CENTURION APARTMENT

REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis and Annual Report to Unitholders

For the Twelve Months Ended

December 31, 2012

March 31, 2013

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Forward-Looking Statements

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis ("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, 2012 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 trust 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 MD&A.

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 85% 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 20% of the Total Assets 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 arm's 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 IFRS 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.

Accounting Policies

Centurion REIT's accounting policies are described in Note 2 of the consolidated financial statements (see "Appendix C") for the twelve month period ended December 31, 2012. Beginning January 1, 2011, the Trust prepared 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.

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-IFRS Measures

Net Operating Income and Normalized Net Operating Income (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 ("NOI") 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 ("NNOI") 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, that 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 but 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. Similar to the market in 2011, capitalization rates have again declined across the country in general and competition for the acquisition of quality properties continues to be intense. Many properties are still being listed unpriced (i.e. "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 Management's opinion, this has resulted in the Trust offering on fewer properties but with a higher win ratio on the transactions that it has been involved in. This approach, in the view of Management, in part permitted the REIT to mitigate what otherwise may have been a decline in portfolio capitalization rate (unleveraged yield).

Towards the end of 2012, the compression in capitalization rates seems to have abated and the market settled into its current pricing. 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, and were the same drivers as last year:

- 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".

All other things being equal, with the above forces in play, Management believes that market values will be well supported in 2013.

Outlook & Business Strategy

Management is focused on a number of key areas for 2013 that can be broken down roughly as follows:

Growth strategy

Growing the portfolio is a key part of Management's 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 remains very competitive and Management does not want to have to overpay for quality assets, Management is currently in the process of executing on its expanded mortgage investment mandate approved by Unitholders at the AGM in September of 2012 and its resultant new construction emphasis to build the Trusts acquisition pipeline.

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. With the addition to the team of Stephen Stewart as Director of Mortgage Investments, the Trust is seeing numerous new apartment construction opportunities and expects to in the near future make a number of commitments which may add a significant number of deals to the potential acquisition pipeline upon their completion..

Management continues to believe 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 2012, the Trust purchased interests in four student residence properties and has purchased another one in March 2013 bringing the total number of student units to 1,594 on an undiluted basis in 6 properties. The Trust has already become one of the largest private owners of student properties in Canada. (See "Portfolio Summary" below and on the Trusts website for more details). Management continues to believe that the student housing industry is ripe for consolidation and is actively seeking acquisitions and opportunities in this space to build on its platform. Management believes that over time, and with scale, the Trust may be able to build a "franchise" or "platform" value in its student business. As discussed above (See "Comments on the Apartment Market"), capitalization rates have declined 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 continued 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. Management estimates that its potential gap to market rents is approximately $2,535,000.
- Filing above guideline rent increases (AGIs) wherever possible for the extensive capital works that have recently completed or will soon be completing (see Appendix B – Government Regulation). In 2012, the Trust filed AGI's on 7 properties which when phased in may increase rents by $324,000 per annum
- Continuing to invest capital in the portfolio strategically to create value. The Trust has budgeted approximately $19,000,000 million in capital improvements over the next 12 months.
- 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. In 2012, the Trust purchased a number of properties which required significant repositioning which dragged on NOI but significantly contributed to portfolio value growth over the year. In 2013, Management will be looking to continue to stabilize these acquisitions and normalize NOI.

Expense management

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

- Submetering initiatives have been implemented at a number of properties impacting approximately 1,700 rental units. Upon full implementation, and after all units have turned over to tenants paying utilities, Management believes that savings of $873,483 may ultimately be realized of which potentially 20% is anticipated to occur in 2013. The Trust is nearing completion of a water retrofit program which external consultants have advised may result in savings of $307,694 on an annualized basis.
- Management has negotiated the implementation of an energy and utility management systems that can tie into the Trusts existing system to improve energy management and benchmarking. Roll out is anticipated for Q2 2013. Management believes that there are significant savings available over time that will create value.
- Through its tax consultants, the Trust has recently filed a number of property tax appeals based on the last assessment cycle, which may result in a decrease in assessed values and property taxes. Assuming successful applications, savings of $43,238 have been estimated. The Trust, through its consultants, will also complete an additional 28 appeals for portfolio properties within the current assessment cycle.
- 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 its purchasing programs

Between both revenue and expense opportunities, Management estimates and that there may be, upon full realization, approximately $3,935,786 potential to increase NNOI over time. Assuming a 6.0% capitalization rate, this would be worth $65,596,440. Readers are cautioned that these are Management estimates, may take years to realize or may not be realized at all or only be partially realized. Further, certain capital expenditures may be required (e.g. on suite turns) to realize this potential. See the table below:

Revenue and Expense Opportunities Summary Table

ITEM	Potential NNOI Impact	Value Add At 6.0% Cap Rate	Notes/Assumptions
Rental Gap to Market [2]	$2,535,000	$42,250,000	Assuming that current market rents were achieved in all units on an immediate basis
Submetering	$873,483	$14,558,050	Assuming $120/unit for common area and no adjustment to rent
Water Retrofit	$307,694	$5,128,232	Switch to 3.0L toilets and installation of water saving devices
Parking	$139,056	$2,317,596	Phased paid parking with turnover
Property Tax	$43,238	$720,626	Includes assessments and condo initiatives, assuming successful applications
Revenue Share Agreement Modifications	$37,316	$621,937	Renegotiated improved terms on revenue share agreements
Total Value Add	$3,935,786	$65,596,440	

