Consolidated Financial Statements of

RETROCOM MID-MARKET REAL ESTATE INVESTMENT TRUST

Three months ended September 30, 2005 and 2004 and
nine months ended September 30, 2005 and period from
March 22, 2004 to September 30, 2004
(Unaudited)

RETROCOM MID-MARKET REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets
(In thousands of dollars)

	September 30, 2005	December 31, 2004
	(Unaudited)	
Assets		
Income-producing properties (note 4)	$ 318,440	$ 178,266
Deferred costs (note 5)	15,684	9,921
Intangible assets (note 6)	61,404	31,809
Amounts receivable (note 7)	8,654	4,478
Other assets	3,849	1,343
Cash	2,415	909
Discontinued operations (note 21)	16,601	28,183
	$ 427,047	$ 254,909
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable (note 8)	$ 222,742	$ 121,667
Secured operating line (note 9)	4,598	11,371
Convertible debentures (note 20)	19,344	–
Convertible debentures issued to vendor (note 20)	29,786	–
Intangible liabilities (note 10)	2,669	1,959
Accounts payable and other liabilities (note 11)	12,682	7,804
Distributions payable	1,573	1,040
Discontinued operations (note 21)	10,167	18,076
	303,561	161,917
Unitholders' equity	123,486	92,992
Commitments and contingencies (note 19)		
	$ 427,047	$ 254,909

See accompanying notes to consolidated financial statements.

RETROCOM MID-MARKET REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Operations
(In thousands of dollars, except per unit amounts)

	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Period from March 22, 2004 to September 30, 2004
	(Unaudited)		(Unaudited)	
Rental revenue	$ 14,824	$ 8,904	$ 34,052	$ 18,857
Expenses:				
Operating	6,918	3,644	15,435	7,858
Interest:				
Long-term debt	3,194	1,954	7,607	3,904
Other	549	27	565	164
Depreciation and amortization (note 13)	5,719	3,841	13,611	7,243
Trust expenses	903	354	2,210	940
	17,283	9,820	39,428	20,109
Loss from operations	(2,459)	(916)	(5,376)	(1,252)
Other income and interest (expense)	104	(389)	384	176
Loss before discontinued operations	(2,355)	(1,305)	(4,992)	(1,076)
Discontinued operations (note 21):				
Loss and provision for dimunition of value of income-producing properties	(1,432)	–	(1,159)	–
Loss from discontinued operations	(448)	(133)	(351)	(1,400)
	(1,880)	(133)	(1,510)	(1,400)
Loss for the period	$ (4,235)	$ (1,438)	$ (6,502)	$ (2,476)
Basic and diluted loss per unit:				
Before discontinued operations	$ (0.14)	$ (0.11)	$ (0.36)	$ (0.09)
After discontinued operations	(0.25)	(0.12)	(0.47)	(0.21)
Weighted average number of units outstanding (note 12)	16,723,989	12,176,000	13,708,656	12,044,078

See accompanying notes to consolidated financial statements.

RETROCOM MID-MARKET REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Unitholders' Equity
(In thousands of dollars)

	Nine months ended September 30, 2005	Period from March 22, 2004 to September 30, 2004
	(Unaudited)	
Trust units		
Balance, beginning of period	$ 108,389	$ 110,690
Units issued	51,521	–
Units issued under over-allotment	–	11,070
Issue costs	(2,318)	(9,226)
Offering costs	(2,152)	(3,953)
Conversion value of debentures	904	–
Balance, end of period	$ 156,344	$ 108,581
Value associated with LTIP units		
LTIP units under subscription	$ 4,300	$ 4,300
LTIP instalment loan receivable, beginning of period	$ (3,923)	$ (4,125)
Interest on instalment loan receivable	(115)	(63)
Distributions applied against instalment loan receivable	318	210
LTIP instalment loan receivable, end of period	$ (3,720)	$ (3,978)
Deficit		
Balance, beginning of period	$ (5,924)	$ –
Loss for the period	(6,502)	(2,476)
Balance, end of period	$ (12,426)	$ (2,476)
Cumulative distributions to unitholders		
Balance, beginning of period	$ (9,850)	$ –
Distributions to unitholders, net of interest on instalment loan	(11,162)	(6,674)
Balance, end of period	$ (21,012)	$ (6,674)
Total unitholders' equity	$ 123,486	$ 99,753

See accompanying notes to consolidated financial statements.

