

Interim Consolidated Financial Statements of

**ARTIS REAL ESTATE
INVESTMENT TRUST**

(Formerly Westfield Real Estate Investment Trust)

Three months and six months ended June 30, 2007 and 2006
(Unaudited)

ARTIS REAL ESTATE INVESTMENT TRUST

(Formerly Westfield Real Estate Investment Trust)

Interim Consolidated Balance Sheets

(In thousands of dollars)

	June 30, 2007 (Unaudited)	December 31, 2006
ASSETS		
Income-producing properties (note 4)	\$ 603,036	\$ 388,845
Other assets (note 5)	83,705	70,348
Future income taxes (note 17)	12,028	-
Deferred financing costs, net of accumulated amortization of \$nil (2006, \$871)	-	4,057
Deposits on income-producing properties (note 6)	12,853	10,343
Prepaid expenses	1,389	812
Mortgage receivable (note 7)	14,236	-
Rent and other receivables	3,945	2,956
Cash held in trust	-	327
Cash and cash equivalents	62,849	15,252
	\$ 794,041	\$ 492,940
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities:		
Mortgages and loans payable (note 8)	\$ 385,735	\$ 272,341
Convertible debentures (note 9)	34,227	40,503
Intangible liabilities (note 10)	26,467	13,341
Security deposits and prepaid rent	2,588	1,402
Accounts payable and other liabilities (note 11)	9,049	7,233
	458,066	334,820
Non-controlling interest (note 12)	10,275	10,368
Unitholders' equity:		
Capital contributions (note 13 (b))	347,009	165,288
Contributed surplus (note 13 (c))	1,128	649
Equity component of convertible debentures (note 9)	10,596	11,659
Deficit	(33,033)	(29,844)
	325,700	147,752
Contingent consideration (note 19)		
Subsequent events (note 20)		
	\$ 794,041	\$ 492,940

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

(Formerly Westfield Real Estate Investment Trust)

Interim Consolidated Statements of Operations and Deficit
 Three months and six months ended June 30, 2007 and 2006
 (Unaudited)

(In thousands of dollars, except per unit amounts)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Revenue	\$ 22,759	\$ 11,932	\$ 40,368	\$ 21,289
Property operating expenses	7,671	3,912	13,651	7,550
	15,088	8,020	26,717	13,739
Interest	6,366	3,986	11,769	6,892
	8,722	4,034	14,948	6,847
Expenses:				
Corporate	1,061	1,125	2,159	1,555
Amortization	9,413	5,906	17,198	10,739
	10,474	7,031	19,357	12,294
Loss before the undernoted	(1,752)	(2,997)	(4,409)	(5,447)
Gain (loss) on disposal of income-producing properties (note 3)	-	(113)	-	828
Loss before income taxes	(1,752)	(3,110)	(4,409)	(4,619)
Future income tax recovery (note 17)	12,028	-	12,028	-
Income (loss) for the period	10,276	(3,110)	7,619	(4,619)
Deficit, as previously reported	(37,189)	(9,927)	(29,844)	(5,991)
Adoption of new accounting policies (note 2(c))	-	-	311	-
	(37,189)	(9,927)	(29,533)	(5,991)
	(26,913)	(13,037)	(21,914)	(10,610)
Distributions (note 14)	(6,120)	(3,112)	(11,119)	(5,539)
Deficit, end of period	\$ (33,033)	\$ (16,149)	\$ (33,033)	\$ (16,149)
Basic income (loss) per unit (note 13(e))	\$ 0.45	\$ (0.26)	\$ 0.37	\$ (0.44)
Diluted income (loss) per unit (note 13(e))	\$ 0.41	\$ (0.26)	\$ 0.36	\$ (0.44)

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

(Formerly Westfield Real Estate Investment Trust)

Interim Consolidated Statements of Unitholders' Equity
Six months ended June 30, 2007 and 2006
(Unaudited)

(In thousands of dollars, except per unit amounts)

	Number of Units	Capital Contributions	Equity Component of Convertible Debentures	Deficit	Contributed Surplus	Total
Unitholders' equity, December 31, 2005	7,959,814	\$ 70,151	\$ 5,024	\$ (5,991)	\$ 176	\$ 69,360
Issuance of units	3,897,994	50,618	-	-	(11)	50,607
Unit based compensation	-	-	-	-	80	80
Issuance of convertible debentures	-	-	7,590	-	-	7,590
Loss for the period	-	-	-	(4,619)	-	(4,619)
Distributions for the period	-	-	-	(5,539)	-	(5,539)
Unitholders' equity, June 30, 2006	11,857,808	120,769	12,614	(16,149)	245	117,479
Issuance of units	2,833,469	38,618	-	-	(18)	38,600
Unit based compensation	-	-	-	-	422	422
Conversion of convertible debentures	527,984	5,901	(955)	-	-	4,946
Loss for the period	-	-	-	(6,534)	-	(6,534)
Distributions for the period	-	-	-	(7,161)	-	(7,161)
Unitholders' equity, December 31, 2006	15,219,261	165,288	11,659	(29,844)	649	147,752
Adoption of new accounting policies (note 2(c))	-	(297)	-	311	-	14
Issuance of units	11,067,647	176,338	-	-	(37)	176,301
Unit based compensation	-	-	-	-	516	516
Conversion of convertible debentures	456,443	5,680	(1,063)	-	-	4,617
Income for the period	-	-	-	7,619	-	7,619
Distributions for the period	-	-	-	(11,119)	-	(11,119)
Unitholders' equity, June 30, 2007	26,743,351	\$ 347,009	\$ 10,596	\$ (33,033)	\$ 1,128	\$ 325,700

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

(Formerly Westfield Real Estate Investment Trust)