[1] This is based on managements estimate of the REITs opportunity set at the date of this report. There can be no assurance that these estimates will be realized. All of these estimates assume 100% realization as if they all happened immediately, ignoring how long it may take to realize them (i.e. some could take many years) These opportunities are a snapshot in time and

[2] Part of the strategy to close this gap is with above guideline rent increases ("AGI's"). The REIT has already filed and received a number of such AGI's which total approximately $324,000

Organization & Platform Building

- The Trust has made significant enhancements to its platform in the past year having added staff in various specialties. In 2012, it split the operating structure into two parts, property operations (run by Wayne Tuck) and investments, financial and treasury operations (run by Greg Romundt). The Management team was bolstered by the addition of Robert Orr as CFO, Stephen Stewart as Director of Mortgage Investments, Peter Duff as Director of Technical Services, Olive Trifunovic as Controller and Edward Salibian as Director of Finance. It is anticipated that the Management team will be stable from here with most staffing growth around non director level hires. This significant deepening of the Management team should leave Mr. Romundt more time to focus on investments and strategy.
- Management has introduced significantly tightened controls on operating and capital expenditures and significantly improved budgeting processes. New operations and procedures manuals for the entire organization were envisioned to solidify process adoption and increase efficiencies and most of these are now completed and are being rolled out to forward staff.
- More details on the team can be found here http://www.centurionapartmentreit.com/about/team

Finance & Treasury

- With the significant decline in interest rates in the marketplace, Management continues to look to effectively roll out its mortgage portfolio using interest rate swaps to hedge some of its interest rate exposure.
- 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. 2013 debt maturities, outside of the Trusts operating lines are minimal at approximately $4.2 million.

Mortgage Asset Strategy

The Investment Guidelines of the Trust permit investments in mortgages and at the 2012 AGM Management sought and received enhancements to the Investment Guidelines to give it more flexibility in implementing its mortgage investment strategy. Management is reviewing a number of mortgage investment opportunities, is seeing considerable deal flow and expects that in 2013 significant capital deployments will be made. The primary focus of the program is to finance the development of properties which upon stabilization the REIT could purchase. Management continues to believe 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 liquidity to invest.

Portfolio Summary

Acquisitions

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

Recent Acquisitions

Closing Date	City	Address	# of Units (1)	Type	Price	Interest	Notes
27-Feb-12	London	75 Ann St & 1 Beaufort St	634	Student Residence	$29,100,000	75%	(2)
4-Apr-12	London	83-99 St George St & 149-165 Ann St	96	Student Residence	$7,000,000	100%	
24-Jul-12	Toronto	1631 Victoria Park Avenue	35	Standard Apartment	$3,150,000	100%	
31-Jul-12	Toronto	4 & 8 Rannock St, and 880 Pharmacy Ave	84	Standard Apartment	$26,250,000	100%	(3) Portfolio 1
31-Jul-12	Waterloo	173 King Street North	219	Student Residence		100%	(3) Portfolio 1
15-Aug-12	Cambridge	25 & 45 Briardale Road	90	Standard Apartment	$37,844,000	100%	(3) Portfolio 2
15-Aug-12	Cambridge	133, 135, 137, 141, 142, 143 Woodside Ave	333	Standard Apartment		100%	(3) Portfolio 2
4-Sep-12	Toronto	26, 27, 50 Thorncliffe Park Drive	204	Standard Apartment	$40,520,000	100%	(3) Portfolio 3
4-Sep-12	Cambridge	219, 252, 256 St. Andrews Street	160	Standard Apartment		100%	(3) Portfolio 3
8-Nov-12	Toronto	1594 Victoria Park Avenue	28	Standard Apartment	$2,800,000	100%	
23-Jan-13	Toronto	5 Dufresne Court	218	Standard Apartment	$46,885,000	100%	(3) Portfolio 4
23-Jan-13	Mississauga	275 North Service Road	82	Standard Apartment		100%	(3) Portfolio 4
23-Jan-13	Mississauga	1175 Dundas Street West	104	Standard Apartment		100%	(3) Portfolio 4
26-Mar-13	Waterloo	167 King Street North	205	Student Residence	$16,997,000	100%	
Total			2,492		$210,546,000		

Notes:

(1) # of Units means "Rental Units" not "Suites"

(2) Joint Venture

(3) Portfolio Purchase

Please refer to Appendix A for certain summary information on the portfolio.

Dispositions

Management periodically reviews its holdings to determine whether it may be appropriate to trim properties from the portfolio. It has agreed to sell 55 William St in Milverton Ontario (See Note 19) and this sale is expected to close in May 2013. The property was selected for sale as it was on the periphery of the portfolio and due to its small size was not core to the Trusts holdings in the area. Management is reviewing a select number of small non-core holdings for potential disposition as it seeks to tighten regional property clusters.

2012 Operating Results

In 2012, the Trust had net income and comprehensive income of $14,269,231 under IFRS compared to $8,949,591 in 2011. Adjusting this as if all unit classes were classified under IFRS as equity, and backing out capital improvements and acquisition costs which are completely written off under IFRS, total non-IFRS income in 2012 would be $31,844,745 compared to $20,739,870 in 2011. See "Fair Value Adjustments of Investment Properties" and "Operating Results Summary Table" below.

