CENTURION APARTMENT

REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis and Annual Report to Unitholders

For the Twelve Months Ended December 31, 2011

April 30, 2012

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Forward-Looking Statements

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis and Annual Report ("**MD&A**") of Centurion Apartment Real Estate Investment Trust ("**Centurion REIT**" or the "**Trust**") contains "forward-looking statements" within the meaning of applicable securities legislation. This document should be read in conjunction with material contained in the Trust's audited consolidated financial statements for the year ended December 31, 2011 along with Centurion REIT's other documents available on the Trusts website. Forward-looking statements appear in this MD&A under the heading "Outlook" and generally include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results circumstances, performance or expectations, including but not limited to financial performance and equity or debt offerings, new markets for growth, financial position, comparable multi-residential REITs and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".
Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Centurion REIT to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: the risks related to the market for Centurion REIT's securities, the general risks associated with real property ownership and acquisition, that future accretive acquisition opportunities will be identified and/or completed by Centurion REIT, risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding Centurion REIT securities, lack of availability of growth opportunities, diversification, potential Unitholder liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, the market price of Centurion REIT's Units, the failure to obtain additional financing, dilution, reliance on key personnel, changes in legislation, failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing as well as those additional factors discussed in Appendix B "Risks and Uncertainties" and in other sections of this Management's Discussion and Analysis.

In addition, certain material assumptions are applied by the Trust in making forward looking statements including, without limitation, factors and assumptions regarding;

- Overall national economic activity
- Regional economic factors, such as employment rates
- Inflationary/deflationary factors
- Long, medium and short term interest rates
- Legislated requirements
- Availability of financing
- Vacancy rates

Although the forward-looking information contained herein is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Centurion REIT has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, however there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Centurion REIT does not intend to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

Certain statements included herein may be considered "financial outlook" for purposes of applicable securities laws,

and such financial outlook may not be appropriate for purposes other than this MD&A.

Centurion Apartment Real Estate Investment Trust

Centurion Apartment REIT is a private real estate investment trust focused on apartment buildings in Canada. It is organized as an unincorporated open-end investment trust created by a declaration of trust made as of August 31, 2009 (the "**Declaration of Trust**") and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. See "Declaration of Trust" and "Description of Units".

The objectives of Centurion Apartment REIT are: (i) to provide Unitholders with stable and growing cash distributions, payable monthly and, to the extent reasonably possible, tax deferred, from investments in a diversified portfolio of income-producing multi-unit residential properties located in Canada; and (ii) to maximize REIT Unit value through the ongoing management of Centurion Apartment REIT's assets and through the future acquisition of additional multi-unit residential properties.

Declaration of Trust

The investment policies of the Trust are outlined in the Trust's Declaration of Trust (the "**DOT**") dated August 31, 2009 or as it is amended and restated from time to time. The DOT can be found at:
http://www.centurionapartmentreit.com/current-offering-materials

The investment guidelines and operating policies set out in the DOT are as follows:

Investment Guidelines

The Declaration of Trust provides for certain guidelines on investments which may be made by Centurion Apartment REIT. Notwithstanding anything contained herein to the contrary, the assets of Centurion Apartment REIT may be invested only in accordance with the following investment guidelines:

(a) Centurion Apartment REIT shall focus its activities primarily on the acquisition, holding, maintaining, improving, leasing or managing of multi-unit residential revenue producing properties and ancillary real estate ventures ("**Focus Activities**") in Canada;

(b) notwithstanding anything herein contained to the contrary, no investment shall be made that would result in:

(i) REIT Units of Centurion Apartment REIT being disqualified for investment by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit-sharing plans; or

(ii) Centurion Apartment REIT ceasing to qualify as a "mutual fund trust" for purposes of the Tax Act;

(c) no single asset (except as provided for in the Declaration of Trust) shall be acquired if the cost of such acquisition (net of the amount of debt secured by such asset) will exceed 15% of Gross Book Value, provided that where such asset is the securities of or an interest in an entity, the foregoing tests shall be applied individually to each asset of such entity;

(d) investments may be made in a joint venture arrangement only if:

(i) the arrangement is in connection with a Focus Activity;
(ii) the arrangement is with others ("**joint venturers**") either directly or through the ownership of securities of or an interest in an entity ("**joint venture entity**");
(iii) the interest in the joint venture entity is an interest of not less than 10% and is not subject to any restriction on transfer other than a right of first refusal or right of first offer, if any, in favour of the joint venturers;

(iv) Centurion Apartment REIT or an entity controlled by it has a right of first offer or a right of first refusal to buy the interests of the joint venturers in the joint venture entity;
(v) Centurion Apartment REIT has the ability to provide input in the management decisions of the joint venture entity; and
(vi) without limitation, any joint venture arrangement with a Related Party for the purposes of the related party provisions of the Declaration of Trust has been entered into in accordance with such provisions;

(e) unless otherwise permitted in this section and except for temporary investments held in cash, deposits with a Canadian or U.S. chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or in money market instruments of, or guaranteed by, a schedule I Canadian chartered bank maturing prior to one year from the date of issue, Centurion Apartment REIT, directly or indirectly, may not hold securities other than (i) currency, commodity or interest rate futures contracts for hedging purposes to the extent that such hedging activity complies with the Canadian Securities Administrator's National Instrument 81-102 or any successor instrument or rule; (ii) securities of a joint venture entity, or any entity formed and operated solely for the purpose of carrying on ancillary activities to any real estate owned, directly or indirectly, by Centurion Apartment REIT, or an entity wholly-owned, directly or indirectly, by Centurion Apartment REIT formed and operated solely for the purpose of holding a particular real property or real properties; and (iii) securities of another issuer provided either (A) such securities derive their value, directly or indirectly, principally from real property, or (B) the principal business of the issuer of the securities is the owning or operating directly or indirectly, of real property, and provided in either case the entity whose securities are being acquired are engaged in a Focus Activity;

(f) no investment will be made, directly or indirectly, in operating businesses unless such investment is incidental to a transaction:
(i) where revenue will be derived, directly or indirectly, principally from a Focus Activity; or
(ii) which principally involves the ownership, maintenance, improvement, leasing or management, directly or indirectly, of real property;

(g) notwithstanding any other provisions of this section, the securities of a reporting issuer in Canada may be acquired provided that:
(i) the activities of the issuer are focused on Focus Activities; and
(ii) in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding equity securities of the securities issuer (the "**acquired issuer**"), the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of Centurion Apartment REIT and the acquired issuer or for otherwise ensuring that Centurion Apartment REIT will control the business and operations of the acquired issuer;

(h) no investments will be made in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

(i) investments may be made in a mortgage, mortgage bonds, notes (except as provided for in the Declaration of Trust) or debentures ("**Debt Instruments**") (including participating or convertible) only if:
(i) the real property which is security thereof is real property
(ii) the security therefore includes a mortgage registered on title to the real property which is security thereof;
(iii) the amount of the investment (not including any mortgage insurance fees incurred in connection therewith) does not exceed 75% of the market value of the real property which is the security thereof; and
(iv) the aggregate value of the investments of Centurion Apartment REIT in Debt Instruments, after giving effect to the proposed investment, will not exceed 15% of the Adjusted Unitholders' Equity of Centurion Apartment REIT,

(j) notwithstanding subsection (i), Centurion Apartment REIT may also invest in mortgages where:
(i) the mortgage is a "vendor take-back" mortgage granted to Centurion Apartment REIT in connection with the sale by it of existing real property and as a means of financing the purchaser's acquisition of such property from Centurion Apartment REIT;
(ii) the mortgage is interest bearing;
(iii) the mortgage is registered on title to the real property which is security thereof;
(iv) the mortgage has a maturity not exceeding five years;

(v) the amount of the mortgage loan is not in excess of 85% of the selling price of the property securing the mortgage; and
(vi) the aggregate value of these mortgages (including mortgages and mortgage bonds in which Centurion Apartment REIT is permitted to invest by virtue of this section), after giving effect to the proposed investment, will not exceed 15% of Gross Book Value of Centurion Apartment REIT calculated at the time of such investment;

(k) notwithstanding subsection (i) and (j), Centurion Apartment REIT may invest in mortgages of related entities that do not deal at arms length to Centurion Apartment REIT provided that:
(i) the purpose of the mortgage is to finance the redevelopment of a property that when complete, would be within the Investment Restrictions of Centurion Apartment REIT;
(ii) Centurion Apartment REIT has a right of first refusal to purchase the property at less than or equal to its fair market value as determined by an independent third party appraiser;
(iii) the mortgage bears interest at a commercial rate of interest;
(iv) the amount of the mortgage loan is not in excess of 90% of the selling price of the property securing the mortgage;
(v) the mortgage has a maturity not exceeding five years;
(vi) the mortgage is approved by the Trustees
(vii) the aggregate value of these mortgages, after giving effect to the proposed investment, will not exceed 15% of Gross Book Value of Centurion Apartment REIT calculated at the time of such investment;

(l) no investment shall be made in raw land (except for the acquisition of properties adjacent to Existing Properties of Centurion Apartment REIT for the purpose of renovation or expansion of existing facilities where the total cost of all such investments does not exceed 5% of Gross Book Value); and notwithstanding any other provisions hereof, investments may be made which do not comply with the provisions of this section provided (i) the aggregate cost thereof (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred in connection with the acquisition and secured by a mortgage on such property) does not exceed 15% of the Adjusted Unitholders' Equity of Centurion Apartment REIT and (ii) the making of such investment would not contravene subsection (b).

(m) For the purpose of the foregoing restrictions, the assets, liabilities and transactions of a Person wholly or partially owned by the Centurion Apartment REIT will be deemed to be those of Centurion Apartment REIT on a proportionate consolidated basis. In addition, any references in the foregoing to an investment in real property will be deemed to include an investment in a joint venture arrangement that holds real property.

Operating Policies

The operations and affairs of Centurion Apartment REIT shall be conducted in accordance with the following operating policies:

(a) Centurion Apartment REIT may engage in construction or development of real property in order to maintain its real properties in good repair or to enhance the income-producing potential of properties that are capital property of Centurion Apartment REIT;

(b) title to each real property shall be held by and registered in the name of the Trustees or, to the extent permitted by applicable law in the name of Centurion Apartment REIT or in the name of a corporation or other entity owned, directly or indirectly, by Centurion Apartment REIT or jointly-owned, directly or indirectly, by Centurion Apartment REIT, with joint venturers or a corporation which is a nominee of Centurion Apartment REIT which holds as its only property registered title to such real property pursuant to a nominee agreement with Centurion Apartment REIT;

(c) no indebtedness shall be incurred or assumed if, after giving effect to the incurring or assumption thereof of the indebtedness, the total indebtedness as a percentage of Gross Book Value would be more than 75% for indebtedness, including amounts drawn under an acquisition facility;

(d) except for any indebtedness existing at Closing, no new indebtedness (otherwise than by the assumption of existing indebtedness) will be incurred or renewed or refinanced or secured by a mortgage on any of the

real property of the Trust unless, at the date of the proposed incurring of the indebtedness, the aggregate of (i) the amount of all indebtedness secured by such real property, and (ii) the amount of additional indebtedness proposed to be incurred, does not exceed 75% of the market value of such real property, on or after that date which is 12 months from the acquisition date thereof, in either case not including mortgage insurance fees incurred in connection with the incurrence or assumption of such indebtedness, which amount shall be added to the amount of the permitted indebtedness;

(e) except for guarantees existing on the date of this Trust Indenture, the Trust shall not, directly or indirectly, guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness, liabilities or other obligations of (i) any subsidiary of the Trust or other entity wholly-owned by the Trust, or (ii) other entity jointly owned by the Trust with joint venturers and operated solely for the purpose of holding a particular property or properties where such indebtedness, liabilities or other obligation, if granted, incurred or assumed by the Trust directly, would not cause the Trust to otherwise contravene the restrictions set out in Section 4.1 of the Declaration of Trust and, where such indebtedness, liabilities or other obligation is granted, incurred or assumed by a joint venture entity, subject to a joint venturer being required to give up its interest in a property owned by the joint venture entity as a result of another joint venturer's failure to honour its proportionate share of the obligations relating to such property, and, except with the prior approval of the Trustees and subject always to (b) under Section 4.1, the liability of the Trust is limited strictly to the proportion of the indebtedness, liabilities or other obligation equal to the Trust's proportionate ownership interest in the joint venture entity, or (iii) with the prior approval of the Trustees and subject always to (b) under Section 4.1, the indebtedness, liabilities or other obligations of joint venturers in circumstances where any such guarantee may also be given in respect of the associated joint venture entity. In addition, the Trust will not directly or indirectly guarantee any indebtedness, liabilities or other obligations of any Person if doing so would contravene (b) under Section 4.1;

(f) except for the Contributed Assets acquired pursuant to the Rollover Agreement, an engineering survey or physical review by an experienced third party consultant will be obtained for each real property intended to be acquired with respect to the physical condition thereof;

(g) at all times insurance coverage will be obtained and maintained in respect of potential liabilities of the Trust and the accidental loss of value of the assets of the Trust from risks, in amounts and with such insurers, in each case as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties;

(h) except for the Contributed Assets acquired pursuant to the Rollover Agreement, a Phase I environmental audit shall be conducted for each real property to be acquired and, if the Phase I environmental audit report recommends that further environmental audits be conducted, such further environmental audits shall be conducted, in each case by an independent and experienced environmental consultant;

(i) at least 8.5% of gross consolidated annual rental revenues generated from properties where the associated mortgage financing is insured by the Canadian Mortgage and Housing Corporation ("**insured properties**") as determined pursuant to GAAP shall be expended annually on sustaining capital expenditures, repairs and maintenance, all determined on a portfolio basis for all insured properties. For this purpose, capital expenditures and repairs and maintenance include all onsite labour costs and other expenses and items associated with such capital expenditures, repairs and maintenance; and

(j) the Trust may engage asset managers under terms and conditions acceptable to the Trustees. CAP I LP has engaged CAMI by the terms of the CAP I LP Asset Management Agreement, which agreement shall remain in full force and effect until such time as CAP II LP constitutes the sole limited partner of CAP I LP (or until otherwise terminated by the Trustees in accordance with the terms of the CAP I LP Asset Management Agreement). As at the date hereof, the Trust has engaged CARMI by the terms of the Trust Asset Management Agreement, which agreement shall remain in full force and effect until terminated by the Trustees or CARMI in accordance with its terms. Certain of the shareholders of CAMI and CARMI are the same persons. It is intended that the fees payable by CAP I LP and the Trust under the Asset Management Agreements shall not be duplicative and the Trustees shall take such steps to ensure that the terms of each Asset Management Agreement are honoured in accordance with the foregoing provisions of this Section,

For the purposes of the foregoing investment guidelines and operating policies, the assets, indebtedness, liabilities and transactions of a corporation, partnership or other entity wholly or partially owned by the Trust will be deemed to be those of the Trust on a proportionate, consolidated basis. In addition, any references in the foregoing investment guidelines and operating policies to investment in real property will be deemed to include an investment in a joint venture arrangement. In addition, the term "**indebtedness**" means (without duplication):

i. any obligation of the Trust for borrowed money;

ii. any obligation of the Trust incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;

iii. any obligation of the Trust issued or assumed as the deferred purchase price of property;

iv. any capital lease obligation of the Trust; and

v. any obligation of the type referred to in clauses i through iv of another person, the payment of which the Trust has guaranteed or for which the Trust is responsible for or liable;

provided that (A) for the purposes of i through iv, an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the Trust in accordance with generally accepted accounting principles; (B) obligations referred to in clauses i through iii exclude trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business.

