LANESBOROUGH REIT

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

	September 30 2008	December 31 2007 (audited)
Assets		
Income properties (Note 4)	**$518,753,316**	$375,796,299
Properties under development (Note 5)	**35,961,914**	80,228,769
Mortgage loan receivable (Note 6)	**-**	10,000,000
Cash (Note 12)	**14,383,532**	-
Other assets (Note 7)	**11,233,006**	6,410,441
Future income taxes (Note 11)	**-**	3,763,761
	$580,331,768	$476,199,270
Liabilities and Equity		
Mortgage loans payable (Note 8)	**$427,468,279**	$341,334,043
Convertible debentures (Note 9)	**41,623,889**	41,036,253
Accounts payable and accrued liabilities (Note 10)	**62,760,541**	31,339,325
Future income taxes (Note 11)	**3,970,563**	2,617,905
Bank indebtedness (Note 12)	**-**	1,623,651
Distribution payable	**819,476**	-
	536,642,748	417,951,177
Non-controlling interest (Note 13)	**1,592,822**	1,685,103
Equity	**42,096,198**	56,562,990
	$580,331,768	$476,199,270

Approved by the Board of 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, 2008:

	Units	Cumulative Loss	Cumulative Distributions	Equity Component of Debentures	Total
Equity, June 30, 2008	$ 79,991,818	$ (13,310,809)	$ (32,587,258)	$ 13,104,637	$ 47,198,388
Units purchased under normal course issuer bid	(729,395)	-	-	-	(729,395)
Issue costs	(23,881)	-	-	-	(23,881)
Unit-based compensation	45,138	-	-	-	45,138
Units issued on distribution reinvestment plan	499,157	-	-	-	499,157
Loss	-	(2,433,198)	-	-	(2,433,198)
Distributions declared	-	-	(2,460,011)	-	(2,460,011)
Equity, September 30, 2008	$ 79,782,837	$ (15,744,007)	$ (35,047,269)	$ 13,104,637	$ 42,096,198

Three Months Ended September 30, 2007:

	Units	Cumulative Loss	Cumulative 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	(5,566)	-	-	-	(5,566)
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	$ 78,852,075	$ (7,213,398)	$ (25,216,158)	$ 13,442,198	$ 59,864,717

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EQUITY

Nine Months Ended September 30, 2008:

	Units	Cumulative Loss	Cumulative Distributions	Equity Component of Debentures	Total
Equity, December 31, 2007	$ 79,124,607	$ (8,322,299)	$ (27,666,613)	$ 13,427,295	$ 56,562,990
Maturity of Series D debentures	322,658	-	-	(322,658)	-
Units purchased under normal course issuer bid	(929,371)	-	-	-	(929,371)
Issue costs	(75,162)	-	-	-	(75,162)
Unit-based compensation	273,075	-	-	-	273,075
Units issued on distribution reinvestment plan	1,067,030	-	-	-	1,067,030
Loss	-	(7,421,708)	-	-	(7,421,708)
Distributions declared	-	-	(7,380,656)	-	(7,380,656)
Equity, September 30, 2008	$ 79,782,837	$ (15,744,007)	$ (35,047,269)	$ 13,104,637	$ 42,096,198

Nine Months Ended September 30, 2007:

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

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	**2007**	**2008**	**2007**
Revenue				
Rentals from income properties (Note 17)	**$ 17,817,076**	$ 12,484,344	**$ 45,862,726**	$ 31,842,131
Interest and other income	**105,547**	112,747	**664,148**	934,309
	17,922,623	12,597,091	**46,526,874**	32,776,440
Expenses				
Property operating costs	**6,126,342**	4,751,783	**17,668,652**	13,526,593
Income before the undernoted	**11,796,281**	7,845,308	**28,858,222**	19,249,847
Financing expense (Note 18)	**7,711,151**	6,331,266	**21,430,302**	16,334,352
Trust expense	**580,409**	465,499	**1,867,312**	1,457,558
Amortization (Note 19)	**3,085,470**	2,245,918	**7,808,398**	5,897,389
	11,377,030	9,042,683	**31,106,012**	23,689,299
Income (loss) before income taxes	**419,251**	(1,197,375)	**(2,247,790)**	(4,439,452)
Future income tax expense (recovery) (Note 11)	**2,833,456**	(1,914,082)	**5,116,420**	(4,099,434)
Income (loss) before non-controlling interest	**(2,414,205)**	716,707	**(7,364,210)**	(340,018)
Non-controlling interest (Note 13)	**(18,993)**	9,028	**(57,498)**	48,012
Income (loss) and comprehensive income (loss) for the period	**$ (2,433,198)**	$ 725,735	**$ (7,421,708)**	$ (292,006)
Income (loss) per unit (Note 21)				
Basic	**$ (0.139)**	$ 0.042	**$ (0.424)**	$ (0.017)
Diluted	**(0.139)**	0.042	**(0.424)**	(0.017)
Weighted average number of units (Note 21)				
Basic	**17,515,717**	17,474,123	**17,501,083**	17,442,665
Diluted	**17,515,717**	17,477,531	**17,501,083**	17,442,665

