

# LANESBOROUGH

The logo for REIT consists of a stylized icon of a classical building with three columns and a pediment, followed by the letters "REIT" in a bold, sans-serif font.

**REAL ESTATE INVESTMENT TRUST  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## BALANCE SHEET

	<b>September 30</b> <b>2003</b> <b>(unaudited)</b>	<b>December 31</b> <b>2002</b> <b>(audited)</b>
<b>Assets</b>		
Income properties (Note 3)	<b>\$ 14,014,945</b>	\$ 10,787,751
Mortgage loan receivable (Note 4)	<b>1,150,000</b>	1,150,000
Deferred charges (Note 5)	<b>770,627</b>	440,782
Cash	<b>882,900</b>	122,495
Accounts receivable	<b>53,467</b>	43,815
	<b><u>\$ 16,871,939</u></b>	<b><u>\$ 12,544,843</u></b>
<b>Liabilities and Equity</b>		
Mortgage loan payable (Note 6)	<b>\$ 10,496,783</b>	\$ 7,882,709
Convertible debentures (Note 7)	<b>2,697,664</b>	2,687,449
Accounts payable and accrued liabilities	<b>322,070</b>	410,011
	<b><u>13,516,517</u></b>	<u>10,980,169</u>
Equity	<b><u>3,355,422</u></b>	<u>1,564,674</u>
	<b><u>\$ 16,871,939</u></b>	<b><u>\$ 12,544,843</u></b>

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## STATEMENT OF EQUITY

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Unitholders' equity, beginning of period				
Units/share capital	\$ 196,003	\$ 341,874	\$ 252,123	\$ 341,874
Deficit	-	(41,311)	-	(11,354)
	<b>196,003</b>	300,563	<b>252,123</b>	330,520
Elimination on reorganization	-	(341,874)	-	(341,874)
Units issued in exchange for shares	-	341,874	-	341,874
Units issued by private placement (Note 9)	<b>2,009,852</b>	300,000	<b>2,009,852</b>	300,000
Units issued on conversion of debentures (Note 9)	<b>58,000</b>	-	<b>58,000</b>	-
Unit-based compensation (Note 8)	<b>2,847</b>	-	<b>8,541</b>	-
Issue costs	<b>(193,383)</b>	(456,240)	<b>(193,383)</b>	(456,240)
Accretion on equity component of convertible debentures (Note 7)	<b>6,310</b>	1,953	<b>17,866</b>	1,953
Income (loss)	<b>128,332</b>	26,599	<b>151,837</b>	(3,358)
Distribution paid	<b>(96,875)</b>	-	<b>(193,750)</b>	-
Unitholders' equity, end of period	<b>2,111,086</b>	172,875	<b>2,111,086</b>	172,875
Equity component of convertible debentures (Note 7)	<b>1,244,336</b>	1,318,185	<b>1,244,336</b>	1,318,185
Equity, end of period	<b>\$ 3,355,422</b>	\$ 1,491,060	<b>\$ 3,355,422</b>	\$ 1,491,060

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## STATEMENT OF INCOME (LOSS)

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
<b>Revenue</b>				
Rentals from income properties (Note 11)	\$ 558,665	\$ 741,711	\$ 1,586,345	\$ 741,711
Interest and other income (Note 12)	<u>160,751</u>	<u>5,847</u>	<u>225,561</u>	<u>9,847</u>
Total revenue	<u>719,416</u>	<u>747,558</u>	<u>1,811,906</u>	<u>751,558</u>
<b>Expenses</b>				
Property operating costs	<u>223,644</u>	<u>350,696</u>	<u>661,404</u>	<u>350,696</u>
Operating income	<u>495,772</u>	<u>396,862</u>	<u>1,150,502</u>	<u>400,862</u>
Financing expense	235,842	343,827	658,699	343,827
Trust expense	53,539	(26,866)	112,257	7,091
Amortization of income properties	26,669	32,113	64,987	32,113
Amortization of deferred charges	<u>51,390</u>	<u>21,189</u>	<u>162,722</u>	<u>21,189</u>
Total expenses	<u>367,440</u>	<u>370,263</u>	<u>998,665</u>	<u>404,220</u>
Income (loss)	<u>\$ 128,332</u>	<u>\$ 26,599</u>	<u>\$ 151,837</u>	<u>\$ (3,358)</u>
Income (loss) per unit (Note 14)				
Basic	\$ 0.133	\$ 0.048	\$ 0.181	\$ (0.006)
Diluted	0.112	0.043	0.159	(0.006)