Adoption of IFRS

As at December 31, 2011 the Trust has prepared its audited financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). The transition to IFRS required a restatement of the Trust's 2010 financial information from its original Canadian GAAP basis such that the 2010 comparative information presented in the financial statements are on an IFRS basis. Financial information for periods prior to January 1, 2010 have not been restated. For the purposes of this MD&A, the term "**Canadian GAAP**" refers to Canadian generally accepted accounting principles for the Trust before the adoption of IFRS.

Readers of the MD&A should refer to Note 4 of the accompanying audited consolidated financial statements, for a discussion of IFRS and its impact on the Trust's financial presentation.

Accounting Policies

Centurion REIT's accounting policies are described in Note 2 of the consolidated financial statements for the twelve month period ended December 31, 2011. Beginning January 1, 2011, the Trust prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of consolidated financial statements, including IAS 34, Interim Financial Reporting, and IFRS 1, First-time Adoption of IFRS. Subject to certain transition elections discussed in Note 4 the Trust has consistently applied the same accounting policies in its opening IFRS consolidated balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

In applying these policies, in certain cases it is necessary to use estimates, which management determines using information available to the Trust at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness and any change to these estimates is applied prospectively in compliance with IFRS. Significant estimates are made with respect to the fair values of investment properties and the fair values of financial instruments.

Non-GAAP Measures

Net Operating Income ("**NOI**") and Normalized Net Operating Income ("**NNOI**") (or, in each case, substantially similar terms) are measures sometimes used by Canadian real estate investment trusts as indicators of financial performance, however they do not have standardized meanings prescribed by IFRS. These measures may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to similarly termed measures reported by other such issuers.

Net Operating Income is a key measure of operating performance used in the real estate industry and includes all rental revenues generated at the property level, less related direct costs such as utilities, realty taxes, insurance and on site maintenance wages and salaries. As one of the factors that may be considered relevant by readers, management believes that NOI is a useful supplemental measure that may assist prospective investors in assessing the Trust.

Normalized Net Operating Income is a key measure of potential operating performance used in the real estate industry and differs from NOI mainly in that certain long term stabilizing assumptions are made in the calculation of NNOI. Such assumptions may reflect a stabilized (normalized) view of key inputs in the calculation of NNOI such as forward looking rents, vacancy ratios, property taxes, wages, repairs and maintenance and other costs. NNOI is often used by property appraisers in valuing a property. NNOI's have been used, among other things for evaluating potential property acquisitions, to determine fair values of the investment properties held by the Trust, and to estimate the capacity to make and the level of distributions. Management believes that given the rapid rate of growth of the portfolio and that new acquisitions often require stabilization and repositioning periods and that many in the real estate industry use NNOI when purchasing or selling a property, NNOI is a useful tool in evaluating the portfolio.

Readers are cautioned that NOI and NNOI are not alternatives to measures under IFRS and should not, on their own, be construed as indicators of the Trust's performance or cash flows, measures of liquidity or as measures of actual return on Units of the Trust. These non-IFRS measures, as presented, should only be used in conjunction with the consolidated financial statements of the Trust.

The Trust has three classes of equity units, The Class "A" Units, the Class "B" Units and the Exchangeable "B" LP Units. Under IFRS, the Class "B" and "Exchangeable "B" LP Units are not considered as equity instruments. As such, they are presented as liabilities in the consolidated financial statements. Management contends that these units should be considered equity acknowledges that this view may differ from similar real estate investment trusts and, accordingly, may not be comparable to other such issuers. See "Unitholder's Equity" below.

Comments on the Apartment Market

The past 12 months have been very interesting for the apartment industry. Capitalization rates have declined significantly across the country and competition for the acquisition of quality properties has been intense. Many properties are now being listed unpriced (ie "auction" style). Management has traditionally held a very negative view of participating in auctions as a buyer as the process consumes significant time and resources and even with sharp pricing may result in no deals. As such the Trust hasn't participated in many auctions in the past. Management has instead focused on sourcing deals privately and through buyers brokerage type arrangements where the Trust is either the only participant or one of the few participants in an offer process. In managements opinion, this has resulted in the Trust offering on fewer properties but with a higher win ratio on the transactions that in which it has been involved.

The continued decline in capitalization rates in certain markets has gone beyond even managements long held view that the direction of capitalization rates would be lower. Management believes that capitalization rates in certain markets are now likely as low as they are going to be but that there is scope for spreads between certain markets to continue to compress. The move in capitalization rates seems to be driven by a few factors, none of which are new:

- ***low interest rates***. Interest rates are low and long term debt financing is available at rates that make leveraged returns attractive. Management has had a long term view that rates will remain low for an extended period of time and expects that this will continue to support both valuations and market liquidity.

- ***continued concern about stocks***. An extended period of low returns and high volatility in stocks continues to drive interest in alternative investments in general and real estate in specific. Management expects this dynamic to continue to drive interest towards apartments and away from stocks.

- ***continued broadening of investor profile***. Management continues to see interest from new entrants into the apartment industry as a key driver of pricing. Apartments are underrepresented in most institutional investor portfolios due to the difficulty of acquiring scale in what is still a fragmented industry. In order to make acquisitions and get scale, some of these new entrants are willing to pay significant premiums to buy properties which is driving valuations higher. Foreign interests have also been very aggressive in trying to acquire Canadian apartments with the anecdotal suggestion that this is to park capital in a country and an asset perceived as "safe".

Of note, some particularly large transactions have occurred in the past year. The most recent of which is the announced privatization bid for Transglobe Apartment REIT led by its original founder Daniel Drimmer with properties worth about $2.3 billion. There is also open speculation that some of the other apartment REITs may become acquisition targets in the very near future as large investors such as pension funds want apartment allocations and buying a large REIT is one way to get access to a platform and scale that would otherwise take years to build.

All other things being equal, with the above forces in play, management believes that market values will be well supported in 2012.

Outlook and Business Strategy

Management is focused on a number of key areas for 2012 that can be broken down roughly as follows:

Growth strategy

Growing the portfolio is a key part of managements plan for the next year. The Trust has significant liquid resources to invest to add accretively to income and to further diversify the portfolio. Given that the market is currently very competitive and management does not want to have to overpay for quality assets requires some tactical shifts in strategy.

Management has always had a view that its strategies must be flexible enough to adapt to changing environments and to seize upon niche opportunities when they present themselves. The portfolio strategy over the years primarily focused on out of town properties where investment yields were higher. In early 2011, the spreads between out of town and Toronto compressed sufficiently that Toronto became, in the opinion of management a better value on a risk/return basis and purchased a few Toronto properties with some repositioning potential. Not too much later in 2011, the spread between out of town and Toronto reasserted itself with Toronto values growing stronger on a relative basis to out of town properties. Management is mindful of relative value spreads and uses its opinion of these relative values as part of its acquisition strategy.

Management also believes that purpose built student housing provides significant opportunities for the Trust. Yields are higher than standard apartments and few significant portfolios of size exist. Significant scope for new construction exists as students move from single family homes into larger service oriented investment grade residences. In the past six months, the Trust has purchased interests in four student residence properties (See "Portfolio Summary" below and on the Trusts website for more details) in Montreal and London totaling 1,170

rental units. Management believes the student housing industry is ripe for consolidation and is actively seeking acquisitions and opportunities in this space.

As discussed above (See "Comments on the Apartment Market"), capitalization rates have declined significantly over the past year. At current capitalization rates, new purpose built rental housing, both standard and student class, is being constructed in many cities across Canada as they have become competitive from a yield perspective. Management believes that there may be opportunities for the Trust to acquire new construction apartment properties at attractive yields and is exploring these emerging opportunities.

With the concerns over the condo bubble in Toronto and Vancouver, many major bank based lenders have significantly cut their funding to developers and nearly eliminated it to small and medium size developers. Management believes that it may be able to secure a pipeline of future acquisitions by assisting developer partners with financing to complete properties which the Trust will ultimately buy. Further, that due to the reduced availability of prime financing to developers, that the Trust will have opportunities to invest some of its surplus liquidity in quality mortgages while it continues to patiently search for acquisition opportunities (See "Mortgage Asset Strategy").

Revenue opportunities

Management examines revenue opportunities continuously but is currently focused on:

- Closing the Trusts gap between potential market rents and current in place rents; this includes product repositioning in localized markets where there is opportunity to deploy capital in the apartment units and realize rental lift
- Filing above guideline rent increases (AGIs) wherever possible for the extensive capital works that have recently been completed or will soon be completed
- Continuing to invest capital in the portfolio strategically to create value
- Renegotiating revenue sharing agreements with service providers (like laundry, utility, parking, cable and internet) and coordinating to drive revenue
- Segmenting out and charging independently for previously included services to drive revenue (like parking and storage)
- Management will continue to focus on stabilization of recently acquired properties to reduce the short term drag on NOI

Expense management

Management sees opportunities to reduce expenses in the following ways to drive NOI

- Submetering opportunities have recently been studied across the portfolio and it is anticipated that management will implement its submetering program for all targeted buildings in 2012 which over time could result in significant savings
- Management has been studying different energy and utility management systems that can tie into the Trusts existing system to improve energy management and benchmarking. Management plans to select and then roll out the system in 2012. Management believes that there are significant savings available over time that will create value
- Management has been test piloting new utility saving hardware and software systems to determine whether there are significant savings opportunities in applying these new technologies and whether they are economically viable
- Through its tax consultants, the Trust has recently filed a number of property tax appeals which may result in a decrease in assessed values and property taxes

- Management continues to look for opportunities to rationalize property labour expense and improve service levels by leveraging resource allocations where properties are in close proximity, and introducing new processes and technology to improve efficiency
- With the portfolio's increasing size, management continues to leverage scale in it purchasing programs

Organization and Platform Building

- The Trust has made significant enhancements to its platform in the past year having added staff in various specialties. It has also split the operating structure into two parts, property operations (run by Wayne Tuck) and investments, financial and treasury operations (run by Greg Romundt). It is anticipated that the management team will add another senior executive to the financial side of the business who will take responsibility for the financial and treasury functions of the Trust leaving Mr Romundt more time to focus on investments and strategy.
- Management believes that there are opportunities to tighten controls on operating and capital expenditures improved budgeting and enhanced internal procedures and control mechanisms. It is in the process of implementing these changes which it believes will produce results in the later part of 2012 and beyond. Part of this involves developing new operations and procedures manuals for the entire organization to solidify process adoption and increase efficiencies

Finance and Treasury

- With the significant decline in interest rates in the marketplace, management is looking to effectively roll out its mortgage portfolio using interest rate swaps to hedge some of its interest rate exposure.
- Natural gas prices have declined significantly and management is looking to explore hedging some of its energy costs
- Management is exploring ways to manage its excess liquidity and leverage more opportunistically to reduce the dilution between capital raising and ultimate deployment via acquisitions
- Management is continuing to focus on minimizing the amount of short term debt maturities and to extend the duration of mortgage liabilities

Management Team and Board Changes

In 2011 and in early 2012, there have been a number of significant changes to the management and operating teams. Wayne Tuck was hired as Vice President of Operations and Chief Operating Officer. The operations of the Trust were then split into two distinct parts; (1) property operations and (2) investment operations. Wayne Tuck has taken charge of property operations and administration. Greg Romundt is responsible for investment operations which is capital raising, capital and treasury management, investor & investment dealer relations, and acquisitions/dispositions. In support of these roles a number of other strategic hires were made to broaden and deepen the team including a Financial Analyst, an Acquisitions Analyst and a Director of Technical Services.

Adrian Wong, who was the Operations Manager and a Trustee departed the company in March 2012. Mr Wongs position was filled with the hire of Peter Duff as Director of Technical Services. Mr Tuck has replaced Mr Wong as one of Centurion Apartment REIT Management Inc. two board appointees (the other is Greg Romundt). Management is currently searching for other key senior executive hires to bolster its bench strength and to continue to position the Trust for growth in 2012 and beyond.

Upcoming Introduction of an "F" Unit Purchase Plan

The Trust currently has three unit purchase plans. After numerous requests by investment advisors and portfolio managers overseeing fee based accounts, the board of Trustees has authorized making an "F" plan available for use in these kinds of accounts.

Mortgage Asset Strategy

The Investment Guidelines of the Trust permit investments in mortgages. To date, management hasn't made use of this ability. As mentioned previously, the apartment market has become very competitive (see "Comments on the Apartment Market" above). Management has managed in this environment to make accretive acquisitions and believes that it will be able to do so in the near future. However, the nature of some of the opportunities seems to be evolving. Management believes that:

1) due to excess competition, it is prudent to maintain our acquisition discipline in not overpaying and wait for the right opportunities which may take time; and
2) banks are severely tightening lending to the development community, particularly condo's and to the medium and smaller builders which will increase interest rates on mezzanine financing and increase the number of attractive mortgage investment opportunities; and
3) with the reduction in capitalization rates, new construction apartment buildings are becoming feasible to build; and
4) with the Trust focusing on student housing which is almost all new or recent construction, and where the opportunity is to expand is to find new attractive sites which need to be built; and
5) the Trust has excess liquidity to invest.

Thus, management has recommended to the board, and the board authorized management, inside of its current Investment Guidelines to:

1) look for opportunities to supply financing to developers of purpose built apartments and student residences where the Trust will buy the buildings from developers upon stabilization thus securing and increasing its pipeline of future acquisitions and
2) look for general opportunities to make mortgage loans where the yield is attractive

Management believes that the above opportunities are sufficiently large and attractive, and that the window will last long enough, that it has asked the Trustees to consider certain enabling amendments to the Investment Guidelines of the Trust contained in the Declaration of Trust. These changes will require unitholder approval at the next annual general meeting. Essentially management is seeking to expand the loan to value cap on mortgages made to third parties to 85% from 75% and to increase the current cap on mortgages as a percentage of assets from 15% of Unitholder Equity to 20% of assets. The proposed amendments will be forwarded with the materials for the next annual general meeting, after the date has been Until then, the Trust will stay inside its current Investment Guidelines.

Portfolio Summary

In the past year or so, the Trust has made a number of acquisitions outlined below:

Recent Acquisitions

Closing Date	City	Address	# of Units	Type	Price	Interest	Notes
7-Apr-11	Toronto	1,2,3,5,7 Biggin Court	306	Standard Apartment	$ 26,250,000	100%	
13-Dec-11	Montreal	515 St Catherine St	440	Student Residence	$ 46,750,000	25%	
15-Dec-11	Toronto	6 Grandstand Place	60	Standard Apartment	$ 5,950,000	100%	
16-Dec-11	Kitchener	262-320 Kingswood Drive	360	Standard Apartment		10%	(1)
27-Feb-12	London	75 Ann St & 1 Beaufort St	634	Student Residence	$ 29,100,000	75%	
4-Apr-12	London	83-99 St George St & 149-165 Ann St	96	Student Residence	$ 7,000,000	100%	

Notes:
(1) Increased Existing ownership position from 10% to 20%

Please refer to the Trusts website at www.centurionapartmentreit.com/news for pictures and more descriptive information about the above acquisitions.