Margins expanded from 44.9% in 2011 to 47.7% in 2012 but Management believes that it is only part of the way to stabilization, both on re-positioning targets and on 2012 and 2013 acquisition properties that are currently in the process of alignment. The medium term stabilized target remains 55%+ upon completion of the process of stabilization on a same store basis (i.e. not considering future new acquisitions) and thus believe that this stabilization dilution is temporary and part of its value creation and business process. The flip side of this short term dilution is the strong value creation that resulted from this process (See "Fair Value Adjustments of Investment Properties" below).

OPERATING RESULTS SUMMARY TABLE	2012	2011
PART A - IFRS INCOME STATEMENT		
Revenue from property operations	$18,909,921	$9,544,564
Property operating costs	($9,886,378)	($5,261,589)
Net rental income	$9,023,543	$4,282,975
Other expenses		
Mortgage expenses	($4,401,216)	($2,596,069)
General and adminsitrative expenses	($1,680,791)	($802,501)
Income before undernoted	$2,941,536	$884,405
Fair value adjustment on investment properties	$16,480,474	$11,088,189
Distributions on exchangeable units	**($795,063)**	**($1,076,374)**
Fair value adjustment on exchangeable units	($4,357,716)	($1,946,629)
Net income and comprehensive income (IFRS Basis)	**$14,269,231**	**$8,949,591**
PART B - ADJUSTMENTS TO IFRS INCOME STATEMENT [1]		
Add Back: Adjustments on exchangeable Units	$5,152,779	$3,023,003
Add Back: Acquisition Costs	$5,581,720	$1,808,554
Add Back: Capital Improvements	$6,841,015	$6,958,722
Total Adjustments to IFRS Income Statement	**$17,575,514**	**$11,790,279**
Total Non-IFRS Income	**$31,844,745**	**$20,739,870**
PART C - SIMPLIFIED NON-IFRS INCOME STATEMENT COMBINING PART A & B ABOVE [1]		
Revenue from property operations	$18,909,921	$9,544,564
Property operating costs	($9,886,378)	($5,261,589)
Net rental income	$9,023,543	$4,282,975
Other expenses		
Mortgage expenses	($4,401,216)	($2,596,069)
General and adminsitrative expenses	($1,680,791)	($802,501)
Income before undernoted	$2,941,536	$884,405
Increase in property valuation	$28,903,209	$19,855,465
Total Non-IFRS Income	**$31,844,745**	**$20,739,870**

Notes:

(1) **This table presents Management's non IFRS recast of the audited income statement in Appendix C where the exchangeable classes of units have been characterized as equity, and where acquisition costs and capital improvements have been removed. These tables have been included for illustrative purposes only in an effort to illustrate the impact upon IFRS earnings of these items. Readers are directed to the section "Non-IFRS Measures" above for further warnings relevant to this table. See also Note 8 of the audited financial statements.**

Normalized Net Operating Income (NNOI)

In 2012, NNOI started the year at a $7,054,327 run rate and ended at a run rate of $16,441,466, an increase of 133% over the same period in 2011. Acquisitions that closed in Q1 2013 have added approximately $3,914,571 of annualized running NNOI bringing the run rate to approximately $20,554,139 per annum at 2013 Q1, an increase of 191% since the start of 2012 and 25% year to date. The below table reflects annualized NNOI run rates at the end of each of these periods not the NNOI rate for the full period.

Normalized Net Operating Income (NNOI) Run Rates

	2011	2012	2013 Q1[1]
Same Property	$3,797,813	$7,531,522	$16,639,568
New Acquisitions	$3,256,514	$8,909,944	$3,914,571
Total	$7,054,327	$16,441,466	$20,554,139

[1] Estimated.

Assets

Trust assets grew to $300.3 million in 2012 from $125.4 million in 2011, a growth rate of 140% as significant property acquisitions of $139,386,499 were completed in 2012 compared to $44,583,560 in 2011 and property values increased by $28,903,209 in 2012 compared to $19,855,465 in 2011 (See "Portfolio Summary" above and "Fair Value Adjustments of Investment Properties" below). Acquisitions in Q1 2013 have added a further $64 million to portfolio assets. While it is always difficult to predict what opportunities will present themselves over the rest of the year, Management believes that based on its current deal flow and active deals under due diligence, that it will be able to successfully and accretively deploy capital in 2013.

Fair Value of Investment Properties

	2012	2011
Balance, beginning of the year	$121,250,438	$56,811,413
Property acquisitions [1]	$139,386,499	$44,583,560
Increase (decrease) in valuation	$28,903,209	$19,855,465
Total	$289,540,146	$121,250,438

[1] At purchase price

Fair Value Adjustments of Investment Properties

Under 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 2012, the gross value of the properties appreciated by $ 28,903,209 (see table above). By comparison the value change in 2011 was $19,855,465. Property improvements (capital investment) and acquisition costs 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. A table that reconciles the increase in property values versus the Fair Value Adjustment in the financial statements is presented below. In Management's opinion, capital investments provide the opportunity for benefits which include future value growth that in many cases don't reflect in value immediately. Acquisition costs are one-time events which under GAAP would have been capitalized and amortized over years. Under IFRS they are written off and thus, in Management's opinion distort the short term picture of ongoing profitability.