RETROCOM MID-MARKET REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(In thousands of dollars)

	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Period from March 22, 2004 to September 30, 2004
	(Unaudited)		(Unaudited)	
Cash provided by (used in):				
Operating activities:				
Loss for the period	$ (4,235)	$ (1,438)	$ (6,502)	$ (2,476)
Items not affecting cash:				
Loss and provision for diminution of value of income-producing property	1,432	–	1,159	–
Depreciation and amortization	5,719	3,841	13,611	7,243
Straight-line rent	(352)	(90)	(678)	(225)
Amortization of above- and below-market rents, net	(116)	(62)	(160)	(132)
Amortization of mortgage premium	(120)	(18)	(158)	(38)
Option benefit granted under Long-Term Incentive Plan	–	–	–	175
Accretion expense on convertible debentures	34		34	–
	2,362	2,233	7,306	4,547
Change in other non-cash operating items	2,900	(1,591)	(384)	3,940
Discontinued operations	1,988	185	1,120	998
	7,250	827	8,042	9,485
Financing activities:				
Proceeds of issuance of units, net of issue costs	47,051	(372)	47,051	108,581
Issuance of convertible debentures, net	19,250	–	19,250	–
Secured debt financing	–	15,000	12,117	21,935
Secured debt repayment	(1,450)	(14,973)	(3,824)	(806)
Decrease (increase) in operating line draw	(4,859)	3,102	(6,773)	3,265
Distributions to unitholders	(4,186)	(3,122)	(10,424)	(5,566)
Discontinued operations	(1,610)	(120)	(3,942)	25,165
	54,196	(485)	53,455	152,574
Investing activities:				
Acquisition of net assets on IPO	–	(248)	–	(155,226)
Acquisition of properties, net (note 3)	(61,564)	–	(61,564)	–
Proceeds of sale of discontinued operations	1,648	–	3,684	–
Additions to income-producing properties	(638)	(674)	(698)	(1,040)
Additions to deferred costs	(118)	–	(1,516)	–
	(60,672)	(922)	(60,094)	(156,266)
Increase (decrease) in cash	774	(580)	1,403	5,793
Cash, beginning of period	1,641	6,373	1,012	–
Cash, end of period	$ 2,415	$ 5,793	$ 2,415	$ 5,793
Supplemental cash flow information:				
Interest paid	$ 3,031	$ 2,149	$ 7,176	$ 4,406
Mortgages assumed on acquisition	89,713	–	89,713	85,674
Working capital assumed on acquisition	2,452	–	2,452	–

See accompanying notes to consolidated financial statements.

1. Basis of presentation:

Retrocom Mid-Market Real Estate Investment Trust (the "Trust") was created pursuant to the Declaration of Trust dated December 15, 2003, when 10 trust units were issued for $100 cash. The Trust commenced operations on March 22, 2004 (the "Closing"). The Trust issued trust units for cash pursuant to an initial public offering (the "IPO") and utilized the proceeds as partial consideration for properties acquired.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

2. Significant accounting policies:

(a) Income-producing properties:

Income-producing properties include land, buildings, building improvements, acquired leasing costs and acquired tenant improvements. The income-producing properties are carried at the lower of cost less accumulated depreciation and amortization, and net recoverable amount.

An impairment loss is required to be recognized when the carrying amount of any individual property exceeds the sum of the undiscounted cash flows expected from its use and disposal. If required, an impairment loss is measured as the amount by which the carrying amount of a property exceeds its fair value.

(b) Accounting for acquisitions of income-producing properties:

The purchase price is allocated to land, buildings, recoverable improvements, tenant improvements and intangible assets, such as the value of the above- and below-market leases, the in-place leases and tenant relationships, if any.

2. Significant accounting policies (continued):

In-place lease costs are determined based on the estimates of the costs that would be incurred to put the existing lease in place under the same terms and conditions. These costs include the lease commission, tenant inducements and other fees incurred to initiate leases, such as legal and tenant coordination costs. Also, the value of in-place leases includes the present value of the foregone rental income to lease the buildings to the occupancy level on acquisition.

The value ascribed to above- and below-market in-place leases is determined based on the present value of the difference between the rents payable under the respective lease and the estimated market rents for each in-place lease.

Purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The Trust depreciates or amortizes the purchase price allocation amounts on a straight-line basis over the following terms:

Buildings	Over estimated useful life, generally 40 years
Building improvements and recoverable improvements	Over remaining useful life
Tenant improvements	Over remaining average term of leases
Acquired in-place leases	Over remaining average term of leases
Above- and below-market in-place leases to remaining term	Recorded as either an increase (below-market leases) or decrease (above-market leases) to revenue over remaining term of individual lease

2. Significant accounting policies (continued):

(c) Revenue recognition:

Revenue from income-producing properties includes rents earned from tenants under lease agreements, percentage rent, realty tax and operating cost recoveries and other incidental income.

Certain leases call for rental payments that vary significantly over their term due to changes in rates or rent inducements granted to tenants. The rental revenue from these leases is recorded on a straight-line basis, resulting in accruals for rent that are not billable or due until future years. These straight-line rent amounts are recorded as accrued rent receivable. Percentage rents are recognized only when actual sales reach the annual sales threshold as set out in the tenant's lease.

(d) Deferred costs:

Tenant improvements, leasing costs and financing costs are amortized on a straight-line basis over the terms of the leases or mortgages to which they relate.

(e) Use of estimates:

The preparation of financial statements 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 period. Actual results could differ from those estimates.

(f) Income taxes:

The Trust is an unincorporated open-ended investment trust created by the Declaration of Trust. The Trust will be taxed as a mutual fund trust for income tax purposes. Pursuant to the terms of the Declaration of Trust, the Trust intends to make distributions not less than the amount necessary to ensure that the Trust will not be liable to pay income taxes.

2. Significant accounting policies (continued):

(g) Asset retirement obligations:

The Trust recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Trust concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. The fair value of the asset retirement obligation, if any, is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate.

(h) Long-Term Incentive Plan:

The Trust accounts for its Long-Term Incentive Plan ("LTIP") using the fair value-based method, under which a compensation cost is recognized, at the time of vesting, for the fair value of the participants' rights under the LTIP. The units are treated as options for accounting purposes.

As the units issued under the LTIP are treated as options for accounting purposes, they are included in the calculation of diluted net income per unit.

(In thousands of dollars, except per unit amounts)

3. Acquisitions:

On July 26, 2005, the Trust completed the purchase of seven properties: Elgin Mall, Mountainview Mall and Orangeville Mall in Ontario; Plaza LaSarre in Quebec; and Southland Mall, South Hill Mall and Town 'N' Country Mall in Saskatchewan. These acquisitions have been recorded by the purchase method, with the results of operations included in these consolidated financial statements from the date of acquisition. The net assets acquired were as follows:

Land	$ 37,137
Buildings	105,579
In-place leases	37,536
Tenant improvements	4,531
Recoverable improvements	1,462
Deferred costs	71
Other assets	152
Above-market rent leases	508
Below-market rent leases	(1,068)
Other liabilities	(2,604)
	183,304
Less:	
Assumed mortgages (including mark-to-market adjustment of $2,027)	(91,740)
Convertible debentures issued to vendor	(30,000)
	(121,740)
Purchase price paid in cash	$ 61,564

The Trust is in the process of completing the valuation of net assets acquired, including acquisition costs, and based on this valuation, the purchase price allocation for accounting purposes may be adjusted in future periods.

(In thousands of dollars, except per unit amounts)

4. Income-producing properties:

September 30, 2005	Cost	Accumulated depreciation	Net book value
Land	$ 72,949	$ –	$ 72,949
Buildings	249,409	5,851	243,558
Building improvements	2,039	106	1,933
	$ 324,397	$ 5,957	$ 318,440

December 31, 2004	Cost	Accumulated depreciation	Net book value
Land	$ 35,810	$ –	$ 35,810
Buildings	143,829	2,680	141,149
Building improvements	1,343	36	1,307
	$ 180,982	$ 2,716	$ 178,266

5. Deferred costs:

September 30, 2005	Cost	Accumulated amortization	Net book value
Deferred leasing costs incurred through leasing activity	$ 2,126	$ 276	$ 1,850
Deferred financing costs	1,680	302	1,378
Recoverable improvements	3,628	765	2,863
Tenant improvements on property acquisitions	12,592	2,999	9,593
	$ 20,026	$ 4,342	$ 15,684

(In thousands of dollars, except per unit amounts)

