LANESBOROUGH REIT

REAL ESTATE INVESTMENT TRUST
QUARTERLY REPORT
SEPTEMBER 30, 2002

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

BALANCE SHEET

	September 30 2002	December 31 2001
Assets		
Income properties (Note 4 and 5)	**$ 10,775,057**	$ -
Accounts receivable (Note 9)	**46,703**	406
Deferred charges (Note 6)	**247,295**	-
Prepaid expenses	**5,272**	-
Cash	**1,204,720**	333,690
	$ 12,279,047	$ 334,096
Liabilities and Unitholders' Equity		
Mortgage loan payable (Note 7)	**$ 7,925,442**	$ -
Convertible debentures (Note 8)	**2,681,815**	-
Accounts payable and accrued liabilities (Note 10)	**180,730**	3,576
	10,787,987	3,576
Unitholders' equity (Note 11)	**1,491,060**	330,520
	$ 12,279,047	$ 334,096

Approval by the Trustees

Arni C. Thorsteinson ____________ Trustee

Charles Loewen ____________ Trustee

(unaudited)

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

STATEMENT OF UNITHOLDERS' EQUITY

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	**2001**	**2002**	**2001**
Unitholders' equity, beginning of period				
Share capital	**$ 341,874**	$ 341,874	**$ 341,874**	$ 341,874
Deficit	**(41,311)**	(9,898)	**(11,354)**	(4,866)
	300,563	331,976	**330,520**	337,008
Elimination on reorganization (Note 11)	**(341,874)**	-	**(341,874)**	-
Exchange of shares (Note 11)	**341,874**	-	**341,874**	-
Net income (loss)	**26,599**	2,065	**(3,358)**	(2,967)
Public offering (Note 8)	**1,320,138**	-	**1,320,138**	-
Private placement (Note 11)	**300,000**	-	**300,000**	-
Issue costs	**(456,240)**	-	**(456,240)**	-
Unitholders' equity, end of period	**$ 1,491,060**	$ 334,041	**$ 1,491,060**	$ 334,041

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

STATEMENT OF NET INCOME AND DISTRIBUTABLE INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	**2001**	**2002**	**2001**
Revenue				
Rentals from income properties (Note 13)	**$ 741,711**	$ -	**$ 741,711**	$ -
Interest and other income	**5,847**	3,621	**9,847**	10,457
Total revenue	**747,558**	3,621	**751,558**	10,457
Expenses				
Property operating costs (Note 15)	**350,696**	-	**350,696**	-
Operating income	**396,862**	3,621	**400,862**	10,457
Financing expense (Note 14)	**343,827**	-	**343,827**	-
Trust expenses	**(26,866)**	1,556	**7,091**	13,424
Amortization of income properties	**32,113**	-	**32,113**	-
Amortization of deferred charges	**21,189**	-	**21,189**	-
Total expenses	**370,263**	1,556	**404,220**	13,424
Net income (loss)	**26,599**	2,065	**(3,358)**	(2,967)
Add: Financing expense on convertible debentures	**35,268**	-	**35,268**	-
Interest payable on convertible debentures	**(33,315)**	-	**(33,315)**	-
Amortization of income properties	**32,113**	-	**32,113**	-
Distributable income (loss)	**$ 60,665**	$ 2,065	**$ 30,708**	$ (2,967)
Net income (loss) per unit (Note 16)				
Basic	$ 0.048	$ -	$ (0.006)	$ (0.001)
Diluted	0.043	-	(0.006)	(0.001)
Distributable income per unit (Note 16)				
Basic	$ 0.110	$ -	$ 0.059	$ (0.001)
Diluted	0.099	-	0.058	(0.001)

(unaudited)