Interim Consolidated Statements of Cash Flows
Three months and six months ended June 30, 2007 and 2006
(Unaudited)

(In thousands of dollars)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Cash provided by (used for):				
Operating activities:				
Income (loss) for the period	\$ 10,276	\$ (3,110)	\$ 7,619	\$ (4,619)
Adjustments for non-cash items:				
Amortization:				
Income-producing properties	4,340	2,211	7,600	4,017
Office equipment	2	1	3	2
Above-market rent	48	56	95	110
Acquired in-place leases	4,874	3,470	9,222	6,341
Customer relationships	5	5	11	11
Deferred financing costs	-	185	-	319
Below-market rent	(2,126)	(661)	(3,201)	(1,191)
Tenant inducements and leasing costs	191	33	337	49
Above-market mortgages	(29)	(15)	(57)	(24)
Accretion on liability component of convertible debentures	490	326	947	523
Straight-line rent adjustment	(315)	(220)	(565)	(385)
(Gain) loss on disposal of income-producing properties	-	113	-	(828)
Unit based compensation expense	322	40	516	80
Amortization of deferred financing costs included in interest	52	-	101	-
Future income tax recovery	(12,028)	-	(12,028)	-
	6,102	2,434	10,600	4,405
Changes in non-cash operating items (note 15)	(699)	943	1,678	(2,008)
	5,403	3,377	12,278	2,397
Investing activities:				
Acquisition of income-producing properties, net of related debt (note 3)	(35,933)	(20,283)	(108,376)	(46,097)
Disposition of income-producing properties, net of mortgage and costs (note 3)	-	1,299	-	3,440
Net change to income-producing properties	(46)	60	(357)	67
Advance of mortgage receivable	(14,000)	-	(14,000)	-
Additions to office equipment	(12)	(13)	(15)	(15)
Additions to tenant inducements and leasing costs	(1,037)	(345)	(1,736)	(584)
Change in deposits on income-producing properties	(3,558)	(1,188)	(2,401)	(1,363)
	(54,586)	(20,470)	(126,885)	(44,552)
Financing activities:				
Issuance of units, net of issue costs	88,386	211	176,301	50,607
Issuance of convertible debentures	-	30,000	-	30,000
Distributions paid on REIT units	(6,120)	(3,112)	(11,119)	(5,539)
Distributions paid on Class B units, charged to non-controlling interest (note 12)	(47)	-	(93)	-
Mortgages and loans principal repayments	(1,585)	(972)	(2,885)	(1,779)
Deferred financing costs	-	(1,544)	-	(1,818)
	80,634	24,583	162,204	71,471
Increase in cash and cash equivalents	31,451	7,490	47,597	29,316
Cash and cash equivalents at beginning of period	31,398	31,753	15,252	9,927
Cash and cash equivalents at end of period	\$ 62,849	\$ 39,243	\$ 62,849	\$ 39,243
Supplemental cash flow information:				
Interest paid, net of interest received	\$ 5,444	\$ 2,902	\$ 9,220	\$ 5,488

See accompanying notes to interim consolidated financial statements.

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Notes to Interim Consolidated Financial Statements
Three months and six months ended June 30, 2007 and 2006
(Unaudited)

(In thousands of dollars, except unit and per unit amounts)

1. Organization:

Artis Real Estate Investment Trust (the "REIT"), formerly Westfield Real Estate Investment Trust, is an unincorporated open-end real estate investment trust (note 13) created under, and governed by, the laws of the province of Manitoba and was created pursuant to the Declaration of Trust dated November 8, 2004, subsequently amended and restated on October 31, 2006 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop retail, industrial and office properties in Canada.

The Declaration of Trust provides that the REIT makes monthly cash distributions to unitholders of the REIT's units. The amount distributed in each year will be an amount not less than the amount of distributable income in the year set down in a policy by the Trustees (currently \$1.05 per unit).

2. Significant accounting policies:

(a) Basis of presentation:

The disclosure requirements for interim financial statements do not conform in all material respects with the requirements of Canadian generally accepted accounting principles ("GAAP") for annual statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the REIT as at, and for the year ended, December 31, 2006.

These interim consolidated financial statements follow the same accounting policies and methods of their application as used in the December 31, 2006 financial statements, except as described in notes 2(b) and 2(c).

(b) Income taxes:

Income taxes are accounted for using the asset and liability method. Under this method, future income taxes are recognized for the expected future tax consequences of temporary differences between the carrying amount of balance sheet items and their corresponding tax values.

Future income taxes are computed using enacted or substantively enacted income tax rates or laws for the years in which the temporary differences are expected to reverse or settle. When realization of future income tax assets does not meet the more than likely not criterion, a valuation allowance is provided for the difference.

(c) Changes in accounting policies:

The CICA has issued three new standards: Handbook Section 3855, Financial Instruments - Recognition and Measurement, Handbook Section 3865, Hedges, and Handbook Section 1530, Comprehensive Income, which were adopted by the REIT on January 1, 2007. In accordance with the transitional provisions of the respective standards, prior periods have not been restated and the effects of adopting these standards were recorded as an adjustment to the opening balance of consolidated unitholders' deficit.

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2. Significant accounting policies (continued):

(i) Financial Instruments - Recognition and Measurement:

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the consolidated balance sheets. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the consolidated balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-to-maturity; (b) loans and receivables; (c) held-for-trading; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held for trading are measured at fair value with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized in comprehensive income.

Upon adoption of this new standard, the REIT designated its cash and cash equivalents and cash held in trust as held-for-trading; rent and other receivables as loans and receivables; and mortgages and loans payable, convertible debentures, security deposits, and accounts payable and other liabilities as other liabilities. The REIT has neither available-for-sale, nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method.