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## STATEMENT OF CASH FLOWS

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
<b>Cash provided by (used in) operating activities</b>				
Income (loss)	\$ 128,332	\$ 26,599	\$ 151,837	\$ (3,358)
Add: Amortization of income properties	26,669	32,113	64,987	32,113
Amortization of deferred charges	51,390	21,189	162,722	21,189
Accretion on debt component of convertible debentures (Note 7)	6,310	1,953	17,866	1,953
Unit-based compensation (Note 8)	2,847	-	8,541	-
Cash from operations	215,548	81,854	405,953	51,897
Net change in accounts receivable, accounts payable and accrued liabilities	(210,428)	110,499	(97,593)	125,585
Increase in deferred charges	(152,941)	(268,484)	(492,567)	(268,484)
	(147,821)	(76,131)	(184,207)	(91,002)
<b>Cash provided by (used in) financing activities</b>				
Proceeds of mortgage loan financing	2,242,470	7,987,500	2,780,420	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	(64,519)	(62,058)	(166,347)	(62,058)
Private placement of units	2,009,852	300,000	2,009,852	300,000
Issue costs	(193,383)	(456,240)	(193,383)	(456,240)
Distribution paid	(96,875)	-	(193,750)	-
	3,897,545	11,769,202	4,236,792	11,769,202
<b>Cash provided by (used in) investing activities</b>				
Additions to income properties	(2,917,208)	(10,807,170)	(3,292,180)	(10,807,170)
Repayment of mortgage loan receivable	902,022	-	902,022	-
Re-advancement of mortgage loan receivable	(902,022)	-	(902,022)	-
	(2,917,208)	(10,807,170)	(3,292,180)	(10,807,170)
<b>Cash increase</b>	<b>832,516</b>	<b>885,901</b>	<b>760,405</b>	<b>871,030</b>
<b>Cash, beginning of period</b>	<b>50,384</b>	<b>318,819</b>	<b>122,495</b>	<b>333,690</b>
<b>Cash, end of period</b>	<b>\$ 882,900</b>	<b>\$ 1,204,720</b>	<b>\$ 882,900</b>	<b>\$ 1,204,720</b>

(unaudited)

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 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.

#### **Basis of presentation**

The acquisition of Wireless One Inc. was accounted for on a 'continuity of interest' basis. The results of operation of Wireless One Inc. for periods prior to formation of the Trust are presented as those of the Trust in a manner similar to a pooling of interests. Accordingly, these financial statements present the operations of the Trust on a continuity of interest basis, which is identical to the financial position and results of operation of Wireless One Inc. for those periods.

The interim 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. The interim financial statements have been prepared on a consistent basis with the December 31, 2002 audited financial statements. The disclosures included below are incremental to those included with the annual audited financial statements. The interim financial statements should be read in conjunction with the December 31, 2002 audited financial statements and notes thereto.

### 2 *Acquisitions*

On June 30, 2003, the Trust acquired a light industrial property known as the MAAX Warehouse in Airdrie, Alberta. The acquisition was satisfied by the Trust with consideration from a first mortgage loan in the principal amount of \$1,120,000 and the balance paid in cash. The cash component of the consideration was primarily from the partial repayment of the mortgage loan receivable.

#### Net assets acquired:

Income properties, at purchase price, including acquisition costs	\$ 1,589,182
Prepaid property taxes	17,861
Tenant security deposits	<u>(32,004)</u>
	<u>\$ 1,575,039</u>

#### Consideration:

Mortgage loan payable	\$ 1,120,000
Cash	<u>455,039</u>
	<u>\$ 1,575,039</u>

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 2 Acquisitions (continued)

On September 2, 2003, the Trust acquired a light industrial property known as the Purolator Building in Burlington, Ontario. The acquisition was satisfied by the Trust with consideration from a first mortgage loan in the principal amount of \$937,500 and the balance paid in cash. The cash component of the consideration was primarily from the partial repayment of the mortgage loan receivable.

