Consolidated Financial Statements of

CHARTER REAL ESTATE INVESTMENT TRUST

December 31, 2007

Auditors' Report

To the Trustees of Charter Real Estate Investment Trust

We have audited the consolidated balance sheets of Charter Real Estate Investment Trust (the "REIT") as at December 31, 2007 and 2006 and the consolidated statements of operations and comprehensive loss, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the REIT's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the REIT as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants
Licensed Public Accountants
February 20, 2008

CHARTER REAL ESTATE INVESTMENT TRUST
Table of Contents
For the years ended December 31, 2007 and 2006

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets

		As at December 31, 2007		As at December 31, 2006
ASSETS				
Cash	**$**	**1,423,523**	$	805,127
Restricted cash (Note 8)		**481,475**		-
Income producing properties (Note 4)		**85,718,514**		-
Deferred costs (Note 5)		**759,250**		-
Intangible assets (Note 6)		**9,935,606**		-
Accounts receivable		**223,927**		12,624
Other assets (Note 7)		**1,034,138**		35,243
	$	**99,576,433**	$	852,994
LIABILITIES				
Mortgages payable (Note 8)	**$**	**36,316,387**	$	-
Credit facilities (Notes 9 and 16)		**11,500,000**		-
Intangible liabilities (Note 6)		**438,016**		-
Accounts payable and other liabilities		**2,424,214**		83,858
		50,678,617		83,858
UNITHOLDERS' EQUITY		**48,897,816**		769,136
	$	**99,576,433**	**$**	**852,994**

APPROVED ON BEHALF OF THE BOARD OF TRUSTEES

"John F. Driscoll"
…………………………………… Trustee

"Janet Graham"
…………………………………… Trustee

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Operations and Comprehensive Loss

	Year ended December 31, 2007	2006
REVENUE		
Revenues from rental properties	**$ 6,218,855**	$ -
Interest income	**57,365**	20,562
	6,276,220	20,562
EXPENSES		
Rental property operating costs	**2,390,330**	-
Interest expense on mortgages payable and long-term credit facilities	**1,371,337**	-
Interest expense on short-term credit facilities	**522,291**	-
Incentive unit option compensation (Note 11)	**251,402**	9,625
General and administrative expenses	**1,088,565**	149,338
Depreciation and amortization of income producing properties	**1,299,638**	-
Amortization of deferred costs	**345,582**	-
Amortization of intangible assets	**820,886**	-
Corporate transaction costs and other (Note 13)	**1,228,274**	-
	9,318,305	158,963
LOSS BEFORE INCOME TAXES	**(3,042,085)**	(138,401)
PROVISION FOR INCOME TAXES (Note 14)	**-**	-
NET LOSS AND COMPREHENSIVE LOSS	**$ (3,042,085)**	$ (138,401)
LOSS PER UNIT (Note 12)		
Basic	**$ (0.38)**	$ (0.33)
Diluted	**$ (0.38)**	$ (0.33)

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Unitholders' Equity

	Year ended December 31, 2007	2006
Trust Units (Note 10)		
BALANCE, BEGINNING OF YEAR	**$ 902,869**	$ 408,659
Issuance of units, net of costs	**53,130,706**	494,210
Proceeds from exercise of options	**30,000**	-
Value associated with exercise of options	**6,000**	-
BALANCE, END OF YEAR	**54,069,575**	902,869
Contributed Surplus		
BALANCE, BEGINNING OF YEAR	**30,030**	20,405
Incentive unit option compensation	**251,402**	9,625
Value associated with exercise of options	**(6,000)**	-
BALANCE, END OF YEAR	**275,432**	30,030
Deficit and Accumulated Other Comprehensive Loss		
BALANCE, BEGINNING OF YEAR	**(163,763)**	(25,362)
Net loss	**(3,042,085)**	(138,401)
Distributions to unitholders	**(2,241,343)**	-
BALANCE, END OF YEAR	**(5,447,191)**	(163,763)
TOTAL UNITHOLDERS' EQUITY	**$ 48,897,816**	$ 769,136
Units issued and outstanding (Note 10)	**17,601,912**	600,000

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows

	Year ended December 31, 2007	2006
OPERATING ACTIVITIES		
Net loss	**$ (3,042,085)**	$ (138,401)
Adjusted for non-cash items:		
Depreciation and amortization	**2,466,106**	-
Amortization of below-market rate leases	**(27,578)**	-
Non cash portion of interest expense	**11,832**	-
Incentive unit option compensation	**251,402**	9,625
Leasing costs	**(1,013)**	-
Deferred recoverable expenditures	**(149,558)**	-
Net change in non-cash working capital	**12,855**	33,170
Net cash used in operating activities	**(478,039)**	(95,606)
FINANCING ACTIVITIES		
Proceeds from new mortgage financing (Note 8)	**36,317,912**	-
Credit facilities		
Drawdowns from facilities (Note 9)	**26,000,000**	-
Repayment of facilities (Note 9)	**(14,500,000)**	-
Standby fees on credit facilities	**(639,583)**	-
Proceeds from issuance of units (Note 10)	**56,874,446**	500,000
Proceeds from exercise of unit options (Note 10)	**30,000**	-
Cost of issuance of units	**(3,709,894)**	(11,790)
Distributions to unitholders	**(1,785,981)**	-
Net cash provided by financing activities	**98,586,900**	488,210
INVESTING ACTIVITIES		
Income producing properties acquired (Note 4)	**(96,918,339)**	-
Additions to building improvements	**(50,586)**	-
Additions to tenant improvements	**(40,065)**	-
Net change in restricted cash (Note 8)	**(481,475)**	-
Net cash used in investing activities	**(97,490,465)**	-
NET INCREASE IN CASH DURING THE YEAR	**618,396**	392,604
CASH, BEGINNING OF YEAR	**805,127**	412,523
CASH, END OF YEAR	**$ 1,423,523**	$ 805,127