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended September 30 2008	Three Months Ended September 30 2007	Nine Months Ended September 30 2008	Nine Months Ended September 30 2007
Cash provided by (used in) operating activities				
Income (loss) for the period	**$ (2,433,198)**	$ 725,735	**$ (7,421,708)**	$ (292,006)
Items not affecting cash				
Straight-line rent adjustment	**(5,259)**	(10,072)	**(7,400)**	(42,952)
Accretion on debt component of convertible debentures	**623,514**	605,779	**1,815,815**	1,699,790
Unit-based compensation	**45,138**	55,839	**273,075**	268,239
Amortization (Note 19)	**3,526,815**	2,607,037	**9,025,524**	7,012,158
Change in fair value - swap asset	**(1,152,973)**	-	**(1,204,002)**	-
Future income taxes	**2,833,456**	(1,914,082)	**5,116,420**	(4,099,434)
Non-controlling interest	**18,993**	(9,028)	**57,498**	(48,012)
	3,456,486	2,061,208	**7,655,222**	4,497,783
Changes in non-cash operating items (net of effects of acquisition of income properties)	**(889,226)**	(625,654)	**(715,852)**	(785,262)
Tenant inducements and leasing expenses incurred through leasing activity	**(283,329)**	(4,356)	**(285,507)**	(100,209)
	2,283,931	1,431,198	**6,653,863**	3,612,312
Cash provided by (used in) financing activities				
Proceeds of mortgage loan financing	**76,539,062**	71,472,391	**125,385,288**	165,870,639
Repayment of Series A debentures	**-**	(1,760,850)	**-**	(1,760,850)
Repayment of Series D debentures	**-**	-	**(1,593,000)**	-
Repayment of mortgage loans on refinancing	**(38,066,146)**	(768,743)	**(38,066,146)**	(31,232,909)
Repayment of principal on mortgage loans	**(1,673,935)**	(1,296,072)	**(4,770,298)**	(3,366,626)
Transaction costs	**(217,964)**	(549,679)	**(889,971)**	(1,432,744)
Units purchased and cancelled	**(729,395)**	-	**(929,371)**	-
Distributions paid on units (Note 20)	**(1,982,183)**	(2,357,709)	**(5,541,452)**	(6,154,688)
Distributions paid on LP units of Village West LP	**(49,927)**	(49,925)	**(133,137)**	(133,136)
	33,819,512	64,689,413	**73,461,913**	121,789,686
Cash provided by (used in) investing activities				
Acquisition of income properties and properties under development	**(25,500,000)**	(51,870,000)	**(47,220,000)**	(91,191,965)
Improvements to income properties	**(690,111)**	(828,686)	**(1,048,346)**	(3,021,912)
Construction of income properties	**(3,236,907)**	-	**(3,654,061)**	-
Increase in properties under development	**(467,974)**	(14,386,756)	**(9,497,950)**	(24,606,730)
Deposits on potential acquisitions	**(1,150,000)**	(415,975)	**(2,010,000)**	(600,000)
Increase in restricted cash	**(258,895)**	571,441	**(678,236)**	(1,810,310)
	(31,303,887)	(66,929,976)	**(64,108,593)**	(121,230,917)
Cash increase (decrease)	**4,799,556**	(809,365)	**16,007,183**	4,171,081
Cash (bank indebtedness), beginning of period	**9,583,976**	6,568,717	**(1,623,651)**	1,588,271
Cash, end of period	**$ 14,383,532**	$ 5,759,352	**$ 14,383,532**	$ 5,759,352

Supplementary cash flow information (Note 20)

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 and on June 18, 2008.

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, 2007 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, 2007 audited financial statements and notes thereto.

2 *Accounting policy developments*

On January 1, 2008, the Trust adopted CICA Handbook Section 1535 - Capital Disclosures, Section 3862 - Financial Instruments - Disclosures and Section 3863 - Financial Instruments - Presentation. Section 1535 requires the Trust to disclose information that enables users of its financial statements to evaluate the Trust's objectives, policies and processes for managing capital. Sections 3862 and 3863 replace the existing Section 3861, Financial Instruments - Disclosure and Presentation. These new sections revise and enhance disclosure requirements and carry forward unchanged existing presentation requirements. These new sections require disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards do not have any impact on the classification or measurement of financial instruments.

Future changes to significant accounting policies

Goodwill and intangible assets

In February 2008, the CICA issued a new Handbook Sections: Section 3064, "Goodwill and Intangible Assets." Section 3064 replaces CICA 3062 and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The accounting standard is to be applied no later than the fiscal years beginning on or after October 1, 2008 (i.e., the Trust's 2009 fiscal year).

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

International Financial Reporting Standards

The CICA Accounting Standards Board has adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards for public companies will be required to converge with International Financial Reporting Standards for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. The International Financial Reporting Standards will replace Canada's current GAAP for public companies.

2 Change in accounting policies (continued)

International Financial Reporting Standards (continued)

Management is currently in the process of evaluating the potential impact of the International Financial Reporting Standards to the consolidated financial statements. This will be an ongoing process as new standards and recommendations are issued by the International Accounting Standards Board and the CICA. The consolidated financial performance and financial position, as disclosed in our current GAAP financial statements, may be significantly different when presented in accordance with International Financial Reporting Standards.