All derivative instruments, including embedded derivatives, are recorded in the consolidated statements of income at fair value unless exempted from derivative treatment as normal purchase and/or normal sale.

(ii) Comprehensive Income:

This standard requires a new component of unitholders' equity, comprehensive income, to be included in the REIT's consolidated financial statements. In addition, the standard requires a statement of comprehensive income. The major components of the statement of comprehensive income may include items such as unrealized gains and losses on financial assets classified as available-for-sale, deferred gains and losses arising from the settlement of historic cash flow hedging transactions and changes in the fair value of the effective position of cash flow hedging instruments.

As there are currently no differences between net loss and comprehensive income, or unitholders' deficit and accumulated other comprehensive income, no statement has been included with these interim consolidated financial statements.

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2. Significant accounting policies (continued):

(iii) Hedges:

In a fair value hedge, the change in fair value of the hedging derivative will be offset in the consolidated statements of income and comprehensive income against the change in the fair value of the hedged item relating to the hedged risk. In a cash flow hedge, the change in fair value of the derivative, to the extent effective, is recorded in other comprehensive income until the asset or liability being hedged affects the consolidated statements of income and comprehensive income, at which time, the related change in fair value of the derivative be recorded in the consolidated statements of income and comprehensive income. Any hedge ineffectiveness will be recorded in the consolidated statements of income and comprehensive income.

The impact on the REIT of these changes in accounting policies were:

To change the method of amortization of the deferred financing costs to the effective interest rate method from straight-line, which decreased deficit by \$311, decreased capital contributions by \$297 and increased deferred financing costs by \$14 as at January 1, 2007; and to classify the adjusted deferred financing costs against the relevant host contract within the liability portion of the consolidated balance sheet.

(iv) Equity:

In addition, the REIT adopted the disclosure requirements of Handbook Section 3251, Equity. This section establishes standards for the presentation of equity and changes in equity during the reporting period. As a result of adopting this section, the REIT has included an additional financial statement entitled "Interim Consolidated Statements of Unitholders' Equity" with the interim consolidated financial statements.

(v) Convertible and Other Debt Instruments with Embedded Derivatives:

Emerging Issues Committee ("EIC") 164, Convertible and Other Debt Instruments with Embedded Derivatives issued by the EIC of the Accounting Standards Board on March 5, 2007, was adopted early by the REIT on January 1, 2007. This abstract addressed various issues surrounding the recognition, classification and presentation of convertible debentures. There was no impact on the interim consolidated financial statements as a result of the adoption of this abstract.

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Three months and six months ended June 30, 2007 and 2006
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(In thousands of dollars, except unit and per unit amounts)

3. Acquisitions and dispositions of income-producing properties:

Acquisitions:

The REIT acquired the following properties during the first six months of 2007:

<i>Property</i>	<i>Location</i>	<i>Acquisition Date</i>	<i>Type</i>
CDI College Building	280 Main Street, Winnipeg, MB	January 13, 2007	Office
Keewatin Distribution Centre	959 - 989 Keewatin Street, Winnipeg, MB	January 31, 2007	Industrial
Clareview Town Centre	50th Street & 137th Avenue, Edmonton, AB	February 1, 2007	Retail
Centre 70 ⁽¹⁾	7015 Macleod Tr. SW & 555 - 69th St. SW, Calgary, AB	February 28, 2007	Office
Honeywell Building	2840 - 2nd Avenue SE, Calgary, AB	February 28, 2007	Industrial
Millennium Centre	4909 - 49th St. & 4902 - 48th St., Red Deer, AB	February 28, 2007	Office
Bower Centre	2319 Taylor Dr. & 2310 Gaetz Ave., Red Deer, AB	March 1, 2007	Industrial
Britannia Building ⁽²⁾	703 - 6th Avenue SW, Calgary, MB	March 31, 2007	Office
Sierra Place ⁽²⁾	706 - 7th Avenue SW, Calgary, AB	March 31, 2007	Office
MTS Call Centre	365 Osborne Street, Winnipeg, MB	April 1, 2007	Office
Windley - Albert St ⁽³⁾	488 Albert Street, Nanaimo, BC	June 19, 2007	Office
Windley - Metral Drive ⁽³⁾	6475 Metral Drive, Nanaimo, BC	June 19, 2007	Office
Windley - Aulds Corner ⁽³⁾	6551 Aulds Road, Nanaimo, BC	June 19, 2007	Retail
Imperial Equities - Can - K ⁽⁴⁾	8220 Davies Road, Edmonton, AB	June 30, 2007	Industrial
Imperial Equities - Mayfield ⁽⁴⁾	11304/24 - 163 Street, Edmonton, AB	June 30, 2007	Industrial

(1) The REIT acquired an undivided 85% interest in Centre 70.

(2) The Britannia Building and Sierra Place were acquired together as the Dome Britannia Portfolio.

(3) The Windley properties were acquired as a portfolio.

(4) The Imperial Equities properties were acquired as a portfolio.

These acquisitions have been accounted for by the purchase method, with the results of operations included in the REIT's accounts from the dates of acquisition.

The REIT acquired the following properties during the first six months of 2006:

<i>Property</i>	<i>Location</i>	<i>Acquisition Date</i>	<i>Type</i>
Northwest Centre	4500 and 4520-16th Ave. NW, Calgary, AB	February 28, 2006	Office
Southwood Corner	10233 Elbow Drive, Calgary, AB	March 31, 2006	Retail
Circle 8	3120, 3124, 3126, 3134 8th St. E, Saskatoon, SK	March 31, 2006	Retail
Reenders Square	3-11 Reenders Drive, Winnipeg, MB	March 31, 2006	Retail
Sunridge Spectrum	Sunridge & 32nd St. NE, Calgary, AB	May 31, 2006	Retail
McCall Lake	1338 - 36th Ave. NE, Calgary, AB	June 30, 2006	Industrial

These acquisitions have been accounted for by the purchase method, with the results of operations included in the REIT's accounts from the dates of acquisition.