Reconciliation of Increase in Portfolio Valuation to Fair Value Adjustment [1]

	2012	2011
Change in Property Valuation	$28,903,209	$19,855,465
Less: Acquisitions Costs	($5,581,720)	($1,808,554)
Less: Capital Improvements	($6,841,015)	($6,958,722)
Fair Value Adjustment on Investment Properties	$16,480,474	$11,088,189

[1] This table reconciles the Gross Change in property valuation with the financial statements.
Refer to Note 5 of the audited statements in Appendix "D"

Some examples of capital investment 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 2012 did see strong capital appreciation due to a reduction in capitalization rates, and accretive acquisitions activity, the capital investments made in 2012 and in previous years also contributed significantly to this success. Management believes that the significant investments made in 2012 will contribute to growth in property values, ceteris paribus, in 2013 and beyond. Management anticipates that it will be filing a number of additional above guideline rent increase applications in 2013 as a result of many of these capital improvements and that ultimately this will contribute further to property values. (See "Revenue/Expense Opportunities Summary Table" above for a partial list of some of these initiatives and their potential impacts).

The portfolio weighted average capitalization rate declined on a year end basis from 5.79% in 2011 to 5.76% in 2012 (see Note 5) in a year in which capitalization rates in general on apartments declined by 25 to 50 basis points. The REIT however, managed to avoid a significant reduction in its average portfolio capitalization rate in part through the new acquisitions completed in 2012 at attractive rates. Part of this can also be explained by the increased allocation to student properties which generally have higher capitalization rates.

Approximately 62% of portfolio valuation growth in 2012 came from non capitalization rate compression factors like NNOI growth and accretive purchases (See "Sources of Change in Portfolio Valuation"). Management believes that there still remains scope for capital growth in 2013 and beyond. Further, as discussed previously, the Trust invested approximately $6.9 million in capital improvements in 2012 and it is Management's opinion that not all of the benefits of these improvements are reflected in current values.

Sources of Change in Portfolio Valuation

	2012	2011
Change in capitalization rates	38%	58%
Growth of NNOI	36%	23%
Acquisitions	26%	19%
Total	100%	100%

[1] Management Estimates

Financing Costs

Over the course of the year, the Trust has significantly reduced its weighted average financing costs from 4.51% per annum at the end of 2011 to 4.00% per annum rate at the end of 2012 and approximately 3.94% currently. 2011

mortgage interest expenses were $2,596,069 and 2012 mortgage interest expenses were $4,401,216 (excluding amortization of financing fees) rising due to the growth in outstanding mortgages from $59,737,460 in 2011 to $154,536,186 in 2012. The Trust is working to continue to make improvements in its financing costs to reduce the overall weighted average cost of debt and believes that if rates remain stable, that there are significant savings potential in the Trust's mortgage portfolio.

Issued and Outstanding Number of Units

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

Summary of Unit Holdings at December 31

	2012	2011
Class A	12,309,392	5,660,886
Class B	50,000	50,000
Exchangeable B	407,013	598,662
Total	12,766,405	6,309,548

Unitholders' Equity

The Trust has three outstanding classes of equity (see Note 8 of the financial statements in Appendix "C" and the 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:

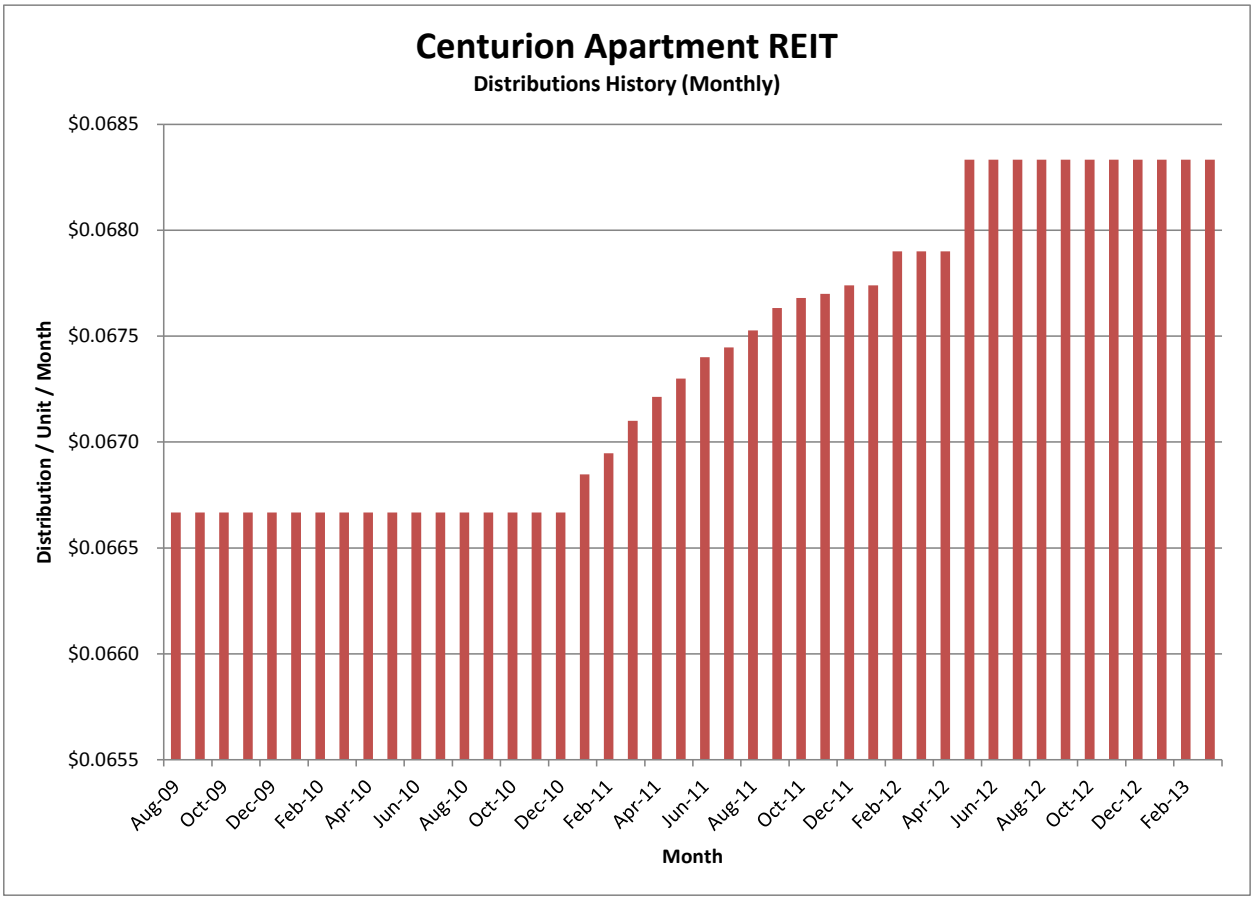
Impact of Treating Class "B" and Exchangeable "B" Units as Equity rather than Debt
As at December 31, 2012