The CICA has provided public companies with the option to early adopt International Financial Reporting Standards, effective January 1, 2009. The Trust does not intend to early adopt these standards on January 1, 2009.

3 Acquisitions

During the nine months ended September 30, 2008, the Trust acquired two income properties.

The net assets acquired in the transaction are as follows:

Income properties	
Land	$ 6,690,505
Buildings	79,727,295
Furniture, equipment and appliances	990,000
Asphalt and paving	5,812,200
Vendor take-back mortgage loan payable	(4,000,000)
	$ 89,220,000
Consideration:	
Cash	$ 28,000,000
Deposits paid in the year	500,000
Mortgage loan receivable, applied to purchase	10,000,000
Acquisition cost payable	48,233,000
GST payable	2,487,000
	$ 89,220,000

4 *Income properties*

September 30, 2008	Cost	Accumulated Amortization	Net Book Value
Land	$ 86,218,516	$ -	$ 86,218,516
Buildings and improvements	441,348,845	(19,601,637)	421,747,208
Furniture, equipment and appliances	12,328,844	(2,341,501)	9,987,343
Intangible assets	3,465,827	(2,665,578)	800,249
	$543,362,032	$ (24,608,716)	$518,753,316

December 31, 2007 (audited)	Cost	Accumulated Amortization	Net Book Value
Land	$ 70,228,011	$ -	$ 70,228,011
Buildings and improvements	311,293,608	(13,338,109)	297,955,499
Furniture, equipment and appliances	7,825,239	(1,557,893)	6,267,346
Intangible assets	3,465,827	(2,120,384)	1,345,443
	$392,812,685	$ (17,016,386)	$375,796,299

On July 1, 2008, Parsons Landing Phase I achieved a level of occupancy necessary for the property to be classified as an income property and as a result, costs totaling $34,658,345 were transferred from properties under development to income properties.

The tenant at Lakewood Manor has the option to purchase the townhouse portion of the property for $26,873,600 to June 30, 2009 and $27,667,200 to June 30, 2010.

5 *Properties under development*

	September 30 2008	December 31 2007 (audited)
Clarington Seniors Residence	$ 26,113,107	$ 25,023,068
Elgin Lodge	9,848,807	9,766,638
Laird's Landing	-	45,439,063
	$ 35,961,914	$ 80,228,769

The cost of properties under development includes carrying costs of $1,058,829 for the nine months ended September 30, 2008 (2007 - $2,111,781).

6 *Mortgage loan receivable*

The mortgage loan receivable at December 31, 2007 consisted of a $10,000,000, 8% second mortgage loan secured by Parsons Landing, a 163 suite multi-family apartment project in Fort McMurray, Alberta.

7 *Other assets*

	September 30 2008	December 31 2007 (audited)
Amounts receivable	$ 2,119,170	$ 958,397
Prepaid expenses, deposits and other	1,876,769	1,606,986
Deposits on potential acquisitions	2,160,000	650,000
Straight-line rent receivable	298,948	291,548
Restricted cash	3,519,875	2,841,639
Interest rate swap	1,204,002	-
Above market in place leases, net of accumulated amortization of $69,483, (2007 - $61,855)	54,242	61,871
	$ 11,233,006	$ 6,410,441

Amounts receivable includes rent receivable of $946,834 (2007 - $547,827) net of an allowance for doubtful accounts of $224,979 (2007 - $91,557).

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 $389,491 (2007 - $641,028).

Interest Rate Swap
The Trust entered into interest rate swap arrangements whereby the interest rate on the floating rate mortgages have been fixed for the five and ten year terms of the mortgages. The interest rate swap is a derivative financial instrument classified as held-for-trading and is recorded on the balance sheet at fair value. The change in the fair value is recognized in net income. Included in financing expense is a credit of $1,152,972 for the three months ended September 30, 2008, and $1,204,002 for the nine months ended September 30, 2008, in the recognition of the increase in the fair value of the swap asset.

8 Mortgage loans payable

Mortgage loans payable consists of the following:

	Interest Rates at September 30, 2008			
	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	September 30 2008
Income properties				
Fixed rate mortgages	4.5% - 12.0%	6.3%	4.9 years	$325,512,435
Floating rate mortgages	5.8% - 6.3%	5.8%	Demand	80,500,000
				406,012,435
Properties under development				
Fixed rate mortgages	5.8% - 16.0%	9.4%	.9 year	11,370,000
Floating rate mortgages	5.8% - 6.8%	6.0%	Demand	12,435,570
				23,805,570
				429,818,005
Difference between contractual and market interest rates on mortgage loans assumed				121,654
Unamortized transaction costs				(2,471,380)
				$427,468,279

The Trust has entered into interest rate swap arrangements whereby the interest rate on the floating rate mortgages in the amounts of $20,905,985 and $22,679,623 have been fixed at 5.74% and 5.82% for the five and ten year terms of the respective mortgages.