5. Deferred costs (continued):

December 31, 2004	Cost	Accumulated amortization	Net book value
Deferred leasing costs incurred through leasing activity	$ 1,093	$ 44	$ 1,049
Deferred financing costs	454	74	380
Recoverable improvements	2,252	451	1,801
Tenant improvements on property acquisitions	8,063	1,372	6,691
	$ 11,862	$ 1,941	$ 9,921

6. Intangible assets:

September 30, 2005	Cost	Accumulated amortization	Net book value
Acquired in-place leases	$ 75,528	$ 15,092	$ 60,436
Above-market in-place leases	1,317	349	968
	$ 76,845	$ 15,441	$ 61,404

December 31, 2004	Cost	Accumulated amortization	Net book value
Acquired in-place leases	$ 37,992	$ 6,835	$ 31,157
Above-market in-place leases	845	193	652
	$ 38,837	$ 7,028	$ 31,809

(In thousands of dollars, except per unit amounts)

7. Amounts receivable:

	September 30, 2005	December 31, 2004
Tenant receivables	$ 4,181	$ 1,420
Amount receivable from Retrocom Growth Fund Inc. ("RGFI") (note 17)	330	1,179
Amounts receivable from other vendors	1,091	1,091
Straight-line rent	1,115	437
Interest subsidy	1,888	–
Other	49	351
	$ 8,654	$ 4,478

8. Mortgages payable:

Mortgages payable are secured by the Trust's interests in income-producing properties and, in certain circumstances, are also guaranteed by the Trust. Mortgages payable bear interest at fixed and floating rates ranging between 5% and 10% (December 31, 2004 - 4.7% and 10%) per annum, with weighted average interest rate per annum of 6.3% (December 31, 2004 - 6.7%) and mature at various dates between 2005 and 2015. The Trust assumed seven mortgages payable as part of an acquisition and obtained an interest subsidy from the vendor as the mortgages bear interest at above-market rates (note 7). After giving effect to the subsidy, mortgages payable bear a weighted average interest rate of 6%. Substantially, all mortgages require monthly principal and interest payments. Future payments, excluding the unamortized premium of $2,081, are as follows:

2005 (remainder of the year)	$ 6,749
2006	20,290
2007	36,431
2008	18,292
2009	51,770
Thereafter	87,129
	$ 220,661

As at September 30, 2005, the fair market value of the mortgages was $224,163.

(In thousands of dollars, except per unit amounts)

9. Secured operating line:

The Trust has an operating line of up to $9,800, which expires on March 31, 2006. Draws on this facility are subject to certain security provisions and financial covenants. Interest is at prime rate plus 100 basis points. As at September 30, 2005, $4,598 was drawn on the operating line.

10. Intangible liabilities:

September 30, 2005	Cost	Accumulated amortization	Net book value
Below-market in-place leases	$ 3,360	$ 691	$ 2,669

December 31, 2004	Cost	Accumulated amortization	Net book value
Below-market in-place leases	$ 2,334	$ 375	$ 1,959

11. Accounts payable and other liabilities:

	September 30, 2005	December 31, 2004
Accounts payable and accrued liabilities	$ 11,175	$ 6,248
Tenant deposits	403	370
Deferred revenue	450	1,186
Due to vendor	654	–
	$ 12,682	$ 7,804

(In thousands of dollars, except per unit amounts)

12. Unitholders' equity:

The Trust is authorized to issue an unlimited number of units. Each unit represents a single vote at any meeting of unitholders of entities and the unitholder is to receive a pro rata share of all distributions.

(a) Units issued and outstanding:

	Nine months ended September 30, 2005		Nine months ended September 30, 2004	
	Units	Amount	Units	Amount
Balance, beginning of period	12,176,000	$ 108,389	–	$ –
Offering, net of issue costs	6,245,000	47,051	11,069,000	98,175
Units issued under over-allotment	–	–	1,107,000	10,406
Conversion value of debentures	5,088,991	904	–	–
Balance, end of period	23,509,991	$ 156,344	12,176,000	$ 108,581

The weighted average number of fully diluted units for the nine months ended September 30, 2005 is 15,370,102 units (September 30, 2004 - 12,456,578 units) and the three months ended September 30, 2005 is 20,842,602 units (September 30, 2004 - 12,588,500 units). The convertible debentures are currently anti-dilutive; therefore, fully diluted net income per unit is the same as basic net income per unit.