The following pages contain certain summary portfolio information.

Property Address	City	Type of Building	Ownership (%)	Bachelor	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five Bedroom	Other	Total Suite Count (Undiluted)	Total Suite Count (Diluted)	Total Rental Units/Beds (Undiluted)	Total Rental Units/Beds (Diluted)
362 Shanty Bay Rd	Barrie	Apartment	100%		4	11					15	15	15	15
1459 Trafalgar St	London	Apartment	100%		28	19					47	47	47	47
60 Prince Edward St	Brighton	Apartment	100%		3	27					30	30	30	30
387-425 East 42nd St	Hamilton	Apartment	100%			24	12				36	36	36	36
21/31 Jean Ave	Kitchener	Apartment	100%		20	12					32	32	32	32
122 Elizabeth St	Brighton	Apartment	100%			26	2				28	28	28	28
277 Anderson Ave	Oshawa	Apartment	100%			47					47	47	47	47
55 William St	Milverton	Apartment	100%		7	13	2				22	22	22	22
624 Main St E	Hamilton	Apartment	100%	6	9	6				2	23	23	23	23
36 & 70 Orchard View	Oshawa	Apartment	100%		5	19					24	24	24	24
255 Dunlop St West	Barrie	Apartment	100%			2	26				28	28	28	28
356 & 360 Hoffman	Kitchener	Apartment	100%		36	60					96	96	96	96
15, 19, 25 Hugo Cres	Kitchener	Apartment	100%		7	46					53	53	53	53
167 Morgan Ave	Kitchener	Apartment	100%	2	10	20	15				47	47	47	47
118 St Josephs Drive	Hamilton	Apartment	100%	17	9	4					30	30	30	30
196 Churchill St S	Acton	Apartment	100%	3	7	23					33	33	33	33
707 & 711 Dundas St W	Whitby	Apartment	100%			24	12				36	36	36	36
165 Old Muskoka Rd	Gravenhurst	Apartment	100%		5	33	1				39	39	39	39
2 & 4 Yonge St	Huntsville	Apartment	100%		6	13	6				25	25	25	25
185, 187, 191 Lisgar Ave	Tillsonburg	Apartment	100%		22	38	1				61	61	61	61
262-320 Kingswood Dr	Kitchener	Apartment	20%		92	268					360	72	360	72
1,2,3,5, and 7 Biggin Court	Toronto	Apartment	100%	11	179	108	8				306	306	306	306
6 Grand Stand Place	Toronto	Apartment	100%		21	33	6				60	60	60	60
Auburn Student Residence	Montreal	Student Housing	25%				10	40	50		100	25	440	110
75 Ann Street	London	Student Housing	75%			2	45	90			137	103	499	374
1 Beaufort Street	London	Student Housing	75%						27		27	20	135	101
St. George Street & Ann Street	London	Student Housing	100%					24			24	24	96	96
Total				**39**	**470**	**878**	**146**	**154**	**77**	**2**	**1766**	**1362**	**2648**	**1872**

Notes:

"**Suites**" means a rental suite, irrespective of the number of bedrooms or rental units in that suite. E.g. a 3 bedroom apartment that rents as a whole would be considered a single suite

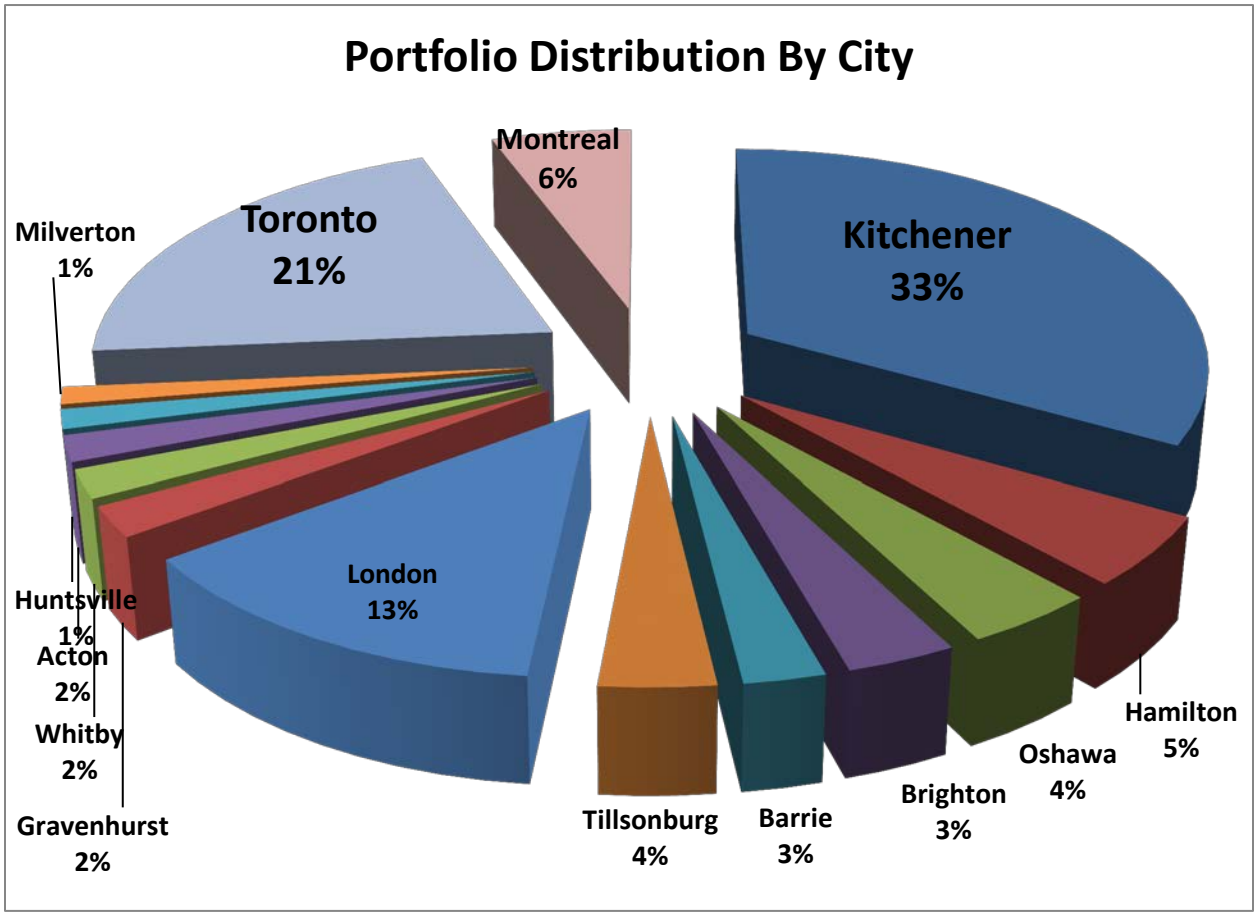
"**Undiluted**" means that the number doesn't factor in any portion of the building that may be owned by partners. E.g. a 100 suite building owned 50/50 with a partner would show above as 100 suites on an undiluted basis and 50 suites on a Diluted basis.

"**Diluted**" means that portions of the property owned by partners has been subtracted from the total. E.g. a 100 suite building owned with a partner would show above as 50 diluted suites

"**Rental Units/Beds**" adjusts for the number of student tenants renting individual units inside a suite. For example, a 5 bedroom student unit, would show as 1 suite, but 5 rental units as there may be 5 separate leases, each pertaining to a bed. This distinction only applies to properties classified as Student Residences. Thus an apartment that had a 2 bedroom suite that had room mates sharing the apartment, and wasn't classified as a "student residence" would be 1 Suite and 1 Rental Unit only. We make no distinction in "Rental Units" between individual leases on bedrooms and multi tenant leases with all residents in the suite on a single lease (the two forms of lease in the student rental business).

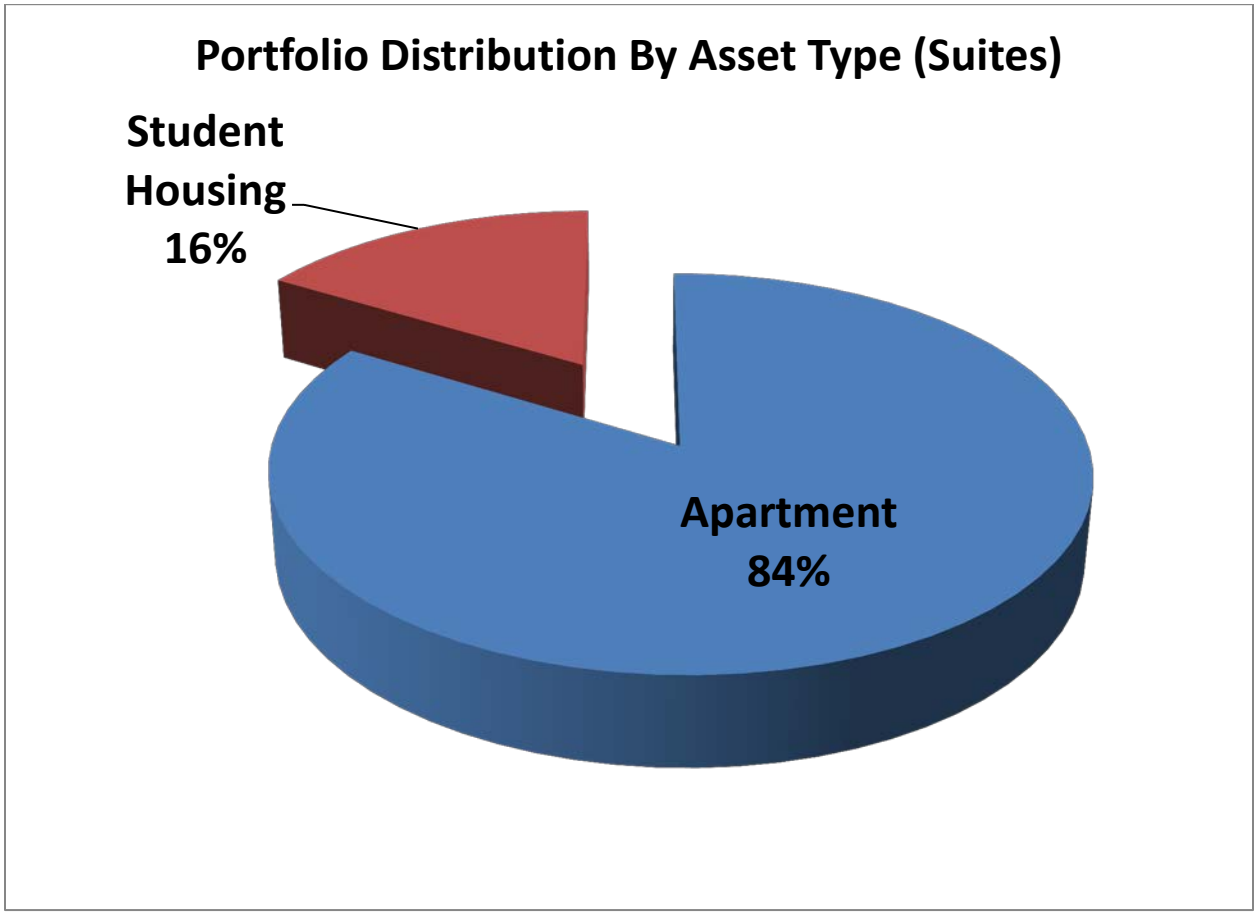
Portfolio Summary by City

City	Number of Complexes	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental % of RU's	Diluted Rental Units	Diluted Rental % of RU's
Kitchener	5	588	33%	300	22%	588	22%	300	16%
Hamilton	3	89	5%	89	7%	89	3%	89	5%
Oshawa	2	71	4%	71	5%	71	3%	71	4%
Brighton	2	58	3%	58	4%	58	2%	58	3%
Barrie	2	43	2%	43	3%	43	2%	43	2%
Tillsonburg	1	61	3%	61	4%	61	2%	61	3%
London	4	235	13%	194	14%	777	29%	618.5	33%
Gravenhurst	1	39	2%	39	3%	39	1%	39	2%
Whitby	1	36	2%	36	3%	36	1%	36	2%
Acton	1	33	2%	33	2%	33	1%	33	2%
Huntsville	1	25	1%	25	2%	25	1%	25	1%
Milverton	1	22	1%	22	2%	22	1%	22	1%
Toronto	2	366	21%	366	27%	366	14%	366	20%
Montreal	1	100	6%	25	2%	440	17%	110	6%
14 Cities	**27 Complexes**	**1766 Suites**	**100%**	**1362 Suites**	**100%**	**2648 Suites**	**100%**	**1872 Suites**	**100%**



Portfolio Summary by Asset Type

Property Type	Number of Buildings	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental % of RU's	Diluted Rental Units	Diluted Rental % of RU's
Apartment	23	1478	84%	1190	87%	1478	56%	1190	64%
Student Housing	4	288	16%	172	13%	1170	44%	682	36%
Total	27	1766	100%	1362	100%	2648	100%	1872	100%



2011 Operating Results

In 2011, the Trust had net income and comprehensive income of $8,949,591 under IFRS. Adjusting this as if all unit classes were classified under IFRS as equity, net income and comprehensive income in 2011 would be $11,972,594 (See "Impact of Treating Class "B" and Exchangeable "B" Units as Equity Rather than Debt" and Note 4). These strong results were largely the consequence of growth in the value of the properties in the portfolio and accretive acquisition activities during the year.

Normalized Net Operating Income (NNOI)

In 2011, NNOI started the year at a $3,638,000 run rate and ended at a run rate of $7,054,327, an increase of 94% over the same period in 2010. Of this, approximately $166,000 was due to same property increases in NNOI, representing a 4.60% rate of increase over 2010. Approximately $3,250,000 was as a result of new acquisitions. Acquisitions that closed in Q1 2012 have added approximately $1,905,000 to the annual NNOI run rate bringing the run rate to approximately $8,960,000 per annum at 2012 Q1. The below table reflects annualized NNOI run rates at the end of each of these periods not the NNOI rate for the full period.

	2011	2010	2012 Q1*
Same Property	$ 3,804,809	$ 3,638,103	$ 7,054,327
New Acquisitions	$ 3,249,518	$ -	$ 1,905,463
Total	$ 7,054,327	$ 3,638,103	$ 8,959,790

*** Estimated. Same Property NNOI was set at equal 2011 closing totals as the 2012 Q1 Property Values and financial reports haven't been finalized yet.**

Assets

Trust assets grew to $125.4 million in 2011 from $58.9 million in 2010. The unaudited Q1 2012 asset base has grown to approximately $160 million. Assets under management when adjusted for joint ventures grew to approximately $225 million at the end of Q1 2012.

Financing Costs

Over the course of the year, the Trust has significantly reduced its weighted average financing costs from 5.67% per annum at the end of 2010 to a 4.47% per annum rate at the end of 2011 and approximately 4.15% currently. This has resulted largely due to the elimination of all mezzanine (high cost) debt, refinancing of maturing mortgages at lower interest rates and the addition of new properties with financing rates ranging from 3.55% to 4.5%. 2010 mortgage interest expenses were $2,676,447 and 2011 mortgage interest expenses were 2,344,549 (excluding amortization of financing fees). 2011 mortgage expenses were lower in dollar terms even though, due to acquisitions, the absolute amount of mortgage debt had increased in 2011 and reflects the size of the reduction in mortgage expenses from the mortgage strategy. The Trust is working to continue to make improvements in its financing costs to reduce the overall weighted average cost of debt. The Trust is also examining strategies to hedge some of its interest rate exposure and to extend the effective mortgage maturity of the portfolio beyond its actual maturity profile.