BALANCE SHEET	IFRS	ADJUSTED	DIFFERENCE
Total Assets	$300,297,019	$300,297,019	
Total Liabilities	$172,200,841	$160,391,127	-$11,809,714
Equity	$128,096,178	$139,905,892	$11,809,714
INCOME & COMPREHENSIVE INCOME			
Net income (loss) and comprehensive income/(loss)	$14,269,231	$19,422,010	$5,152,779

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.

Distributions

In 2012 the move in capitalization rates and the resultant increase in property values was exceptionally strong. Distributions per unit grew to and then remained at $0.8200/Unit/Annum while the unit price continued to grow. Distribution yield is currently 7.26% based on $0.8200/Unit/Annum on a $11.295 price/Unit. Management anticipates that distributions per Unit will remain at the current level for the rest of the year while it focuses on stabilizing newly acquired and mid repositioning process properties and realizing some of the potential in the portfolio. The chart below shows the history of the REITs distributions per Unit by month.



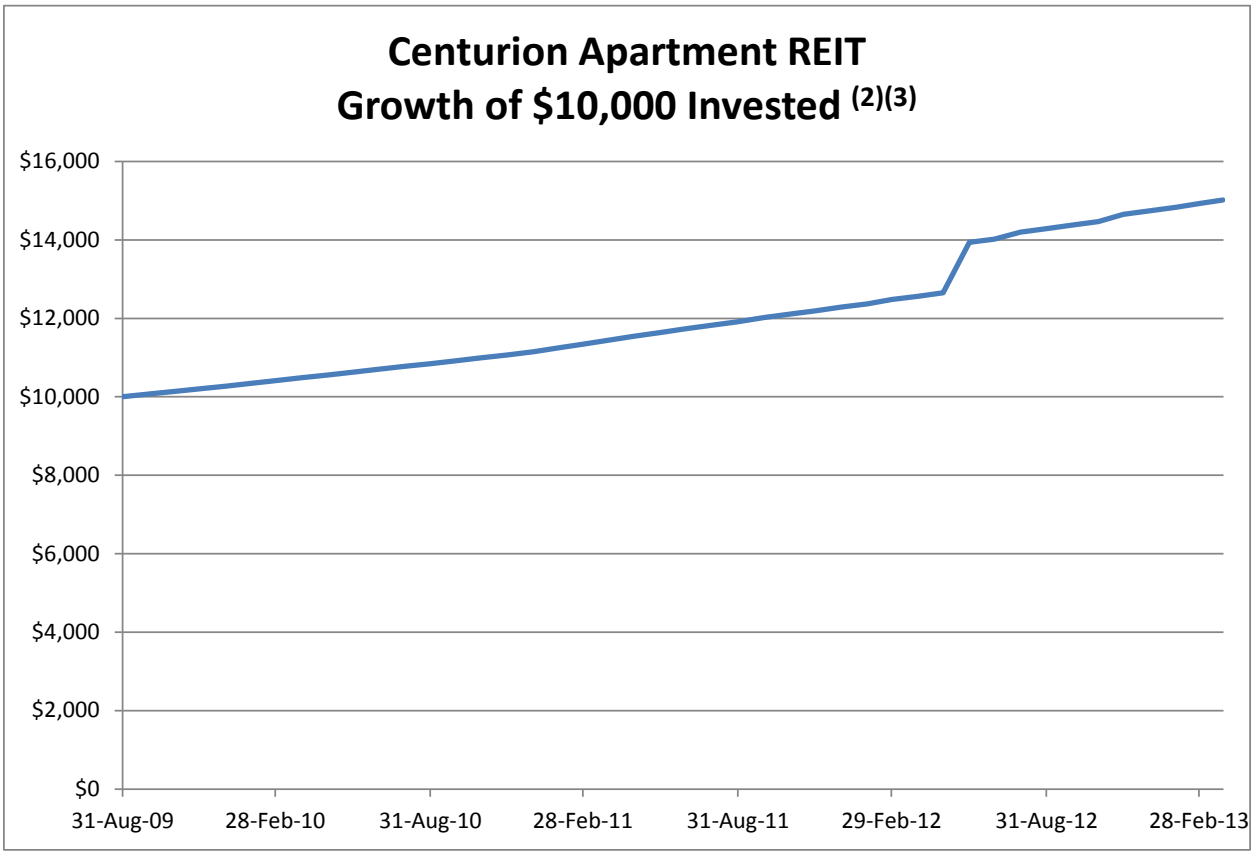
Total Returns

Including the upwards adjustment in NAV, and reinvestment of distributions, total one year returns were 20.01% in 2012. Part of this return was outsized due the Trusts conversion to IFRS with the consequent bump in the fair values of its properties. Management believes that while capitalization rates have compressed continually for a number of years that this movement has likely stabilized and that the strong rate of capital growth due to capitalization rate compression isn't what would normally be expected on a recurring basis looking forward. That said, we direct readers to the table "Sources of Change in Portfolio Valuation" above which Management believes shows that capitalization rate changes were only 38% of the change in property values with the balance comprised of growth in NNOI and accretive acquisitions.