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(Unaudited)

(In thousands of dollars, except unit and per unit amounts)

3. Acquisitions and dispositions of income-producing properties (continued):

Acquisitions (continued):

The net assets acquired including acquisition costs were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Land	\$ 8,607	\$ 14,150	\$ 42,601	\$ 33,255
Buildings	34,042	23,865	166,988	61,146
Parking lots	900	1,200	4,287	2,200
Improvements	1,481	1,783	7,556	5,061
Acquired in-place leases	3,749	4,892	20,868	18,114
Above-market rent	(66)	53	40	60
Below-market rent	(1,980)	(2,327)	(16,373)	(4,506)
Long-term debt including acquired above-market mortgage	(10,800)	(23,333)	(117,591)	(69,233)
Cash consideration	35,933	20,283	\$ 108,376	\$ 46,097
Acquisition costs included above	\$ 1,130	\$ 966	\$ 4,277	\$ 3,250

Dispositions:

The REIT disposed of the following properties during the six months ended June 30, 2006:

<i>Property</i>	<i>Location</i>	<i>Disposition Date</i>	<i>Type</i>
Edgemont Mall	34 Edgedale Drive NW, Calgary, AB	January 12, 2006	Retail
Keystone Village Mall	1300-18th Street, Brandon, MB	June 15, 2006	Retail

The proceeds from the sale of Edgemont Mall, net of costs, were \$5,117. Consideration received was the assumption of the existing mortgage in the amount of \$2,976 and cash in the amount of \$2,141. The assets, intangible assets and liabilities associated with the property were removed from the books and a gain on sale of property in the amount of \$941 was recorded.

The proceeds from the sale of Keystone Village Mall, net of costs, were \$3,510. Consideration received was the assumption of the existing mortgage in the amount of \$2,211 and cash in the amount of \$1,299. The assets, intangible assets and liabilities associated with the property were removed from the books and a loss on sale of property in the amount of \$113 was recorded.

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Three months and six months ended June 30, 2007 and 2006
(Unaudited)

(In thousands of dollars, except unit and per unit amounts)

4. Income-producing properties:

	June 30, 2007 (Unaudited)		
	Cost	Accumulated amortization	Net book value
Land	\$ 150,667	\$ -	\$ 150,667
Buildings and building improvements	415,239	9,925	405,314
Leasehold interest	8,015	387	7,628
Tenant improvements	33,781	8,719	25,062
Parking lots	12,308	624	11,684
Property under development	2,681	-	2,681
	<u>\$ 622,691</u>	<u>\$ 19,655</u>	<u>\$ 603,036</u>

	December 31, 2006		
	Cost	Accumulated amortization	Net book value
Land	\$ 108,066	\$ -	\$ 108,066
Buildings and building improvements	247,942	5,708	242,234
Leasehold interest	8,015	286	7,729
Tenant improvements	26,225	5,694	20,531
Parking lots	8,020	367	7,653
Property under development	2,632	-	2,632
	<u>\$ 400,900</u>	<u>\$ 12,055</u>	<u>\$ 388,845</u>

5. Other assets:

	June 30, 2007 (Unaudited)		
	Cost	Accumulated amortization	Net book value
Acquired in-place leases	\$ 103,766	\$ 26,711	\$ 77,055
Above-market rent	1,219	378	841
Customer relationships	115	65	50
Tenant inducements and leasing costs	5,327	569	4,758
Deferred recoverable operating costs	1,014	44	970
Office equipment	39	8	31
	<u>\$ 111,480</u>	<u>\$ 27,775</u>	<u>\$ 83,705</u>

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5. Other assets (continued):

	December 31, 2006		
	Cost	Accumulated amortization	Net book value
Acquired in-place leases	\$ 82,898	\$ 17,489	\$ 65,409
Above-market rent	1,179	283	896
Customer relationships	115	54	61
Tenant inducements and leasing costs	3,661	255	3,406
Deferred recoverable operating costs	557	-	557
Office equipment	24	5	19
	<u>\$ 88,434</u>	<u>\$ 18,086</u>	<u>\$ 70,348</u>

6. Deposits on income-producing properties:

	June 30, 2007 (Unaudited)	December 31, 2006
Deposit on income-producing property (note 12):		
Balance, beginning of period	\$ 7,743	\$ -
Initial deposit	-	7,800
Property rent	(600)	(200)
Costs incurred	100	-
Distributions on 543,781 Class B units of AX L.P.	286	143
	<u>7,529</u>	<u>7,743</u>
Deposits on other income-producing properties	<u>5,324</u>	<u>2,600</u>
	<u>\$ 12,853</u>	<u>\$ 10,343</u>

7. Mortgage receivable:

The REIT provided second mortgage financing to a third party in the amount of \$15,000, with \$1,000 held back upon completion of outstanding improvements. The mortgage is secured by the mortgagee's income-producing property, known as Capital Place, located in Edmonton, Alberta. The second mortgage ranks immediately behind a pre-existing first mortgage on the property. The REIT also holds title in escrow to the income-producing property in the event that the mortgagee defaults on the mortgage. The mortgage bears interest at 9% per annum and is repayable in monthly instalments of interest only. The mortgage matures on March 31, 2009, at which time the principal becomes due. Subsequent to June 30, 2007, the mortgage was repaid, along with interest accrued to date.