Net assets acquired:

Income properties, at purchase price, including acquisition costs	<u>\$ 1,237,256</u>
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Consideration:

Mortgage loan payable	\$ 937,500
Cash	<u>299,756</u>

\$ 1,237,256

### 3 Income properties

	<u>Cost</u>	<u>Accumulated Amortization</u>	Net Book Value September 30 <u>2003</u> (unaudited)	Net Book Value December 31 <u>2002</u> (audited)
Land	\$ 3,297,372	\$ -	\$ 3,297,372	\$ 2,043,779
Buildings	<u>10,832,622</u>	<u>(115,049)</u>	<u>10,717,573</u>	<u>8,743,972</u>
	<u>\$ 14,129,994</u>	<u>\$ (115,049)</u>	<u>\$ 14,014,945</u>	<u>\$ 10,787,751</u>

### 4 Mortgage loan receivable

The second mortgage loan was repaid in the amounts of \$442,022, \$150,000 and \$310,000 on July 4, 2003, July 11, 2003 and August 29, 2003 respectively. The loan was re-advanced to the maximum amount of \$1,150,000 on September 10, 2003. The loan bears interest at 12.5% payable monthly and is repayable on December 19, 2003. The Trust may request repayment in full, or in part, on 30 days notice.

### 5 Deferred charges

	<u>Cost</u>	<u>Accumulated Amortization</u>	Net Book Value September 30 <u>2003</u> (unaudited)	Net Book Value December 31 <u>2002</u> (audited)
Tenant inducements	\$ 832,388	\$ (146,289)	\$ 686,099	\$ 384,736
Mortgage financing fees	84,554	(67,366)	17,188	26,549
Leasing commissions	<u>79,015</u>	<u>(11,675)</u>	<u>67,340</u>	<u>29,497</u>
	<u>\$ 995,957</u>	<u>\$ (225,330)</u>	<u>\$ 770,627</u>	<u>\$ 440,782</u>

(unaudited)

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 6 *Mortgage loan payable*

	September 30 2003 <u>(unaudited)</u>	December 31 2002 <u>(audited)</u>
First mortgage loan, bearing interest at prime plus .625% with monthly principal and interest payments of \$59,500. The loan is payable on demand until such time as the interest rate and term are fixed and is secured by a charge registered against the Kenaston Property.	\$ 8,440,211	\$ 7,882,709
First mortgage loan, bearing interest at prime plus 1% with monthly principal and interest payments of \$7,986. The loan is payable on demand until such time as the interest rate and term are fixed and is secured by a charge registered against the MAAX Warehouse Property.		
First mortgage loan, bearing interest at 6.47% with monthly principal and interest payments of \$6,263. The loan is due October 1, 2013 and is secured by a charge registered against the Purolator Building Property.		
	<u>\$ 10,496,783</u>	<u>\$ 7,882,709</u>

Approximate principal repayments are as follows:

Year Ending December 31

2003	\$ 9,561,839
2004	15,920
2005	16,967
2006	18,082
2007	19,271
2008	20,538
Thereafter	<u>844,166</u>
	<u>\$ 10,496,783</u>

The Trust has arranged for an increase in the first mortgage loan relating to the Kenaston Property to a maximum of \$9,000,000 (December 31, 2002 - \$7,987,500).

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 7 *Convertible debentures*

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

<u>September 30, 2003</u>	<u>Debt</u>	<u>Equity</u>	<u>Total</u> (unaudited)
Convertible debentures			
Series A	\$ 2,577,862	\$ 422,138	\$ 3,000,000
Series B	<u>119,802</u>	<u>822,198</u>	<u>942,000</u>
	<u>\$ 2,697,664</u>	<u>\$ 1,244,336</u>	<u>\$ 3,942,000</u>
<u>December 31, 2002</u>	<u>Debt</u>	<u>Equity</u>	<u>Total</u> (audited)
Convertible debentures			
Series A	\$ 2,521,115	\$ 478,885	\$ 3,000,000
Series B	<u>166,334</u>	<u>833,666</u>	<u>1,000,000</u>
	<u>\$ 2,687,449</u>	<u>\$ 1,312,551</u>	<u>\$ 4,000,000</u>

On August 29, 2003, \$58,000 of the Series B debentures was converted at \$4 per unit, resulting in the issue of 14,500 units.

The accretion of the debt component for the three months ended September 30, 2003 of \$6,310 (September 30, 2002 - \$1,953) and for the nine months ended September 30, 2003 of \$17,866 (September 30, 2002 - \$1,953), which increases the debt component from the initial carrying amount, is included in financing expense on convertible debentures. The accretion of the equity component, which decreases the equity component from the initial carrying amount, is credited in Unitholders' equity.