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

STATEMENT OF CASH FLOW

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	**2001**	**2002**	**2001**
Cash provided by (used in) operating activities				
Net income (loss) for period	**$ 26,599**	$ 2,065	**$ (3,358)**	$ (2,967)
Add: Amortization of income properties	**32,113**	-	**32,113**	-
Amortization of deferred charges	**21,189**	-	**21,189**	-
Accretion on liability component of convertible debenture	**1,953**	-	**1,953**	-
Cash from operations	**81,854**	2,065	**51,897**	(2,967)
Net changes in accounts receivable, prepaid expenses, accounts payable	**110,499**	344	**125,585**	(1,648)
Increase in deferred charges	**(268,484)**	-	**(268,484)**	-
	(76,131)	2,409	**(91,002)**	(4,615)
Cash provided by (used in) financing activities				
Proceeds of mortgage loan financing	**7,987,500**	-	**7,987,500**	-
Proceeds of convertible debentures	**4,000,000**	-	**4,000,000**	-
Proceeds of participating loan	**2,701,338**	-	**2,701,338**	-
Repayment of participating loan	**(2,701,338)**	-	**(2,701,338)**	-
Repayment of mortgage loan	**(62,058)**	-	**(62,058)**	-
Private placement of units	**300,000**	-	**300,000**	-
Issue costs	**(456,240)**	-	**(456,240)**	-
	11,769,202	-	**11,769,202**	-
Cash provided by (used in) investing activities				
Additions to income properties	**(10,807,170)**	-	**(10,807,170)**	-
Increase (decrease) in cash	**885,901**	2,409	**871,030**	(4,615)
Cash, beginning of period	**318,819**	329,660	**333,690**	336,684
Cash, end of period	**$ 1,204,720**	$ 332,069	**$ 1,204,720**	$ 332,069
Supplementary cash flow information				
Interest paid during the period	**$ 278,303**	$ -	**$ 278,303**	**$ -**

(unaudited)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

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 on April 23, 2002. On August 30, 2002, a Plan of Arrangement was completed, pursuant to which the Trust acquired all of the outstanding shares of Wireless One Inc. in exchange for units of the Trust. All of the assets and liabilities of Wireless One Inc. were transferred to the Trust as of August 30, 2002.

Basis of presentation

The Trust is considered to be a continuation of Wireless One Inc. following the continuity of interest method of accounting. Under the continuity of interest method of accounting, the Trust recorded the acquisition of Wireless One Inc. at the net book value of the assets and liabilities of Wireless One Inc. on August 30, 2002. The share capital and deficit of Wireless One Inc. became the opening Unitholders' Equity of the Trust at that date.

The quarter ended September 30, 2002 reflects operations from income properties for the period from April 23, 2002 to September 30, 2002. The financial statements reflect the current operations of the trust with the comparative period representing information relating to Wireless One Inc.

2 *Significant accounting policies*

The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and are generally in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies.

Income properties

Income properties include land, buildings and related costs.

Income properties are stated at the lower of net book value and estimated net recoverable amount. The net recoverable amount represents the undiscounted estimated future net cash flow which is expected to be received from the ongoing use and residual worth of the properties, and is intended to determine recovery of an investment and is not an expression of the fair value of a property.

Amortization is recorded on buildings using a 5% forty-year sinking fund basis. Under this method, amortization is charged to income at an amount which increases annually, consisting of a fixed annual sum together with a factor which is compounded at the rate of 5% per annum so as to fully amortize the buildings over a forty-year period.

Deferred charges

Deferred charges include tenant inducements and leasing commissions that are deferred and amortized on a straight-line basis over the term of the respective leases and mortgage financing fees that are deferred and amortized over the term of the respective mortgage.

Convertible debentures

The convertible debentures are convertible into units, as disclosed in Note 8. Accordingly, the debentures are divided into liability and equity components, based on the net present value of the future interest payments at the time of issue. Accretion in the equity component of the debenture is charged to unitholders' equity.

2 ***Significant accounting policies*** **(continued)**

Unit Options
The Trust has a unit option plan available for officers, employees and trustees and has granted options to Shelter Canadian Properties Limited. Compensation expense is not recorded at the time that the options are issued. Consideration paid by option holders on exercise of unit options is credited to unitholders' equity.

Revenue recognition
Rents are recognized as revenue over the terms of the related lease agreements. Recoveries from tenants for property operating costs are recognized as revenues during the period in which the applicable costs are incurred.

Distributable income
Distributable income is defined as net income determined in accordance with Canadian generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust, including adding back amortization of income properties and excluding any gains or losses on the disposition of any asset. Interest expense on convertible debentures for purposes of determining distributable income is calculated based on the actual interest payable on debentures.