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8. Mortgages and loans payable:

Substantially all of the REIT's assets have been pledged as security under mortgages and other security agreements. The mortgages and loans payable bear interest at fixed rates, with a weighted average effective rate of 5.43% at June 30, 2007, a weighted average nominal rate of 5.34% at June 30, 2007 (nominal and effective 2006, 5.48%), and maturity dates ranging from December 15, 2007 to April 1, 2017.

Principal payment requirements on the mortgages and loans payable as at June 30, 2007 are as follows:

2008	\$	11,021
2009		17,077
2010		19,387
2011		96,233
2012		27,346
2013 and thereafter		215,525
		<u>386,589</u>
Above-market mortgage adjustments		556
Deferred financing costs		<u>(1,410)</u>
	\$	<u>385,735</u>

9. Convertible debentures:

Particulars of the REIT's outstanding convertible debentures as at June 30, 2007 and December 31, 2006 are as follows:

Convertible debenture issue	Series A convertible redeemable	Series B convertible redeemable	Series C convertible redeemable	2007 (Unaudited)	2006
Issue date	August 4, 2005	November 9, 2005	May 4, 2006		
Interest rate	7.75%	7.5%	6.25%		
Face value	\$ 4,552	\$ 10,862	\$ 29,920	\$ 45,334	\$ 51,047
Equity portion	859	2,147	7,590	10,596	11,659
Liability portion	3,693	8,715	22,330	34,738	39,388
Accretion to June 30, 2007 and December 31, 2006	265	563	927	1,755	1,115
Deferred financing costs	(248)	(559)	(1,459)	(2,266)	-
Carrying value at June 30, 2007 and December 31, 2006	\$ 3,710	\$ 8,719	\$ 21,798	\$ 34,227	\$ 40,503

Accretion to the carrying value of the debt component was \$490 (2006, \$326) during the three months ended June 30, 2007, and \$947 (2006, \$523) during the six month period ended June 30, 2007.

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10. Intangible liabilities:

	June 30, 2007 (Unaudited)		
	Cost	Accumulated amortization	Net book value
Below-market rent	\$ 33,675	\$ 7,208	\$ 26,467

	December 31, 2006		
	Cost	Accumulated amortization	Net book value
Below-market rent	\$ 17,302	\$ 3,961	\$ 13,341

11. Accounts payable and other liabilities:

	June 30, 2007 (Unaudited)		December 31, 2006
Accounts payable and accrued liabilities	\$ 6,646	\$ 5,727	
Distributions payable (note 14)	2,403	1,506	
	\$ 9,049	\$ 7,233	

12. Non-controlling interest:

Non-controlling interest represents the amount of equity related to the Class B units of a subsidiary, AX L.P. ("AXLP."). This non-controlling interest has been accounted for in accordance with EIC-151, Exchangeable Securities Issued by Subsidiaries of Income Trusts. The accounts of AXLP are consolidated in these consolidated financial statements. Class B units of AXLP are only exchangeable on a one-for-one basis, at the option of the holder, into REIT units, and are transferable to third parties with the REIT's consent.

Holders of the Class B units of AXLP are entitled to receive distributions on a per unit amount equal to a per REIT unit amount provided to holders of REIT units.

Effective October 31, 2006, the REIT entered into a purchase and sale agreement with a third party whereby the vendor will develop a Class A office building in Calgary, Alberta. Upon completion (estimated as November, 2008), the REIT will acquire the income-producing property based on a predetermined formula as set out in the agreement. In accordance with the agreement, the REIT paid \$7,800 as an interim payment towards the purchase price of the income-producing property, and recorded this amount as a deposit on income-producing properties. As consideration, the REIT issued 543,781 Class B units of AXLP at a price of \$14.34 per unit, and the REIT issued an equal number of special voting units as consideration. The Class B units have been released to the vendors, subject to trading restrictions as set out in the purchase and sale agreement. The aggregate purchase price of the income-producing property is estimated at \$90,000. In accordance with the agreement, the REIT receives monthly property rent of \$100 from the vendor, with a total of \$2,400 to be received during construction of the income-producing property. Distributions paid to the vendor on the Class B units are netted against property rent and any remaining difference is recorded as a reduction to the deposit on the income-producing property.

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12. Non-controlling interest (continued):

Effective November 30, 2006, the REIT acquired, through AXLP, an undivided 50% interest in certain lands located in Calgary, Alberta. AXLP entered into a co-ownership agreement with the vendor with respect to a 50% interest in, and the development of, a Class A office building. Both the REIT and the vendor transferred their 50% interest in the lands into the co-ownership. Construction is anticipated to commence in the first half of 2007, for completion in 2009. To facilitate the development of the income-producing property, the REIT may provide up to \$6,500 of mezzanine financing to the co-ownership, bearing interest at a rate of ten percent per annum. As payment for its interest in the lands, AXLP issued 177,566 Class B units at a price of \$14.71 per unit for aggregate consideration of \$2,612. The REIT also issued an equal number of special voting units.

The details of the non-controlling interest's are as follows:

Issuance of 543,781 Class B units of AXLP on October 31, 2006	\$	7,800
Issuance of 177,566 Class B units of AXLP on November 30, 2006		2,612
Costs relating to the issuance of Class B units of AXLP		(13)
Distributions on 177,566 Class B units of AXLP		(31)
Balance at December 31, 2006		10,368
Distributions on 177,566 Class B units of AXLP		(93)
Balance at June 30, 2007 (unaudited)	\$	10,275

13. Capital contributions:

(a) Authorized:

The REIT completed its conversion into an "open-ended" mutual fund trust under the provisions of the Income Tax Act (Canada) effective October 31, 2006. In accordance with the Amended and Restated Declaration of Trust, the REIT may issue an unlimited number of units, with each unit representing an equal fractional undivided beneficial interest in any distributions from the REIT, and in the net assets in the event of termination or wind-up of the REIT. All units are of the same class with equal rights and privileges. The units are redeemable at any time at the option of the holder at a price defined in the Amended and Restated Declaration of Trust, subject to a maximum of \$30 in cash redemptions by the REIT in any one month. Redemptions in excess of this amount will be paid by way of a distribution of notes of the REIT, or the notes of a wholly-owned subsidiary of the REIT.