### 8 *Related party transactions*

#### **Services agreement**

Unit-based compensation expense for the three months ended September 30, 2003 of \$2,847 (September 30, 2002 - Nil) and for the nine months ended September 30, 2003 of \$8,541 (September 30, 2002 - Nil), 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.

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 9 *Units/share capital*

On June 17, 2003, the Trust initiated a private placement offering of a minimum of 500,000 and a maximum of 1,250,000 Trust units at a price of \$4 per unit. The first closing of the offering occurred on August 28, 2003, resulting in 502,463 units being issued for total gross proceeds of \$2,009,852.

On August 29, 2003, \$58,000 of the Series B debentures was converted at \$4 per unit, resulting in the issue of 14,500 units.

A summary of the status of the units/share capital and changes during the period is as follows:

	<u>September 30, 2003</u>		<u>December 31, 2002</u>	
	<u>Units</u> (unaudited)	<u>Amount</u> (unaudited)	<u>Shares/Units</u> (audited)	<u>Amount</u> (audited)
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)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Units				
Outstanding, January 1	\$ 775,000	\$ 873,083	\$ -	\$ -
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	502,463	2,009,852	150,000	300,000
Unit issued on exercise of options	-	-	125,000	200,000
Units issued on conversion of debentures	14,500	58,000	-	-
Unit based compensation	-	8,541	-	31,209
Outstanding, end of period	<u>\$ 1,291,963</u>	<u>\$ 2,949,476</u>	<u>\$ 775,000</u>	<u>\$ 873,083</u>

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 9 *Units/share capital (continued)*

The 301,667 units subject to escrow as at September 30, 2003 (December 31, 2002 - 452,500) will be released from escrow on the vesting dates noted below. 150,833 units were released from escrow during the nine months ended September 30, 2003 (year ended December 31, 2002 - 27,500). All units subject to escrow are entitled to be voted and receive distributions.

Units in Seed Shareholder Escrow	Units in Security Escrow	Total Units in Escrow	Vesting Year Ending
68,333	82,500	150,833	December 31, 2004
<u>68,334</u>	<u>82,500</u>	<u>150,834</u>	December 31, 2005
<u><u>136,667</u></u>	<u><u>165,000</u></u>	<u><u>301,667</u></u>	

The 112,500 units, stated as subject to escrow in the December 31, 2002 financial statements, relate only to units issued on exercise of options included in security escrow. The amount should have been 452,500 units, consisting of 205,000 units in seed shareholder escrow and 247,500 units in security escrow.

### 10 *Unit options*

#### **Unit option plan**

The Trust has granted options to the two independent Trustees to acquire 10,000 units each at \$4 per unit. The options expire October 29, 2007.

A summary of the status of the unit options as at September 30, 2003 and changes during the period is as follows:

	Units	Exercise Price
Outstanding, January 1	20,000	\$ 4.00
Granted	-	-
Exercised	<u>-</u>	<u>-</u>
Outstanding, end of period	<u><u>20,000</u></u>	<u><u>\$ 4.00</u></u>
Options vested	20,000	
Fair value of outstanding options	\$ 2,081	

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 10 *Unit options (continued)*

#### **Unit-based compensation**

The pro forma income (loss) and income (loss) per unit information as if the Trust accounted for the unit options as financing expense is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Income (loss)				
As reported	\$ 128,332	\$ 26,599	\$ 151,837	\$ (3,358)
Pro forma	126,251	(237,151)	149,756	(267,108)
Basic income (loss) per unit				
As reported	\$ 0.133	\$ 0.048	\$ 0.181	\$ (0.006)
Pro forma	0.131	(0.429)	0.178	(0.516)
Diluted income (loss) per unit				
As reported	\$ 0.112	\$ 0.043	\$ 0.159	\$ (0.006)
Pro forma	0.110	(0.343)	0.157	(0.516)

### 11 *Rentals from income properties*

Rentals from income properties include the recovery of property operating costs from tenants of \$181,613 for the three months ended September 30, 2003 (September 30, 2002 - \$257,931) and \$570,904 for the nine months ended September 30, 2003 (September 30, 2002 - \$257,931).

### 12 *Interest and other income*

Interest and other income include a one-time lease termination fee of \$130,356 from Sun Life Assurance Company of Canada.