(b) Distribution reinvestment plan:

Subsequent to period end, the Trust implemented a distribution reinvestment plan that allows unitholders to use monthly cash distributions paid on their existing units to purchase additional units directly from the Trust. Unitholders who elect to participate in the distribution reinvestment plan will receive bonus units equal in value to 3% of each cash distribution.

(In thousands of dollars, except per unit amounts)

12. Unitholders' equity (continued):

(c) Per unit calculation:

Basic per unit calculation is based on the weighted average number of units outstanding for the period.

13. Depreciation and amortization:

	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Period from March 22, 2004 to September 30, 2004
Income-producing properties	$ 1,256	$ 970	$ 3,392	$ 1,839
Acquired in-place leases	3,711	2,274	8,053	4,223
Deferred costs	752	597	2,166	1,181
	$ 5,719	$ 3,841	$ 13,611	$ 7,243

14. Long-Term Incentive Plan:

Certain trustees and officers of the Trust and certain Retrocom Investment Management Inc. ("RIMI") employees have been provided an LTIP, under which the participants subscribed for units of the Trust. Participants are required to pay interest and to apply cash distributions received by them, in respect of the LTIP, towards payments of that interest and instalments. Participants may prepay any remaining instalments at their discretion. If a participant fails to pay interest and/or any remaining instalments, the Trust may elect to reacquire or sell the units in satisfaction of the outstanding amounts.

The Trust has no recourse to a participant's other assets, except such participant's units. An aggregate of 825,000 units are reserved for issuance, pursuant to the LTIP, and 412,500 units were issued March 22, 2004 at an average purchase price of $10 per unit.

14. Long-Term Incentive Plan (continued):

The Trust accounts for the LTIP using the fair value-based method, under which a compensation cost is recognized for the fair value of the participants' rights under the LTIP. The units are treated as options for accounting purposes. Accordingly, the fair value of the LTIP on the date of issuance was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 10.25%; expected volatility of between 12% and 14%; risk-free interest rate of 4.17%; expected life of 10 years; and average expected tenure of eight years. The fair value also includes the estimated present value of the 1.5% benefit at an assumed market rate of return of between 4.0% and 4.5% and assuming an average employee tenure of eight years.

Compensation cost of $175, attributable to the LTIP, is charged against earnings during the period with a corresponding amount included in unitholders' equity as units under subscription. The unit instalment loans receivable are recognized as a deduction from units under subscription. Distributions received under the LTIP units are charged to unitholders' equity and interest at the rate of 3% received under the LTIP is credited to distributions.

15. Segment disclosure:

The Trust owns, manages and operates shopping centres located throughout Canada. Management, when measuring the Trust's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the Trust has a single reportable segment for disclosure purposes in accordance with generally accepted accounting principles.

No single tenant accounted for more than 10% of the Trust's rental revenue.

16. Risk management and fair values:

(a) Risk management:

In the normal course of business, the Trust is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

(i) Interest rate risk:

Floating rate debt is restricted to the Trust's secured operating line. The Trust structures its financings so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations.

(ii) Credit risk:

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. 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. Thorough credit assessments are conducted in respect of all new leasing.

(b) Fair values:

The fair values of the Trust's financial assets and financial liabilities, except as noted, approximate their recorded value due to their short-term nature.

17. Related party transactions:

Other than the transactions disclosed elsewhere in these financial statements, the Trust had the following related party transactions:

(a) The Trust retained RIMI to provide advisory, asset management and administration services to the Trust. The agreement has a five-year term expiring in 2009 and is renewable upon mutual agreement. The Trust has incurred $657 and $1,063, respectively, of fees for these services during the three months and nine months ended September 30, 2005 (2004 - $202 and $469, respectively), of which $132 (2004 - $92) is included in accounts payable and other liabilities. Subsequently, $126 has been paid. The Trust also reimbursed RIMI for certain costs in the amount of $17.

(b) The Trust also retained RIMI to provide property management and leasing services to the Trust. The agreement has an initial term of five years. On December 14, 2004, RIMI subcontracted some of the property management and leasing services for the Trust to O&Y Enterprise GP Inc. The Trust incurred $326 and $1,056, respectively, of property management fees during the three months and nine months ended September 30, 2005 (2004 - $381 and $743, respectively). The Trust also reimbursed the property manager for certain costs.