Fair Value Adjustments of Investment Properties

With the transition to IFRS, the properties are recorded on the balance sheet at their fair market value, unadjusted for portfolio or platform premiums. Changes in fair value flow through the statements of income and comprehensive income. In 2011, the value of the properties appreciated by $18,046,911 (see Note 5). By comparison the value

change in 2010 was $2,140,531. Property improvements (capital investment) under IFRS are not included in fair value and thus serve to reduce the net fair value gains in the year of expenditure by the amounts below. In managements opinion, capital investments provide the opportunity for benefits which include future value growth that in many cases don't reflect in value immediately. Some examples of this would include, but are not limited to common area renovations that increase the appeal and marketability of the property, energy retrofits, building envelope improvements and improvements to apartment fixtures and finishes that produce a higher rental rate in the competitive market . While 2011 did see strong capital appreciation due to a reduction in capitalization rates, and accretive acquisitions activity, the capital investments made in 2010 and in previous years also contributed significantly to this success. Management believes that the significant investments made in 2011 will contribute to growth in property values, ceteris paribus, in 2012 and beyond. Management anticipates that it will be filing a number of above guideline rent increase applications in 2012 as a result of many of these capital improvements and that ultimately this will contribute further to property values.

Change in Investment Property Values

	2011 YE	2010 YE
Gross change in fair value	$ 18,046,911	$ 2,140,531
Less: Property improvements	$ (6,958,722)	$ (3,618,540)
Fair Value gain/(loss)	$ 11,088,189	-$ 1,478,009

Issued and Outstanding Number of Units

The following chart depicts the number of Issued and Outstanding Number of Units at each of these periods

	Dec 31/11	Dec 31/10	Q1/12*
Class A	5,673,276	1,738,354	7,662,102
Class B	50,000	50,000	50,000
Exchangeable B	456,392	1,308,319	433,961
Total	**6,179,668**	**3,096,672**	**8,146,063**

* unaudited

Unitholders' Equity

The Trust has three outstanding classes of equity (see Note 8 and Unit Holdings Summary above). Under IFRS, generally only one class of equity can be presented as equity with the balance presented as liabilities. Thus for financial statement purposes the Class A units have been classified as equity and the other classes as liabilities and the changes in value of these units flow through the statement of comprehensive income as income /expenses. Management contends that all three classes should be considered equity. If the IFRS rules had permitted the Trust to recognize all classes as equity, the financial statements would present as follows:

Impact of Treating Class "B" and Exchangeable "B" Units as Equity rather than Debt

BALANCE SHEET	2011 IFRS	Adjusted	Difference
Total Assets	$ 125,380,475	$ 125,380,475	$ -
Total Liabilities	$ 74,470,040	$ 65,039,492	-$ 9,430,548
Equity	$ 50,910,435	$ 60,340,983	$ 9,430,548
Debt/Total Assets Ratio	59.4%	51.9%	-7.5%
INCOME & COMPREHENSIVE INCOME			
Net income(loss) and comprehensive income/(loss)	$ 8,949,591	$ 11,972,594	$ 3,023,003

Further, these figures reflect equity on an IFRS basis, where the properties are valued at only their individual values and do not include any portfolio premium, platform premium, capital improvements or acquisition costs which are effectively written off as worth zero unless they reflect immediately in property value. Management believes that many of its capital improvements will create and sustain portfolio values over time and that there exists a portfolio and platform premium that is not reflected in either IFRS assets or equity. Thus management believes that the above equity values understate real equity. Please see Appendix A for a non GAAP presentation of the financial statements as if all classes of units were presented as equity

Unit Valuation

Unit values progressed steadily through the year. With the implementation of IFRS, and the frequency of portfolio valuations required to maintain IFRS accounting, the Trust has incorporated IFRS values into the net asset value (NAV) calculations as of the May 2012 NAV. Whereas previously NAV changes largely reflected appraised values as they occurred with the objective to value approximately 1/3rd of the portfolio annually, with the adoption of IFRS, portfolio values will be able to be calculated quarterly and be reflected in the NAV sooner. Management anticipates that this may result in more unit price volatility, as market value changes will be reflected sooner in the NAV as opposed to more slowly over a multi year period. The NAV calculation process will continue to reflect adjustments to factor in certain capitalizations that are written off under IFRS so as to more fairly allocated costs and benefits between current, new and departing investors. The May 2012 NAV was set at $11.15/Unit.

Distributions

In 2011 the move in capitalization rates and the resultant increase in property values was exceptionally strong. However, in the short term at least, this increase in values was not matched in pace by a similar increase in property income growth. In other words, equity growth outpaced income growth. As a result of the recent valuation work, the NAV has jumped to $11.150/unit as at May 31, 2012. The dollar amount of distributions per unit, which are currently at $0.8148 per unit on an annual basis will increase to $0.8200 per unit representing a yield of 7.35% per annum. While traditionally the Trust has targeted a distribution rate of 8.00% and long term growth of 2-5% per year, due to capitalization rate compression equity values as discussed have grown faster than the income and the Board of Trustees determined that it was better to maintain existing dollar distributions than to increase them at a rate currently unjustified by the income growth rate. This means that the distribution yield of the Trust at current prices is approximately 7.35%. The following chart sets out the NAV prices in 2011 and so far in 2012, along with monthly distributions, annualized distributions and annualized yields.

NAV Prices, Distributions & Yields

Date	NAV	Distribution in Month	Annualized Distribution	Annualized Yield
31-Jan-11	10.027	0.066847	0.802164	8.00%
28-Feb-11	10.042	0.066947	0.803364	8.00%
31-Mar-11	10.065	0.067100	0.805200	8.00%
30-Apr-11	10.082	0.067213	0.806556	8.00%
31-May-11	10.095	0.067300	0.807600	8.00%
30-Jun-11	10.110	0.067400	0.808800	8.00%
31-Jul-11	10.117	0.067447	0.809364	8.00%
31-Aug-11	10.129	0.067527	0.810324	8.00%
30-Sep-11	10.145	0.067633	0.811596	8.00%
31-Oct-11	10.152	0.067680	0.812160	8.00%
30-Nov-11	10.155	0.067700	0.812400	8.00%
31-Dec-11	10.161	0.067740	0.812880	8.00%
31-Jan-12	10.161	0.067740	0.812880	8.00%
29-Feb-12	10.185	0.067900	0.814800	8.00%
30-Mar-12	10.185	0.067900	0.814800	8.00%
30-Apr-12	10.185	0.067900	0.814800	8.00%
31-May-12	11.150	0.068333	0.820000	7.35%

Total Returns

Including the upwards adjustment in NAV, total one year returns were 19.73% to May 31, 2012 with 2012 year to date returns of 13.45%. Management believes that while the recent move in capitalization rates was strong that this rate of capital growth isn't what would normally be expected. Further, as discussed previously, the Trust invested approximately $7 million in capital improvements in 2011. It is managements opinion that all of the benefits of these improvements have yet to be reflected in current values.

Calendar Returns (%)	2006[1]	2007	2008	2009	2010	2011	2012 YTD
Centurion CAPLP/REIT TR(%)	55.80%	41.92%	-0.67%	-0.78%	8.25%	10.21%	13.45%
Worst Month	3.71%	-1.79%	-2.07%	-2.37%	0.63%	0.71%	0.68%
Best Month	5.58%	6.63%	2.34%	2.57%	0.68%	0.95%	10.15%

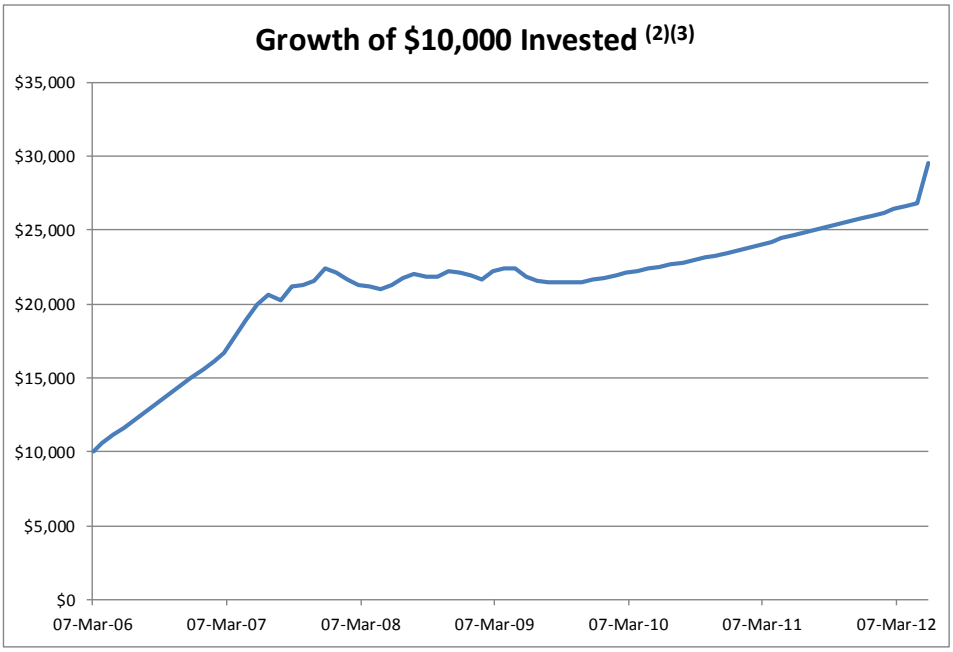
Compound Returns (%)	1-Year	2-Year	3-Year	4-Year	5-Year	Since Inception of CAPLP
Centurion CAPLP/REIT TR(%)	19.73%	14.48%	10.48%	8.52%	8.06%	18.89%

Notes:

[1] For partial year from 7Mar06 to 31Dec06

[2] Refer to detailed Disclaimer on Sheet labelled "Disclaimer"

[3] Refer to the Notes on Sheet labelled "Prices" for certain information about assumptions, methodology and detailed calculations



Mortgages and Debt Schedule

The Trust is limited in its Declaration of Trust to leverage of up to 75% but targets to keep its debt ratio in the 62-67% range. This is comparable to most of it multi-residential peers and would generally be considered very conservative in the multi-residential space. The current portfolio has a weighted average term to maturity of about 4 years at a weighted average interest rate of 4.15%. Leverage is at approximately 45% of total assets at IFRS value at the end of Q1 2012 and was 51.9% at 2011 year end, well below the target ratio as the REIT has funds set aside for acquisition opportunities. The Trusts debt strategy is to ladder its mortgage maturities across a diverse array of lenders and maturity dates. The Trust is currently exploring entering into interest rate swaps to extend its effective mortgage maturity to 10 years and to reduce its interest rate exposure. The Trusts debt schedule, contained in Note 7 is summarized below. Centurion has substantially completed the rollover of its 2012 debt maturities with approximately only $2 million of maturities for which commitments haven't been received or that won't be retired at maturity.

Mortgages payable at December 31, 2011 are due as follows:

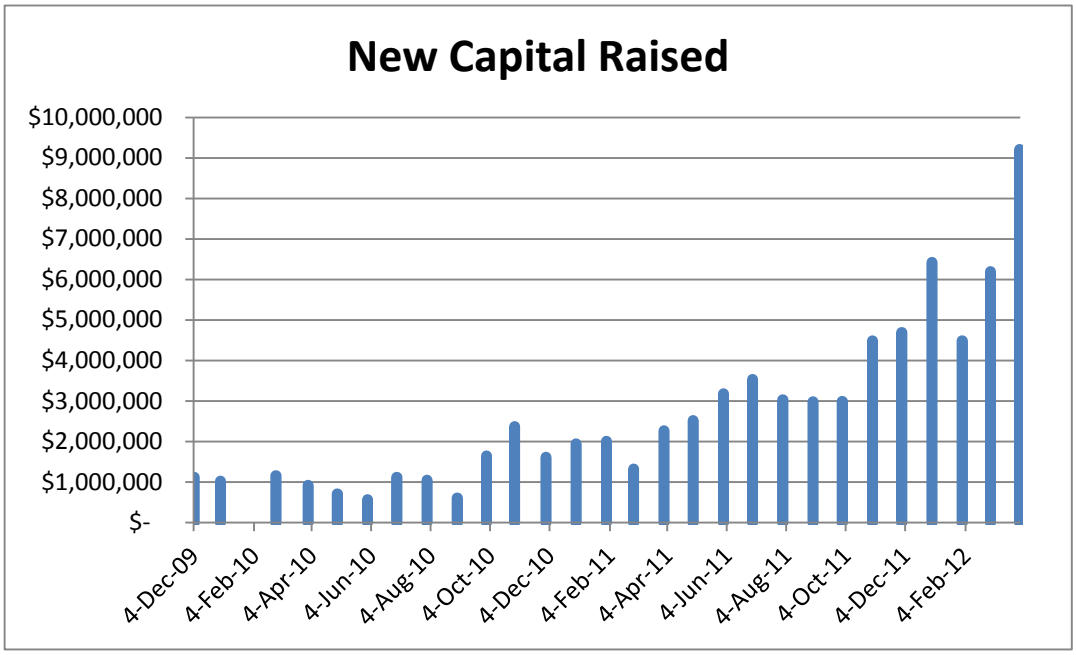
	Principal Repayments	Balance due at Maturity	Total
Year ended December 31, 2012	1,170,502	$ 7,934,983	$ 9,105,485
Year ended December 31, 2013	1,176,469	8,122,044	9,298,513
Year ended December 31, 2014	1,135,672	4,378,159	5,513,831
Year ended December 31, 2015	1,065,413	1,994,257	3,059,670
Year ended December 31, 2016	515,086	25,157,682	25,672,768
Thereafter	7,520,396	-	7,520,396
	$ 12,583,538	$ 47,587,125	60,170,663
Less: Financing fees			433,203
			$ 59,737,460

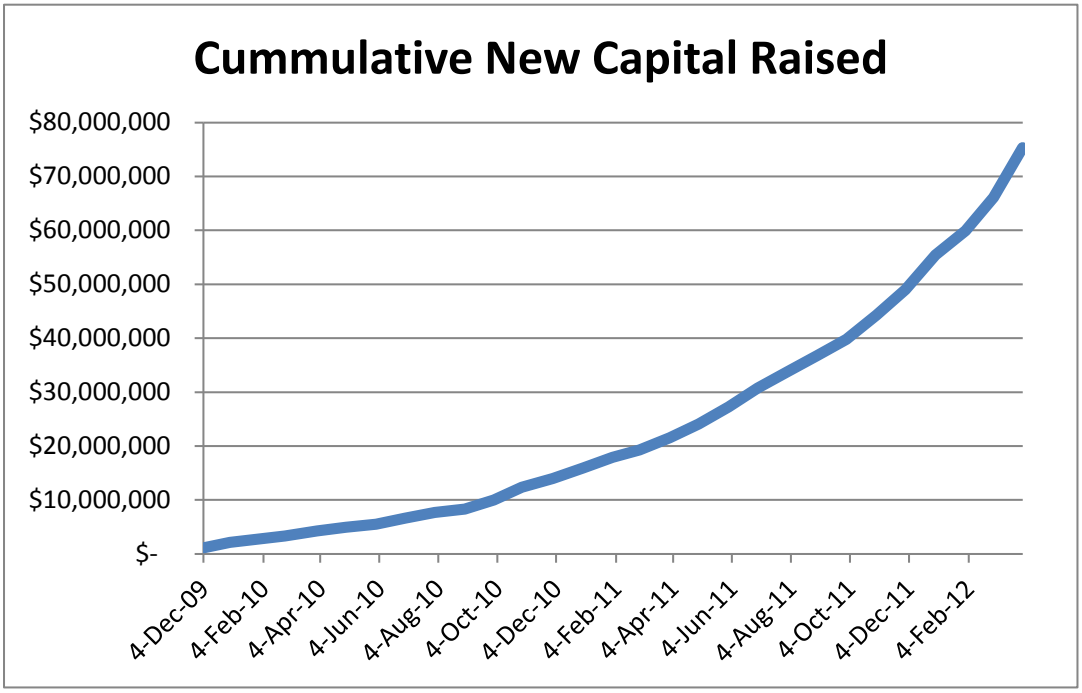
Operating Facilities and Liquidity Management

The Trust has working capital and operating facilities structured as first position rotating balance mortgage lines of credit for approximately $14.7 million which can used for operations, capital works and acquisitions. Generally, liquidity originating from new equity issuance is directed towards these operating facilities to lessen the dilutive impact of carrying large cash balances. The Trust has diversified its sources of working capital facilities over four financial institutions and six properties. The Trust plans to continue to expand these facilities to scale with the Trust, to provide the capability to move quickly on acquisitions and to absorb its sometimes large monthly equity inflows by varying its leverage ratio rather than holding a large dilutive cash balance. Each of these facilities are "on demand" loans which could be called by the lenders at any time and thus the Trusts liquidity position is exposed to a sudden cancellation of these facilities. Management believes that it can mitigate some of this risk by diversifying across lenders, properties, renewal dates, by generally using first position mortgages, and keeping overall leverage on the specific properties and of the entire Trust within its target range.