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Income taxes paid	**$ -**	$ -
Interest paid	**$ 1,630,928**	$ -

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION

On May 10, 2007, Charter Realty Holdings Ltd. (the "Company") completed its conversion to a trust structure under a Plan of Arrangement (the "Arrangement"). The Arrangement resulted in shareholders of the Company transferring their shares to Charter Real Estate Investment Trust ("Charter" or the "REIT"), in consideration for units of the REIT. Each 10 issued shares of the Company were transferred to the REIT in exchange for 1 unit of the REIT. The REIT was formed pursuant to a Declaration of Trust dated March 27, 2007, specifically for the purposes of the Arrangement. After the Arrangement, the Company is a wholly-owned subsidiary of the REIT.

The REIT is an unincorporated open-ended real estate investment trust.

The REIT trades under the symbol "CRH.UN".

The REIT acquired the Company on a continuity of interest basis, and therefore the REIT directly and indirectly owns all of the assets of the Company. In addition, the comparative figures and note disclosures are presented as if the Company had converted to a trust structure on January 1, 2006.

The REIT's major unitholder is C.A. Bancorp Inc., which currently owns 33.2% of the outstanding units of the REIT.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies that are used in the preparation of these financial statements.

(a) Revenue recognition

The REIT uses the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the terms of the respective leases. Accordingly, an accrued rent receivable/payable is recorded from the tenants for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenants.

Revenues from rental properties also include percentage rent, realty tax and operating cost recoveries, and other incidental income which are recognized on an accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Purchase Price Allocation

The REIT allocates the purchase price for acquired income producing properties as follows:

a. Land

Land is recorded at its estimated fair value. Land is included in income producing properties.

b. Buildings

Buildings are recorded at depreciated replacement cost based on estimates of prevailing construction costs for buildings of a similar class and age. Buildings are included in income producing properties.

c. Tenant improvements

Tenant improvements are recorded at depreciated replacement cost based on estimates of prevailing construction costs, taking into account the condition of tenants' premises. Tenant improvements are included in income producing properties.

d. Above and below market in-place leases

Values ascribed to above and below market in-place leases are determined based on the present value of the difference between the rents payable under the terms of the in-place leases and estimated market rents. Above and below market in-place leases are included in intangible assets or intangible liabilities, as applicable.

e. Lease origination costs

Lease origination costs are determined based on estimates of the costs that would be required for the existing leases to be put in place under the same terms and conditions. These costs include leasing commissions, foregone rent and operating cost recoveries during an estimated lease-up period. Lease origination costs are included in intangible assets.

f. Tenant relationship values

Tenant relationship values are determined based on the net costs avoided if the tenants were to renew their leases at the end of the existing term, adjusted for the estimated probability that the tenants will renew. Tenant relationship values are included in intangible assets.

(c) Income producing properties

Income producing properties include land, buildings, building improvements and tenant improvements acquired in a rental property acquisition, which are carried at cost less accumulated depreciation and amortization.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Intangible assets and liabilities

Intangible assets and liabilities include the value of above and below market in-place leases, lease origination costs and the value of tenant relationships. Intangible assets and liabilities are carried at cost less accumulated amortization.

(e) Deferred costs

Deferred costs include tenant improvements, tenant inducements and leasing costs incurred through leasing activities, expenditures incurred on income producing properties that are recoverable from tenants and financing costs incurred in connection with credit facilities.

Deferred costs are carried at cost less accumulated amortization.

(f) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may be impaired. If it is determined that the carrying value exceeds the total undiscounted future cash flows expected from the use and eventual disposal of the asset, the asset is written down to its fair value. Assets reviewed for impairment under this policy include income producing properties, intangible assets and certain deferred costs.

(g) Depreciation and amortization

Depreciation on buildings and improvements is provided using the straight-line method over their estimated useful lives of up to 40 years.

Tenant improvements acquired in a rental property acquisition are amortized on a straight-line basis over the useful life of the associated asset, which generally approximates the terms of the associated leases.

Tenant improvements included in deferred costs are amortized on a straight-line basis over the useful life of the associated asset, which generally approximates the terms of the associated leases. Leasing costs included in deferred costs are amortized on a straight-line basis over the terms of the associated leases.

Tenant inducements included in deferred costs are amortized on a straight-line basis to revenues over the terms of the associated leases.

Recoverable expenditures are amortized on a straight-line basis over terms appropriate to the expenditure.

Above and below market in-place leases are amortized to revenues on a straight-line basis over the remaining terms of the associated leases.

Lease origination costs are amortized over the remaining terms of the associated leases.

Tenant relationship values are amortized over the expected term of the relationship.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financing fees incurred in connection with credit facilities are amortized on a straight-line basis over the term of the related debt.