Income taxes
In accordance with the terms of the Declaration of the Trust, the Trust intends to distribute its income for income tax purposes each year to such an extent that it will not be liable for income taxes under Part 1 of the Income Tax Act. A provision for income taxes is, therefore, not required.

Net income and distributable income per unit
Per unit amounts are calculated using the weighted average number of units outstanding during the period. The dilutive effect on per unit amounts resulting from outstanding unit options is calculated using the treasury stock method. Under this method, the diluted weighted average number of units is calculated assuming the proceeds that arise from the exercise of the outstanding options are used to purchase units of the Trust at their average market price for the period.

Use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

3 ***Adoption of accounting policy***

Unit-based compensation and other unit-based payments
Effective January 1, 2002, Wireless One Inc. adopted the new CICA Handbook Section 3870, which requires that a fair value based method of accounting be applied to all unit-based payments to non-employees and to direct awards of units to employees and directors. The new standard permits the continuation of the existing policy of not recording compensation cost on the grant of unit options to employees and directors with the addition of pro forma information.

The standard requires the disclosure of pro forma net income and net income per unit information as if the Trust had accounted for unit options with the fair value method. Additional disclosure required for the options granted is provided in Note 12.

4 *Acquisition*

On April 24, 2002, the Trust acquired a retail and office complex, comprised of two buildings, known as Kenaston Place and Kenaston Village Mall for the purchase price of $10,807,170. The purchase price was satisfied by the Trust with a cash payment of $2,819,670 combined with the proceeds of the purchase mortgage in the principal amount of $7,987,500. The cash component of the purchase price was funded by the proceeds of a participating loan from Shelter Canadian Properties Limited (Note 9).

Net assets acquired:	
Initial Property	$ 10,650,000
Land transfer tax capitalized to the Initial Property	157,170
	10,807,170
Mortgage loan payable	(7,987,500)
	$ 2,819,670
Consideration:	
Tenant security deposits	$ 22,740
Property tax liability assumed	127,118
Cash	2,669,812
	$ 2,819,670

5 *Income properties*

	Cost	Accumulated Amortization	Net Book Value September 30 2002
Land	$ 1,902,000	$ -	$ 1,902,000
Building	8,905,170	32,113	8,873,057
	$ 10,807,170	$ 32,113	$ 10,775,057

6 *Deferred charges*

	Cost	Accumulated Amortization	Net Book Value September 30 2002
Tenant inducements	$ 216,629	$ 12,854	$ 203,775
Mortgage financing fees	29,760	7,440	22,320
Leasing commissions	22,095	895	21,200
	$ 268,484	$ 21,189	$ 247,295

7 *Mortgage loan payable*

The mortgage loan payable is secured by the income properties, bears interest at prime plus .625% per annum and matures June 5, 2003. The Trust has the right to fix the interest rate until May 1, 2003, at a rate not to exceed the residential mortgage rate of the lender plus .125%. After May 1, 2003, the Trust has the right to fix the interest rate for a term and rate to be established by the lender.

Future principal payments are as follows:

Year ending December 31	
2002	$ 62,772
2003	258,387
2004	270,476
2005	283,130
2006	296,376
Thereafter	6,754,301
	$ 7,925,442

8 *Convertible debentures*

On August 30, 2002, the Trust issued convertible debentures in the amount of $4,000,000, comprised of $3,000,000 Senior Secured Series A and $1,000,000 Senior Subordinated Series B convertible debentures.

The Senior Secured Series A convertible debentures bear interest at 10%, mature on August 30, 2007 and are subordinate only to the mortgage loan payable. The Senior Secured Series A convertible debentures are convertible by the holder at any time during the third year after the issue date at a conversion price per unit of $5.00 in year three, $5.50 in year four and $6.00 in year five. At any time after three years from the issue date, the Trust has the right to redeem all, but not less than all, Senior Secured Series A convertible Series A convertible debentures at par plus accrued interest.

