LANESBOROUGH REIT

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2008

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

	June 30 2008	December 31 2007 (audited)
Assets		
Income properties (Note 4)	**$423,875,952**	$375,796,299
Properties under development (Note 5)	**70,152,285**	80,228,769
Mortgage loan receivable (Note 6)	**4,750,000**	10,000,000
Cash (Note 12)	**9,583,976**	-
Other assets (Note 7)	**9,635,609**	6,410,441
Future income taxes (Note 11)	**1,103,122**	3,763,761
	$519,100,944	$476,199,270
Liabilities and Equity		
Mortgage loans payable (Note 8)	**$386,650,804**	$341,334,043
Convertible debentures (Note 9)	**40,855,200**	41,036,253
Accounts payable and accrued liabilities (Note 10)	**39,710,968**	31,339,325
Future income taxes (Note 11)	**2,240,229**	2,617,905
Bank indebtedness (Note 12)	**-**	1,623,651
Distribution payable	**821,599**	-
	470,278,800	417,951,177
Non-controlling interest (Note 13)	**1,623,756**	1,685,103
Equity	**47,198,388**	56,562,990
	$519,100,944	$476,199,270

Approved by the Board of Trustees

"Charles Loewen"

"Cheryl Barker"

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EQUITY

Three Months Ended June 30, 2008:

	Units	Cumulative Loss	Cumulative Distributions	Equity Component of Debentures	Total
Equity, March 31, 2008	$ 79,789,959	$ (8,321,998)	$ (30,123,514)	$ 13,104,637	$ 54,449,084
Units purchased under normal course issuer bid	(188,120)	-	-	-	(188,120)
Issue costs	(15,193)	-	-	-	(15,193)
Unit-based compensation	36,046	-	-	-	36,046
Units issued on distribution reinvestment plan	369,126	-	-	-	369,126
Loss	-	(4,988,811)	-	-	(4,988,811)
Distributions declared	-	-	(2,463,744)	-	(2,463,744)
Equity, June 30, 2008	$ 79,991,818	$ (13,310,809)	$ (32,587,258)	$ 13,104,637	$ 47,198,388

Three Months Ended June 30, 2007:

	Units	Cumulative Loss	Cumulative Distributions	Equity Component of Debentures	Total
Equity, March 31, 2007	$ 78,084,979	$ (8,627,488)	$ (20,325,781)	$ 13,746,663	$ 62,878,373
Conversion of debentures	75,232	-	-	(13,165)	62,067
Issue costs	(10,054)	-	-	-	(10,054)
Unit-based compensation	128,729	-	-	-	128,729
Units issued on distribution reinvestment plan	135,640	-	-	-	135,640
Income	-	688,355	-	-	688,355
Distributions declared	-	-	(2,439,035)	-	(2,439,035)
Equity, June 30, 2007	$ 78,414,526	$ (7,939,133)	$ (22,764,816)	$ 13,733,498	$ 61,444,075

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EQUITY

Six Months Ended June 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	(199,976)	-	-	-	(199,976)
Issue costs	(51,281)	-	-	-	(51,281)
Unit-based compensation	227,937	-	-	-	227,937
Units issued on distribution reinvestment plan	567,873	-	-	-	567,873
Loss	-	(4,988,510)	-	-	(4,988,510)
Distributions declared	-	-	(4,920,645)	-	(4,920,645)
Equity, June 30, 2008	$ 79,991,818	$ (13,310,809)	$ (32,587,258)	$ 13,104,637	$ 47,198,388

Six Months Ended June 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	(23,837)	-	-	-	(23,837)
Unit-based compensation	212,400	-	-	-	212,400
Units issued on distribution reinvestment plan	236,388	-	-	-	236,388
Loss	-	(1,017,738)	-	-	(1,017,738)
Distributions declared	-	-	(4,865,858)	-	(4,865,858)
Equity, June 30, 2007	$ 78,414,526	$ (7,939,133)	$ (22,764,816)	$ 13,733,498	$ 61,444,075