(h) Financing fees

Commitment fees and other fees incurred in connection with mortgages are netted in the balance sheet against the mortgages to which they relate. These costs are amortized into interest expense using the effective interest method over the term of the debt.

Standby fees and other costs related to standby fees incurred in connection with credit facilities are classified as deferred costs and are amortized on a straight-line basis over the term of the related debt and the amortization is included in depreciation and amortization expense.

(i) Incentive unit options

The REIT has an incentive unit option plan. The REIT follows the fair value method of accounting for the expense associated with the plan, whereby an estimate of the fair value of the unit options granted is measured and recorded as an expense over the vesting period or at the date of grant if options vest immediately, with the related offset recorded as contributed surplus. The effect of actual forfeitures of previously granted options is recognized as they occur. Any consideration paid to the REIT with respect to the exercise of unit options is credited to units. For the purpose of accounting for incentive unit options, trustees and officers of the REIT and consultants that provide employee-related services to the REIT are considered employees and other parties are considered non-employees.

(j) Income taxes

The REIT is an unincorporated open-ended investment trust and is taxed as a “Mutual Fund Trust” for income tax purposes. Pursuant to the terms of the Declaration of Trust, the REIT makes distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

The Company is the REIT’s wholly-owned incorporated subsidiary and subject to tax on its taxable income. Income taxes are accounted for using the liability method, whereby future income tax assets and liabilities are determined based on differences between the carrying amount of the balance sheet items and their corresponding tax values. Future income taxes are computed using substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates are required in the allocation of the purchase price of income producing properties acquired, determining future cash flows when assessing assets for impairment, determining the useful lives of assets for amortization purposes, determining the fair value of options granted and determining fair values of financial instruments.

(l) Future Accounting Changes

There are three new accounting standards that are effective for the REIT's 2008 fiscal year: Section 1535, Capital Disclosures; Section 3862 Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation and one new accounting standard, Section 3064, Goodwill and Intangible Assets that is effective for the REIT's 2009 fiscal year.

Section 1535 includes required disclosures of an entity's objectives, policies and processes for managing capital, and quantitative data about what the entity regards as capital.

Section 3064 replaces the existing Section 3062, Goodwill and other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets.

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.

Management has not assessed the impact, if any, of these new accounting standards on the REIT's future financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The REIT adopted the following new accounting policies, none of which had a material impact on the consolidated financial statements of the REIT. As well, there were no transitional adjustments required for the application of these standards.

(a) Comprehensive income – CICA Section 1530

Effective January 1, 2007, the REIT implemented CICA Handbook Section 1530, "Comprehensive Income". As a result of adopting this standard, a Statement of Comprehensive Income (Loss) has been included in the REIT's consolidated financial statements. Comprehensive income consists of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) could include unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts arising from self-sustaining foreign operations, net of the impact of related hedges, and changes in fair value of the effective portion of cash flow hedging instruments, if applicable. For the year ended December 31, 2007, comprehensive loss of the REIT is the same as its net loss.

(b) Financial instruments – recognition and measurement – CICA Section 3855

Effective January 1, 2007, the REIT implemented CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". Under this new standard, all financial assets will be classified as one of the following: held-to-maturity; loans and receivables; held-for-trading; or available-for-sale. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost. Available-for-sale instruments will be measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits designation of any financial instrument as held-for-trading upon initial recognition. The standard also requires any fees and amounts paid and transaction costs incurred in borrowing money to be netted against the debt to which it relates and amortized generally over the expected life of the debt using an effective interest rate method.

Upon adoption of this new standard, the REIT designated its cash and restricted cash as held-for-trading; accounts receivable as loans and receivables; and mortgages payable, credit facilities and accounts payable and other liabilities as other financial liabilities.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(c) Hedges – CICA Section 3865

Effective January 1, 2007, the REIT implemented CICA Section 3865, "Hedges". This new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed for each of the permitted hedging strategies: fair value hedges; cash flow hedges; and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recognized in net income. This change in fair value of the hedged item, to the extent that the hedging relationship is effective, is offset by changes in the fair value of the derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in other comprehensive income, net of tax. The ineffective portion will be recognized in net income. The amounts recognized in accumulated other comprehensive income will be reclassified to net income in the periods in which net income is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, foreign exchange gains and losses on the hedging instruments will be recognized in other comprehensive income, net of tax. For the year ended December 31, 2007, the REIT had no hedges in place.

(d) Accounting Changes – CICA Section 1506

Effective January 1, 2007, the REIT implemented CICA Section 1506, "Accounting Changes". This new standard specifies the conditions that must be met for a change in accounting policy to be applied in accordance with Canadian generally accepted accounting principles ("GAAP"), specifies how such changes should be applied and requires disclosure of the impact of changes in policies. Also, the standard specifies that changes in accounting estimates be recognized prospectively in net income and requires disclosure of the impact of a change in estimate on the current and future periods. As a result of this new standard, the REIT has included additional disclosure in Note 2 *(l)* of the financial statements addressing the impact of future accounting policy changes.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(e) Equity – CICA Section 3251

With the introduction of the new standards relating to financial instruments, the CICA has replaced previous Section 3250, "Surplus" with Section 3251, "Equity". This new section establishes standards for the presentation of equity and changes in equity during the reporting period. The following components of equity are reported separately (i) retained earnings or deficit; (ii) accumulated other comprehensive income, showing each component of revenue, expense, gain and loss that, in accordance with primary sources of GAAP, is recognized in other comprehensive income categorized in the same components as required by "Comprehensive Income", paragraph 1530.04 (b), and the total of the components at the end of the period; (iii) the total of (i) and (ii); (iv) contributed surplus; (v) unit capital; and (vi) reserves.