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 13 *Distributable income (loss)*

Distributable income and distributable income per unit are calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Income (loss)	\$ 128,332	\$ 26,599	\$ 151,837	\$ (3,358)
Add (deduct):				
Financing expense on convertible debentures	100,740	35,268	302,296	35,268
Interest expense on convertible debentures	(94,429)	(33,315)	(284,429)	(33,315)
Amortization of income properties	26,669	32,113	64,987	32,113
Distributable income	<u>\$ 161,312</u>	<u>\$ 60,665</u>	<u>\$ 234,691</u>	<u>\$ 30,708</u>
Distributable income per unit (Note 14)				
Basic	\$ 0.167	\$ 0.110	\$ 0.280	\$ 0.059
Diluted	0.150	0.099	0.271	0.058

### 14 *Per unit calculations*

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Income (loss)	\$ 128,332	\$ 26,599	\$ 151,837	\$ (3,358)
Diluted income (loss)	134,276	29,511	172,386	(3,358)
Weighted average number of units	965,894	552,174	839,331	517,582
Dilutive options	100	43,478	-	-
Dilutive Series B convertible debentures	235,982	86,957	245,275	-
	<u>\$ 1,201,976</u>	<u>\$ 682,609</u>	<u>\$ 1,084,606</u>	<u>\$ 517,582</u>

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 14 *Per unit calculations (continued)*

Distributable income per unit calculations are based on the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Distributable income	\$ 161,312	\$ 60,665	\$ 234,691	\$ 30,708
Diluted distributable income	180,741	67,679	294,120	30,708
Weighted average number of units	965,894	552,174	839,331	517,582
Dilutive options	100	43,478	-	14,652
Dilutive Series B convertible debentures				
	<u>\$ 1,201,976</u>	<u>\$ 682,609</u>	<u>\$ 1,084,606</u>	<u>\$ 532,234</u>

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 the unit options are 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 the effect of the instruments is anti-dilutive:

Income (loss) per unit:

	Three Months Ended September 30		Nine Months Ended September 30	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Unit options				
Number of units if exercised	-	-	20,000	125,000
Weighted average exercise price	-	-	4.00	1.60
Series B convertible debentures				
Number of units if converted	-	-	-	250,000
Exercise price	\$ -	\$ -	\$ -	\$ 4.00

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 14 *Per unit calculations (continued)*

Distributable income per unit:

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Unit options issued to independent Trustees				
Number of units if exercised	-	-	20,000	-
Exercise price	\$ -	\$ -	\$ 4.00	\$ -
Series B convertible debentures				
Number of units if converted	-	-	-	250,000
Exercise price	\$ -	\$ -	\$ -	\$ 4.00

For comparative purposes, the prior year number of shares and per share amounts have been restated to reflect the exchange of 10 common shares for 1 unit.

### 15 *Segmented financial information*

Three months ended September 30, 2003:

	Office & Retail Mixed-Use	Light Industrial	Trust	Total
Rentals from income properties	\$ 500,452	\$ 58,213	\$ -	\$ 558,665
Interest and other income	136,898	201	23,652	160,751
Property operating costs	214,616	9,028	-	223,644
Financing expense	111,921	23,181	100,740	235,842
Amortization of income properties	24,346	2,323	-	26,669
Amortization of deferred charges	46,287	5,103	-	51,390
Income (loss)	240,180	18,779	(130,627)	128,332

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 15 *Segmented financial information (continued)*

Three months ended September 30, 2002:

	Office & Retail <u>Mixed-Use</u>	Light <u>Industrial</u>	<u>Trust</u>	<u>Total</u>
Rentals from income properties	\$ 741,711	\$ -	\$ -	\$ 741,711
Interest and other income	5,470	-	377	5,847
Property operating costs	350,696	-	-	350,696
Financing expense	185,901	-	157,926	343,827
Amortization of income properties	32,113	-	-	32,113
Amortization of deferred charges	21,189	-	-	21,189
Income (loss)	157,282	-	(130,683)	26,599

Nine months ended September 30, 2003:

	Office & Retail <u>Mixed-Use</u>	Light <u>Industrial</u>	<u>Trust</u>	<u>Total</u>
Rentals from income properties	\$ 1,528,132	\$ 58,213	\$ -	\$ 1,586,345
Interest and other income	142,204	201	83,156	225,561
Property operating costs	652,376	9,028	-	661,404
Financing expense	333,222	23,181	302,296	658,699
Amortization of income properties	62,664	2,323	-	64,987
Amortization of deferred charges	157,619	5,103	-	162,722
Income (loss)	464,455	18,779	(331,397)	151,837
Total assets	12,032,424	2,884,520	1,954,995	16,871,939