In accordance with the Amended and Restated Declaration of Trust, the REIT may also issue a class of special voting units, which are non-participating voting units of the REIT, to be issued to holders of securities which are exchangeable for units of the REIT (note 12). Special voting units are cancelled on the issuance of REIT units on exercise, conversion or cancellation of the corresponding exchangeable securities.

Effective February 1, 2006, the REIT consolidated its units on a 15 for one basis. All unit and per unit disclosures are presented on a post-consolidation basis.

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13. Capital contributions (continued):

(b) Issued and outstanding:

Units stated on a post-consolidation basis	Number of units	Amount
Balance at December 31, 2005	7,959,814	\$ 70,151
Public offerings, net of issue costs of \$5,624	6,657,138	88,693
Conversion of \$875 convertible debentures	145,833	921
Conversion of Series A convertible debentures	382,151	4,980
Options exercised	69,000	469
Distribution Reinvestment Plan ("DRIP")	4,264	59
Units issued for Trustee compensation	1,066	15
Fractional units eliminated on consolidation	(5)	-
Balance at December 31, 2006	15,219,261	165,288
Adoption of new accounting policies (note 2(c))	-	(297)
Public offerings, net of issue costs of \$8,240	11,040,000	175,901
Conversion of Series A convertible debentures	451,807	5,607
Conversion of Series C convertible debentures	4,636	73
Options exercised	18,384	287
Distribution Reinvestment Plan ("DRIP")	9,263	150
Balance at June 30, 2007 (unaudited)	26,743,351	\$ 347,009

At June 30, 2007, there were 721,347 special voting units issued and outstanding (note 12). There is no value assigned to the special voting units.

On June 27, 2006, Westfield announced its new Distribution Reinvestment Plan ("DRIP"). Under the terms of the DRIP, Unitholders now have the option to elect to receive all or a portion of their regular monthly distributions in additional REIT units.

(c) Contributed surplus:

	Six months ended June 30, 2007 (Unaudited)	Year ended December 31, 2006
Balance, beginning of period	\$ 649	\$ 176
Unit based compensation expense	516	502
Value of options exercised	(37)	(29)
Balance, end of period	\$ 1,128	\$ 649

Contributed surplus arises as a result of recording the fair value of options granted under the unit option plan (see note 13(d)). The fair value of the options is recorded to contributed surplus as the options vest. Upon exercise, the proceeds received, as well as any balance previously recorded to contributed surplus, are credited to capital contributions.

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13. Capital contributions (continued):

(d) Unit options:

The REIT has a unit option plan which is administered by the Board of Trustees of the REIT with unit options granted to trustees, management, management company employees and consultants as a form of compensation. The total number of units reserved under option for issuance may not exceed 5% of the units outstanding.

A summary of the REIT's unit options for the six months ended June 30th are as follows:

	2007		2006	
	Units	Weighted average exercise price	Units	Weighted average exercise price
Balance, beginning of period	729,393	\$ 13.20	348,393	\$ 10.29
Granted	626,050	16.78	-	-
Exercised	(18,384)	13.60	(36,000)	6.00
Expired	(10,000)	14.40	-	-
Balance, end of period	1,327,059	\$ 14.87	312,393	\$ 10.78
Options exercisable at end of period	314,227		99,098	
Weighted average fair value per unit of options granted during the period		\$ 1.35		\$ -

Options outstanding at June 30, 2007 consist of the following:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Options outstanding weighted average exercise price	Number exercisable
\$11.25	272,759	3.5 years	\$11.25	59,464
\$14.40	432,500	4.25 years	\$14.40	102,500
\$15.85	288,750	4.5 years	\$15.85	69,000
\$17.60	333,050	5 years	\$17.60	83,263
	1,327,059		\$ 14.87	314,227

The compensation expense related to unit options granted under the unit option plan for the three months ended June 30, 2007 amounted to \$322 (2006, \$40) and for the six months ended June 30, 2007 amounted to \$516 (2006, \$80). The balance of contributed surplus at June 30, 2007 relates to unexercised options. The compensation expense was determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2007	2006
Expected option life	3.5 years	5 years
Risk-free interest rate	4.39%	4.01%
Dividend yield	6.14%	7.3%
Expected volatility	17.64%	31.83%

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13. Capital contributions (continued):

(e) Weighted average units:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Income (loss)	\$ 10,276	\$ (3,110)	\$ 7,619	\$ (4,619)
Adjustment for convertible debentures, net of tax	663	-	-	-
Diluted income (loss)	\$ 10,939	\$ (3,110)	\$ 7,619	\$ (4,619)
The weighted average number of units outstanding was as follows:				
Basic units	22,604,325	11,850,099	20,547,632	10,392,545
Effect of dilutive securities:				
Class B units of AXLP	721,347	-	721,347	-
Unit option plan	188,533	-	156,531	-
Convertible debentures	2,952,241	-	-	-
Diluted units	26,466,446	11,850,099	21,425,510	10,392,545
Income (loss) per unit:				
Basic	\$ 0.45	\$ (0.26)	\$ 0.37	\$ (0.44)
Diluted	\$ 0.41	\$ (0.26)	\$ 0.36	\$ (0.44)

14. Distributions to unitholders:

Distributable Income, which is defined in the Declaration of Trust, means net income in accordance with generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust, including: (i) adding back amortization (excluding leasing costs) and accretion to the carrying value of debt and (ii) excluding gains or losses on the disposition of any asset, and (iii) adding or deducting other adjustments as determined by the Trustees at their discretion. Distributable Income is not a generally accepted accounting principles financial measure and should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with generally accepted accounting principles as an indicator of the REIT's performance.