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended June 30		Six Months Ended June 30	
	2008	**2007**	**2008**	**2007**
Revenue				
Rentals from income properties (Note 17)	**$ 14,768,829**	$ 10,737,804	**$ 28,045,650**	$ 19,357,786
Interest and other income	**206,429**	389,780	**558,601**	821,562
	14,975,258	11,127,584	**28,604,251**	20,179,348
Expenses				
Property operating costs	**5,863,259**	4,607,821	**11,542,310**	8,774,808
Income before the undernoted	**9,111,999**	6,519,763	**17,061,941**	11,404,540
Financing expense (Note 18)	**6,904,685**	5,481,867	**13,719,151**	10,003,086
Trust expense	**551,996**	533,736	**1,286,903**	992,058
Amortization (Note 19)	**2,390,830**	1,936,304	**4,722,928**	3,651,471
	9,847,511	7,951,907	**19,728,982**	14,646,615
Loss before income taxes	**(735,512)**	(1,432,144)	**(2,667,041)**	(3,242,075)
Future income tax expense (recovery)	**4,236,163**	(2,105,478)	**2,282,964**	(2,185,352)
Income (loss) before non-controlling interest	**(4,971,675)**	673,334	**(4,950,005)**	(1,056,723)
Non-controlling interest (Note 13)	**(17,136)**	15,021	**(38,505)**	38,985
Income (loss) and comprehensive income (loss) for the period	**$ (4,988,811)**	$ 688,355	**$ (4,988,510)**	$ (1,017,738)
Income (loss) per unit (Note 21)				
Basic	**$ (0.284)**	$ 0.039	**$ (0.285)**	$ (0.058)
Diluted	**(0.284)**	0.039	**(0.285)**	(0.058)
Weighted average number of units (Note 21)				
Basic	**17,517,930**	17,445,721	**17,493,686**	17,426,675
Diluted	**17,517,930**	17,448,653	**17,493,686**	17,426,675

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

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Cash provided by (used in) operating activities				
Income (loss) for the period	**$ (4,988,811)**	$ 688,355	**$ (4,988,510)**	$ (1,017,738)
Items not affecting cash				
Straight-line rent adjustment	**(1,122)**	(10,908)	**(2,141)**	(32,878)
Accretion on debt component of convertible debentures (Note 9)	**593,791**	556,557	**1,192,301**	1,094,021
Unit-based compensation	**36,046**	128,729	**227,937**	212,400
Amortization (Note 19)	**2,793,060**	2,311,742	**5,498,709**	4,405,121
Change in fair value - swap asset	**(51,029)**	-	**(51,029)**	-
Future income taxes	**4,236,163**	(2,105,478)	**2,282,964**	(2,185,352)
Non-controlling interest	**17,136**	(15,021)	**38,505**	(38,985)
	2,635,234	1,553,976	**4,198,736**	2,436,589
Changes in non-cash operating items (net of effects of acquisition of income properties)	**402,483**	(477,939)	**173,374**	(159,622)
Tenant inducements and leasing expenses incurred through leasing activity	**-**	(31,369)	**(2,178)**	(95,853)
	3,037,717	1,044,668	**4,369,932**	2,181,114
Cash provided by (used in) financing activities				
Proceeds of mortgage loan financing	**36,951,706**	44,889,270	**48,846,226**	94,398,248
Repayment of Series D debentures	**-**	-	**(1,593,000)**	-
Repayment of mortgage loans on refinancing	**-**	(27,964,166)	**-**	(30,464,166)
Repayment of principal on mortgage loans	**(1,675,160)**	(1,135,533)	**(3,096,363)**	(2,070,554)
Transaction costs	**(450,987)**	(169,171)	**(672,007)**	(883,065)
Units purchased and cancelled	**(188,120)**	-	**(199,976)**	-
Distributions paid on units (Note 20)	**(2,111,969)**	(2,279,811)	**(3,559,269)**	(3,796,979)
Distributions paid on LP units of Village West LP	**(49,926)**	(49,927)	**(83,210)**	(83,211)
	32,475,544	13,290,662	**39,642,401**	57,100,273
Cash provided by (used in) investing activities				
Acquisition of income properties and properties under development	**(21,720,000)**	(4,743,012)	**(21,720,000)**	(39,321,965)
Improvements to income properties	**(227,063)**	(979,452)	**(358,235)**	(2,193,226)
Construction of income properties	**(417,154)**	-	**(417,154)**	-
Increase in properties under development	**(2,739,676)**	(4,966,346)	**(9,029,976)**	(10,219,974)
Deposits on potential acquisitions	**(860,000)**	(50,000)	**(860,000)**	(184,025)
Increase in restricted cash	**(267,655)**	(101,913)	**(419,341)**	(2,381,751)
	(26,231,548)	(10,840,723)	**(32,804,706)**	(54,300,941)
Cash increase	**9,281,713**	3,494,607	**11,207,627**	4,980,446
Cash (bank indebtedness), beginning of period	**302,263**	3,074,110	**(1,623,651)**	1,588,271
Cash, end of period	**$ 9,583,976**	$ 6,568,717	**$ 9,583,976**	$ 6,568,717