8 Mortgage loans payable (continued)

	Interest Rates at December 31, 2007			
	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31 2007 (audited)
Income properties				
Fixed rate mortgages	4.1% - 11.0%	5.9%	5.3 years	$263,514,757
Floating rate mortgages	6.3% - 7.3%	7.1%	Demand	25,500,000
Non interest bearing vendor take-back second mortgage			Demand	236,475
				289,251,232
Properties under development				
Fixed rate mortgages	5.8% - 16.0%	9.4%	1.2 years	11,370,000
Floating rate mortgages	7.0% - 8.0%	7.0%	Demand	42,647,928
				54,017,928
				343,269,160
Difference between contractual and market interest rates on mortgage loans assumed				301,060
Unamortized transaction costs				(2,236,177)
				$341,334,043

Approximate principal repayments are as follows:

Year ending December 31	
2008 - Remainder of year	$ 96,687,895
2009	61,857,356
2010	24,521,945
2011	9,038,805
2012	10,017,235
Thereafter	227,694,769
	$429,818,005

The income properties and properties under development have been pledged as security under the related mortgage loan 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 $121,654 is net of accumulated amortization of $737,019 at September 30, 2008 (2007 - $557,613). The difference relates to mortgage loans assumed on acquisition of properties under development. The amortization of $10,672 (2007 - $128,082) for the three months ended September 30, 2008 and $177,407 (2007 - $169,413) for the nine months ended September 30, 2008 is recorded as a reduction of the carrying value of properties under development.

8 Mortgage loans payable (continued)

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, 2008.

Mortgage loans may be secured by mortgage charges registered against the title of specific income properties, by assignment of book debts, by assignments of rents and repayment guarantees.

9 Convertible debentures

The Trust has the following convertible debentures outstanding:

	September 30 2008	December 31 2007 (audited)
Series D	$ -	$ 1,593,000
Series E	11,950,000	11,950,000
Series F	13,680,000	13,680,000
Series G	25,732,000	25,732,000
	$ 51,362,000	$ 52,955,000

The Series D debentures which bore interest at 8%, matured on March 16, 2008. The Trust repaid $1,593,000 in respect of the Series D debentures.

During the three and nine months ended September 30, 2008 there were not any conversions of convertible debentures. During the three and nine months ended September 30, 2007, the 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

September 30, 2008	Debt	Equity	Total
Convertible debentures			
Series E - 8%, due February 17, 2010	$ 10,915,183	$ 2,835,690	$ 13,750,873
Series F - 7.5%, due March 11, 2011	11,610,481	3,564,376	15,174,857
Series G - 7.5%, due December 31, 2011	20,910,846	6,704,571	27,615,417
	43,436,510	13,104,637	56,541,147
Unamortized transaction costs	(1,812,621)	-	(1,812,621)
	$ 41,623,889	$ 13,104,637	$ 54,728,526

9 *Convertible debentures (continued)*

December 31, 2007 (audited)	Debt	Equity	Total
Convertible debentures			
Series D - 8%, due March 16, 2008	$ 1,565,705	$ 322,658	$ 1,888,363
Series E - 8%, due February 17, 2010	10,456,183	2,835,690	13,291,873
Series F - 7.5%, due March 11, 2011	11,113,418	3,564,376	14,677,794
Series G - 7.5%, due December 31, 2011	20,072,606	6,704,571	26,777,177
	43,207,912	13,427,295	56,635,207
Unamortized transaction costs	(2,171,659)	-	(2,171,659)
	$ 41,036,253	$ 13,427,295	$ 54,463,548

The Series E and F convertible debentures of the Trust are secured by a security interest on all the property and assets of the Trust. The security interest ranks senior to the trust units and subordinate to mortgage loans payable and related collateral security.

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 E, Series F and Series G debentures.

The accretion of the debt component for the three months ended September 30, 2008 of $623,514 (2007 - $605,779) and for the nine months ended September 30, 2008 of $1,815,815 (2007 - $1,699,790), which increases the debt component from the initial carrying amount, is included in financing expense.

10 *Accounts payable and accrued liabilities*

	September 30 2008	December 31 2007 (audited)
Accounts payable and accrued liabilities	$ 4,108,762	$ 2,191,916
Acquisition cost payable	50,720,000	19,615,893
Construction costs payable	2,186,120	4,710,619
Mortgage and debenture interest payable	2,210,059	2,276,599
Tenant security deposits	3,532,803	2,535,202
Below market in-place leases, net of accumulated amortization of $72,796 (2007 - $66,498)	2,797	9,096
	$ 62,760,541	$ 31,339,325

The acquisition cost payable at September 30, 2008 relates to the acquisition of Phase I and Phase II of Parsons Landing. The acquisition payable bears interest at 8% and is expected to be paid in February 2009. The acquisition cost payable at December 31, 2007 relates to the acquisition of Millennium Village and was paid on May 20, 2008.