The REIT declared distributions to REIT unitholders of record in the amount of \$6,120 for the three months ended June 30, 2007 (2006, \$3,112) and \$11,119 for the six months ended June 30, 2007 (2006, \$5,539). The REIT declared distributions to the holders of Class B units of AXLP in the amount of \$189 for the three months ended June 30, 2007 (2006, \$nil) and \$379 for the six months ended June 30, 2007 (2006, \$nil). Total distributions payable at June 30, 2007 are \$2,403 (2006, \$1,038).

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15. Changes in non-cash operating items:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Deferred recoverable operating costs	\$ (139)	\$ -	\$ (457)	\$ -
Amortization of deferred recoverable operating costs	44	-	44	-
Prepaid expenses	(546)	(2,447)	(577)	(2,548)
Mortgage receivable	(236)	-	(236)	-
Rent and other receivables	130	387	(425)	(131)
Cash held in trust	-	3,121	327	(10)
Security deposits and prepaid rent	257	102	1,186	250
Accounts payable and other liabilities	(209)	(220)	1,816	431
	\$ (699)	\$ 943	\$ 1,678	\$ (2,008)

16. Related party transactions:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Legal fees - expensed	\$ 1	\$ 150	\$ 68	\$ 154
Legal fees - capitalized	479	276	928	455
Advisory fees	415	201	734	361
Acquisition fees	279	213	1,207	568
Property management fees	735	404	1,350	730
Leasing commissions	-	149	112	248
Building improvements	38	33	286	85
Tenant inducements	292	-	435	-
Consulting fees	-	34	-	34
Interest expense	-	28	-	62

The REIT incurred legal fees with a law firm associated with a trustee of the REIT in connection with the prospectus offerings, the property acquisitions and general business matters. The amount payable at June 30, 2007 is \$50 (2006, \$124).

The REIT incurred advisory fees and acquisition fees under the asset management agreement with Marwest Management Canada Ltd. ("Marwest"), a company owned and controlled by certain trustees and officers of the REIT. The amount payable at June 30, 2007 is \$nil (2006, \$nil). Under the asset management agreement, Marwest is entitled to an annual advisory fee equal to 0.25% of the adjusted cost base of the REIT's assets and an acquisition fee equal to 0.5% of the cost of each property acquired.

The REIT incurred property management fees, leasing commission fees, and tenant improvement fees under the property management agreement with Marwest. The amount payable at June 30, 2007 is \$nil (2006, \$90). Marwest acts as the general property manager for the REIT's properties and is entitled to management fees, leasing renewal commissions and tenant improvement fees at commercially reasonable rates.

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction Ltd., a company related to certain trustees and officers of the REIT. The amount payable at June 30, 2007 is \$151 (2006, \$nil).

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17. Income taxes:

The REIT currently qualifies as a mutual fund trust for Canadian income tax purposes. Prior to new legislation relating to the federal income taxation of publicly listed or traded trusts, as discussed below, income earned by the REIT and distributed annually to unitholders was not, and would not be, subject to taxation in the REIT, but was taxed at the individual unitholder level. For financial statement reporting purposes, the tax deductibility of the REIT's distributions was treated as an exception from taxation as the REIT distributed, and was committed to continue distributing, all of its taxable income to its unitholders. Accordingly, the REIT did not previously record a provision for income taxes or future income tax assets or liabilities.

On June 22, 2007, new legislation relating to, among other things, the federal income taxation of publicly traded income trusts (the "New SIFT Rules") was enacted. Under the New SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax.

The New SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Exception"). In order to qualify for the REIT Exception, a trust must meet a number of technical tests that do not fully accommodate common real estate and business structures. The REIT is currently reviewing the New SIFT Rules and is assessing their interpretation and application to the REIT's assets and revenues. There are uncertainties in the interpretation and application of the New SIFT Rules and it is not possible, at the current time, to determine with certainty whether the REIT will meet the conditions of the REIT Exception.

The New SIFT Rules provide that a SIFT which was publicly traded before November 1, 2006 will become subject to the tax on distributions commencing in the 2011 taxation year. However, a SIFT may become subject to this tax prior to 2011 if its equity capital increases beyond certain limits measured against the market capitalization of the SIFT at the close of trading on October 31, 2006 (the "Safe Harbour Limits"). In the case of the REIT, its subsequent offerings have exceeded the Safe Harbour Limits. Therefore, commencing on January 1, 2007, subject to the REIT's ability to qualify for the REIT Exception, the REIT is subject to tax on certain income which may adversely impact the level of cash otherwise available for distribution.

If the REIT does not meet the REIT Exception, the REIT may need to restructure its affairs in order to minimize, or if possible eliminate, the impact of the New SIFT Rules. There can be no assurances, however, that the REIT would be able to restructure such that the REIT would not be subject to the tax imposed by the New SIFT Rules, or that any such restructuring, if implemented, would not result in material costs or other adverse consequences to the REIT and its unitholders.