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 15 *Segmented financial information (continued)*

Nine months ended September 30, 2002:

	Office & Retail Mixed-Use	Light Industrial	Trust	Total
Rentals from income properties	\$ 741,711	\$ -	\$ -	\$ 741,711
Interest and other income	5,470	-	4,377	9,847
Property operating costs	350,696	-	-	350,696
Financing expense	185,901	-	157,926	343,827
Amortization of income properties	32,113	-	-	32,113
Amortization of deferred charges	21,189	-	-	21,189
Income (loss)	157,282	-	(160,640)	(3,358)
Total assets	11,126,658	-	1,152,389	12,279,047

Three months ended September 30, 2003:

	Alberta	Manitoba	Ontario	Trust	Total
Rentals from income properties	\$ 48,811	\$ 500,452	\$ 9,402	\$ -	\$ 558,665
Interest and other income	189	136,898	12	23,652	160,751
Property operating costs	8,993	214,616	35	-	223,644
Financing expense	18,528	111,921	4,653	100,740	235,842
Amortization of income properties	1,936	24,346	387	-	26,669
Amortization of deferred charges	5,103	46,287	-	-	51,390
Income (loss)	14,441	240,180	4,338	(130,627)	128,332

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 15 *Segmented financial information (continued)*

Three months ended September 30, 2002:

	<u>Alberta</u>	<u>Manitoba</u>	<u>Ontario</u>	<u>Trust</u>	<u>Total</u>
Rentals from income properties	\$ -	\$ 741,711	\$ -	\$ -	\$ 741,711
Interest and other income	-	5,470	-	377	5,847
Property operating costs	-	350,696	-	-	350,696
Financing expense	-	185,901	-	157,926	343,827
Amortization of income properties	-	32,113	-	-	32,113
Amortization of deferred charges	-	21,189	-	-	21,189
Income (loss)	-	157,282	-	(130,683)	26,599

Nine months ended September 30, 2003:

	<u>Alberta</u>	<u>Manitoba</u>	<u>Ontario</u>	<u>Trust</u>	<u>Total</u>
Rentals from income properties	\$ 48,811	\$ 1,528,132	\$ 9,402	\$ -	\$ 1,586,345
Interest and other income	189	142,204	12	83,156	225,561
Property operating costs	8,993	652,376	35	-	661,404
Financing expense	18,528	333,222	4,653	302,296	658,699
Amortization of income properties	1,936	62,664	387	-	64,987
Amortization of deferred charges	5,103	157,619	-	-	162,722
Income (loss)	14,441	464,455	4,338	(331,397)	151,837
Total assets	1,632,307	12,032,424	1,252,213	1,954,995	16,871,939

# LANESBOROUGH REAL ESTATE INVESTMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2003

### 15 *Segmented financial information (continued)*

Nine months ended September 30, 2002:

	<u>Alberta</u>	<u>Manitoba</u>	<u>Ontario</u>	<u>Trust</u>	<u>Total</u>
Rentals from income properties	\$ -	\$ 741,711	\$ -	\$ -	\$ 741,711
Interest and other income	-	5,470	-	4,377	9,847
Property operating costs	-	350,696	-	-	350,696
Financing expense	-	185,901	-	157,926	343,827
Amortization of income properties	-	32,113	-	-	32,113
Amortization of deferred charges	-	21,189	-	-	21,189
Income (loss)	-	157,282	-	(160,640)	(3,358)
Total assets	-	11,126,658	-	1,152,389	12,279,047

### 16 *Supplementary cash flow information*

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Interest paid	<u>\$ 316,387</u>	<u>\$ 278,303</u>	<u>\$ 717,923</u>	<u>\$ 278,303</u>

### 17 *Subsequent events*

On October 10, 2003, the Trust completed the acquisition of land adjoining the Kenaston Property for \$425,000. The increase in the purchase price from the amount of \$250,000 reflected at December 31, 2002 is as a result of the acquisition of additional land.

A distribution of \$161,495 was paid on October 15, 2003.

On October 30, 2003, the Trust received a fourth advance for \$100,000 in regard to the first mortgage loan with respect to the Kenaston Property.