The Senior Subordinated Series B convertible debentures bear interest at 8%, mature on August 30, 2005 and are subordinate to mortgage loan payable and the Series A convertible debentures. The Senior Subordinated Series B convertible debentures are convertible at the request of the holder at any time after the issue date at a conversion price per unit of $4.00 in year one, $4.50 in year two and $5.00 in year three. At maturity, at the option of the Trust, all outstanding Senior Subordinated Series B convertible debentures are convertible to units, based on a conversion price which is equal to the lesser of $5.00 per Trust unit and the average closing market price of the unit during the preceding twenty trading-day period.

The following allocation of the convertible debentures to debt and equity components is based on an estimated cost of borrowing without conversion option of 15% for Series A and 18% for Series B debentures:

Issue Date August 30, 2002	Debt	Equity	Total
Convertible debentures			
Series A	$ 2,497,490	$ 502,510	$ 3,000,000
Series B	182,372	817,628	1,000,000
	$ 2,679,862	$ 1,320,138	$ 4,000,000

8 *Convertible debentures* (continued)

September 30, 2002	Debt	Equity	Total
Convertible debentures			
Series A	$ 2,503,545	$ 496,455	$ 3,000,000
Series B	178,270	821,730	1,000,000
	$ 2,681,815	$ 1,318,185	$ 4,000,000

The liability component of the convertible debentures is increased each year to reflect the time value of money, and reduced by the payment of interest. The accretion is reflected as financing expense in the statement of net income. The accretion of the equity component which decreases the equity component from the initial carrying amount is offset by a charge to unitholders' equity.

9 *Related party transactions*

Management agreement
The Trust entered into a property management agreement, for an initial term expiring August 30, 2007, with Shelter Canadian Properties Limited, a unitholder. Under the property management agreement, Shelter Canadian Properties Limited will administer the day-to-day operations of the Trust's portfolio of income properties. The Trust pays property management fees equal to 4% of gross revenue from the income property owned by the Trust.

The Trust incurred property management fees to Shelter Canadian Properties Limited of $6,365 to September 30, 2002.

On September 30, 2002, a due from related party in the amount of $14,842, which is included in accounts receivable, includes an amount receivable from Shelter Canadian Properties Limited relating to the overpayment of estimated interest on the participating loan of $41,293 offset by a deposit on an offer to purchase adjoining land, paid on behalf of the Trust by Shelter Canadian Properties Limited. The account receivable amount was repaid subsequent to September 30, 2002.

Services agreement
The Trust entered into a services agreement, for an initial term expiring August 30, 2007, with Shelter Canadian Properties Limited, a unitholder. Under the services agreement, Shelter Canadian Properties Limited provides theTrust management and support services for the administration of the day-to-day activities of the Trust.

In consideration for providing services under the services agreement, Shelter Canadian Properties Limited was provided with options to acquire 50,000 units at $1.00 per unit. The options expire August 30, 2005.

Participating loan
Shelter Canadian Properties Limited advanced a participating loan to the Trust in the amount of $2,701,338 including $2,669,812 for the cash component of the purchase price.

In accordance with the terms of the participating loan, interest of $122,658 was recorded, representing 100% of the net income from the property earned by the Trust to August 30, 2002, after payment of all expenses and debt servicing. The loan and interest, estimated in the amount of $150,000, was repaid on August 30, 2002.

9 *Related party transactions* (continued)

Participating loan (continued)
As an inducement for providing the participating loan, Shelter Canadian Properties Limited was granted options to acquire 75,000 units at $2.00 per unit. The options expire August 30, 2005.

Private placement
On August 30, 2002, Shelter Canadian Properties Limited subscribed for 150,000 units of the Trust for cash consideration of $300,000.

10 *Accounts payable and accrued liabilities*

Accounts payable and accrued liabilities consist of the following:

	September 30 2002	December 31 2001
Accounts payable	**$ 91,729**	$ 3,576
Accrued interest on convertible debenture	**33,315**	-
Accrued interest on mortgage loan	**30,256**	-
Tenant security deposits	**25,430**	-
	$ 180,730	$ 3,576

11 *Units/share capital:*

On August 30, 2002, the Plan of Arrangement was completed, resulting in the reorganization of Wireless One Inc. into Lanesborough Real Estate Investment Trust. Pursuant to the Plan of Arrangement, the Trust acquired all of the outstanding shares of Wireless One Inc. in exchange for trust units. Wireless One Inc. subsequently transferred all of its assets and liabilities to the Trust and was wound up. As a result, the share capital of Wireless One Inc. was transferred to the unitholders' equity of the Trust upon completion of the reorganization.