Capital Raising Activity

2011 equity inflows totaled $39.5 million. On March 16, 2012 the Trust announced that it had completed its offering of $50 million in Trust Units and temporarily closed to new investment until such time as it has deployed more of its existing available liquidity. No specific date has as yet been set when the Trust will open to new investment. Management is working to actively deploy capital accretively and will look to reopen for new investment once some deployments have been made. These charts show monthly flows since the Trusts inception and cumulative capital raised during 2012 and since inception of the REIT (but excluding CAPLP).





APPENDIX A – Non GAAP Presentation of Financials Statements with all Equity Classes Classified as Equity

WARNING: In this appendix A are presented managements unaudited non GAAP recasting of the audited Financial Statements where the exchangeable classes of units have been characterized as equity to illustrate the difference between the treatment of the exchangeable units as equity or as debt. This Appendix A has been included for illustrative purposes only in an effort to help explain the differences between the IFRS presentation of the exchangeable units and managements view of the exchangeable units as de facto equity. Readers are directed to the section "Non GAAP Measures" above for further warnings relevant to this Appendix A. See also Note 4 and Note 8 of the audited financial statements.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS

		December 31, 2011		December 31, 2010		January 1, 2010
Assets						
Non-current assets						
Investment properties	$	**121,250,438**	$	56,811,413	$	59,804,966
		121,250,438	$	56,811,413	$	59,804,966
Current assets						
Account Receivables and Prepaids		**2,348,272**		340,774		667,344
Cash		**1,781,765**		1,747,352		1,693,920
Total Assets	$	**125,380,475**	$	58,899,539	$	62,166,230
Liabilities and Unitholder's Equity						
Non-Current liabilities						
Mortgages payable	$	**50,666,880**	$	18,036,673	$	32,278,761
Tenants deposits		**876,924**		537,155		603,044
		51,543,804		18,573,828		32,881,805
Current Liabilities						
Current portion of mortgage payable		**9,070,580**		16,891,546		16,278,487
Debentures Payable		-		-		2,051,000
Distributions Payable		**485,553**		215,251		-
Accounts payable and accrued		**3,939,555**		1,761,247		1,302,069
		13,495,689		18,868,045		19,631,556
Total Liabilites		**65,039,493**		37,441,872		52,513,361
Unitholders' Equity		**60,340,982**		21,457,667		9,652,869
Total Liabilities and Unitholders' Equity	$	**125,380,475**	$	58,899,539	$	62,166,230

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Year ended December 31,	
	2011	2010
Revenue		
Revenue from property operations	**$ 9,544,564**	$ 7,288,795
Property operating costs	**(5,261,589)**	(4,374,366)
Income before the undernoted	**4,282,975**	2,914,429
Other expenses		
Finance costs	**(2,596,069)**	(2,997,960)
General and administrative expenses	**(802,501)**	(488,398)
Net income before fair value adjustment	**884,405**	(571,929)
Fair value adjustment on investment properties	**11,088,189**	(1,627,087)
Transaction costs on rollover		(915,450)
Net income/(loss) and comprehensive income/(loss)	**11,972,594**	(3,114,466)

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

		Year ended December 31, **2011**		Year ended December 31, 2010
Units				
Balance, beginning of period	**$**	**27,354,216**	$	11,549,773
Class A units on reverse takeover		**-**		6,613,150
Issuance of units:				
Class A units issued		**39,493,159**		9,353,500
Class B units issued		**-**		500,000
Unit issue costs		**(1,734,684)**		(415,615)
Redemption of units		**(8,057,184)**		(246,592)
Balance, end of period		**57,055,507**		27,354,216
Retained earnings				
Balance, beginning of period		**(5,896,549)**		(1,896,904)
Net income/(loss) and comprehensive income/(loss)		**11,972,594**		(3,114,466)
Distributions to unitholders		**(2,790,570)**		(885,179)
Balance, end of period		**3,285,475**		(5,896,549)
Total Unitholders' Equity	**$**	**60,340,982**	$	21,457,667

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	Year ended December 31,
	2011	2010
Cash provided by (used in) operating activities		
Net income/(loss)	$ **11,972,594**	$ (3,114,466)
Amortization of financing fees	**251,520**	321,513
Changes in non-cash operating account balances	**780,388**	826,284
Transaction costs on rollover	**-**	915,450
Fair value adjustment on investment properties	**(11,088,189)**	1,627,087
	1,916,313	575,868
Financing activities		
Proceeds from units issued	**39,493,159**	9,268,050
Unit issue costs	**(1,734,684)**	(415,615)
Financing fees	**(334,046)**	(173,560)
Mortgage advances	**32,307,054**	6,709,306
Mortgage repayments	**(7,414,675)**	(20,550,026)
Proceeds from debentures payable	-	3,431,000
Net cash contributed on reverse take-over	-	758,462
Distributions	**(2,790,522)**	(669,928)
Redemption of units	**(8,057,184)**	(246,592)
	51,469,102	(1,888,903)
Investing activities		
Property Acquisition	**(46,392,109)**	
Property Improvements	**(6,958,892)**	(3,618,540)
Disposal of Property		4,985,007
	(53,351,001)	1,366,467
Net increase in cash	**$ 34,413**	53,432
Cash, beginning of year	**1,747,352**	1,693,920
Cash, end of year	**$ 1,781,765**	$ 1,747,352

APPENDIX B – Risks and Uncertainties

Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for multi-unit residential premises, competition from other available residential premises and various other factors.

Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If Centurion Apartment REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Centurion Apartment REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Centurion Apartment REIT were required to liquidate its real property investments, the proceeds to Centurion Apartment REIT might be significantly less than the aggregate value of its properties on a going concern basis.

Centurion Apartment REIT will be subject to the risks associated with debt financing, including the risk that existing mortgage indebtedness secured by the Properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

Future Property Acquisitions

While Centurion Apartment REIT may enter into non-binding letters of intent with respect to properties under review, there can be no assurance that such properties will be acquired. Accordingly, there can be no assurance that Centurion Apartment REIT will be able to acquire Properties at the rates of return that the Asset Manager is targeting. No forecast has been made for the acquisition of properties under review.

Revenue Producing Properties

The Properties generate income through rental payments made by the tenants thereof. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Centurion Apartment REIT than the existing lease. Unlike commercial leases which generally are "net" leases and allow a landlord to recover expenditures, residential leases are generally "gross" leases and the landlord is not able to pass on costs to its tenants. Further, residential leases are subject to certain legislative restrictions that provide for limited rent increases for sitting tenants, and limited notice periods for termination of the tenancy.

Competition for Real Property Investments

Centurion Apartment REIT competes for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those desired by Centurion Apartment REIT. A number of these investors may have greater financial resources than those of Centurion Apartment REIT, or operate without the investment or operating guidelines of Centurion Apartment REIT or according to more flexible conditions. An increase in the availability of investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Competition for Tenants

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with Centurion Apartment REIT in seeking tenants. The existence of competing developers, managers and owners and competition for Centurion Apartment REIT's tenants could have an adverse effect on Centurion Apartment REIT's ability to lease suites in its properties and on the rents charged.

Interest Rates

It is anticipated that the market price for the REIT Units at any given time may be affected by the level of interest rates prevailing at that time. A rise in interest rates may have a negative effect on the market price of the REIT Units. A decrease in interest rates may encourage tenants to purchase condominiums or other types of housing, which could result in a reduction in demand for rental properties. Changes in interest rates may also have effects on vacancy rates, rent levels, refurbishing costs and other factors affecting Centurion Apartment REIT's business and profitability.

General Economic Conditions

Centurion Apartment REIT is affected by general economic conditions, including unemployment, local real estate markets, competition from other available rental premises, including new developments, and various other factors. The competition for tenants also comes from opportunities for individual home ownership, including condominiums, which can be particularly attractive when home mortgage loans are available at relatively low interest rates. The existence of competing developers, managers and owners and competition for Centurion Apartment REIT's tenants could have an adverse effect on Centurion Apartment REIT's ability to lease suites in its properties and on the rents charged, increased leasing and marketing costs and increased refurbishing costs necessary to lease and release suites, all of which could adversely affect Centurion Apartment REIT's revenues and, consequently, its ability to meet its obligations. In addition, any increase in the supply of available space in the markets in which Centurion Apartment REIT operates or may operate could have an adverse effect on Centurion Apartment REIT.

General Uninsured Losses

Centurion Apartment REIT carries comprehensive general liability, fire, flood, extended coverage,rental loss and pollution insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars) which are either uninsurable or not insurable on an economically viable basis. Centurion Apartment REIT has insurance for earthquake risks, subject to certain policy limits, deductibles and self insurance arrangements, and will continue to carry such insurance if economical to do so. Should an uninsured or underinsured loss occur, Centurion Apartment REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its Properties, but Centurion Apartment REIT would continue to be obligated to repay any recourse mortgage indebtedness on such Properties.

Availability of Distributable Income

Distributable income is calculated before deducting items such as principal repayments and capital expenditures and, accordingly, may exceed actual cash available to Centurion Apartment REIT from time to time. Centurion Apartment REIT may be required to use part of its debt capacity or raise additional equity in order to accommodate such items, and there can be no assurance that funds from such sources will be available on favourable terms or at all. In such circumstances, distributions may be reduced, which may therefore also have an adverse impact on the market price of the REIT Units. Accordingly, cash distributions are not guaranteed and cannot be assured. Further, Distributable Income can exceed net income and have the result of an erosion of Adjusted Unitholder's Equity. See "Distribution Policy".

Distributable income is calculated in accordance with Centurion Apartment REIT's Declaration of Trust. Distributable income is not a measure recognized under Canadian generally accepted accounting principles and does not have a standardized meaning prescribed by GAAP. Distributable income is presented herein because management of Centurion Apartment REIT believes this non-GAAP measure is a relevant measure of the ability of Centurion Apartment REIT to earn and distribute cash returns to REIT Unitholders. Distributable income as computed by Centurion Apartment REIT may differ from similar computations as reported by other similar organizations and, accordingly, may not be comparable to distributable income as reported by such organizations. Distributable income is calculated by reference to the net income of Centurion Apartment REIT on a consolidated basis, as determined in accordance with GAAP, subject to certain adjustments as set out in the constating documents of Centurion Apartment REIT.

Government Regulation

Centurion Apartment REIT currently has an interest in properties located in the Province of Ontario. The *Tenant Protection Act*, 1997 (Ontario) (the ''**TPA**''), which came into force on June 17, 1998, provides restrictions upon the ability of a landlord to increase rents above a prescribed guideline, which is established annually. The guideline increase for 2011 was 0.70%. In order to increase rents above the maximum guideline increase of 3.1% per annum for 2012 , a landlord must make an application based on an extraordinary increase in the cost for municipal or utility levies and charges and/or capital expenditures incurred with respect to a residential complex or suite therein. As a result, Centurion Apartment REIT may, in the future, incur capital expenditures which may not be fully recoverable from tenants. The TPA also permits tenants to bring proceedings to reduce rent due to reductions or discontinuances in services or facilities or due to a reduction in the applicable municipal taxes. The TPA provides tenants of residential rental properties with a high level of security of tenure and prescribes certain procedures, including mandatory notice periods, which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the Ontario Rental Housing Tribunal, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears. The applicable legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of Centurion Apartment REIT to maintain the historical level of earnings of its properties.

The Government of Ontario has drafted and finalized new residential tenancy legislation which it has characterized as ''effective tenant protection.'' The Residential Tenancies Act, 2006 ("**RTA**") received Royal Assent June 22, 2006. The RTA is now law. It has replaced the TPA.

The nature of high rise apartment construction and operation is such that refurbishment and structural repairs are required periodically, in addition to regular on going maintenance. In addition, legislation relating to, among other things, environmental and fire safety standards is continuously evolving and changes thereto may give rise to ongoing financial and other obligations of Centurion Apartment REIT, the costs of which may not be fully recoverable from tenants.

Environmental Matters

Environmental and ecological legislation and policies have become increasingly important, and generally restrictive, in recent years. Under various laws, Centurion Apartment REIT could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs. Where a property is purchased and new financing is obtained, Phase I Environmental Assessments are performed by an independent and experienced environmental consultant. In the case of mortgage assumption, the vendor will be asked to provide a satisfactory Phase I and/or Phase II Environmental Assessment that the Asset Manager will rely upon and/or determine whether an update is necessary.

Unitholder Liability

Because of uncertainties in the law relating to investment trusts, there is a risk, which is considered by counsel to be remote in the circumstance, that a REIT Unitholder could be held personally liable for obligations of Centurion Apartment REIT (to the extent that claims are not satisfied by Centurion Apartment REIT) in respect of contracts which Centurion Apartment REIT enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause Centurion Apartment REIT's operations to be conducted in such a way as to minimize any such risk including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of Centurion Apartment REIT contain an express disavowal of liability against Unitholders.

In December 2004, a new statute, the *Trust Beneficiaries' Liability Act* (Ontario), was enacted to create a statutory limitation on the liability of unitholders of trusts such as Centurion Apartment REIT. The legislation provides that a unitholder, such as a REIT Unitholder, will not, as a beneficiary, be liable for any act, default, obligation or liability of the trust or any of its trustees after the legislation comes into force. However, this legislation does not address potential liabilities arising before the date of the legislation came into force. In addition, this legislation has not been judicially considered and it is possible that reliance on the legislation by a REIT Unitholder could be successfully challenged on jurisdictional or other grounds.