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 *Change in accounting policies*

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

CICA Handbook Section 3064 - Goodwill and Intangibles will be effective for interim and annual financial statements of the Trust for periods beginning after January 1, 2009. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and intangible assets by profit-oriented enterprises.

In 2008 the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS"). The AcSB has confirmed the effective date for reporting under IFRS will be January 1, 2011, with appropriate comparative data from the prior year.

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

3 *Acquisitions*

During the six months ended June 30, 2008, the Trust acquired Phase I of Parsons Landing, a property under development.

The net assets acquired in the transaction are as follows:

Property under development	$ 33,053,806
Consideration:	
Cash	$ 2,500,000
Mortgage loan receivable, applied to purchase	5,250,000
Acquisition cost payable	24,134,825
GST payable	1,168,981
	$ 33,053,806

4 *Income properties*

June 30, 2008	Cost	Accumulated Amortization	Net Book Value
Land	$ 79,528,011	$ -	$ 79,528,011
Buildings and improvements	352,471,760	(17,045,055)	335,426,705
Furniture, equipment and appliances	10,006,331	(2,021,635)	7,984,696
Intangible assets	3,465,827	(2,529,287)	936,540
	$445,471,929	$ (21,595,977)	$423,875,952

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

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.

On June 1, 2008, Laird's Landing achieved a level of occupancy necessary for the property to be classified as an income property and as a result, costs totaling $49,828,162 were transferred from properties under development to income properties.

5 *Properties under development*

	June 30 2008	December 31 2007 (audited)
Clarington Seniors Residence	$ 25,672,554	$ 25,023,068
Elgin Lodge	9,821,386	9,766,638
Parsons Landing	34,658,345	-
Laird's Landing	-	45,439,063
	$ 70,152,285	$ 80,228,769

The cost of properties under development includes carrying costs of $580,148 for the six months ended June 30, 2008 (2007 - $2,111,781).

6 *Mortgage loan receivable*

	June 30 2008	December 31 2007 (audited)
Parsons Landing	$ 4,750,000	$ 10,000,000

The Trust invested in a $10 Million, 8% second mortgage loan, secured by a 160 suite multi-family apartment property in Fort McMurray, Alberta. Interest is payable quarterly. On closing of Phase I of the property on May 14, 2008, $5,250,000 of the loan was applied toward the purchase price. The $4,750,000 balance of the loan shall be applied toward the purchase price of the property upon closing of Phase II, which is expected to occur in September 2008.

7 *Other assets*

	June 30 2008	December 31 2007 (audited)
Amounts receivable	$ 1,905,123	$ 958,397
Prepaid expenses, deposits and other	2,558,004	1,606,986
Deposits on potential acquisitions	1,510,000	650,000
Straight-line rent receivable	293,688	291,548
Restricted cash	3,260,980	2,841,639
Interest rate swap	51,029	-
Above market in place leases, net of accumulated amortization of $66,941, (2007 - $61,855)	56,785	61,871
	$ 9,635,609	$ 6,410,441

Amounts receivable includes rent receivable of $728,751 (2007 - $547,827) net of an allowance for doubtful accounts of $212,696 (2007 - $42,185).

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 $345,053 (2007 - $641,028).

7 *Other assets (continued)*

Interest Rate Swap
On May 30, 2008, the Trust entered into an interest rate swap arrangement whereby the interest rate on a floating interest rate mortgage has been fixed for the ten year term of the mortgage. The interest rate swap is a derivative financial instrument and is recorded on the balance sheet at fair value. The change in the fair value is recognized in net income. For the three and six months ended June 30, 2008, $51,029 related to the initial recognition of the swap asset has been recorded in financing expense.

