail mixed-use properties. Residential real estate consists of multi family residential properties and seniors housing complexes.

Nine months ended September 30, 2007:

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	3,063,068	279,675	28,499,388	-	31,842,131
Interest and other income	22,863	940	286,788	623,718	934,309
Property operating costs	1,345,967	71,339	12,109,287	-	13,526,593
Financing expense	762,724	99,042	8,541,950	6,930,636	16,334,352
Amortization	654,195	23,509	5,219,685	-	5,897,389
Income (loss)	323,044	86,724	3,711,312	(4,413,086)	(292,006)
Total assets	18,744,016	2,751,932	426,801,931	7,377,273	455,675,152

Nine months ended September 30, 2006 (restated):

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	3,024,737	264,600	17,039,356	-	20,328,693
Interest and other income	31,980	3,962	199,162	1,139,494	1,374,598
Property operating costs	1,312,183	35,683	8,054,679	-	9,402,545
Financing expense	758,116	93,966	4,728,001	2,544,718	8,124,801
Amortization	688,692	24,313	4,809,174	329,591	5,851,770
Income (loss)	297,719	114,601	(38,065)	(2,949,241)	(2,574,986)
Total assets	19,764,502	2,789,097	228,089,718	18,617,730	269,261,047

Three months ended September 30, 2007:

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	1,019,224	93,225	11,371,895	-	12,484,344
Interest and other income	7,855	299	84,768	19,825	112,747
Property operating costs	457,165	28,995	4,265,623	-	4,751,783
Financing expense	250,031	37,967	3,522,794	2,520,474	6,331,266
Amortization	212,529	7,836	2,025,553	-	2,245,918
Income (loss)	107,354	18,726	2,085,994	(1,486,339)	725,735
Total assets	18,744,016	2,751,932	426,801,931	7,377,273	455,675,152

23 Segmented financial information (continued)

Three months ended September 30, 2006 (restated):

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	961,453	82,708	6,833,146	-	7,877,307
Interest and other income	8,968	286	70,380	413,311	492,945
Property operating costs	427,476	11,888	3,018,382	-	3,457,746
Financing expense	251,481	31,993	1,849,008	866,049	2,998,531
Amortization	221,423	8,104	1,967,349	88,871	2,285,747
Income (loss)	70,041	31,009	338,655	(1,269,661)	(829,956)
Total assets	19,764,502	2,789,097	228,089,718	18,617,730	269,261,047

Nine months ended September 30, 2007:

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	13,850,491	1,080,701	4,264,146	1,315,415	3,578,753	7,752,625	-	31,842,131
Interest and other income	198,095	11,356	39,519	417	20,519	40,685	623,718	934,309
Property operating costs	4,245,383	629,508	1,985,903	821,717	1,391,602	4,452,480	-	13,526,593
Financing expense	4,964,928	266,930	1,179,913	501,850	884,698	1,605,397	6,930,636	16,334,352
Amortization	2,393,797	143,496	961,089	207,311	569,075	1,622,621	-	5,897,389
Income (loss)	2,444,477	52,123	176,758	141,645	753,896	552,181	(4,413,086)	(292,006)
Total assets	256,408,395	10,876,280	34,182,181	43,918,482	39,407,006	63,505,535	7,377,273	455,675,152

Nine months ended September 30, 2006 (restated):

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	6,793,416	935,991	4,076,903	650,597	1,996,661	5,875,125	-	20,328,693
Interest and other income	147,195	9,184	43,466	625	10,752	23,882	1,139,494	1,374,598
Property operating costs	2,405,667	700,937	1,885,501	338,948	851,412	3,220,080	-	9,402,545
Financing expense	2,123,975	276,830	1,117,532	134,148	671,087	1,256,511	2,544,718	8,124,801
Amortization	1,710,049	142,396	1,722,256	177,854	374,241	1,395,383	329,591	5,851,770
Income (loss)	703,959	(174,987)	(606,803)	134,729	110,673	206,687	(2,949,244)	(2,574,986)
Total assets	112,153,038	10,917,949	32,665,302	10,435,836	24,665,030	59,806,162	18,617,730	269,261,047

23 Segmented financial information (continued)

Three months ended September 30, 2007:

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	6,146,370	360,329	1,441,685	442,153	1,365,061	2,728,746	-	12,484,344
Interest and other income	46,600	5,532	17,967	129	10,652	12,042	19,825	112,747
Property operating costs	1,553,197	198,035	682,047	281,109	501,352	1,536,043	-	4,751,783
Financing expense	2,269,556	88,052	400,088	167,856	327,522	557,718	2,520,474	6,331,266
Amortization	1,032,807	47,741	345,374	69,272	217,895	532,829	-	2,245,918
Income (loss)	1,337,585	32,032	32,144	28,819	328,944	452,550	(1,486,339)	725,735
Total assets	256,408,395	10,876,280	34,182,181	43,918,482	39,407,006	63,505,535	7,377,273	455,675,152

Three months ended September 30, 2006 (restated):

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	2,749,665	346,556	1,309,642	444,377	677,755	2,349,312	-	7,877,307
Interest and other income	51,098	3,207	11,471	735	3,014	10,109	413,311	492,945
Property operating costs	826,029	215,744	653,444	262,674	252,107	1,247,748	-	3,457,746
Financing expense	842,830	91,730	375,877	104,884	219,494	497,667	866,049	2,998,531
Amortization	722,978	48,731	536,752	129,709	125,000	633,706	88,871	2,285,747
Income (loss)	409,351	(6,443)	(244,958)	82,302	84,169	115,288	(1,269,665)	(829,956)
Total assets	112,153,038	10,917,949	32,665,302	10,435,836	24,665,030	59,806,162	18,617,730	269,261,047

24 Commitments

Acquisitions

Millennium Village

The Trust has acquired Phase I & Phase II and has agreed to acquire Phase III & Phase IV of Millennium Village, a residential property located in Fort McMurray, Alberta ,which is currently under construction, for a total cost of $25,150,000, including GST. The acquisition will be funded with a new first mortgage loan, with the balance in cash. The Trust had provided a $4,000,000 second mortgage loan, which bore interest at 8%, and was credited toward the purchase price on acquisition of Phase I, effective August 3, 2007. The acquisitions of the remaining two phases are expected to close in October 2007 and November 2007.