Dependence on Key Personnel

The management of Centurion Apartment REIT depends on the services of certain key personnel. The termination of employment by the Asset Manager or the Property Manager of any of these key personnel could have a material adverse effect on Centurion Apartment REIT.

Potential Conflicts of Interest

Centurion Apartment REIT may be subject to various conflicts of interest because of the fact that the Trustees and senior officers of Centurion Apartment REIT, senior officers of the Asset Manager and senior officers of the Property Manager are engaged in a wide range of real estate and other business activities. Centurion Apartment REIT may become involved in transactions which conflict with the interests of the foregoing.

The Trustees may from time to time deal with persons, firms, institutions or corporations with which Centurion Apartment REIT may be dealing, or which may be seeking investments similar to those desired by Centurion Apartment REIT. The interests of these persons could conflict with those of Centurion Apartment REIT. In addition, from time to time, these persons may be competing with Centurion Apartment REIT for available investment opportunities.

The Centurion Apartment REIT Declaration of Trust contains "conflicts of interest" provisions requiring Trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Tax Related Risks

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects Centurion Apartment REIT or the Unitholders.

If Centurion Apartment REIT fails or ceases to qualify as a "mutual fund trust" for the purposes of the Tax Act, the tax consequences described under "Canadian Federal Income Tax Considerations" and "Eligibility for Investment" would in some respects be materially and adversely different. In addition, REIT Unitholders may become subject to provincial taxes, such as Ontario Land Transfer Tax, in respect of their REIT Units.

If investments in the Centurion Apartment REIT become publicly listed or traded, there can be no assurances that the Centurion Apartment REIT will not be subject to the SIFT Rules, as described under "Canadian Federal Income Tax Considerations – SIFT Rules", at that time. Centurion Apartment REIT or its subsidiaries may be reassessed for taxes from time to time. Such reassessments together with associated interest and penalties could adversely affect Centurion Apartment REIT.

Dilution

The number of REIT Units Centurion Apartment REIT is authorized to issue is unlimited. The Centurion Apartment REIT Trustees have the discretion to issue additional REIT Units in other circumstances, pursuant to Centurion Apartment REIT's various incentive plans. Any issuance of additional REIT Units may have a dilutive effect on the holders of REIT Units.

Restrictions on Potential Growth and Reliance on Credit Facilities

The payout by Centurion Apartment REIT of a substantial part of its operating cash flow could adversely affect Centurion Apartment REIT's ability to grow unless it can obtain additional financing. Such financing may not be available, or renewable, on attractive terms or at all. In addition, if current credit facilities were to be cancelled or could not be renewed at maturity on similar terms, Centurion Apartment REIT could be materially and adversely affected.

Financing

Centurion Apartment REIT is subject to the risks associated with debt financing, including the risk that Centurion Apartment REIT may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness. A portion of Centurion's Acquisition and Operating Facility is at floating interest rates, and accordingly, changes in short-term borrowing will effect Centurion Apartment REIT's costs of borrowing. The operating facilities of the Trust are "on demand" and are callable by the facility provider on demand which could substantially impair the Trusts liquidity position and thus its ability to make acquisitions, finance capital expenditures, make distributions and honor its financial commitments. The Trust does use strategies to reduce the risk of losing these liquidity facilities, including by diversifying across lenders, properties, renewal dates, by generally using first position mortgages, and keeping overall leverage on the specific properties and of the entire Trust within its target range. However, there can be no assurance that the Trust will be successful in keeping these facilities open.

Nature of REIT Units

The REIT Units are not the same as shares of a corporation. As a result, the Unitholders will not have the statutory rights and remedies normally associated with share ownership, such as the right to bring "oppression" or "derivative" actions.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Financial Statements

For the year ended December 31, 2011

Tel: 416 865 0200
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www.bdo.ca

BDO Canada LLP
Royal Bank Plaza, South Tower
200 Bay Street, 33rd Floor, PO Box 32
Toronto ON M5J 2J8 Canada

Independent Auditor's Report

To the Unitholders of
Centurion Apartment Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Centurion Apartment Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2011 and December 31, 2010 and the consolidated statements of income and comprehensive income, unitholders' equity (deficiency) and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Centurion Apartment Real Estate Investment Trust as at December 31, 2011 and December 31, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Comparative Information

Without modifying our opinion, we draw attention to Note 4 to the consolidated financial statements which describes that Centurion Apartment Real Estate Investment adopted International Financial Reporting Standards on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively by management to the comparative information in these consolidated financial statements, including the consolidated balance sheet as at December 31, 2010 and January 1, 2010, and the consolidated statements of income and comprehensive income, changes in unitholders' equity and cash flows for the year ended December 31, 2010 and related disclosures. We were not engaged to report on the consolidated balance sheet as at January 1, 2010, and as such, it is unaudited.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

April 30, 2012
Toronto, Ontario

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2011	December 31, 2010	January 1, 2010
Assets				
Non-current assets				(unaudited)
Investment properties	5	$ **121,250,438**	$ 56,811,413	$ 59,804,966
Current assets				
Accounts receivable and prepaids	6	**2,348,272**	340,774	667,344
Cash		**1,781,765**	1,747,352	1,693,920
		4,130,037	2,088,126	2,361,264
Total Assets		$ **125,380,475**	$ 58,899,539	$ 62,166,230
Liabilities and Unitholders' Equity				
Non-current Liabilities				
Mortgages payable	7	$ **50,666,880**	$ 18,036,673	$ 32,278,761
Tenants deposits		**876,924**	537,155	603,044
		51,543,804	18,573,828	32,881,805
Current Liabilities				
Current portion of mortgages payable	7	**9,070,580**	16,891,546	16,278,487
Exchangeable units	8	**9,430,548**	14,646,834	-
Debenture payable	10	**-**	-	2,051,000
Distributions payable		**485,553**	215,251	-
Accounts payable and accrued liabilities	9	**3,939,555**	1,761,247	1,302,069
		22,926,236	33,514,878	19,631,556
Total Liabilities		**74,470,040**	52,088,706	52,513,361
Unitholders' equity	8	**50,910,435**	6,810,833	9,652,869
Total Liabilities and Unitholders' Equity		$ **125,380,475**	$ 58,899,539	$ 62,166,230

The accompanying notes are an integral part of these Consolidated Financial Statements.

Approved by the Board of
Trustees:

Trustee

Trustee

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Note	**Year ended December 31, 2011**	Year ended December 31, 2010
Revenue from property operations		**$ 9,544,564**	$ 7,288,795
Property operating costs		**(5,261,589)**	(4,374,366)
Net rental income		**4,282,975**	2,914,429
Other expenses			
Mortgage expenses	11	**(2,596,069)**	(2,997,960)
General and administrative expenses	12	**(802,501)**	(488,398)
Income before undernoted		**884,405**	(571,929)
Fair value adjustment on investment properties	4	**11,088,189**	(1,627,087)
Distributions on exchangeable units		**(1,076,374)**	(699,679)
Fair value adjustment on exchangeable units	8	**(1,946,629)**	(1,100,266)
Transaction costs on rollover	13	**-**	(915,450)
Net income/(loss) and comprehensive income/(loss)		**$ 8,949,591**	$ (4,914,411)

The accompanying notes are an integral part of these *Consolidated* Financial Statements.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

	Note		Year ended December 31, 2011		Year ended December 31, 2010
Units					
Balance, beginning of year		$	**14,046,936**	$	11,549,773
Class A units on rollover	13		**-**		6,613,150
Re-classification of exchangeable units	13		**-**		(13,175,720)
Class A units converted from exchangeable units	8		**7,429,187**		368,484
Class A units issued			**39,493,159**		9,353,500
Unit issue costs			**(1,734,684)**		(415,615)
Redemption of units			**(8,057,184)**		(246,592)
Balance, end of year			**51,177,413**		14,046,936
Retained earnings/(deficit)					
Balance, beginning of year			**(7,236,103)**		(1,896,904)
Net income/(loss)			**8,949,591**		(4,914,411)
Distributions to Class A unitholders			**(1,980,466)**		(424,788)
Balance, end of year			**(266,978)**		(7,236,103)
Total Unitholders' Equity		$	**50,910,435**	$	6,810,833

The accompanying notes are an integral part of these *Consolidated* Financial Statements.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2011	Year ended December 31, 2010
Cash provided by (used in) operating activities		
Net income/(loss) and comprehensive income/(loss)	$ **8,949,591**	$ (4,914,411)
Amortization of financing fees	**251,520**	321,513
Distribution to exchangeable units	**1,076,374**	699,679
Fair value adjustment on exchangeable units	**1,946,629**	1,100,266
Fair value adjustment on investment properties	**(11,088,189)**	1,627,087
Transaction costs on rollover	-	915,450
Changes in non-cash operating account balances	**780,388**	826,284
	1,916,313	575,868
Financing activities		
Proceeds from units issued	**39,493,159**	9,268,050
Unit issue costs	**(1,734,684)**	(415,615)
Redemption of units	**(8,057,184)**	(246,592)
Financing fees	**(334,046)**	(173,560)
Mortgage advances	**32,307,054**	6,709,306
Mortgage repayments	**(7,414,675)**	(20,550,026)
Proceeds from debentures payable	-	3,431,000
Net cash contributed on reverse take-over	-	758,462
Distributions	**(2,790,522)**	(669,928)
	51,469,102	(1,888,903)
Investing activities		
Property acquisitions	**(46,392,110)**	-
Property improvements	**(6,958,892)**	(3,618,540)
Proceeds on disposal of properties	-	4,985,007
	(53,351,002)	1,366,467
Net increase in cash	$ **34,413**	53,432
Cash, beginning of year	**1,747,352**	1,693,920
Cash, end of year	$ **1,781,765**	$ 1,747,352
Supplemental cash flow information		
Cash paid for interest on mortgages and debenture payable	$ **2,344,549**	$ 2,785,950
Units issued for incentive fee	**-**	585,450
Distribution reinvestment plan	**1,359,248**	419,540

The accompanying notes are an integral part of these *Consolidated* Financial Statements.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations

Centurion Apartment Real Estate Investment Trust (the REIT) is an unincorporated, open-ended real estate private investment trust which was created pursuant to a Declaration of Trust dated August 31, 2009, as further amended from time to time ("Declaration of Trust"), and is governed by the laws of the Province of Ontario. The registered office of the REIT is 25 Sheppard Avenue West, Toronto, Ontario, M2N 6S6.

The REIT invests primarily in multi-suite residential properties in Canada.

2. Significant Accounting Policies

a) Statement of Compliance

These consolidated financial statements of the REIT for the year ending December 31, 2011 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies below have been consistently applied to all years presented unless otherwise noted.

The REIT's previous consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). See Note 4 for the disclosure of the impact of the transition to IFRS for the REIT's consolidated financial statements.

These consolidated financial statements have been approved for issue by the Board of Trustees on April 30, 2012.

b) Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for investment properties and certain financial instruments which are stated at fair value.

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

The consolidated financial statements are presented in accordance with IAS 1 – Presentation of Financial Statements. Centurion Apartment REIT has elected to present the Consolidated Statements of Income and Comprehensive Income in one statement.

c) Principles of consolidation

The consolidated financial statements reflect the operations of the REIT, its wholly-owned subsidiaries and its proportionate share of joint ventures. Subsidiaries and joint ventures are consolidated from the date of acquisition, which is the date the REIT obtains control or joint control of the subsidiary or joint venture.

These consolidated financial statements reflect the REIT's proportionate share of revenues, expenses, assets and liabilities of the joint ventures which are included in the respective items on the consolidated balance sheets and consolidated statements of income and comprehensive income.

The accounting policies of the subsidiaries and joint ventures are consistent with the accounting policies of the REIT and their financial statements have been prepared for the same reporting period as the REIT.

All intercompany transactions and balances have been eliminated upon consolidation.

d) Investment properties

The REIT accounts for its investment properties using the fair value model in accordance with IAS 40 – Investment Properties. Investment property is defined as property held to earn rentals, capital appreciation, or both. Investment properties are initially recorded at cost, including related transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date.

The REIT applies judgment in determining if the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition. Transaction costs (including commissions, land transfer tax, appraisals, legal fees and third party inspection reports associated with a purchase) related to property acquisitions not considered business combinations are capitalized in accordance with IAS 40. Transaction costs are expensed in accordance with IFRS 3 where such acquisitions are considered business combinations. During 2011 all acquisitions of investment properties were treated as asset acquisitions.

The fair value of investment properties was determined using a detailed valuation framework developed by the REITs internal and external valuation teams. Each of these teams includes experts in the industry. The valuation teams considered the following approaches in determining the fair values at January 1, 2010 and at each subsequent year end valuation date:

1. Consideration of recent prices of similar properties within similar market areas;
2. The direct capitalization method, which is based on the conversion of current and future normalized earnings potential directly into an expression of market value. The Normalized Net Operating Income ("NNOI")for the year is divided by an overall capitalization rate (inverse of an earnings multiplier) to arrive at the estimate of fair value

The External Team was responsible for:

- Determining the capitalization rates that would be used in valuing the properties
- Providing charts of comparable sales and supporting relevant market information
- Determining the appropriate industry standard "set offs" and normalization assumptions used in the calculation of NNOI.
- Reviewing the resultant values for reasonableness, compliance with the valuation framework and compliance with IAS 40

The Internal Team was responsible for:

- Assembling the property specific data used in the valuation model based on the process set forth in the valuation framework
- Inputting the capitalization rates, "set offs" and normalization assumptions provided by the external team

- Delivering the completed valuation framework to the external team for review

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

e) Distribution Reinvestment and Unit Purchase Plan ("DRIP")

Centurion Apartment REIT has instituted a DRIP in accordance with article 5.8 of Declaration of Trust which provides that the Trustees may in their sole discretion establish a distribution reinvestment plan at any time providing for the voluntary reinvestment of distributions by some or all REIT Unit holders as the Trustees determine. Currently unit holders receive a 2% discount on Units purchased via the DRIP. No commissions, service charges or brokerage fees are payable by participants in connection with the DRIP.

f) Revenue recognition

Rental revenue is recognized using the straight-line method whereby the total amount of rental revenue to be received from all the leases is accounted for on a straight-line basis over the term of the related leases.

g) Provisions

Provisions are recognized when the REIT has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

The amount of a provision is based on the management's best estimate of the expenditure that is required to settle the obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

h) Borrowing Costs and interest on mortgages payable

Mortgage expenses include mortgage interest, which is expensed at the effective interest rate, and transaction costs incurred in connection with the revolving credit facilities which are amortized over the term of the facility to which they relate.

i) Income taxes

The REIT qualifies as a Mutual Fund Trust for Canadian income tax purposes. In accordance with the terms of the Declaration of the Trust, the REIT intends to allocate its income for income tax purposes each year to such an extent that it will not be liable for income taxes under Part I of the Income Tax Act (Canada). The REIT is eligible to claim a tax deduction for distributions paid in future years and intends to continue to meet the requirements under the Income Tax Act (Canada). Accordingly, no provision for income taxes payable has been made. Income tax obligations relating to distributions of the REIT are the obligations of the unit holders.

j) Financial instruments

In accordance with IAS 39 – Financial Instruments – Recognition and Measurement ("IAS 39"), financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the REIT's designation of such instruments

The summary of the classification and measurement adopted by the REIT for each major class of financial instrument are as follows

	Classification	Measurement
Financial Assets:		
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Financial Liabilities:		
Mortgages payable	Other financial liabilities	Amortized cost
Debentures payable	Other financial liabilities	Amortized cost
Distributions payable	Other financial liabilities	Amortized cost
Exchangeable units	Fair Value Through Profit and Loss	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The REIT assesses impairment of all its financial assets, except those classified as held for trading. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists.

Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment is included in current income/ (loss).

Fair Value

Fair value measurements recognized in the balance sheet accounts are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1:	Quoted prices in active markets for identical assets or liabilities.
Level 2:	Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
Level 3:	Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

Exchangeable units are categorized as Level 2 and their fair value is based on the value of Class A units.

k) Future Changes in Accounting Policies

The IASB has issued the following new standards and amendments to existing standards that will be applied by the REIT in preparing its consolidated financial statements in future periods.

Financial Instruments ("IFRS 9")

This standard will replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business mode and the contractual cash flow characteristics of the financial assets. The new IFRS is to be applied retrospectively without restatement of comparative information, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

Consolidated Financial Statements ("IFRS 10")

This standard establishes principles for the preparation of the REIT's consolidated financial statements when it controls one or more other entities. The standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements of the REIT. The standard also sets out the accounting requirements for the preparation of consolidated financial statements. The new requirements are effective beginning 2013, with earlier application permitted.

Joint Arrangements ("IFRS 11")

This new standard replaces IAS 31 – Interests in Joint Ventures. The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures. The standard classifies joint arrangements into two types: (1) joint operations; and (2) joint ventures. For joint operations, the standard requires the REIT to recognize and measure the assets and liabilities (and related revenues and expenses) in relation to its interest in the arrangement in accordance with the relevant IFRSs. For joint ventures, the standard requires the REIT to recognize an investment and to account for that investment using the equity method. This may impact certain of the jointly-controlled entities which the REIT currently proportionately consolidates under IFRS. The new standard is effective beginning 2013, with earlier application permitted.

Disclosure of Interests in Other Entities ("IFRS 12")

The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The standard requires the REIT to disclose information that enables users of financial statements to evaluate: (1) the nature of, and risks associated with, the REIT's interests in other entities; and (2) the effects of those interests on the REIT's financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

Fair Value Measurement ("IFRS 13")

This standard replaces the current guidance on fair value measurement in existing IFRSs with a single standard. The standard defines fair value, provides guidance on its determination and requires disclosures about fair value measurements but does not change the requirements about the items that should be measured and disclosed at fair value. IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

Amendments to IAS 28, Investments in Associates and Joint Ventures ("IAS 28")

In May 2011, the IASB issued IAS 28. IAS 28 requires any retained portion of an investment in an associate or joint venture that has not been classified as held for sale to be measured using the equity method, until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendment requires for it to be continued to be accounted for under the equity method. The amendment also disallows the re-measurement of any retained interest in an investment upon the cessation of significant influence or joint control. This amended standard is effective for the REIT's interim and annual consolidated financial statements commencing January 1, 2013.

The REIT anticipates initially adopting the above standards in the first quarter of 2013 except IFRS 9 which will be adopted in the first quarter of 2015 and is currently assessing the impact of each on its consolidated financial statements.

3. Critical Accounting Estimates, Assumptions and Judgments

The preparation of financial statements as per IFRS requires management to make judgments, assumptions and estimates that affect the reported amounts in the consolidated financial statements.

The following are the critical accounting estimates and assumptions that have been made in applying the REIT's accounting policies.

Lease costs:

The REIT makes judgments with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property and this determines whether such amounts are treated as additions to the investment property.

The REIT also makes judgments with respect to whether tenant leases are operating or finance leases. The REIT has determined that all of its leases are operating leases.

Business combinations:

Accounting for business combinations under IFRS 3 – Business Combinations only applies if a business, as defined, has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or to lower costs or to obtain other economic benefits directly and proportionately to the REIT. A business generally consists of inputs, processes applied to these inputs and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

Exchangeable units:

The REIT makes judgment with respect to determining the fair value of the exchangeable units. The exchangeable units value is based on the value of Class A Trust units and will fluctuate with changes in the value of the Class A Trust units.

Classification of co-ownerships:

The REIT makes judgments as to whether its co-ownerships provide it with joint control, significant influence or no influence. The REIT has determined that it has joint control in all of its co-ownerships and therefore has accounted for its investment in these co-ownerships using the proportionate consolidation method.

Fair value of investment properties

Changes in capitalization rates and net operating income assumptions may materially change the calculated fair value of investment properties.

4. Transition to IFRS

First Time Adoption of International Financial Reporting Standards (IFRS)

The REIT has adopted International Financial Reporting Standards ("IFRS") effective for annual periods after January 1, 2011. Subject to certain transitional elections disclosed in the Note below, the accounting policies set out above have been applied consistently in all material respects. Comparative amounts for 2010 have been restated to give effect to changes required for the adoption of IFRS. The Note below discloses the impact of the transition to IFRS on the REIT's reported financial position, net income and cash flows, including the nature and effect of significant changes in accounting policies from those used in the REIT's consolidated financial statements for the year ended December 31, 2010.

In preparing these consolidated financial statements, the REIT's opening balance sheet was prepared as at January 1, 2010, the REIT's date of transition to IFRS. This note explains the principal adjustments made by the REIT in restating its Canadian GAAP balance sheet as at January 1, 2010 and its previously published Canadian GAAP consolidated financial statements as at and for the year ended December 31, 2010.

Estimates

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the REIT under Canadian GAAP are consistent with their application under IFRS.

Exemptions applied

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The REIT has applied the following exemptions:

Business combinations
IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS, or of interests in associates and joint ventures that occurred before January 1, 2010. Use of this exemption means that the previous Canadian GAAP carrying amounts of assets and liabilities, which are required to be recognized under IFRS, is their deemed cost at the date of the transition. After the date of the transition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS consolidated balance sheet. The REIT did not recognize or exclude any previously recognized amounts as a result of IFRS recognition requirements.

Financial instruments: Presentation
IAS 32 requires that compound financial instruments be split at inception into separate liability and equity components. If the liability component is no longer outstanding, retrospective application of IAS 32 involves separating two portions of equity. The first portion is in retained earnings and represents the cumulative interest accreted on the liability component. The other portion represents unitholders' equity. However, in accordance with IFRS, a first-time adopter need not separate these two portions if the liability component is no longer outstanding at the date of transition to IFRS. The REIT has elected not to separate the retained earnings and unitholders' equity components as they relate to the conversion feature on the convertible debentures for debentures converted prior to January 1, 2010.

Borrowing Cost

IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets. The REIT has elected not to apply IAS 23 for the transaction that took place prior to the Transition Date.

The key differences between IFRS and Canadian GAAP that affect the preparation of the REIT's consolidated financial statements under IFRS, are set out below.

BALANCE SHEET IMPACT

The following is a reconciliation of the REIT's balance sheet reported in accordance with Canadian GAAP to its balance sheet in accordance with IFRS:

Balance Sheet reconciliation from Canadian GAAP to IFRS		as at January 1, 2010		
	December 31, 2009 Canadian GAAP	Adjustments related to Investment Properties	Adjustments related to Exchange able Units	January 1, 2010 IFRS
Assets				
Non-current assets				
Investment properties	$53,073,881	$6,731,085	$-	$59,804,966
Current assets				
Account receivable and prepaids	667,344	-	-	667,344
Cash	1,693,920	-	-	1,693,920
	$55,435,145	$6,731,085	$-	$62,166,230
Liabilities and Unitholders' Equity				
Non-current Liabilities				
Mortgage payable	$32,278,761	$-	$-	$32,278,761
Tenant deposits	603,044	-	-	603,044
	32,881,805	-	-	32,881,805
Current Liabilities				
Current portion of mortgages payable	16,278,487	-	-	16,278,487
Debentures payable	2,051,000	-	-	2,051,000
Accounts payable and accrued liabilities	1,302,069	-	-	1,302,069
	19,631,556	-	-	19,631,556
Total Liabilities	52,513,361			52,513,361
Unitholders' Equity	2,921,784	6,731,085	-	9,652,869
Total Liabilities and Unitholders' Equity	**$55,435,145**	$6,731,085	$-	$62,166,230

Balance Sheet reconciliation from Canadian GAAP to IFRS		as at December 31, 2010		
	December 31, 2010 Canadian GAAP	Adjustments related to Investment Properties	Adjustments related to Exchangeable Units	December 31, 2010 IFRS
Assets				
Non-current assets				
Income properties	$48,530,749	$8,280,664	$-	$56,811,413
Current assets				
Account receivable and prepaids	340,774	-	-	340,774
Cash	1,747,352	-	-	1,747,352
	$50,618,875	$8,280,664	$-	$58,899,539
Liabilities and Unitholders' Equity				
Non-current Liabilities				
Mortgage payable	$18,036,673	$-	$-	$18,036,673
Tenant deposits	537,155	-	-	537,155
	18,573,828			18,573,828
Current Liabilities				
Current portion of mortgages payable	16,891,546	-	-	16,891,546
Exchangeable units	-		14,646,834	14,646,834
Distribution Payable	215,251	-	-	215,251
Accounts payable and accrued liabilities	1,761,247	-	-	1,761,247
	18,868,045	-	14,646,834	33,514,879
Total Liabilities	37,441,872	-		52,088,706
Unitholders' Equity	13,177,002	8,280,664	(14,646,834)	6,810,833
Total Liabilities and Unitholders' Equity	$50,618,875	$8,280,664	$-	$58,899,539

Adjustments related to Investment Properties

Under Canadian GAAP, investment properties held by the REIT were recorded at cost and depreciated over their estimated useful lives. The REIT has elected to use the fair value model in accordance with IFRS when preparing its consolidated financial statements. The fair value of investment properties of the REIT as at January 1, 2010, exceeds the carrying value under Canadian GAAP.

Adjustments related to Exchangeable Units

Under Canadian GAAP, exchangeable units were presented as equity in the REIT's consolidated balance sheet. Under IFRS, exchangeable units are considered to be a financial liability and re-measured at fair value at each reporting date. Distributions on exchangeable units are recorded as an expense in the statement of income and comprehensive income.

INCOME STATEMENT IMPACT

The following is a reconciliation of the REIT's net income and comprehensive income reported in accordance with Canadian GAAP to its net income and comprehensive income in accordance with IFRS for the year ended December 31, 2010:

		Year Ended December 31, 2010
As reported under Canadian GAAP	$	(3,748,595)
Distribution on exchangeable units		(699,679)
Fair value adjustment of investment properties		(1,627,087)
Transaction costs on rollover		(915,450)
Fair value adjustment on exchangeable units		(1,100,266)
Eliminate amortization and loss on disposal of investment properties		3,176,666
As reported under IFRS	$	(4,914,411)

Adjustments related to investment properties

Under Canadian GAAP, investment properties and certain intangibles held by the REIT were recorded at cost and depreciated over their estimated useful lives. Under IFRS, the REIT measures investment property at fair value and recognizes changes in fair value in net income during the period of change. Comprehensive income is adjusted to recognize the fair value gains and losses from investment properties and to eliminate the amortization of building and improvements.

Adjustments related to Exchangeable Units

Under Canadian GAAP, exchangeable units were presented as equity in the REIT's consolidated balance sheet. Under IFRS, exchangeable units are considered to be a financial liability and re-measured at fair value at each reporting date. Distributions on exchangeable units are recorded as an expense in the statement of income and comprehensive income. In addition, certain transaction costs on rollover have been expensed.

5. Investment Properties

		2011		2010
Balance, beginning of year	$	**56,811,413**	$	59,804,966
Gross portfolio value increase:				
Property improvements	6,958,722		3,618,540	
Fair value gain/(loss)	11,088,189		(1,627,087)	
		18,046,911		1,991,453
Additions (property acquisitions)		**46,392,114**		-
Proceeds on dispositions of properties		-		(4,985,007)
Balance, end of year	$	**121,250,438**	$	56,811,413

At January 1, 2010 and December 31, 2010 and December 31, 2011, the REIT conducted a valuation of its investment properties on an individual basis, with no portfolio effect considered, to determine the fair value of its investment properties. Capitalization rates used to generate fair values for the investment properties varied from 5.25% to 6.5% at December 31, 2011 (December 31, 2010 – 6.25% to 7%, January 1, 2010 – 6.5% to 7.25%) and averaged 5.79% for the total portfolio (December 31, 2010 – 6.40%, January 1, 2010 – 6.74%).

The following table highlights the significant assumptions used in approaches 1 and 2 at January 1, 2010 and at each subsequent year end valuation date

	December 31, 2011			December 31, 2010			January 1, 2010		
	Maximum	Minimum	Weighted Average	Maximum	Minimum	Weighted Average	Maximum	Minimum	Weighted Average
Overall Capitalization average	6.50%	5.25%	5.79%	7.00%	6.25%	6.40%	7.25%	6.50%	6.74%

Capitalization rate sensitivity analysis

The table below presents the sensitivity of the fair valuation of the investment property to the changes in capitalization rate.

Capitalization rate sensitivity Increase (decrease)	Weighted average capitalization rate	Fair value of investment property (at REIT's ownership)	Fair value variance	% change
-0.75%	5.03%	$ 139.33	$ 18.08	14.9%
-0.50%	5.28%	$ 132.73	$ 11.48	9.5%
-0.25%	5.53%	$ 126.73	$ 5.48	4.5%
December 31, 2011	5.78%	$ 121.25	$ -	0.0%

0.25%	6.03%	$	116.22	$	(5.03)	-4.1%
0.50%	6.28%	$	111.60	$	(9.65)	-8.0%
0.75%	6.53%	$	107.32	$	(13.93)	-11.5%

6. Accounts receivable and prepaids

		2011		2010
Accounts receivable	$	**193,543**	$	188,046
Less: provisions for impairment of trade receivables		**81,727**		33,900
Account receivable, net		**111,816**		154,146
Prepaids		**137,625**		105,099
Other current assets*		**2,098,831**		81,529
	$	**2,348,272**	$	340,774

* Other current assets includes Unit Subscription funds in transit of $849,000 and deposits related to potential investment property acquisitions of $850,000.

The aging of resident receivables is as follows:

		December 31,2011		December 31,2010
Current	$	**91,379**	$	155,471
31 - 60 days		**47,434**		13,899
61 – 90 days		**4,075**		879
Over 90 days		**50,655**		17,797
Allowance for doubtful accounts		**(81,727)**		(33,900)
Balance, end of year	$	**111,816**	$	154,146

7. Mortgages Payable

Mortgages payable credit and facilities are secured by respective investment properties and are summarized as follows:

		2011		2010
First mortgages on investment properties, bearing interest between 4.2% and 6.2%, secured by related investment properties	$	**39,900,034**	$	27,735,386
Second mortgages on investment properties, bearing interest between 5% and 6%, secured by related investment properties		**1,844,052**		1,344,052

Line of credit facilities, bearing interest of 4 to 5.25% secured by all investment properties of the REIT, excluding investment properties owned through joint venture	**5,970,103**	4,204,688
REIT proportion of mortgages held through joint venture, bearing interest rates between 4% and 5.1%, secured by investment properties in the joint ventures	**12,421,570**	1,959,253
	60,135,759	35,243,379
Less: Financing fees	**398,298**	315,160
	$ 59,737,460	$ 34,928,219

The fair value of mortgages payable is approximately $ 60,810,000 (2010 - $35,940,000)

Substantially all of the REIT's assets have been pledged as security under the related mortgages and other security agreements.