	Shares/Units	Amount
Share capital		
The Trust's share capital to the date of reorganization was as follows:		
Balance of common shares at December 31, 2001	5,000,000	$ 341,874
Elimination upon completion of the reorganization	(5,000,000)	(341,874)
	-	$ -
Units		
Units issued in exchange for Wireless One Inc. common shares (1 unit for 10 common shares)	500,000	$ 341,874
Units issued by private placement	150,000	300,000
	650,000	$ 641,874

12 *Unit options*

Unit option plan

The Trust may grant options to the Trustees, a director of a subsidiary of the Trust, a senior officer of the Trust or a subsidiary of the Trust, an employee of the Trust or a subsidiary of the Trust, management company employees of the Trust or a subsidiary of the Trust and consultants retained by the Trust including investor relations consultants. The maximum number of units reserved for issuance under the unit option plan will be limited to the lessor of 10% of the total number of issued and outstanding units or 50,000 units. The Trustees shall set the exercise price at the time that an option is granted under the plan, which exercise price shall not be less than the fair market value of the units on the date of grant. The options will have a maximum term of five years from the date of grant.

Shelter Canadian Properties Limited

The Trust has granted options to Shelter Canadian Properties Limited on August 30, 2002 as follows:

- 50,000 units at $1.00 per unit in consideration for providing services under the services agreement.
- 75,000 units at $2.00 per unit as an inducement for providing the participating loan.

The 125,000 units are subject to a security escrow agreement and will be released from escrow on the vesting dates noted below. All units subject to escrow are entitled to be voted and receive cash distributions. The options expire on August 30, 2005.

A summary of the status of the units as at September 30, 2002 and changes during the period is as follows:

Options	Units	Weighted Average Exercise Price
Outstanding, beginning of year	-	-
Granted	125,000	1.60
Outstanding, end of year	125,000	1.60
Options vested	12,500	1.60
Options in escrow	112,500	1.60

Exercise Price	Options Outstanding	Options Vested	Options in Escrow	Vesting Date
$ 2.00	7,500	7,500	-	September 6, 2002
1.00	5,000	5,000	-	September 6, 2002
2.00	11,250	-	11,250	March 6, 2003
1.00	7,500	-	7,500	March 6, 2003
2.00	11,250	-	11,250	September 6, 2003
1.00	7,500	-	7,500	September 6, 2003
2.00	11,250	-	11,250	March 6, 2004
1.00	7,500	-	7,500	March 6, 2004
2.00	11,250	-	11,250	September 6, 2004
1.00	7,500	-	7,500	September 6, 2004
2.00	11,250	-	11,250	March 6, 2005
1.00	7,500	-	7,500	March 6, 2005
2.00	11,250	-	11,250	September 6, 2005
1.00	7,500	-	7,500	September 6, 2005
	125,000	12,500	112,500	

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

12 *Unit options* (continued)

Unit-based compensation

The pro forma net income and net income per unit information as if the Trust accounted for the unit options with the fair value method are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	**2001**	**2002**	**2001**
Net income (loss)	**$ 26,599**	$ -	**$ (3,358)**	**$ -**
Less: Unit-based compensation	**(263,750)**	-	**(263,750)**	**-**
Pro forma net income (loss)	**$ (237,151)**	$ -	**$ (267,108)**	
Pro forma net income (loss) per unit	**$ (0.430)**	$ -	**$ (0.516)**	**$ -**

The fair value of the unit options is calculated based on the weighted average market value of the units for the period.

13 *Rentals from income properties*

Included in rentals from income properties are property operating costs recovered from tenants for the nine months ended September 30, 2002 of $257,931; three months ended September 30, 2002 of $257,931 (nine months ended September 30, 2001 - Nil; three months ended September 30, 2001 - Nil).