11 Future income taxes

Future income taxes consists of the following components:

	September 30 2008	December 31 2007 (audited)
Future income tax assets:		
Future income taxes related to difference in tax and book value of the Trust	$ -	$ 3,763,761
Future income tax liabilities:		
Future income taxes related to difference in tax and book value of the Trust	$ 1,902,882	$ -
Future income taxes related to difference in tax and book value of wholly owned operating subsidiaries	3,559,885	3,507,101
Future income taxes related to operating losses of wholly owned operating subsidiaries	(1,492,204)	(889,196)
	$ 3,970,563	$ 2,617,905

Future income tax recoveries:

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Current income tax recovery at Canadian statutory tax rates	$ 109,742	$ 136,558	$ 446,674	$ 473,303
(Decrease) increase in future income tax recoveries resulting from the change in tax status with the enactment of Bill C-52	(3,006,006)	1,479,809	(5,666,645)	3,351,389
Lease-up period operations capitalized to Properties Under Development, included in taxable income	188,938	158,141	338,825	243,288
Differences between net income per the financial statements and taxable income per wholly-owned operating subsidiaries	15,724	154,173	188,725	28,960
Adjustment to future tax liabilities for changes to the difference between Tax and GAAP carrying values	(141,854)	(14,599)	(423,999)	2,494
	$ (2,833,456)	$ 1,914,082	$ (5,116,420)	$ 4,099,434

12 Cash and bank indebtedness

Cash and (bank indebtedness) consists of cash in bank less a revolving line of credit. The Trust obtained a revolving line of credit on November 16, 2007 in the maximum amount of $5,000,000, bearing interest at prime 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 September 30, 2008, $4,875,000 is available to the Trust under the terms of the line of credit.

Cash and (bank indebtedness) consist of the following:

	September 30 2008	December 31 2007 (audited)
Cash in bank	$ 14,383,532	$ 1,416,349
Less: Line of credit	-	(3,040,000)
	$ 14,383,532	$ (1,623,651)

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 the 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, 2008, there were 356,617 (2007 - 356,617) LP Units of Village West LP outstanding.

Non-controlling interest consists of the following:

	September 30 2008	December 31 2007 (audited)
Opening balance	$ 1,685,103	$ 1,925,515
Share of income (loss) of Village West Townhouses	57,498	(40,707)
Distributions on LP Units of Village West LP	(149,779)	(199,705)
	$ 1,592,822	$ 1,685,103

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 is a related party by virtue of the property management and services agreements with the Trust.

Management agreement
The Trust incurred property management fees payable to Shelter Canadian Properties Limited of $655,596 for the three months ended September 30, 2008 (2007 - $443,113) and $1,693,700 for the nine months ended September 30, 2008 (2007 - $1,107,109). Property management fees are included in property operating costs and during the period of major in-suite renovations or development are capitalized to the cost of buildings and properties under development.

Included in accounts payable and accrued liabilities at September 30, 2008 is a balance of $65,754 (2007 - $66,938), payable to Shelter Canadian Properties Limited in regard to outstanding property management fees.

Services agreement
The Trust incurred service fees payable to Shelter Canadian Properties Limited of $417,103 for the three months ended September 30, 2008 (2007 - $304,923) and $1,197,586 for the nine months ended September 30, 2008 (2007 - $808,880). On August 13, 2008, the services agreement was renewed with the same terms and conditions expiring December 31, 2008. Service fees are included in trust expense.

Acquisition
The Trust has entered into a development agreement with Shelter Canadian Properties Limited to develop Laird's Landing, a residential property located in Fort McMurray, Alberta. During the three and nine months ended September 30, 2008, nil (2007 - $151,707) and $234,179 (2007 - $347,801) respectively, was recorded to properties under development in regard to the development and construction supervision services provided by Shelter Canadian Properties Limited.

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

15 Units

The number of units issued and outstanding is as follows:

	Nine Months Ended September 30 2008	Year Ended December 31 2007 (audited)
Outstanding, beginning of period	17,529,894	17,392,235
Issued on conversion of debentures	-	41,058
Issued on distribution reinvestment plan	213,511	86,601
Issued on exercise of unit option	-	10,000
Cancelled under normal course issuer bid	(183,200)	-
Outstanding, end of period	17,560,205	17,529,894

15 Units (continued)

Units cancelled
On January 16, 2008, the Trust announced its intention to make a normal course issuer bid to acquire up to 876,494 units, representing 5% of the issued and outstanding units of the Trust, over the twelve month period ended January 20, 2009, in accordance with the policies of the Toronto Stock Exchange. Units purchased by the Trust under its normal course issuer bid are cancelled. During the nine months ended September 30, 2008 the Trust has purchased and cancelled 183,200 units under its normal course issuer bid at a weighted average price of $5.07 per unit.

Distribution Reinvestment Plan
Pursuant to the distribution reinvestment plan ("DRIP"), holders of Units may elect to have all or a portion of their regular monthly distributions automatically reinvested in additional Units. Participants in the DRIP receive a bonus distribution of units equal to 4% of the amount of the cash distribution which is reinvested. The purchase price of the units is equal to the weighted average closing price of the Units for the five trading days immediately preceding the distribution payment date. During the nine months ended September 30, 2008, 213,511 (2007 - 86,601) units have been issued pursuant to the DRIP.

Deferred unit plan
On May 26, 2008, the Trust 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 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 the termination other than for cause, retirement, or death, of the participant. 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.

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.

During the nine months ended September 30, 2008, there were no units issued under the deferred unit plan.