8 *Mortgage loans payable*

Mortgage loans payable consists of the following:

	Interest Rates at June 30, 2008			
	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	June 30 2008
Income properties				
Fixed rate mortgages	4.1% - 12.0%	6.3%	5.0 years	$302,186,371
Floating rate mortgages	5.8% - 6.3%	5.8%	Demand	63,141,141
				365,327,512
Properties under development				
Fixed rate mortgages	5.8% - 16.0%	9.4%	1 year	11,370,000
Floating rate mortgages	5.8% - 6.8%	6.0%	Demand	12,321,513
				23,691,513
				389,019,025
Difference between contractual and market interest rates on mortgage loans assumed				132,325
Unamortized transaction costs				(2,500,546)
				$386,650,804

The Trust has entered into an interest rate swap arrangement whereby the interest rate on a floating rate mortgage in the amount of $22,781,500 has been fixed at 5.82% for the ten year term of the mortgage.

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	$ 91,185,792
2009	53,712,131
2010	19,804,168
2011	8,278,582
2012	6,529,480
Thereafter	209,508,872
	$389,019,025

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 $132,325 is net of accumulated amortization of $726,348 at June 30, 2008 (2007 - $557,613). The difference relates to mortgage loans assumed on acquisition of properties under development. The amortization of $10,491 (2007 - $128,082) for the three months ended June 30, 2008 and $168,735 (2007 - $169,413) for the six months ended June 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 June 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 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 six months ended June 30, 2008 there were no conversions of convertible debentures. During the three and six months ended June 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 June 30 2007	Six Months Ended June 30 2007
Series A	6.00	-	2,166
Series D	5.00	13,000	28,200

June 30, 2008	Debt	Equity	Total
Convertible debentures			
Series E - 8%, due February 17, 2010	$ 10,756,018	$ 2,835,690	$ 13,591,708
Series F - 7.5%, due March 11, 2011	11,437,667	3,564,376	15,002,043
Series G - 7.5%, due December 31, 2011	20,619,311	6,704,571	27,323,882
	42,812,996	13,104,637	55,917,633
Unamortized transaction costs	(1,957,796)	-	(1,957,796)
	$ 40,855,200	$ 13,104,637	$ 53,959,837

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

9 *Convertible debentures (continued)*

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 June 30, 2008 of $593,791 (2007 - $556,557) and for the six months ended June 30, 2008 of $1,192,301 (2007 - $1,904,021), which increases the debt component from the initial carrying amount, is included in financing expense.

10 *Accounts payable and accrued liabilities*

	June 30 2008	December 31 2007 (audited)
Accounts payable and accrued liabilities	$ 5,680,236	$ 2,191,916
Acquisition cost payable	25,303,806	19,615,893
Construction costs payable	3,116,819	4,710,619
Mortgage and debenture interest payable	2,258,876	2,276,599
Tenant security deposits	3,346,334	2,535,202
Below market in-place leases, net of accumulated amortization of $70,697 (2007 - $66,498)	4,897	9,096
	$ 39,710,968	$ 31,339,325

The acquisition cost payable at June 30, 2008 relates to the acquisition of Phase I of Parsons Landing. The acquisition payable is expected to be paid in December 2008. 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:

	June 30 2008	December 31 2007 (audited)
Future income tax assets:		
Future income taxes related to difference in tax and book value of the Trust	$ 1,103,122	$ 3,763,761
Future income tax liabilities:		
Future income taxes related to difference in tax and book value of wholly owned operating subsidiaries	$ 3,490,665	$ 3,507,101
Future income taxes related to operating losses of wholly owned operating subsidiaries	(1,250,436)	(889,196)
	$ 2,240,229	$ 2,617,905

11 Future income taxes (continued)

Future income tax recoveries:

	Three Months Ended June 30 2008	Three Months Ended June 30 2007	Six Months Ended June 30 2008	Six Months Ended June 30 2007
Current income tax recovery at Canadian statutory tax rates	$ 158,530	$ 181,369	$ 336,932	$ 336,710
(Decrease) increase in future income tax recoveries resulting from the change in tax status with the enactment of Bill C-52	(4,403,272)	1,871,579	(2,660,639)	1,871,579
Lease-up period operations capitalized to Properties Under Development, included in taxable income	120,196	31,103	149,887	85,146
Differences between net income per the financial statements and taxable income per wholly-owned operating subsidiaries	137,374	74,697	173,001	119,957
Adjustment to future tax liabilities for changes to the difference between Tax and GAAP carrying values	(248,991)	(53,270)	(282,145)	(228,040)
	$ (4,236,163)	$ 2,105,478	$ (2,282,964)	$ 2,185,352

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. As at June 30, 2008, $5,000,000 is available to the Trust under the terms of the line of credit.

Cash and (bank indebtedness) consist of the following:

	June 30 2008	December 31 2007 (audited)
Cash in bank	$ 9,583,976	$ 1,416,349
Less: Line of credit	-	(3,040,000)
	$ 9,583,976	$ (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 June 30, 2008, there were 356,617 (2007 - 356,617) LP Units of Village West LP outstanding.

Non-controlling interest consists of the following:

	June 30 2008	December 31 2007 (audited)
Opening balance	$ 1,685,103	$ 1,925,515
Share of income (loss) of Village West Townhouses	38,505	(40,707)
Distributions on LP Units of Village West LP	(99,852)	(199,705)
	$ 1,623,756	$ 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 $548,544 for the three months ended June 30, 2008 (2007 - $357,203) and $1,038,104 for the six months ended June 30, 2008 (2007 - $663,996). 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 June 30, 2008 is a balance of $118,021 (2007 - $65,926), 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 $393,241 for the three months ended June 30, 2008 (2007 - $277,855) and $780,483 for the six months ended June 30, 2008 (2007 - $503,957). 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 six months ended June 30, 2008, $169,449 (2007 - $121,273) and $234,174 (2007 - $196,094) respectively, was recorded to properties under development in regard to the development and construction supervision services provided by Shelter Canadian Properties Limited.

14 Related party transactions (continued)

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:

	Six Months Ended June 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	116,350	86,601
Issued on exercise of unit option	-	10,000
Cancelled under normal course issuer bid	(41,800)	-
Outstanding, end of period	17,604,444	17,529,894

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 six months ended June 30, 2008 the Trust has purchased and cancelled 41,800 units under its normal course issuer bid at an average price of $4.78 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 six months ended ended June 30, 2008, 116,350 (2007 - 86,601) units have been issued pursuant to the DRIP.

15 Units (continued)

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 six months ended June 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 32.59%, 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.

16 Unit option plan (continued)

Unit-based compensation expense of $36,046 for the three months ended June 30, 2008 (2007 - $128,729) and $227,937 for the six months ended June 30, 2008 (2007 - $212,400), relating to options issued was recorded to expense the fair value unit-based compensation, including $143,880 for the six months ended June 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:

	Six Months Ended June 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	-	-
Outstanding, end of period	1,480,000	$ 5.57	1,110,000	$ 5.72
Vested, end of period	824,000		654,000	

At June 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	960,000	504,000	July 26, 2011
5.30	120,000	120,000	June 8, 2012
5.10	370,000	170,000	January 7, 2013
	1,480,000	824,000	

17 Rentals from income properties

Rental revenue contractually due from tenants includes the recovery of property operating costs and property taxes from tenants of $730,211 (2007 - $406,869) for the three months ended June 30, 2008 and $1,402,205 (2007 - $804,809) for the six months ended June 30, 2008.

18 Financing expense

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Mortgage loan interest	$ 4,982,161	$ 3,496,450	$ 9,815,175	$ 6,047,854
Convertible debenture interest	977,975	1,053,821	1,987,810	2,108,360
Accretion of the debt component of convertible debentures	593,791	556,557	1,192,301	1,094,021
Amortization of transaction costs	401,787	375,039	774,894	752,851
Change in fair value of interest rate swap	(51,029)	-	(51,029)	-
	$ 6,904,685	$ 5,481,867	$ 13,719,151	$ 10,003,086