14 *Financing expense*

Financing expense is comprised of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	**2001**	**2002**	**2001**
Interest on mortgage loan payable	**$ 185,901**	$ -	**$ 185,901**	**$ -**
Interest on participating loan	**122,658**	-	**122,658**	**-**
Financing expense on convertible debentures	**35,268**	-	**35,268**	**-**
	$ 343,827	$ -	**$ 343,827**	**$ -**

15 *Property operating costs*

Property operating costs are comprised of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Property taxes	**$ 203,626**	$ -	**$ 203,626**	**$ -**
Utilities	**53,548**	-	**53,548**	**-**
Maintenance expenses	**53,037**	-	**53,037**	
Other expenses	**40,485**	-	**40,485**	
	$ 350,696	$ -	**$ 350,696**	**$ -**

16 *Per unit calculations*

Net income per unit calculations are based on the following:

	Three Months Ended September 30, 2002		Three Months Ended September 30, 2001	
	Amount	Weighted Average Units	Amount	Weighted Average Units
Net income	$ 26,599	552,174	$ 2,065	5,000,000
Dilutive options	-	43,478	-	-
Convertible debentures	2,912	86,957	-	-
Diluted net income	$ 29,511	682,609	$ 2,065	5,000,000

	Nine Months Ended September 30, 2002		Nine Months Ended September 30, 2001	
	Amount	Weighted Average Units	Amount	Weighted Average Units
Net income	$ (3,358)	517,582	$ (2,967)	5,000,000
Diluted net income	$ (3,358)	517,582	$ (2,967)	5,000,000

16 *Per unit calculations* (continued)

Distributable income per unit calculations are based on the following:

	Three Months Ended September 30, 2002		Three Months Ended September 30, 2001	
	Amount	**Weighted Average Units**	**Amount**	**Weighted Average Units**
Distributable income	$ 60,665	552,174	$ 2,065	5,000,000
Dilutive options	-	43,478	-	-
Convertible debentures	7,014	86,957	-	-
Diluted distributable income	$ 67,679	682,609	$ 2,065	5,000,000

	Nine Months Ended September 30, 2002		Nine Months Ended September 30, 2001	
	Amount	**Weighted Average Units**	**Amount**	**Weighted Average Units**
Distributable income	$ 30,708	517,582	$ (2,967)	5,000,000
Dilutive options	-	14,652	-	-
Diluted distributable income	$ 30,708	532,234	$ (2,967)	5,000,000

Basic per unit information is calculated based on the weighted average number of units outstanding for the period. The calculation of per unit information on a diluted basis considers the potential exercise of outstanding unit options to the extent that each option is dilutive and the potential conversion of outstanding Series B convertible debentures to the extent that the debentures are dilutive.

The following instruments have been excluded from the calculation of the per unit amounts as they are anti-dilutive for the periods indicated:

	Net Income Nine Months Ended September 30, 2002	Distributable Net Income Nine Months Ended September 30, 2002
Options		
Number of units if exercised	125,000	
Weighted average exercise price	$ 1.60	
Series B convertible debentures		
Number of units if converted	250,000	250,000
Exercise price	$ 4.00	$ 4.00

The comparative amounts reflect the number of shares outstanding during the period.

17 *Financial instruments and risk management*

Fair values

As at September 30, 2002, the carrying values of prepaid expenses, accounts receivable, cash, due to related party, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturities of these instruments.

The carrying value of the mortgage loan payable approximates fair value as the mortgage loan payable has a currently prevailing interest rate.

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 as the mortgage loan payable, which is financed at a variable rate, includes 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. At September 30, 2002, the mortgage loan payable is 65.8% (2001 - Nil) of the appraised value of income properties.

Credit risk arises from the possibility that tenants may experience financial difficulty and not be able to fulfill their lease commitments. The Trust's 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 Trust mitigates the risk of credit loss by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant.

18 *Segmented financial information*

The assets are located in and revenue is derived from the operation of retail real estate in Canada.

No single tenant accounted for 10% or more of the rentals from income properties.

19 *Subsequent events*

Subsequent to September 30, 2002, the Trust granted the two independent trustees options, in accordance with the unit option plan, to acquire a total of 20,000 units at a price of $4.00 per unit. The options expire on October 29, 2007.