4. INCOME PRODUCING PROPERTIES

	December 31, 2007			December 31, 2006
	Gross Book Value	**Accumulated Depreciation/ Amortization**	**Net Book Value**	Net Book Value
Land	**$ 12,987,047**	**$ -**	**$ 12,987,047**	$ -
Buildings	**68,949,993**	**823,958**	**68,126,035**	-
Building improvements	**72,586**	**1,721**	**70,865**	**-**
Tenant improvements acquired in a rental property acquisition	**5,008,526**	**473,959**	**4,534,567**	**-**
	$ 87,018,152	**$ 1,299,638**	**$ 85,718,514**	$ -

2007 acquisitions

(a) Rona properties

On February 23, 2007, the REIT completed the acquisition of three free-standing, single-use retail facilities leased to Rona Ontario Inc. for an aggregate cash purchase price of $2,065,000 (before closing costs). The properties are located in Exeter, Seaforth and Zurich, Ontario.

(b) Méga Centre

On March 30, 2007, the REIT completed the acquisition of the Méga Centre, a shopping centre located in St. Laurent (Montreal), Quebec for $36,700,000 (before closing costs). The Méga Centre acquisition was financed with a standard first mortgage loan and advances under two credit facilities (see Notes 8 and 9).

4. INCOME PRODUCING PROPERTIES (continued)

(c) Cornwall Square Shopping Centre

On August 9, 2007, the REIT completed the acquisition of Cornwall Square Shopping Centre, for an aggregate cash purchase price of $41,700,000 (before closing costs). Cornwall Square is a two-level enclosed shopping centre located in Cornwall, Ontario. The Cornwall Square acquisition was financed with the proceeds of the public offering completed on August 9, 2007 (see Note 10).

Concurrent with the closing of the Cornwall Square acquisition, the REIT obtained a $32.3 million revolving operating and acquisition facility from a Canadian chartered bank for a term of 364 days. The facility is secured by Cornwall Square Shopping Centre (see Note 9 (b)).

(d) Châteauguay property

On November 30, 2007, the REIT completed the acquisition of a shopping centre located in Châteauguay (Montreal), Quebec for $14,200,000 (before closing costs). The acquisition was financed with a standard first mortgage loan in the amount of $9,000,000 and the remainder of the acquisition was financed through the acquisition facility (see Note 9 (b)).

The allocation of the total cost of the acquisitions and consideration given are as follows:

Land	$	**12,987,047**
Building		**68,949,993**
Tenant improvements		**5,008,526**
Intangible assets		
Lease origination costs		**6,152,524**
Tenant relationships		**4,603,968**
Intangible liabilities		
Below market in-place leases		**(465,594)**
		97,236,464
Working capital acquired, net		**20,709**
Total purchase price including closing costs	$	**97,257,173**
The acquisitions were funded as follows:		
Proceeds from first mortgage,		
net of reserve fund in restricted cash	$	**36,000,000**
Credit facilities		**15,500,000**
Cash		**45,418,339**
		96,918,339
Closing costs included in accounts payable		**338,834**
Total outlay for acquisitions	$	**97,257,173**

5. DEFERRED COSTS

	December 31, 2007			December 31, 2006
	Gross Book Value	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Leasing costs	$ **47,540**	$ **1,466**	$ **46,074**	$ -
Tenant improvements	**247,295**	**6,507**	**240,788**	-
Deferred recoverable expenditures	**170,414**	**11,415**	**158,999**	-
Deferred financing costs	**639,583**	**326,194**	**313,389**	-
	$ **1,104,832**	$ **345,582**	$ **759,250**	$ -

6. INTANGIBLE ASSETS AND LIABILITIES

	December 31, 2007			December 31, 2006
	Gross Book Value	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Intangible assets				
Lease origination costs	$ **6,152,524**	$ **597,438**	$ **5,555,086**	$ -
Tenant relationships	**4,603,968**	**223,448**	**4,380,520**	-
	$ **10,756,492**	$ **820,886**	$ **9,935,606**	$ -
Intangible liabilities				
Below market in-place leases	$ **465,594**	$ **27,578**	$ **438,016**	$ -

7. OTHER ASSETS

	December 31, 2007	December 31, 2006
Costs incurred on equity offerings	$ **-**	$ 20,000
Deposits and costs on properties under option	**919,266**	14,122
Prepaid expenses and other assets	**114,872**	1,121
	$ **1,034,138**	$ 35,243

8. MORTGAGES PAYABLE

At December 31, 2007 mortgages payable are secured by income-producing properties and bear interest at effective rates ranging between 5.36% and 5.39% (contractual rates between 5.32% and 5.39%) per annum with a weighted average year end rate of 5.37% (contractual rate of 5.34%) per annum, and mature at various dates between 2012 and 2017. The weighted average term to maturity is 8.3 years.