19 Amortization

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Building	$ 1,967,394	$ 1,538,416	$ 3,870,300	$ 2,847,760
Furniture, equipment and appliances	227,684	149,999	443,724	264,074
Intangible assets, except for in-place leases	195,752	247,889	408,904	539,637
	2,390,830	1,936,304	4,722,928	3,651,471
Transaction costs	401,787	375,039	774,894	752,851
Above market in-place leases	2,532	2,589	5,085	5,178
Below market in-place leases	(2,099)	(2,190)	(4,198)	(4,379)
	2,793,050	2,311,742	5,498,709	4,405,121
Difference between contractual and market interest rates on mortgage loans assumed	(10,491)	(128,082)	(168,735)	(169,413)
	$ 2,782,559	$ 2,183,660	$ 5,329,974	$ 4,235,708

20 *Supplementary cash flow information*

	Three Months Ended June 30 2008	Three Months Ended June 30 2007	Six Months Ended June 30 2008	Six Months Ended June 30 2007
Interest paid and received				
Interest paid on mortgage loans	$ 5,357,330	$ 3,980,814	$ 10,560,597	$ 6,211,696
Interest paid on convertible debentures	$ 964,950	$ 964,960	$ 1,994,876	$ 2,111,784
Interest received on mortgage loans receivable	$ 105,479	$ 259,068	$ 258,405	$ 551,397
Other interest received	$ 116,282	$ 140,645	$ 281,076	$ 283,129
Cash distributions				
Distributions declared	$ 2,463,744	$ 2,439,035	$ 4,920,645	$ 4,865,858
Distributions payable beginning of period	819,940	813,312	-	-
Distributions payable end of period	(821,599)	(815,118)	(821,599)	(815,118)
Distributions to participants in the DRIP	(350,116)	(157,418)	(539,777)	(253,761)
Distributions paid on units	$ 2,111,969	$ 2,279,811	$ 3,559,269	$ 3,796,979

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 June 30 2008	Three Months Ended June 30 2007	Six Months Ended June 30 2008	Six Months Ended June 30 2007
Income (loss)	$ (4,988,811)	$ 688,355	$ (4,988,510)	$ (1,017,738)
Diluted income (loss)	$ (4,988,811)	$ 688,355	$ (4,988,510)	$ (1,017,738)
Weighted average number of units	17,517,930	17,445,721	17,493,686	17,426,675
Dilutive options	-	2,932	-	-
Weighted average diluted number of units	17,517,930	17,448,653	17,493,686	17,426,675

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 June 30, 2008, the weighted average term to maturity of the fixed rate mortgages on income properties, excluding properties under development, is 5.0 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 June 30, 2008, the Trust has total contractual mortgage principal maturities on income properties to December 31, 2011 of $86,148,024, representing 22.1% 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 $861,480 per year.

Floating rate mortgages on income properties (excluding a floating rate mortgage in the amount of $22,781,500, with an interest rate fixed at 5.82% by use of an interest rate swap arrangement) comprised 17.3% of the total mortgage loans on income properties as at June 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.

The Trust mitigates this risk by avoiding undue concentration of assets in any geographic location, in any industry or with any specific tenants. 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 11% of rentals from income properties for the six months ended June 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:

	June 30 2008	December 31 2007
Rent receivable overdue:		
0 to 30 days	$ 438,942	$ 24,567
31 to 60 days	124,675	85,866
More than 60 days	178,129	171,904
	$ 741,746	$ 282,337

A reconciliation of allowance for doubtful accounts is as follows:

	June 30 2008	December 31 2007
Balance, beginning of period	$ 42,185	$ 55,256
Provision for impairment of rent receivable	270,445	74,508
Amounts written off as uncollectible	(99,934)	(87,579)
Balance, end of period	$ 212,696	$ 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 June 30, 2008 is $396,000,000 (December 31, 2007 - $343,000,000).

The fair value of the debt component of convertible debentures 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 the debt component of convertible debentures payable has been estimated based on the current market rates for debentures with similar terms and conditions. The carrying value of the debt component of convertible debentures payable for the period June 30, 2008 and December 31, 2007 approximates fair value.

23 Management of capital

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

	June 30 2008	December 31 2007
Mortgage loans payable	$389,019,025	$343,269,160
Convertible debentures		
Debt component	42,812,996	43,207,912
Equity component	13,104,637	13,427,295
	55,917,633	56,635,207
Trust units	79,991,818	79,124,607
	$524,928,476	$479,028,974

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.