REIT Returns (excluding history of CAPLP)

Calendar Returns (%)	2009[1]	2010	2011	2012	2013 YTD
Centurion CAPLP/REIT TR(%)	2.75%	8.48%	10.21%	20.01%	1.86%
Worst Month	0.68%	0.68%	0.71%	0.62%	0.62%
Best Month	0.68%	0.68%	0.95%	10.15%	0.62%

Compound Returns (%)	1-Year	2-Year	3-Year	4-Year	5-Year	Since Inception of REIT
Centurion CAPLP/REIT TR(%)	19.51%	14.53%	12.72%	NA	NA	12.02%

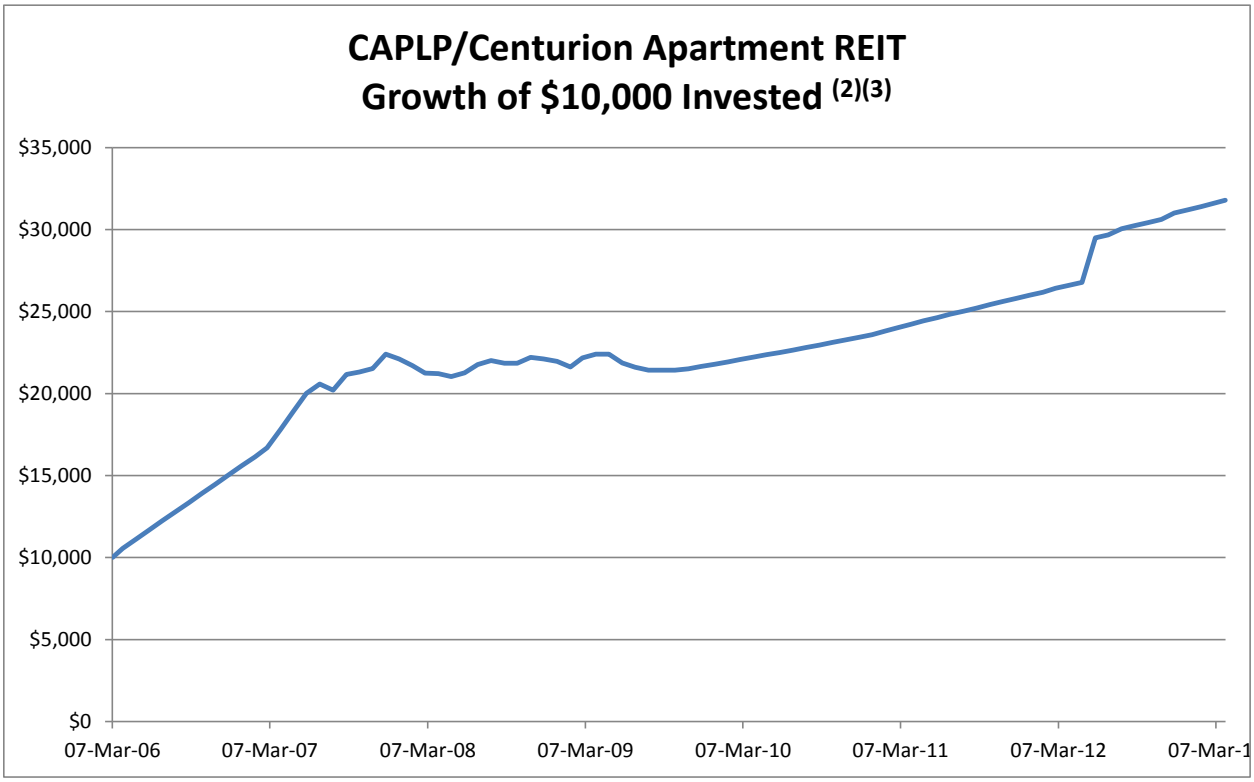


REIT Returns (including history of CAPLP)

Calendar Returns (%)	2006[1]	2007	2008	2009	2010	2011	2012	2013 YTD
CAPLP	55.80%	41.92%	-0.67%	-0.78%	8.25%	10.21%	20.01%	1.86%
Worst Month	3.71%	-1.79%	-2.07%	-2.37%	0.63%	0.71%	0.62%	0.62%
Best Month	5.58%	6.63%	2.34%	2.57%	0.68%	0.95%	10.15%	0.62%

Calendar Returns (%)	2006[1]	2007	2008	2009	2010	2011	2012	2013 YTD
CAPLP	55.80%	41.92%	-0.67%	-0.78%	8.25%	10.21%	20.01%	1.86%
Worst Month	3.71%	-1.79%	-2.07%	-2.37%	0.63%	0.71%	0.62%	0.62%
Best Month	5.58%	6.63%	2.34%	2.57%	0.68%	0.95%	10.15%	0.62%