Mortgages payable at December 31, 2011 are due as follows:

	Principal Repayments	**Balance due at Maturity**	**Total**
Year ended December 31, 2012	1,135,597	$ 7,934,983	$ 9,070,580
Year ended December 31, 2013	1,176,469	8,122,044	9,298,513
Year ended December 31, 2014	1,135,672	4,378,159	5,513,831
Year ended December 31, 2015	1,065,413	1,994,257	3,059,670
Year ended December 31, 2016	515,086	25,157,682	25,672,768
Thereafter	7,520,396	-	7,520,396
	$ 12,548,634	$ 47,587,125	60,135,759
Less: Financing fees			398,298
			$ 59,737,460

Mortgages payable at December 31, 2010 are due as follows:

	Principal Repayments	**Balance due at Maturity**	**Total**
Year ended December 31, 2011	395,751	$ 16,495,795	$ 16,891,546
Year ended December 31, 2012	248,840	10,521,236	10,770,076
Year ended December 31, 2013	230,707	705,605	936,312
Year ended December 31, 2014	73,319	3,657,892	3,731,211
Year ended December 31, 2015	44,883	2,035,963	2,080,846
Thereafter	-	833,388	833,388

	$ 993,500	$ 34,249,879	35,243,379
Less: Financing fees			315,160
			$ 34,928,219

8. Classification of Units

The REIT applies judgment in the classification of Trust units as equity with respect to the application of the conditions under which putable financial instruments may be classified as equity.

Authorized

Unlimited number of Class A Trust Unit

Class A Trust Units are participating, with one vote per unit, no par value

Unlimited number of Class B Trust Units

Class B Trust Units are participating and voting to the extent of a 5% Percentage Interest in income and capital and exchangeable by the holder into the number of Class A Trust units. The exchange ratio is based on Unit Specified Ratio set out in the Declaration of Trust. The specified ratio equals 5% of largest number of Class A trust units ever issued and outstanding. Class B units do not meet the exemption of putable units in IAS 32. Hence Class B units meet the definition of a financial liability. Distributions paid on the units are accounted for as finance costs. The REIT designates the class B units as a financial liability measured at FVTPL. The fair value of each unit on each reporting date is determined based on the value of Class A units.

Unlimited number of Special Voting Exchangeable LP Units

Special Voting Units are non-participating, with one vote per share, issued on a one-for-one basis to holders of Exchangeable Securities of the Partnership. The Exchangeable Securities of the Partnership are participating along with the Class A and B Trust Units, non-voting and exchangeable by the holder into an equivalent number of Class A Trust Units and, therefore meet the definition of financial liability under IAS 32. Distributions paid on the exchangeable LP units are accounted for as finance costs. The REIT designates the exchangeable LP units as a financial liability measured at FVTPL. The fair value of each unit on each reporting date is determined based on the value of of Class A units.

Each unitholder shall be entitled to require the REIT to redeem Class A or Class B Trust units on the "Redemption Date" of any month on demand. Unitholders whose units are redeemed will be entitled to receive a redemption price per unit ("Redemption Price") at fair value and the redemption price will be satisfied by way of cash payment. The REIT units tendered for redemption in any calendar month in which the total amount payable by the REIT exceeds $50,000 (the "Monthly Limit"), will be redeemed for cash and, subject to any applicable regulatory approvals, by a distribution in specie of debt securities on a pro rata basis.

Issued

Class A Trust Units	**2011**	2010
Units as at January 1,	**1,736,211**	218,136
New units issued	**3,903,903**	1,517,832
Distribution reinvestment plan	**83,361**	18,393
Redemption of units	**(62,589)**	(18,150)
	5,660,886	1,736,211
Class B Trust Units	**50,000**	50,000

Exchangeable LP units		
Units as at January 1	**1,304,295**	-
Units on rollover	**-**	1,317,572
Converted to Class A units and redemptions	**(733,819)**	(36,844)
Distribution reinvestment plan	**28,186**	23,567
Total Exchangeable LP units	**598,662**	1,304,295

9. Accounts Payable and Accrued Liabilities

		2011		2010
Accrued interest	**$**	**136,172**	$	105,380
Trade payables		**2,901,320**		1,423,240
Other accounts payable and accrued liabilities		**902,063**		232,627
	$	**3,939,555**	$	1,761,247

10. Debenture Payable

The debenture was payable from Centurion Apartment Properties Limited Partnership I to Centurion Apartment Properties Limited Partnership II prior to rollover. The interest rate was 10% per annum, payable monthly. On the rollover date the debenture payables were converted to exchangeable LP units.

Proceeds from the debenture in 2010 prior the rollover was $3,431,000, and interest charged on the debentures payable in the same period was $182,357.

11. Mortgage Expenses

		2011		2010
Interest on mortgages payable	$	**2,344,549**	$	2,676,447
Amortization of financing fees		**251,520**		321,513
	$	**2,596,069**	$	2,997,960

12. General and Administrative Expenses

		2011		2010
Fund administration costs	$	**170,257**	$	83,347
Professional fees		**101,648**		64,680
Asset management fee		**470,489**		306,765
Miscellaneous expenses		**60,107**		33,606
	$	**802,501**	$	488,398

13. Rollover Transaction

Effective June 30, 2010, the REIT completed the rollover with the Centurion Apartment Properties Limited Partnership I (the Partnership). The partners of the Partnership exchanged all of their partnership units for exchangeable and voting units in the REIT at an exchange ratio of approximately 2.2. For accounting purpose, the rollover was treated as reverse takeover transaction (RTO) under Canadian GAAP in 2010. Under IFRS, an RTO does not constitute a business combination, and is within the scope of IFRS 2 Share Based Payments. Therefore the financial statements in 2010 were restated in accordance with IFRS. The below table outlines the adjustments related to the rollover and the net effect to the consolidated financial statements.

Adjustments	Amount	Net Income (Loss)	Unit Equity	Cash Flow
Fair value of share based unit consideration on rollover date	$ 6,613,150	$-	$6,613,150	$-
Exchangeable units classified as liabilities on rollover date	13,175,240	-	(13,175,240)	-
Net cash acquired on rollover	758,462	-	-	758,462
Transaction costs				
Incentive fee	585,450	(585,450)	(585,450)	-
Excess of fair value of share based unit consideration over fair value of net assets (Class A unitholders' equity) on rollover date	330,000	(330,000)	(330,000)	-
Total		**$(915,450)**	**$(7,477,540)**	**$758,462**

14. Investment in Joint Ventures

The REIT's investment in Kingswood Drive Kitchener Limited Partnership for the year ended December 31, 2011 is 20% (2010 – 10%). The REIT increased their proportion of ownership in the Limited Partnership by purchasing an additional 10% share in the joint venture in December 2011. $5,838,624 of mortgage of this joint venture has been guaranteed by the REIT as of December 31, 2011. In addition, during December 2011, the REIT acquired a 25% interest in a second Joint Venture, Ste Catherine Co-ownership. The REIT guaranteed mortgage balance is $8,625,000 as of December 31, 2011 for Ste. Catherine.

The following represents the REIT's share of assets, liabilities, revenues, expenses and net income/(loss) and cash flows from joint-ventures that are reflected in the consolidated financial statements:

As at December 31, 2011 and for the year ended December 31, 2011		**2011**		2010
Non-current Assets	$	**20,116,111**	$	3,003,801
Current Assets		**548,959**		59,293
Non-current Liabilities		**12,101,941**		1,826,059
Current Liabilities		**718,432**		201,180
Revenues		**444,033**		348,944
Expenses		**334,916**		303,724
Fair value adjustment on investment properties		**2,493,730**		588,475
Net income/(loss) for the year		**2,602,846**		633,695

15. Commitments

a) The REIT is committed to asset management services under an asset management agreement with Centurion Apartment REIT Management Inc., a company controlled by the President and Trustee, for a five year term ending August 31, 2014 with a renewal term for an additional five years unless terminated by either of the parties. Under the agreement, the REIT is required to:

   I. Pay an acquisition fee equal to 1.0% of the purchase price of each investment property acquired by the REIT.

   II. Pay a management fee of 1.5% of the net asset value of the regular units of the REIT.

b) The REIT is committed to property management services under a property management agreement with Centurion Property Associates Inc. ("Property Manager"), a company controlled

by the President and Trustee, for a five year term ending August 31, 2014 with a renewal term for an additional five years unless terminated by either of the parties. Under the agreement, the REIT is required to:

I. Pay a management fee of 3.5% to 5% of the gross income from its investment properties.

II. Reimburse all expenses that were incurred in respect of the management of the investment properties

16. Contingencies

The REIT is contingently liable for litigation and claims that arise from time to time in the ordinary course of business. Management is of the opinion that based on information presently available, it is not probable that any liability, to the extent not provided for through insurance or otherwise, would have a significant effect on Centurion apartment REIT's consolidated financial statements.

17. Related Party Transactions

Centurion Apartment REIT Management Inc. ("CARMI") holds the 50,000 class B Trust units of the REIT. The investment was acquired at a cost of $500,000, which is treated as financial liability and carried at fair value. The distributions on these units are recorded as an expense. The distributions for 2011 were $232,237 (2010- $86,437)

During the year, the REIT was charged asset management fees and property management fees under agreements described in Note 15 of $726,292 and $446,064 respectively (2010 - $306,764 and $383,207). These transactions are incurred in the normal course of business and are measured at the amounts agreed to by the related parties.

During the year, Centurion Apartment REIT Management Inc. has waived the asset management fees to the extent of $255,803 (2010 - $Nil)

Key management consists of the Board of Trustees and executive management team of the REIT. Compensation paid to key management during 2011 is $ 108,000 (2010 - $54,000).

18. Capital Management

The prime objective of the REIT's capital management is to ensure that the REIT remains within its quantitative banking covenants and maintains a strong credit rating.

The REIT defines capital as Unitholders' equity, exchangeable units, debt (including mortgages), lines of credit and convertible debentures. The REIT's objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable unitholder distributions, to fund leasing costs and capital expenditure requirements, and to provide for resources needed to acquire new properties.

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross carrying value. Other indicators include weighted average interest rate, average term to maturity of debt, and variable debt as a portion to total debt. These indicators assist the REIT in assessing that the debt level maintained is sufficient to provide adequate cash flows for unitholder distributions and capital expenditures, and for evaluating the need to raise funds for further

expansion. Various mortgages have debt covenant requirements that are monitored by the REIT to ensure there are no defaults. These include loan-to-value ratios, cash flow coverage ratios, interest coverage ratios and debt service coverage ratios.

The carrying value of the units is impacted by earnings and unitholder distributions. The REIT endeavours to make annual distributions of 8% or approximately $0.80 per unit. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditures and working capital requirements.

Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, and total distributions as a percent of distributable income and distributable income per unit.

During the period, the REIT did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The Declaration of Trust of the REIT provides for a maximum total indebtedness level of up to 75% of Gross Book Value (GBV). GBV means the book value of the assets. Indebtedness includes obligations incurred in connection with acquisitions and capital leases. The following table highlights the REIT's existing leverage ratio in accordance with the Declaration of Trust:

As at	**Dec 31, 2011**	Dec 31, 2010
Total Assets	**$ 125,380,475**	$ 58,899,539
Mortgages payable	**59,737,460**	34,928,219
Indebtedness to GBV	**47.64%**	**59.30%**

The following schedule details the components of the REIT's capital structure:

As at	**Dec 31, 2011**	Dec 31, 2010
Mortgages payable	**$ 59,737,460**	34,928,219
Exchangeable units	**9,430,548**	14,646,834
Unitholders' equity	**50,910,435**	6,810,833
Total	**$120,078,443**	**$56,385,886**

19. Financial Instruments

a) Risk management

The main risks that arise from the REIT's financial instruments are liquidity, interest and credit risk. The REIT's approach to managing these risks is summarized below:

Management's risk management policies are typically performed as a part of the overall management of the REIT's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the REIT is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the REIT, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them, are as follows:

b) Liquidity risk

Liquidity risk is the risk that the REIT may not be able to meet its financial obligations as they fall due.

The REIT's principal liquidity needs arise from working capital, debt servicing and repayment obligations, planned funding of maintenance, leasing costs and distributions to Unit holders, and possible property acquisition funding requirements.
There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the REIT. Management's strategy is to mitigate the REIT's exposure to excessive amounts of debt maturing in any one year. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of debt refinancing. The success of new capital issuances is subject to the capital markets being receptive to an equity issue with financial terms favorable to the REIT. At December 31, 2011 the REIT had $ 1,781,765 in cash and $ 4,895,181 available as undrawn on the Credit Facility.

c) Interest Rate Risk

The REIT is subject to the risks associated with debt financing, including the risk that the interest rate on floating debt may rise before long-term fixed rate debt is arranged and that the mortgages and credit facilities will not be able to be refinanced on terms similar to those of the existing indebtedness.

The REIT's objective of managing interest rate risk is to minimize the volatility of earnings. At December 31, 2011, most of the REIT's mortgages bore interest at fixed rates.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate assets and liabilities for the prospective 12-month period. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts.

Interest rate risk at		-1%		+1%	
	Carrying Amount	Income	Equity	Income	Equity
Financial liabilities					
Fixed rate debt and variable rate debt due to mature in a year	9,957,188	99,572	99,572	(99,572)	(99,572)

d) **Credit risk**

Credit risk arises from the possibility that tenants may experience financial difficulty and may not be able to fulfill their lease commitments. The risk of credit loss is mitigated by leasing policies which require that the financial viability of prospective tenants is investigated and by obtaining security deposits wherever permitted by legislation.
The REIT monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts which are doubtful of being collected. All residential accounts receivable balances written off are recognized in the consolidated statements of income and comprehensive income and subsequent recoveries of amounts previously written off are credited in the consolidated statements of income and comprehensive income.

e) **Market risk**

The REIT is exposed to fluctuations in the value of the exchangeable units as their fair value is based on the value of the Class A Trust units.

The following market risk sensitivity analysis outlines the potential impact of a 5% change in the value of exchangeable units on the liabilities as at the year end.

Market risk at		5%		-5%	
	Carrying Amount	Income	Liabilities	Income	Liabilities
Financial liabilities					
Exchangeable units	9,430,548	(471,527)	471,527	471,527	(471,527)

20. Subsequent Events

Subsequent to the year end, the REIT issued additional units for approximately $20 million cash proceeds.

During February 2012, the REIT has announced the pending acquisition of a 634 unit student housing portfolio in London, Ontario. The acquisition price is $29.1 million and the REIT will acquire a 75% interest in the properties. The acquisition will be financed by a combination of cash, operating facilities and new long term mortgages.

During March 2012, the REIT announced the pending acquisition of a 96 unit student housing property in London, Ontario. The acquisition price is $7.0 million. The acquisition will be financed by a combination of cash, operating facilities and new long term mortgages.

Subsequent to year end, the REIT refinanced the mortgage for 6 Grandstand for $3,850,000.

During March 2012 the REIT increased its conventional first mortgage on 156 Old Muskoka Road by $780,000 to $2,876,250.