The contractual principal repayments are as follows:

	Principal Instalment Payments	Balance Maturing	Total	Contractual Interest Rate on Debt Maturing
2008	$ 171,306	$ -	$ 171,306	
2009	425,572	-	425,572	
2010	574,619	-	574,619	
2011	606,122	-	606,122	
2012	639,351	8,043,365	8,682,716	5.39%
Thereafter	2,136,046	23,928,619	26,064,665	5.32%
	$ 4,553,016	$ 31,971,984	$ 36,525,000	5.34%

On the acquisition of the Méga Centre, a standard first mortgage loan was obtained from a Canadian chartered bank in the amount of $27,525,000, secured by the property. The loan is for a 10-year term and is interest only for the first two years. Thereafter, the loan will be amortized over a 30-year term. The loan bears interest at 5.32%. The terms of the first mortgage financing required that $525,000 be deposited with the first mortgage lender to cover future capital expenditures on the property. During the year ended December 31, 2007, $55,995 has been released and reimbursed back to the REIT as a result of the REIT completing some of the required capital expenditures and interest income of $12,470 has been earned on the funds.

On the acquisition of the Châteauguay property, a standard first mortgage loan was obtained from a Canadian chartered bank in the amount of $9,000,000, secured by the property. The loan is for a 5-year term and will be amortized over a 25-year term. The loan bears interest at 5.39%.

Commitment and other fees of $220,445 were incurred on the mortgages payable. At December 31, 2007, the unamortized balance of these fees is $208,613.

The mortgages payable have been reduced by the unamortized balance of the commitment and other fees incurred.

9. CREDIT FACILITIES

(a) Bridge financing

KingSett Capital and C.A. Bancorp Inc. (the REIT's major unitholder) (see Note 16) have each provided the REIT with acquisition facilities, for total facilities available of $24,000,000. Of the $24,000,000 available, a total of $10,500,000 was drawn in order to finance the Méga Centre acquisition, with $6,000,000 being drawn under the KingSett Capital facility and $4,500,000 being drawn under the C.A. Bancorp Inc. facility. Both facilities were repaid during the year. The facilities can be used to fund future acquisitions subject to lender approval of the particular acquisition and other restrictions.

The KingSett Capital facility is a $10,000,000 facility, bears interest at an annual rate of 12% and expires on April 1, 2008. Any principal drawn is repayable without penalty, subject to a minimum 4-month interest payment. The facility is secured by a first mortgage on the Rona properties, a second mortgage on the Méga Centre and a general security agreement with the REIT.

The C.A. Bancorp Inc. facility was initially a $10,000,000 facility and was increased by $4,000,000 in June 2007 for a total facility of $14,000,000. The facility bears interest at an annual rate of 12% and expires on April 1, 2009. Any principal drawn is repayable without penalty. The facility is secured by a general security agreement with the REIT, which is subordinate to the security held by other lenders.

Commitment and other fees of $346,644 were incurred on these facilities. At December 31, 2007, the unamortized balance of these fees is $136,823 and has been classified as deferred costs.

(b) *Acquisition facility*

Concurrent with the closing of the Cornwall Square acquisition, the REIT obtained a $32.3 million revolving operating and acquisition facility (the "Acquisition Facility") from a Canadian chartered bank for a term of 364 days. The Acquisition Facility is secured by Cornwall Square Shopping Centre. Pursuant to the terms of the Acquisition Facility, the REIT will not be permitted to draw down more than the $32.3 million and from time to time, the amount permitted to be drawn under the Acquisition Facility may be adjusted based on certain financial tests.

Amounts drawn down under the Acquisition Facility will bear interest at a rate equal to the Bank's prime rate plus 0.75% per annum and Banker's Acceptances will bear interest at a rate equal to the Bank's Acceptance stamping fee plus 1.75% per annum. The Acquisition Facility contains financial covenants with respect to maintaining agreed upon debt-to-gross book value ratios and other tests customary for this type of facility.

For the year ended December 31, 2007, a total of $15,500,000 was drawn under the Acquisition Facility, of which $4,000,000 was repaid during the year.

9. CREDIT FACILITIES (continued)

Financing fees of $292,939 were incurred on the Acquisition Facility. At December 31, 2007 the unamortized balance of these financing fees is $176,566 and has been classified as deferred costs.

10. UNITHOLDERS' EQUITY

The REIT is authorized to issue an unlimited number of units and special voting units. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. Units are redeemable at any time on demand for a price per unit (the "Redemption Price") as determined by a market formula. The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

Special voting units may only be issued in connection with or in relation to securities exchangeable, directly or indirectly, for units, in each case for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Each special voting unit will entitle the holder thereof to that number of votes at any meeting of unitholders that is equal to the number of units that may be obtained upon the exchange of the exchangeable security to which it is attached. No special voting units are currently issued and outstanding.

Provided that C.A. Bancorp Inc. and its affiliates beneficially own at least 10% of the issued and outstanding units, the Trustees shall not issue or offer or agree to issue, any units to any person, unless they first make an offer to C.A. Bancorp Inc. to sell to them that number of units as would be required to ensure that C.A. Bancorp Inc. would maintain their pro rata ownership level.

The REIT's Trustees have discretion in declaring distributions, provided that the aggregate amount of distributions made in respect of a calendar year shall not be less than the amount necessary to ensure that the REIT will not be liable to pay income tax under Part I of the Tax Act for such year.