RIMI also rents office space at Woodbine Place and 501 Lakeshore Road East. Rental revenue for the three months and nine months ended September 30, 2005 was $57 and $169, respectively (2004 - nil and nil, respectively) and $7 (2004 - nil) is included in amounts receivable.

(c) Effective August 31, 2005, the Trust completed an arrangement with RGFI to settle all outstanding related party transactions and balances, including the head lease arrangements, interest and capital maintenance agreement, the Maple Park Put, the excess land acquisition at Pickering Plaza and the related working capital balances. The Trust continues to guarantee the Maple Park mortgage, and has secured a charge on the property for the amount of this guarantee. This settlement resulted in the Trust recording a net gain of $252, and a note receivable from RGFI of $330 which bears interest at 6% per annum, payable monthly, with a five-year term.

17. Related party transactions (continued):

(d) At the time of the IPO, the Trust entered into six head lease arrangements with RGFI, a vendor of properties to the Trust, relating to 95,949 square feet of space. The total amount of revenue recorded during the three months and nine months ended September 30, 2005 under the head leases is $20 and $242, respectively (2004 - $301 and $614, respectively). As at September 30, 2005, all spaces had been leased out. These head lease arrangements have now been terminated as part of the settlement with RGFI (note 17(c)).

(e) At the time of the IPO, the Trust entered into an interest and capital maintenance agreement with RGFI, whereby RGFI guaranteed to provide financing on the same amounts, terms and interest rate on one of the properties as the Trust has assumed on the initial acquisition. The mortgage on this property is for a period of five years, with a principal balance on closing of $14,098 and an interest rate of 5.95%. The mortgage was financed at 5.7% and the Trust paid RGFI $8 and $24, respectively, during the three months and nine months ended September 30, 2005 (2004 - nil and nil, respectively).

This agreement has now been settled as part of the settlement with RGFI (note 17(c)).

(f) On June 15, 2005, the Trust exercised its right to require RGFI to repurchase its interest in Maple Park at the same price at which the Trust acquired the property. The property has been reclassified to discontinued operations and sold as part of the RGFI agreement, effective August 31, 2005 (note 21).

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(In thousands of dollars, except per unit amounts)

18. Co-ownership activities:

The Trust holds 50% interest in three income-producing properties. The following amounts are proportionately consolidated in the Trust's financial statements:

	September 30, 2005	December 31, 2004
Assets	$ 17,125	$ 17,014
Liabilities	10,004	10,117

	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Period from March 22, 2004 to September 30, 2004
Revenue	$ 708	$ 643	$ 2,051	$ 1,351
Expenses	688	887	1,982	1,379

The Trust is contingently liable for mortgage obligations of co-owners. In each case, the co-owners' share of the assets in each co-ownership is available for the purpose of satisfying these obligations and the estimated market values of these assets are in excess of the obligation secured.

19. Commitments and contingencies:

Other than disclosed elsewhere in these financial statements the Trust has the following commitments and contingencies:

(a) The mortgage on one property has been cross-collateralized with indebtedness owed by the vendor on two other properties in which the Trust did not acquire an interest at the time of the IPO. The vendor has agreed to indemnify the Trust against any losses that the Trust may incur in connection with a default by the vendor under the cross-collateralized loan, and has agreed to grant to the Trust a dilution right pursuant to which the vendor's co-ownership interest would be reduced and the Trust's interest correspondingly increased, to the extent that any default by the vendor under the cross-collateralized loan is not covered by the indemnity.

(b) The Trust is involved in litigation and claims in relation to the income-producing properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on these consolidated financial statements.

20. Convertible debentures:

(a) On July 26, 2005, the Trust issued $20,000 principal amount of unsecured, convertible, subordinated, seven-year debentures. Costs of issuing these debentures of approximately $750 are capitalized to deferred costs. These debentures bear interest at 7.5% per annum, payable semi-annually on July 31 and January 31 each year, and mature July 31, 2012. These debentures are convertible at the debenture holder's option into fully paid units at any time prior to the earlier of the maturity date and the date fixed for redemption at a conversion price of $9.25 per unit. These debentures are not redeemable on or before July 31, 2009. After July 31, 2009 and prior to July 31, 2011, these debentures may be redeemed, in whole or in part, at the Trust's option, provided that the market price for the units is not less than 125% of the conversion price. Subsequent to July 31, 2011 and prior to the maturity date, these debentures may be redeemed, in whole or in part, at the Trust's option, at a price equal to their principal amount plus accrued interest. The Trust may satisfy its obligation to repay the principal amounts of the debentures, in whole or in part, by delivering units of the Trust. In the event the Trust elects to satisfy its obligation to repay principal with units of the Trust, it must deliver that number of units equal to 95% of the market price for the units at that time. The conversion price is expected to be $9.25 per unit. The convertible debentures have been recorded as debt of $19,328 and equity of $672 on the balance sheet.