Compound Returns (%)	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	Since Inception of CAPLP
Centurion CAPLP/REIT TR(%)	19.51%	14.53%	12.67%	9.13%	8.41%	10.14%	17.05%	17.73%



Notes:

(1) For partial year from 7 Mar06 to 31 Dec06

(2) Refer to detailed Disclaimer on Sheet labeled "Disclaimer" in the calculation spreadsheet published by Management here: http://www.centurionapartmentreit.com/noindex/Historic-Returns
Refer to the Notes on Sheet labeled "Prices" for certain information about assumptions, methodology and detailed calculations

Mortgages, Debt and Capital Structure

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 mortgage liability portfolio at year end 2012 was at a weighted average interest rate of 4.00% down from 4.51% in 2011 and 3.94% currently. Mortgage leverage is at approximately 51.46% of total assets at IFRS value at the end of 2012 up from 47.64% in 2011 (see the table "Debt to Gross Book Value" below), well below the target ratio range. REIT capital (see table "REIT Capital Structure" below) grew to $294,442,078 in 2012 from $120,078,443 in 2011, an increase of 145%.

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 of the financial statements (see Appendix "C") is summarized below as are the Debt to Gross Book Value calculations and REIT Capital Structure calculations. Centurion has substantially completed the rollover of its 2013 debt maturities with most of what remains in 2013 being attributable to the REIT's operating lines. What remains is approximately only $4.2 million of maturities for which commitments haven't been received or that will likely be retired at maturity.

Mortgages payable at December 31, 2012 are due as follows:

	Principal Repayments	Balance due at Maturity	Total
Year ended December 31, 2013	$ 3,777,197	$ 11,066,337	$ 14,843,533
Year ended December 31, 2014	3,822,857	4,175,084	8,057,941
Year ended December 31, 2015	3,913,996	1,994,257	5,908,253
Year ended December 31, 2016	3,410,046	25,192,817	28,602,863
Year ended December 31, 2017	2,547,001	39,600,852	42,147,864
Thereafter	56,045,632	-	56,054,632
	$ 73,567,729	$ 82,029,357	155,606,086
Less: Financing fees			1,069,900
			$ 154,536,186

Debt to Gross Book Value ("GBV") as at December 31

	2012	2011
Total Assets	$300,297,019	$125,380,475
Mortgages Payable	$154,536,186	$59,737,460
Ratio of Debt to GBV	51.46%	47.64%

REIT Capital Structure as at December 31

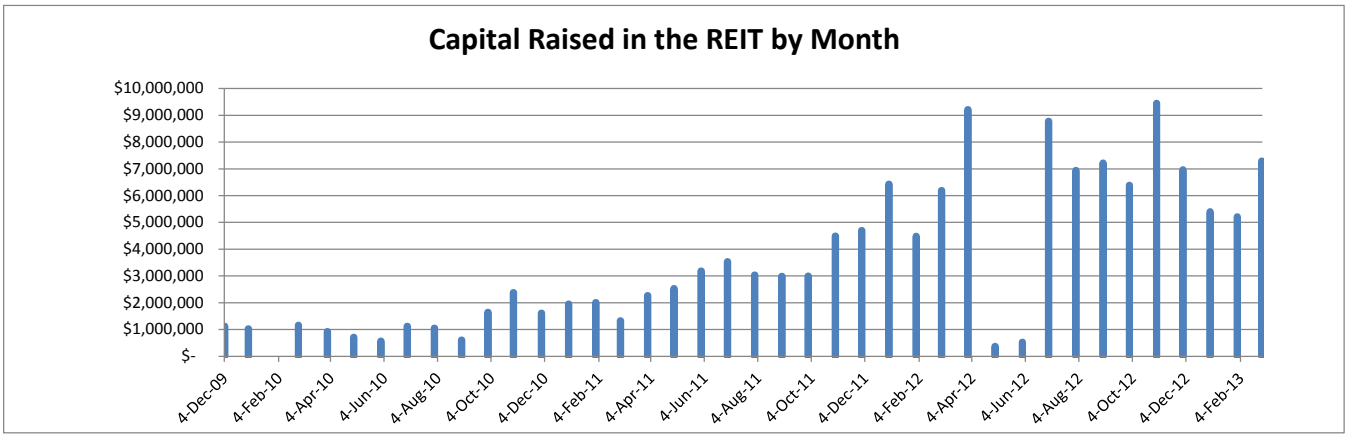
	2012	2011
Mortgages Payable	$154,536,186	$59,737,460
Exchangeable Units	$11,809,714	$9,430,548
Unitholders Equity	$128,096,178	$50,910,435
Total	$294,442,078	$120,078,443

Operating Facilities & Liquidity Management

The Trust has working capital and operating facilities structured as first position rotating balance mortgage lines of credit for approximately $17.7 million which can be 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 six financial institutions and seven 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

2012 equity inflows totaled $71.9 million, a very strong year. The Trust was able to significantly reduce its Unit Issue Costs from 4.39% of proceeds in 2011 to 3.09% of proceeds in 2012, a level which Management expects to maintain in 2013. This chart shows monthly flows since the Trusts inception (but excluding CAPLP). Management believes that it is seeing sufficient capital inflows to execute upon its vision and that there are sufficient opportunities to accretively deploy capital. The REIT expects to issue a new Offering Memorandum on April 30, 2013 for $75 million to replace the existing Offering Memorandum which expires on April 30, 2012.