16 Unit option plan

On January 7, 2008, the Trust granted options to each of the four independent trustees, the chief executive officer, the chief financial officer and to a total of 20 management and other senior employees of Shelter Canadian Properties Limited who are engaged in functions related to the Trust, to acquire an aggregate of 370,000 units, exercisable at $5.10 per unit. The options granted to each of the four independent trustees vested immediately. The balance of the options granted will vest equally on each of the grant date and the first, second, third and fourth anniversaries of the grant date. The units issued upon exercise of the options will be subject to a minimum hold period of four months and a day from the date of the grant of the options.

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 January 7, 2008 are dividend yield of 10.32%, expected volatility of 35.59%, risk-free interest rate of 3.68% and life of options of five years. The total fair value of the unit options granted is $241,892.

Unit-based compensation expense of $45,138 for the three months ended September 30, 2008 (2007 - $52,992) and $273,075 for the nine months ended September 30, 2008 (2007 - $259,698), relating to options issued was recorded to expense the fair value unit-based compensation, including $17,025 for the three months ended September 30, 2008 and $160,905 for the nine months ended September 30, 2008 relating to the options issued on January 7, 2008. Unit-based compensation is included in trust expense.

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

	Nine Months Ended September 30, 2008		Year Ended December 31, 2007	
	Units	Weighted Average Exercise Price	Units (audited)	Weighted Average Exercise Price
Outstanding, beginning of period	1,110,000	$ 5.72	1,000,000	$ 5.77
Granted, June 8, 2007	-	-	120,000	5.30
Exercised, October 26, 2007	-	-	(10,000)	4.00
Granted, January 7, 2008	370,000	5.10	-	-
Expired, August 11, 2008	(28,000)	5.73	-	-
Outstanding, end of period	1,452,000	$ 5.56	1,110,000	$ 5.72
Vested, end of period	960,400		654,000	

At September 30, 2008 the following unit options were outstanding:

Exercise price	Options outstanding	Options vested	Expiry date
$ 5.42	30,000	30,000	January 17, 2011
5.80	935,000	641,000	July 26, 2011
5.30	120,000	120,000	June 8, 2012
5.10	367,000	169,400	January 7, 2013
	1,452,000	960,400	

17 *Rentals from income properties*

Rental revenue contractually due from tenants includes the recovery of property operating costs and property taxes from tenants of $704,371 (2007 - $400,290) for the three months ended September 30, 2008 and $2,106,576 (2007 - $1,205,099) for the nine months ended September 30, 2008.

18 *Financing expense*

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Mortgage loan interest	$ 6,821,734	$ 4,353,369	$ 16,636,909	$ 10,401,223
Convertible debenture interest	977,975	1,011,399	2,965,785	3,119,769
Accretion of the debt component of convertible debentures	623,514	605,779	1,815,815	1,699,790
Amortization of transaction costs	440,901	360,719	1,215,795	1,113,570
Change in fair value of interest rate swap	(1,152,973)	-	(1,204,002)	-
	$ 7,711,151	$ 6,331,266	$ 21,430,302	$ 16,334,352

19 *Amortization*

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Building	$ 2,629,314	$ 1,828,861	$ 6,479,592	$ 4,676,621
Furniture, equipment and appliances	319,866	193,981	783,612	458,054
Intangible assets, except for in-place leases	136,290	223,076	545,194	762,714
	3,085,470	2,245,918	7,808,398	5,897,389
Transaction costs	440,901	360,720	1,215,795	1,113,570
Above market in-place leases	2,543	2,589	7,628	7,768
Below market in-place leases	(2,099)	(2,190)	(6,297)	(6,569)
	3,526,815	2,607,037	9,025,524	7,012,158
Difference between contractual and market interest rates on mortgage loans assumed	(10,672)	(128,082)	(179,407)	(169,413)
	$ 3,516,143	$ 2,478,955	$ 8,846,117	$ 6,842,745

20 Supplementary cash flow information

	Three Months Ended September 30 2008	Three Months Ended September 30 2007	Nine Months Ended September 30 2008	Nine Months Ended September 30 2007
Interest paid and received				
Interest paid on mortgage loans	$ 6,145,657	$ 3,332,460	$ 16,706,254	$ 9,544,156
Interest paid on convertible debentures	$ 991,000	$ -	$ 2,985,876	$ -
Interest received on mortgage loans receivable	$ 55,460	$ 109,589	$ 313,865	$ 660,986
Other interest received	$ 97,632	$ 110,884	$ 378,708	$ 394,013
Cash distributions				
Distributions declared	$ 2,460,011	$ 2,451,342	$ 7,380,656	$ 7,317,200
Distributions payable beginning of period	821,599	815,118	-	-
Distributions payable end of period	(819,476)	(815,960)	(819,476)	(815,960)
Distributions to participants in the DRIP	(479,951)	(92,419)	(1,019,728)	(319,154)
Distributions paid on units	$ 1,982,183	$ 2,358,081	$ 5,541,452	$ 6,182,086

21 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 2008	Three Months Ended September 30 2007	Nine Months Ended September 30 2008	Nine Months Ended September 30 2007
Income (loss)	$ (2,433,198)	$ 725,735	$ (7,421,708)	$ (292,006)
Diluted income (loss)	$ (2,433,198)	$ 725,735	$ (7,421,708)	$ (292,006)
Weighted average number of units	17,515,717	17,474,123	17,501,083	17,442,665
Dilutive options	-	3,408	-	-
Weighted average diluted number of units	17,515,717	17,477,531	17,501,083	17,442,665

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
Liquidity risk arises from the possibility of the Trust not having sufficient debt and equity capital available to fund its growth and 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 and, except for properties under development, by limiting the use of floating interest rate debt.