In August 2007, following the completion of the public offering, the REIT commenced monthly cash distributions to unitholders in an amount of $0.02587 per unit, representing an annualized distribution of $0.3104 per unit.

The amount of the REIT's cash distributions is determined by, or in accordance with the guidelines established from time to time by, the Trustees. Pursuant to the REIT's Declaration of Trust, the aggregate amount of cash distributions made in respect of a calendar year shall not be less than the amount necessary to ensure that the REIT will not be liable to pay income tax under Part I of the Tax Act for such year. As a result of the REIT recording a loss under Part I of the Tax Act, the distributions paid during the year were discretionary.

In January 2008, the REIT established a Distribution Reinvestment and Optional Unit Purchase Plan ("the Plan") to enable Canadian resident unitholders to acquire additional units of the REIT:

(a) through the reinvestment of regular monthly distributions on all or any part of their units; and

(b) once enrolled in the Plan, through optional cash payments subject to a minimum of $1,000 per month and a maximum of $12,000 per calendar year.

10. UNITHOLDERS' EQUITY (continued)

Units will be issued directly from the treasury of the REIT at a price based on the volume- weighted average of the closing price for the 20 trading days immediately preceding the relevant distribution date. Participants will receive "bonus units" in an amount equal in value to 3% of each cash distribution.

The REIT has reserved for issuance with the TSX Venture Exchange 500,000 additional units to accommodate the purchase of units under the Plan.
On May 10, 2007, the Company completed its conversion to a trust structure under the Arrangement. The Arrangement resulted in shareholders of the Company transferring their shares to the REIT, in consideration for units of the REIT. Each 10 issued shares of the Company were transferred to the REIT in exchange for 1 unit of the REIT. In the following table, the units issued prior to the Arrangement have been restated to reflect the 10-for-1 consolidation associated with the Arrangement.

Issued:

	Year Ended December 31,					
	2007			2006		
	Units		**$**	Units		$
Units Outstanding, Beginning of Year	**600,000**	**$**	**902,869**	350,000	$	408,659
Units issued:						
Public offering	**14,745,912**		**50,873,396**	-		-
Private placements	**2,241,000**		**6,001,050**	250,000		500,000
Proceeds from exercise of options	**15,000**		**30,000**	-		-
Value associated with exercise of options	**-**		**6,000**	-		-
Unit issue costs	**-**		**(3,743,740)**	-		(5,790)
Units Outstanding, End of Year	**17,601,912**	**$**	**54,069,575**	600,000	$	902,869

On February 23, 2007, the Company completed a private placement of 1,500,000 shares at $2.00 per share for gross proceeds of $3,000,000.

On March 22, 2007, 1,000 agent's options were exercised at $2.00 per share. The fair value of the options exercised of $400 previously recorded as contributed surplus was released from contributed surplus and recorded as units.

On April 27, 2007, the balance of the 14,000 agent's options were exercised at $2.00 per share. The fair value of the options exercised of $5,600 previously recorded as contributed surplus was released from contributed surplus and recorded as units.

10. UNITHOLDERS' EQUITY (continued)

On June 21, 2007, the REIT completed a private placement of 741,000 units at $4.05 per unit for gross proceeds of $3,001,050.

On August 9, 2007, the REIT completed a public offering of 13,375,000 units at a price of $3.45 per unit for gross proceeds of $46,143,750. The underwriters received a fee of $1,868,625 for the offering.

On September 5, 2007, the underwriters of the August 9, 2007 public offering exercised their over-allotment option to purchase an additional 1,370,912 units at a price of $3.45 per unit for gross proceeds of $4,729,646. The closing of the additional units occurred on September 7, 2007. The underwriters received a fee of $283,779 with respect to the exercise of the over-allotment option.

11. INCENTIVE UNIT OPTIONS

The REIT's incentive unit option plan ("the plan") provides that the maximum number of units which may be reserved and set aside for issue under the plan shall not exceed 10% of the issued and outstanding units at the time of the option grant (on a non-diluted basis).

On May 10, 2007 as part of the Arrangement, REIT unit options were issued with similar terms to replace the stock options issued by the Company, except that each 10 stock options of the Company were exchanged for 1 unit option at 10 times the applicable exercise price. In the table below, the options issued prior to the Arrangement have been restated to reflect the 10-for-1 consolidation associated with the Arrangement.

On February 26, 2007, the Company granted, to certain of its Directors and Officers, an aggregate of 100,000 options to purchase shares at a price of $2.00 per share for a period of five years from the date of grant. The options vest in equal proportions on each of the following three dates: February 26, 2007, February 26, 2008 and February 26, 2009. The estimated fair value of these options on the date of grant was $64,180 and the amortization of this fair value for the year ended December 31, 2007 was $48,558 and was charged to incentive unit option compensation on the consolidated statement of operations.

On February 28, 2007 the Company granted to certain of its Officers, an aggregate of 15,000 options to purchase shares at a price of $2.00 per share for a period of five years from the date of grant. The options vest in equal proportions on each of the following three dates: February 28, 2007, February 28, 2008 and February 28, 2009. The estimated fair value of these options on the date of grant was $9,599 and the amortization of this fair value was $7,236 for the year ended December 31, 2007 and was charged to incentive unit option compensation on the consolidated statement of operations.