Interest expense has been calculated and accreted on the debt portion using a discount rate of approximately 8.1% for an interest expense of $287 for the period ended September 30, 2005. During the three months ended September 30, 2005, none of the convertible debentures exercised their option to convert the units.

As at September 30, 2005, the fair market value of these convertible debentures was $20,820.

20. Convertible debentures (continued):

(b) On July 26, 2005, the Trust issued to a vendor, as partial consideration of an acquisition of rental properties, $30,000 of secured, convertible, subordinated, three-year debentures. The coupon rate is 4.5% per annum. These debentures mature on July 26, 2008 and interest is compounded semi-annually and paid monthly in arrears. These debentures are convertible at the debenture holder's option into fully paid units at any time prior to the maturity date at a conversion price of $10.25 per unit. The Trust will be required to pay cash for the balance of convertible debentures outstanding on the maturity date. These convertible debentures have been recorded as to debt of $29,768 and equity of $232.

The interest expense has been calculated and accreted on the debt portion using a discount rate of 4.8% for an interest expense of $265 for the period ended September 30, 2005. During the three months ended September 30, 2005, none of the convertible debentures exercised their option to convert the units.

As at September 30, 2005, the fair market value of these convertible debentures issued to vendor was $29,721.

21. Discontinued operations:

Previously, the Trust adopted formal plans to dispose of the assets and business operations of its interest in the Cassils Centre Mall and Pickering Industrial Park properties, respectively, and during the quarter ended September 30, 2005, these properties met the criteria to be reported as assets held for sale and discontinued operations. In addition, the Trust completed the sale of Northgate Shopping Centre during the last quarter, and the sale of Glenmore Commerce Court and Maple Park, during July and August of 2005, respectively, meeting the criteria to report its prior operations as discontinued operations. Accordingly, the operating results of the five properties have been classified under discontinued operations, and comparative figures have been reclassified. In addition, the assets and liabilities of Cassils Centre Mall and Pickering Industrial Park have been reclassified as assets held for sale at September 30, 2005.

The consideration received on the sale of Northgate Shopping Centre consisted of cash proceeds of $2,036 net of working capital and mortgage debt assumed of $3,298, and resulted in a gain on disposition of $273, which has been included as a gain on sale under discontinued operations.

(In thousands of dollars, except per unit amounts)

21. Discontinued operations (continued):

The consideration received on the sale of Glenmore Commerce Court consisted of cash proceeds of $3,250 net of working capital and mortgage repayment of $1,479, and resulted in a gain on disposition of $545, which has been included as a gain on sale under discontinued operations.

The consideration received on the sale of Maple Park consisted of cash proceeds by way of a note in the amount of $2,513, net of working capital and mortgage debt assumed of $2,338 (note 17). The Trust continues to guarantee the mortgage on Maple Park, and has a charge on the property for this amount (note 17).

The Pickering Industrial Plaza is under contract to be sold on November 30, 2005. Accordingly, the Trust has recorded a provision for loss on this transaction of $2,229. The outstanding mortgage on this property in the amount of $6,519 is due on November 30, 2005 and will be repaid from the proceeds on that date.

Summarized financial information relating to the discontinued operations is as follows:

	September 30, 2005	December 31, 2004
Assets	$ 16,601	$ 28,183
Mortgages payable	9,885	17,352
Other liabilities	282	724

(In thousands of dollars, except per unit amounts)

21. Discontinued operations (continued):

	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Period from March 22, 2004 to September 30, 2004
Rental revenue	$ 274	$ 1,094	$ 2,717	$ 2,484
Expenses:				
Operating	392	54	1,397	675
Interest	157	270	687	548
Depreciation and amortization	173	903	984	2,661
Loss and provision for diminution value of income-producing properties	(1,432)	–	(1,159)	–
Loss from discontinued operations	(448)	(133)	(351)	(1,400)