As at September 30, 2008, the weighted average term to maturity of the fixed rate mortgages on income properties, excluding properties under development, is 4.9 years (2007 - 5.3 years).

Interest rate risk
Interest risk arises from debt financing including the risk that the Trust will not be able to refinance the mortgages with terms as favourable as those of existing mortgages. 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.

As at September 30, 2008, the Trust has total contractual mortgage principal maturities on income properties to December 31, 2011 of $105,541,858, representing 24.6% of the mortgage loans principal balance. Should the amounts be refinanced upon maturity at an interest rate differential of 100 basis points, financing expense would increase by $1,055,419 per year.

The Trust has floating rate mortgages on income properties (excluding a floating rate mortgages in the amount of $20,905,985 and $22,679,623, with interest rates fixed at 5.74% and 5.82% respectively by use of interest rate swap arrangements) comprised of $80,500,000, or 19.8% of the total mortgage loans on income properties as at September 30, 2008 (2007 - 8.8%).

Floating rate mortgages on properties under development comprise construction loans and loans on properties during the period of lease-up.

With the exception of interest rate swap arrangements, the Trust does not trade in financial instruments.

22 Financial instruments and risk management (continued)

Market risk
Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: credit risk, currency risk and other price risk.

Credit risk
Credit risk arises from the possibility that tenants may be unable to fulfill their lease commitments. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

Thirteen properties, representing 34% of the total residential suites, are located in Fort McMurray, Alberta. The credit risk associated with the tenants in Fort McMurray is mitigated due to the long-term nature of the oil sands industry and the credit worthiness of the commerial tenants which comprise a significant portion of the rent receivable. The Trust has credit policies to address credit risk which 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.

The Trust has a tenant that accounts for 10% of rentals from income properties for the nine months ended September 30, 2008. Credit risk, in this regard, has been managed by the Trust leasing to a credit worthy tenant.

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:

	September 30 2008	December 31 2007
Rent receivable overdue:		
0 to 30 days	$ 524,339	$ 24,567
31 to 60 days	160,036	85,866
More than 60 days	262,459	171,904
	$ 946,834	$ 282,337

A reconciliation of allowance for doubtful accounts is as follows:

	September 30 2008	December 31 2007
Balance, beginning of period	$ 42,185	$ 55,256
Provision for impairment of rent receivable	304,782	74,508
Amounts written off as uncollectible	(121,988)	(87,579)
Balance, end of period	$ 224,979	$ 42,185

22 Financial instruments and risk management (continued)

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 financial instruments of the Trust are not exposed to other price risk.

Fair values
Financial instruments include cash, mortgage loans receivable, amounts receivable, interest rate swap, restricted cash, mortgage loans payable, accounts payable and accrued liabilities, the debt component of convertible debentures, bank indebtedness and distributions payable. Except for the mortgage loans payable and the debt component of convertible debentures, the carrying values of these financial instruments approximate fair value due to the short term nature of the financial 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 with similar terms and conditions. The estimated fair value of mortgage loans payable for the period ended September 30, 2008 is $436,652,398 (December 31, 2007 - $343,000,000).

The carrying value of the debt components of convertible debentures payable are impacted by changes in market yields which can result in differences between the carrying value and fair value of instruments. The fair value of the debt component of convertible debentures payable has been estimated based on the current market rates for debentures with similar terms and conditions. The estimated fair value of the debt component of convertible debentures payable for the period ended September 30, 2008 is $49,610,105 (December 31, 2007 - $43,207,912).

23 Management of capital

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

	September 30 2008	December 31 2007
Mortgage loans payable	$429,818,005	$343,269,160
Convertible debentures		
Debt component	43,436,510	43,207,912
Equity component	13,104,637	13,427,295
	56,541,147	56,635,207
Trust units	79,782,837	79,124,607
	$566,141,989	$479,028,974

23 Management of capital (continued)

The Trust manages capital in order to safeguard its ability to continue as a going concern; to ensure that returns are provided to Unitholders 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 optimize 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 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 issue units, debentures or mortgage debt; adjust the amount of distributions paid to unitholders; return capital to unitholders; purchase units; or 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

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, 2008:

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	2,838,638	258,031	42,766,057	-	45,862,726
Interest and other income	24,565	517	313,629	325,437	664,148
Property operating costs	1,473,891	67,343	16,127,418	-	17,668,652
Financing expense	738,468	112,908	12,572,786	8,006,140	21,430,302
Amortization	553,696	23,509	7,231,193	-	7,808,398
Income (loss)	97,137	54,786	7,641,029	(15,214,660)	(7,421,708)
Total assets	18,620,097	2,737,067	544,515,120	12,556,600	578,428,884