On September 5, 2007, the REIT granted to certain of its Trustees, Officers and consultants, an aggregate of 1,200,000 options to purchase units at a price of $3.45 per unit for a period of five years from the date of grant. The options vest in equal proportions on each of the following three dates: September 5, 2007, September 5, 2008 and September 5, 2009. The estimated fair value of these options on the date of grant was $375,839 and the amortization of this fair value for the year ended December 31, 2007 was $186,033 and was charged to incentive unit option compensation on the consolidated statement of operations.

11. INCENTIVE UNIT OPTIONS (continued)

The amortization of the fair value of previously granted options amounted to $9,575 for the year ended December 31, 2007 and was charged to incentive unit option compensation on the consolidated statement of operations.

The fair value of the incentive unit options granted during the year was estimated on the date of grant using a Black-Scholes option pricing model. In determining the fair value of options, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions: dividend yield to July 31, 2007 of 0%; dividend yield for September 5, 2007 grant of 9.46%; expected volatility of 25% to 30%; risk-free interest rate of approximately 4.0%; and expected life of five years.

A summary of unit options granted under the plan at December 31, 2007 and 2006 is as follows:

Employees incentive unit options

	Year Ended December 31,			
	2007		2006	
	Units	**Weighted Average Exercise Price**	Units	Weighted Average Exercise Price
Options Outstanding, Beginning of Year	**55,000**	**$ 2.24**	21,500	$ 2.00
Options granted	**1,315,000**	**3.32**	33,500	2.40
Options Outstanding, End of Year	**1,370,000**	**$ 3.28**	55,000	$ 2.24
Options Exercisable at End of Year	**482,166**	**$ 3.22**	32,667	$ 2.14
Weighted Average Fair Value Per Unit of Options Granted During the Year		**$ 0.34**		$ 0.66

11. INCENTIVE UNIT OPTIONS (continued)

Non-employees incentive unit options

	Year Ended December 31,			
	2007		2006	
	Units	**Weighted Average Exercise Price**	Units	Weighted Average Exercise Price
Options Outstanding, Beginning of Year	**15,000**	**$ 2.00**	15,000	$ 2.00
Options exercised	**(15,000)**	**2.00**	-	-
Options Outstanding, End of Year	**-**	**$ -**	15,000	$ 2.00
Options Exercisable at End of Year	**-**	**$ -**	15,000	$ 2.00
Weighted Average Fair Value Per Unit of Options Granted During the Year		**$ -**		$ -

The following table summarizes the information about the unit options outstanding as of December 31, 2007.

Outstanding Number of Units	Expiry Date	Exercisable Number of Units	Exercise Price
21,500	September 15, 2010	21,500	$ 2.00
33,500	October 19, 2011	22,333	$ 2.40
100,000	February 26, 2012	33,333	$ 2.00
15,000	February 28, 2012	5,000	$ 2.00
1,200,000	September 5, 2012	400,000	$ 3.45

The weighted average remaining contractual life of the exercisable unit options is 4.5 years.

12. PER UNIT CALCULATIONS

The weighted average numbers of units outstanding and loss per unit were as follows:

	Year Ended December 31, 2007		Year Ended December 31, 2006	
	Weighted Average Number of Units	**Loss per Unit**	Weighted Average Number of Units	Loss per Unit
Basic	**8,035,413**	**$(0.38)**	423,973	$(0.33)
Diluted*	**8,035,413**	**$(0.38)**	423,973	$(0.33)

* The incentive unit options were excluded from the calculations of diluted loss per unit because they were anti-dilutive.

13. CORPORATE TRANSACTION COSTS AND OTHER

Corporate transaction costs and other include:

(a) legal, audit, printing and other costs associated with the conversion to a real estate investment trust amounted to $793,616 for the year ended December 31, 2007; and

(b) due diligence costs of $434,658 were incurred for the year ended December 31, 2007 on a proposed acquisition of a portfolio of Western properties. The REIT was not satisfied with certain aspects of the deal and could not come to agreeable revised terms with the vendor and as a result decided not to complete the acquisition.

14. INCOME TAXES

On June 22, 2007, Bill C-52, *The Budget Implementation Act 2007* (“Bill C-52”), received Royal Assent for the federal income taxation of certain publicly listed or traded trusts, other than real estate investment trusts (the “SIFT legislation”). Publicly traded trusts formed after October 31, 2006, must comply with the SIFT legislation for the 2007 taxation year.

As currently structured, management believes that the REIT qualifies as a real estate investment trust under the SIFT legislation and therefore is not subject to tax under the SIFT legislation. As a result, no provision for income taxes is required. Should it be found that the REIT fails to qualify as a real estate investment trust or undertakes subsequent activities that cause it to fail to qualify, the SIFT legislation would allow the failure to be remedied within the taxation year so that the REIT will not be subject to tax in the following taxation year. As required by its Declaration of Trust, the REIT intends to distribute all taxable income to its unitholders and to deduct these distributions for income tax purposes.

In respect of the assets and liabilities of the REIT, the net book value for accounting purposes of those net assets is less than their tax basis by approximately $2,900,000.