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17. Income taxes (continued):

As management is unable to conclude at the present time if the REIT meets the REIT Exception, and therefore cannot conclude that the New SIFT Rules do not apply to it, the REIT commenced recognizing future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax bases of its assets and liabilities that are expected to reverse in or after 2007. Future income tax assets or liabilities are recorded using tax rates and laws expected to apply when the temporary differences are expected to reverse. The New SIFT Rules resulted in the REIT including a future income tax asset of \$12,028 reflected as a recovery to consolidated operations for the three-month and six-month periods ended June 30, 2007. Temporary differences expected to reverse in or after 2007 have been measured using a tax rate of 32.2%. The tax effects of temporary differences that give rise to significant portions of the future tax asset are as follows as at June 30, 2007:

Future income tax assets (liabilities):	
Properties	\$ 5,561
Issue costs	4,437
Losses carried-forward	2,323
Other	(293)
	\$ 12,028

18. Segmented information:

The REIT owns and operates various retail, office and industrial properties located in Western Canada. Information related to these property types is presented below. REIT expenses as well as interest and amortization of deferred financing costs relating to the convertible debentures have not been allocated to the segments.

	Three months ended June 30, 2007				
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 7,905	\$ 12,550	\$ 1,613	\$ 691	\$ 22,759
Property operating expenses	2,369	4,901	401	-	7,671
	5,536	7,649	1,212	691	15,088
Interest	2,089	2,536	475	1,266	6,366
Corporate expenses	-	-	-	1,061	1,061
Amortization	3,377	4,684	874	478	9,413
	5,466	7,220	1,349	2,805	16,840
	70	429	(137)	(2,114)	(1,752)
Future income tax recovery	-	-	-	12,028	12,028
Income (loss) for the period	\$ 70	\$ 429	\$ (137)	\$ 9,914	\$ 10,276
Total assets	\$ 266,144	\$ 367,306	\$ 69,163	\$ 91,428	\$ 794,041

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18. Segmented information (continued):

Three months ended June 30, 2006					
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 6,244	\$ 5,275	\$ 2	\$ 411	\$ 11,932
Property operating expenses	1,562	2,350	-	-	3,912
	4,682	2,925	2	411	8,020
Interest	1,739	1,113	-	1,134	3,986
Corporate expenses	-	-	-	1,125	1,125
Amortization	2,972	2,812	-	122	5,906
	4,711	3,925	-	2,381	11,017
Loss on disposal of income-producing property	(29)	(1,000)	2	(1,970)	(2,997)
	(113)	-	-	-	(113)
Income (loss) for the period	\$ (142)	\$ (1,000)	\$ 2	\$ (1,970)	\$ (3,110)
Total assets	\$ 227,740	\$ 131,318	\$ 8,985	\$ 42,405	\$ 410,448
Six months ended June 30, 2007					
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 15,512	\$ 21,104	\$ 2,641	\$ 1,111	\$ 40,368
Property operating expenses	4,609	8,418	624	-	13,651
	10,903	12,686	2,017	1,111	26,717
Interest	4,177	4,232	768	2,592	11,769
Corporate expenses	-	-	-	2,159	2,159
Amortization	6,664	9,081	1,431	22	17,198
	10,841	13,313	2,199	4,773	31,126
	62	(627)	(182)	(3,662)	(4,409)
Future income tax recovery	-	-	-	12,028	12,028
Income (loss) for the period	\$ 62	\$ (627)	\$ (182)	\$ 8,366	\$ 7,619
Total assets	\$ 266,144	\$ 367,306	\$ 69,163	\$ 91,428	\$ 794,041

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18. Segmented information (continued):

	Six months ended June 30, 2006				
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 10,537	\$ 10,181	\$ 2	\$ 569	\$ 21,289
Property operating expenses	2,799	4,751	-	-	7,550
	7,738	5,430	2	569	13,739
Interest	2,923	2,135	-	1,833	6,891
Corporate expenses	-	-	-	1,555	1,555
Amortization	5,014	5,510	-	215	10,739
	7,937	7,645	-	3,603	19,185
Gain on disposal of income-producing properties	(199)	(2,215)	2	(3,034)	(5,446)
	828	-	-	-	828
Income (loss) for the period	\$ 629	\$ (2,215)	\$ 2	\$ (3,034)	\$ (4,618)
Total assets	\$ 227,740	\$ 131,318	\$ 8,985	\$ 42,405	\$ 410,448

19. Contingent consideration

In accordance with the purchase and sale agreement for Heritage Square, the vendor is entitled to a purchase price adjustment related to future events. The purchase and sale agreement provides for contingent consideration based on certain leases expiring prior to June 30, 2011 and being re-leased at a higher rental rate, net of leasing costs. The calculation provides for the difference in rate to be capitalized at 7.5% and 30% of that amount paid to the vendor. The amount and timing of the contingent consideration are not determinable at this time, and when determinable, will be recorded as an intangible asset.

20. Subsequent events:

On July 5, 2007, the REIT acquired TransAlta Place, located in Calgary, Alberta, and a promissory note in the amount of \$31,000. The property and promissory note were acquired for \$123,981 and the purchase price was satisfied with a combination of cash and new mortgage financing in the amount of \$80,588 bearing interest at a rate of 5.63%. The promissory note bears interest at 5.89% per annum, is repayable in blended monthly instalments of principal and interest, and matures on May 1, 2023.

On July 11, 2007, 10,000 of the outstanding options issued under the unit option plan were exercised at a price of \$14.40 per unit. On July 12, 2007, 14,219 options were exercised at a price of \$11.25 per unit. On July 21, 2007, 9,220 options were exercised at a price of \$11.25 per unit.

On July 24, 2007 the mortgage receivable, including accrued interest, was repaid.

On July 31, 2007 first mortgage financing in the amount of \$17,300 was received on the Windley properties. The mortgage bears interest at 5.57% and matures on August 1, 2017.

The REIT has entered into agreements with respect to the acquisition of one property located in Delta, British Columbia, and a 38% undivided interest in a second property located in Winnipeg, Manitoba. The total purchase price of the two properties is \$62,950. The REIT anticipates that the acquisitions will close in August, 2007.