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

Three months ended September 30, 2008:

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	957,764	71,738	16,787,574	-	17,817,076
Interest and other income	6,448	154	82,896	16,049	105,547
Property operating costs	433,643	24,242	5,668,457	-	6,126,342
Financing expense	244,834	37,448	4,488,307	2,940,562	7,711,151
Amortization	185,742	7,836	2,891,892	-	3,085,470
Income (loss)	99,982	2,366	3,975,383	(6,510,929)	(2,433,198)
Total assets	18,620,097	2,737,067	544,515,120	14,459,484	580,331,768

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

24 Segmented financial information (continued)

Nine months ended September 30, 2008:

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	26,040,034	1,097,024	4,384,670	1,142,854	4,495,785	8,702,359	-	45,862,726
Interest and other income	232,182	6,592	30,998	295	27,304	41,340	325,437	664,148
Property operating costs	7,539,066	665,355	2,193,816	744,689	1,773,268	4,752,458	-	17,668,652
Financing expense	8,780,700	254,634	1,206,494	555,360	967,303	1,659,671	8,006,140	21,430,302
Amortization	4,279,973	145,311	962,063	207,764	658,914	1,554,373	-	7,808,398
Income (loss)	5,672,474	38,316	53,296	81,700	1,123,602	823,564	(15,214,660)	(7,421,708)
Total assets	374,602,902	10,744,016	33,813,504	46,189,938	38,824,042	61,697,882	14,459,484	580,331,768

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

Three months ended September 30, 2008:

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	11,071,928	366,904	1,493,622	450,241	1,487,213	2,947,168	-	17,817,076
Interest and other income	55,546	1,848	8,571	97	8,447	14,989	16,049	105,547
Property operating costs	2,799,103	229,979	662,613	330,941	564,508	1,539,198	-	6,126,342
Financing expense	3,195,644	83,823	411,834	205,100	322,265	551,923	2,940,562	7,711,151
Amortization	1,939,645	48,623	323,775	69,254	220,563	483,610	-	3,085,470
Income (loss)	3,193,070	6,327	103,970	69,423	388,319	316,622	(6,510,929)	(2,433,198)
Total assets	374,602,902	10,744,016	33,813,504	46,189,938	38,824,042	61,697,882	14,459,484	580,331,768

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

25 Commitments

Acquisitions

Parsons Landing Apartments

On September 1, 2008, the Trust completed the acquisition of Parsons Landing, a residential property located in Fort McMurray, Alberta, for a total cost of $63,200,000, including GST. The acquisition will be funded with a new first mortgage loan of $50,000,000. On November 1, 2007, the Trust provided a $10,000,000 second mortgage loan, which bore interest at 8%. On closing of Phase I of the property on May 14, 2008, a purchase installment payment of $2,500,000 was made and $5,250,000 of the second mortgage loan was applied to the purchase price. On closing of Phase II of the property on September 1, 2008, the balance of the second mortgage load of $4,750,000 was applied to the purchase price. The purchase installment payment of $2,500,00 will be paid October 1, 2008. The payment of the balance owing on acquisition is due in February, 2009.

Mortgage Guarantee Fees

The Trust has outstanding commitments to pay mortgage guarantee fees to guarantors on certain of the mortgage loans payable until the mortgage terms are amended to remove the guarantors or the mortgages are refinanced.

Amounts due under the commitments are as follows:

Year ending December 31	
2008 - remainder of year	$ 43,348
2009	170,329
2010	166,615
2011	162,668
2012	158,473
Thereafter	327,953
	$ 1,029,386

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

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

26 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. Consideration recorded at September 30, 2008 of $284,840 (2007 - $194,756), which increases the cost of the building, is included in accounts payable and accrued liabilities.

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. Consideration recorded at September 30, 2008 of $272,964 (2007 - $150,001), which increases the cost of properties under development, is included in accounts payable and accrued liabilities.

27 Subsequent events

Parsons Landing
On October 1, 2008, the purchase price installment of $2,500,000 was paid in regard to Phase II of Parsons Landing.

Colony Square
On October 1, 2008, the Trust acquired the remaining 98.5% beneficial interest in Colony Square, a residential and commercial property located in Winnipeg, Manitoba for $37,700,000. The Trust previously owned 1.5% beneficial interest in the property. The acquisition was financed with an assumption of existing first mortgage loan of $20,875,717, and the balance in cash.

Distributions
Distributions of $819,476 were paid on October 15, 2008 to unitholders of the Trust. Units of 44,924 were issued on October 15, 2008 to unitholders of the Trust in regard to participation in the DRIP. Distributions of $16,642 were paid on October 15, 2008 to the holder of the LP units of Village West LP.

Units cancelled
Subsequent to September 30, 2008, the Trust purchased and cancelled 149,800 units at an weighted average price of $3.86, pursuant to terms of the normal course issuer bid.

Upward refinancing
On October 6, 2008 and November 5, 2008, advances of $3,000,000 and $3,500,000 respectively were received in regard to a $7,500,000 interim mortgage loan. The loan bears interest at 11.75% and is due November 1, 2009. The final advance of $1,000,000 is expected to be received in December 2008.

28 Comparative figures

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