The balance owing on the acquisition bore interest at 6% to August 31, 2007, 8% thereafter until the effective date of the acquisition of Phase IV and prime plus 3% thereafter, and is expected to be paid in March 2008, on receipt of the first mortgage loan proceeds. As at September 30, 2007 amounts owing on acquisition totaled $8,509,120, including accrued interest on closing of $53,565. Amounts owing on acquisition are included in accounts payable and accrued liabilities.

24 Commitments (continued)

Laird's Landing (formerly Park View Apartments)
The Trust has acquired and agreed to develop Laird's Landing (formerly Park View Apartments), a residential property located in Fort McMurray, Alberta. The Trust acquired the land for $9,300,000 funded by a vendor take-back mortgage in the amount of $7,300,000, with the balance in cash. The vendor take-back mortgage was repaid with the proceeds of the new mortgage financing of $6,650,000, with the balance in cash. The $6,650,000 represents the initial draw of a mortgage loan in the maximum amount of $45,000,000. In addition, the Trust entered into a development agreement with Shelter Canadian Properties Limited in which Shelter Canadian Properties Limited has agreed to (i) develop the project for a total cost not to exceed $57,750,000 (inclusive of the purchase price of the land); (ii) arrange and guarantee construction financing, in the approximate amount of $45,000,000 and permanent financing after completion of construction; and (iii) provide all development and construction supervision services for the project. The Trust will pay to Shelter Canadian Properties Limited a fee of $1,000,000 in consideration for services provided under the development agreement. The construction of the apartment project is expected to be completed in January 2008.

Parsons Landing Apartments
The Trust has agreed to acquire Parsons Landing Apartments, a residential property located in Fort McMurray, Alberta, which is currently under construction, for a total cost of $64,376,980, including GST. The acquisition will be funded with a new first mortgage loan of $45,000,000 with the balance in cash. On November 1, 2007, The Trust provided a $10,000,000 second mortgage loan, bearing interest at 8%, to be credited toward the purchase price upon closing which is expected to occur in two phases. The target closing dates are expected to be March 2008 for Phase I and June 2008 for Phase II.

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, 2010
Elgin Lodge	Kingsway Arms Management Inc.	May 31, 2016
Clarington Seniors Residence	Kingsway Arms Management Inc.	February 12, 2017

25 Contingent consideration on acquisition

Elgin Lodge
In conjunction with the acquisition of Elgin Lodge, the Trust has contracted with Kingsway Arms Management Services Inc., the management company of the property, to manage the expansion of the property at a rate of $12,000 per month beginning June 1, 2006 for a period of twelve months. The estimated cost of the expansion is $10,400,000 to be financed with an additional mortgage loan of $7,700,000 from the existing lender with the balance in cash.

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, if any, by which the appraised value of the expanded Elgin Lodge property exceeds the total costs to the Trust, including the expansion costs. The one-time payment will be net of a 12% return on equity. Consideration recorded at September 30, 2007 of $141,050, which increases the cost of the building, is included in accounts payable and accrued liabilities.

25 Contingent consideration on acquisition (continued)

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, if any, by which the appraised value of the property exceeds the total acquisition cost to the Trust. The one-time payment will be net of an 8% return on equity. Consideration recorded at September 30, 2007 of $112,947, which increases the cost of properties under development, is included in accounts payable and accrued liabilities.

26 Subsequent events

Acquisitions
On October 15, 2007, the Trust acquired Phase III of Millennium Village, a residential property located in Fort McMurray, Alberta for a total cost of $5,382,222. The balance owing is expected to be paid in March 2008.

Distributions
Distributions of $797,281 were paid on October 15, 2007 to unitholders of the Trust. Units of 3,286 were issued on October 15, 2007 to unitholders of the Trust in regard to participation in the DRIP. Distributions of $16,642 were paid on October 15, 2007 to the holder of the LP units of Village West LP.

Upward refinancing
On October 31, 2007, an $18,000,000 second mortgage loan was obtained on Nelson Ridge Estates and Woodland Park. The loan bears interest at prime plus 1.25%. The mortgage loan payable was secured by the income properties and is due on demand. The loan proceeds were used to repay an existing second mortgage loan on Nelson Ridge Estates in the amount of $9,500,000, with the balance in cash.

Mortgage loan receivable
On November 1, 2007, the Trust invested in a second mortgage loan secured by Parsons Landing, a 160 suite apartment property in Fort McMurray, Alberta. The loan advance of $10,000,000 bears interest at 8%. Interest is payable quarterly. The loan shall be credited towards the purchase price of the property which is expected to close in two phases. The target closing dates are expected to be March 2008 for Phase I and June 2008 for Phase II.

27 Comparative figures

Certain of the prior period figures have been reclassified to be comparable to the current period.