14. INCOME TAXES (continued)

The REIT's wholly-owned incorporated subsidiary has cumulative losses of approximately $655,000, which commence expiring in 2013. The benefit from these losses has not been recognized in the financial statements. The provision for income taxes differs from the result which would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rate to income before income taxes as follows:

	Year Ended December 31,	
	2007	2006
Loss before taxes	**$ (1,411,195)**	$ (138,401)
Combined federal and provincial income tax rate	**36.12%**	36.12%
Expected income taxes	**(509,724)**	(49,990)
Permanent differences	**12,952**	(3,107)
Valuation allowance	**496,772**	53,097
Income taxes	**$ -**	$ -

15. FINANCIAL INSTRUMENTS

(a) Fair value

The REIT's cash, restricted cash, accounts receivable, accounts payable, credit facilities and other liabilities are carried at cost which approximates fair value due to their short-term nature. The fair value of the REIT's other financial instruments are based on discounted future cash flows, using discount rates that reflect current market conditions for instruments of similar term and risk. The fair value of the REIT's mortgages payable is approximately $34.7 million at December 31, 2007.

15. FINANCIAL INSTRUMENTS (continued)

(b) Risk management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance.

Interest rate risk

Currently the REIT's only floating rate debt is the Acquisition Facility. The REIT will structure its fixed rate financing so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations.

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant.

16. RELATED PARTY TRANSACTIONS

(a) C.A. Bancorp credit facility

In connection with the C.A. Bancorp Inc. credit facility as described in Note 9, interest paid to C.A. Bancorp Inc. for the year ended December 31, 2007 amounted to $204,986. As well, in connection with that facility, total standby fees of $70,000 were paid to C.A. Bancorp Inc. and have been classified as deferred costs on the consolidated balance sheets.

(b) Management agreement

On March 27, 2007, the REIT formalized management arrangements with C.A. Realty Management Inc. (the "Manager"), a wholly-owned subsidiary of C.A. Bancorp Inc. Pursuant to a management agreement, the Manager will provide the REIT with strategic, advisory, asset management and administrative services in exchange for an annual management fee equal to 0.30% of the "adjusted book value" of the REIT's assets, paid quarterly in arrears, and an acquisition fee equal to 0.50% of the "property cost" of each property acquired by the REIT.

The initial term of the management agreement is five years. Upon expiry of the initial term, the management agreement will renew automatically for successive three year terms. The management agreement provides each party with termination rights, the exercise of which may, in certain situations, require the REIT to pay a termination fee equal to three times the annual management fee paid in respect of the last full calendar year prior to the date of termination.

In accordance with the management agreement, the Manager covers all expenses of the employees providing services under the agreement, including the Manager's overhead incurred in connection with the performance of its duties thereunder.

16. RELATED PARTY TRANSACTIONS (continued)

Under the terms of the management agreement, the REIT has incurred acquisition fees in the amount of $183,500 for the acquisition of the Méga Centre, $208,500 for the acquisition of Cornwall Square Shopping Centre and $71,000 for the acquisition of the Châteauguay property. The acquisition fees have been capitalized to the purchase of the properties.

Management fees of $210,096 were incurred for the year ended December 31, 2007 and were charged to general and administrative expenses on the consolidated statement of operations.

In connection with entering into the management agreement, the Manager and C.A. Bancorp Inc. (collectively referred to as the "Restricted Parties") entered into a non-competition agreement with the REIT. Pursuant to the non-competition agreement, each of the Restricted Parties agreed that it will not, and will cause its affiliates not to, directly or indirectly, (i) create, manage or provide strategic, advisory and asset management services to another person who carries on the primary business of the acquisition, development and/or management of "retail properties" or "mixed-use retail properties" (the retail properties and mixed-use retail properties collectively are referred to as the "Restricted Real Estate Assets"); (ii) purchase any Restricted Real Estate Asset or develop any property that, on completion of development, will be a Restricted Real Estate Asset; or (iii) provide strategic, advisory and asset management services for any Restricted Real Estate Asset. Exceptions from the foregoing include the purchase of properties or the making of investments that have been first offered to the REIT and which the REIT notified the Restricted Party that it was not interested in pursuing.

The non-competition agreement remains in effect until the earlier of (i) one year after the termination of the management agreement; and (ii) the date of termination of the management agreement by Charter or the Manager under specific situations.

(c) *Related Party Balances*

Amounts owing to related parties at December 31, 2007 is $148,267 (December 31, 2006 – $34,348).

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

17. SUBSEQUENT EVENT

On January 31, 2008, the REIT completed the acquisition of Place Val Est located in Sudbury, Ontario, for an aggregate purchase price of $14,720,000 (before closing costs). One of the centre's tenants, SAAN Stores Ltd., recently announced that it has entered into *Companies' Creditors Arrangement Act* ("CCAA") protection. Although SAAN has not indicated that lease termination is imminent, the REIT has received a rental guarantee from the vendor if the lease is altered or terminated through the CCAA proceedings. The REIT has assumed an $8,099,224 existing standard first mortgage loan which is secured by the property. The loan matures in 2015 and bears interest at a rate of 5.166% per annum. The loan was originally obtained by the vendor in 2005 and amortized over a 25-year period. The amortization period for the loan from the date of acquisition is 273 months or 22.75 years. The remainder of the acquisition has been financed by the REIT drawing down on its Acquisition Facility (see Note 9 (b)).