23 Management of capital (continued)

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.

Six months ended June 30, 2008:

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	1,880,874	186,293	25,978,483	-	28,045,650
Interest and other income	18,117	363	230,733	309,388	558,601
Property operating costs	1,040,248	43,101	10,458,961	-	11,542,310
Financing expense	493,634	75,460	8,084,479	5,065,578	13,719,151
Amortization	367,954	15,673	4,339,301	-	4,722,928
Income (loss)	(2,845)	52,420	3,665,646	(8,703,731)	(4,988,510)
Total assets	18,327,991	2,710,508	483,707,851	14,354,594	519,100,944

Six months ended June 30, 2007

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	2,043,844	186,450	17,127,492	-	19,357,786
Interest and other income	15,007	641	202,021	603,893	821,562
Property operating costs	888,803	42,345	7,843,660	-	8,774,808
Financing expense	512,693	61,075	5,019,156	4,410,162	10,003,086
Amortization	441,666	15,673	3,194,132	-	3,651,471
Income (loss)	215,691	67,998	1,625,321	(2,926,748)	(1,017,738)
Total assets	18,968,574	2,763,672	341,654,273	21,019,807	384,406,326

Three months ended June 30, 2008:

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	955,407	93,650	13,719,772	-	14,768,829
Interest and other income	13,365	170	99,322	93,572	206,429
Property operating costs	601,262	20,908	5,241,089	-	5,863,259
Financing expense	246,162	37,596	4,060,724	2,560,203	6,904,685
Amortization	180,893	7,836	2,202,101	-	2,390,830
Income (loss)	(59,546)	27,476	2,465,158	(7,421,899)	(4,988,811)
Total assets	18,327,991	2,710,508	483,707,851	14,354,594	519,100,944

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

24 Segmented financial information (continued)

Three months ended June 30, 2007 :

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	1,025,611	93,225	9,618,968	-	10,737,804
Interest and other income	6,762	289	93,528	289,201	389,780
Property operating costs	435,891	21,416	4,150,514	-	4,607,821
Financing expense	258,965	29,560	2,815,015	2,378,327	5,481,867
Amortization	216,792	7,836	1,711,676	-	1,936,304
Income (loss)	120,634	34,701	1,284,303	(751,283)	688,355
Total assets	18,968,574	2,763,672	341,654,273	21,019,807	384,406,326

Six months ended June 30, 2008:

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	14,968,106	730,120	2,891,048	692,613	3,008,572	5,755,191	-	28,045,650
Interest and other income	176,636	4,744	22,427	198	18,857	26,351	309,388	558,601
Property operating costs	4,739,963	435,376	1,531,203	413,748	1,208,760	3,213,260	-	11,542,310
Financing expense	5,585,056	170,811	794,660	350,260	645,038	1,107,748	5,065,578	13,719,151
Amortization	2,340,328	96,688	638,288	138,510	438,351	1,070,763	-	4,722,928
Income (loss)	2,479,404	31,989	(50,674)	12,277	735,283	506,942	(8,703,731)	(4,988,510)
Total assets	313,214,346	10,877,428	33,516,579	45,820,466	38,969,874	62,347,655	14,354,596	519,100,944

Six months ended June 30, 2007

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	7,704,120	720,372	2,822,461	873,262	2,213,692	5,023,879	-	19,357,786
Interest and other income	151,496	5,824	21,552	288	9,867	28,642	603,893	821,562
Property operating costs	2,692,360	431,472	1,303,857	540,609	890,250	2,916,260	-	8,774,808
Financing expense	2,695,375	178,878	779,825	333,994	557,176	1,047,676	4,410,162	10,003,086
Amortization	1,360,990	95,755	615,715	138,039	351,180	1,089,792	-	3,651,471
Income (loss)	1,106,893	20,091	144,614	112,827	424,952	99,633	(2,926,748)	(1,017,738)
Total assets	172,466,354	10,930,602	33,978,105	42,093,657	39,807,263	64,110,538	21,019,807	384,406,326

24 Segmented financial information (continued)

Three months ended June 30, 2008:

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	8,041,903	365,251	1,484,539	461,843	1,501,550	2,913,743	-	14,768,829
Interest and other income	77,500	1,514	15,492	95	8,566	9,690	93,572	206,429
Property operating costs	2,360,574	218,130	850,013	281,343	594,540	1,558,659	-	5,863,259
Financing expense	2,797,644	84,729	399,737	189,134	321,360	551,878	2,560,203	6,904,685
Amortization	1,201,877	48,407	316,546	69,255	219,271	535,474	-	2,390,830
Income (loss)	1,759,311	15,499	(66,260)	(32,329)	374,948	381,919	(7,421,899)	(4,988,811)
Total assets	313,214,346	10,877,428	33,516,579	45,820,466	38,969,874	62,347,657	14,354,594	519,100,944

Three months ended June 30, 2007:

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	4,449,051	357,305	1,426,346	447,726	1,485,514	2,571,862	-	10,737,804
Interest and other income	71,461	2,753	9,639	142	7,134	9,450	289,201	389,780
Property operating costs	1,492,499	199,592	641,307	271,336	572,765	1,430,322	-	4,607,821
Financing expense	1,571,334	88,872	402,635	158,779	339,189	542,731	2,378,327	5,481,867
Amortization	747,791	48,436	303,731	69,077	216,818	550,451	-	1,936,304
Income (loss)	708,897	23,157	88,313	137,502	363,876	117,893	(751,283)	688,355
Total assets	172,466,354	10,930,602	33,978,105	42,093,657	39,807,263	64,110,538	21,019,807	384,406,326

25 Commitments

Acquisitions

Laird's Landing

The Trust has developed Laird's Landing, a residential property located in Fort McMurray, Alberta. The construction of the apartment project was substantially completed in May 2008. The final construction cost is estimated to be $54.5 Million, including GST. The cost to complete will be funded under the existing first mortgage loan financing commitment.

Parsons Landing Apartments

The Trust has agreed to acquire Parsons Landing, a residential property located in Fort McMurray, Alberta, which is currently under construction, for a total cost of $63,800,000, 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. A purchase installment payment of $2,500,000 will be made and the balance of the second mortgage loan of $4,750,000 will be applied to the purchase price on closing of Phase II which is expected to occur in September 2008. The payment of the balance owing on acquisition is expected to occur in December 2008 on receipt of the first mortgage loan proceeds.

25 Commitments (continued)

Colony Square
On March 15, 2008, the Trust agreed to acquire an 89.4% beneficial interest in Colony Square, a residential and commercial property located in Winnipeg, Manitoba for $34,200,000. The Trust currently owns a 1.5% beneficial interest and is permitting certain existing owners, who own an aggregate of 9.1% beneficial interest, to remain as part of the ownership syndicate. The closing of the acquisition on October 1, 2008 will be funded with the pro-rata assumption of a first mortgage loan of $21,000,000, with the balance in cash.

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	$ 86,628
2009	170,329
2010	166,615
2011	162,668
2012	158,473
Thereafter	327,953
	$ 1,072,666

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

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 June 30, 2008 of $287,167 (2007 - $107,779), 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 June 30, 2008 of $231,976 (2007 - $68,994), which increases the cost of properties under development, is included in accounts payable and accrued liabilities.

27 Subsequent events

Acquisitions
On July 2, 2008 the Trust acquired a 66 suite luxury apartment property, located in Fort McMurray, Alberta for a total cost of $30,000,000. The acquisition was financed with a new first mortgage loan of $21,000,000, a vendor take-back mortgage loan of $4,000,000, with the balance in cash.

Distributions
Distributions of $821,599 were paid on July 15, 2008 to unitholders of the Trust. Units of 31,685 were issued on July 15, 2008 to unitholders of the Trust in regard to participation in the DRIP. Distributions of $16,642 were paid on July 15, 2008 to the holder of the LP units of Village West LP.

Units cancelled
Subsequent to June 30, 2008, the Trust purchased and cancelled 69,000 units at an average price of $5.04, pursuant to terms of the normal course issuer bid.

Services agreement
On August 13, 2008, the services agreement was renewed with the same terms and conditions expiring on December 31, 2008.

28 Comparative figures

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