APPENDIX A – Summary Information About the Properties

Address	City	Province	Year Acquired	Notes
362 Shanty Bay Rd	Barrie	Ontario	2010	(R)
1459 Trafalgar St	London	Ontario	2010	(R)
60 Prince Edward St	Brighton	Ontario	2010	(R)
387-425 East 42nd St	Hamilton	Ontario	2010	(R)
21/31 Jean Ave	Kitchener	Ontario	2010	(R)
122 Elizabeth St	Brighton	Ontario	2010	(R)
277 Anderson Ave	Oshawa	Ontario	2010	(R)
55 William St	Milverton	Ontario	2010	(R)
624 Main St E	Hamilton	Ontario	2010	(R)
36 & 70 Orchard View	Oshawa	Ontario	2010	(R)
255 Dunlop St West	Barrie	Ontario	2010	(R)
356 & 360 Hoffman	Kitchener	Ontario	2010	(R)
15, 19, 25 Hugo Cres	Kitchener	Ontario	2010	(R)
167 Morgan Ave	Kitchener	Ontario	2010	(R)
118 St Josephs Drive	Hamilton	Ontario	2010	(R)
196 Churchill St S	Acton	Ontario	2010	(R)
707 & 711 Dundas St W	Whitby	Ontario	2010	(R)
165 Old Muskoka Rd	Gravenhurst	Ontario	2010	(R)
2 & 4 Yonge St	Huntsville	Ontario	2010	(R)
185, 187, 191 Lisgar Ave	Tillsonburg	Ontario	2010	(R)
262-320 Kingswood Dr	Kitchener	Ontario	2010	(R)(J)
1,2,3,5, and 7 Biggin Court	Toronto	Ontario	2011	(A)
6 Grand Stand Place	Toronto	Ontario	2011	(A)
Auburn Student Residence	Montreal	Quebec	2011	(A)(J)
75 Ann Street	London	Ontario	2012	(A)(J)
1 Beaufort Street	London	Ontario	2012	(A)(J)
St. George Street & Ann Street	London	Ontario	2012	(A)
1631 Victoria Park Avenue	Toronto	Ontario	2012	(A)
4 & 8 Rannock St, and 880 Pharmacy Ave.	Toronto	Ontario	2012	(A)
173 King Street North	Waterloo	Ontario	2012	(A)
25 & 45 Briardale Road	Cambridge	Ontario	2012	(A)
133-143 Woodside Avenue	Cambridge	Ontario	2012	(A)
26 Thorncliffe Park Drive	Toronto	Ontario	2012	(A)
27 Thorncliffe Park Drive	Toronto	Ontario	2012	(A)
50 Thorncliffe Park Drive	Toronto	Ontario	2012	(A)
219 St. Andrews Street	Cambridge	Ontario	2012	(A)
252 & 256 St. Andrews Street	Cambridge	Ontario	2012	(A)

Address	City	Province	Year Acquired	Notes
5 Dufresne Court	Toronto	Ontario	2013	(A)
275 North Service Road	Mississauga	Ontario	2013	(A)
1175 Dundas Street West	Mississauga	Ontario	2013	(A)
167 King Street North	Waterloo	Ontario	2013	(A)

Notes:

Year Acquired means the year that the property was acquired by or rolled over into the REIT as part of the Rollover Agreement.

(R) Rolled Properties that are part of the Rollover Agreement of August 31, 2009

(J) Joint Venture Properties where Centurion Apartment REIT participates in ownership with other partners.

(A) Acquisitions that occurred after August 31, 2009 that were not part of the Rollover Agreement

Property Address	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	Apartment	100%		4	11					15	15	15	15
1459 Trafalgar St	Apartment	100%		28	19					47	47	47	47
60 Prince Edward St	Apartment	100%		3	27					30	30	30	30
387-425 East 42nd St	Apartment	100%			24	12				36	36	36	36
21/31 Jean Ave	Apartment	100%		20	12					32	32	32	32
122 Elizabeth St	Apartment	100%			26	2				28	28	28	28
277 Anderson Ave	Apartment	100%			47					47	47	47	47
55 William St	Apartment	100%		7	13	2				22	22	22	22
624 Main St E	Apartment	100%	6	9	6				2	23	23	22	22
36 & 70 Orchard View	Apartment	100%		5	19					24	24	24	24
255 Dunlop St West	Apartment	100%			2	26				28	28	28	28
356 & 360 Hoffman	Apartment	100%		36	60					96	96	96	96
15, 19, 25 Hugo Cres	Apartment	100%		7	46					53	53	53	53
167 Morgan Ave	Apartment	100%	2	10	20	15				47	47	47	47
118 St Josephs Drive	Apartment	100%	17	9	4					30	30	30	30
196 Churchill St S	Apartment	100%	3	7	23					33	33	33	33
707 & 711 Dundas St W	Apartment	100%			24	12				36	36	36	36
165 Old Muskoka Rd	Apartment	100%		5	33	1				39	39	39	39
2 & 4 Yonge St	Apartment	100%		6	13	6				25	25	25	25
185, 187, 191 Lisgar Ave	Apartment	100%		22	38	1				61	61	61	61
262-320 Kingswood Dr	Apartment	20%		92	268					360	72	360	72
1,2,3,5, and 7 Biggin Court	Apartment	100%	11	179	108	8				306	306	306	306
6 Grand Stand Place	Apartment	100%		21	33	6				60	60	60	60

Property Address	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)
Auburn Student Residence	Student Housing	25%				10	40	50		100	25	440	110
75 Ann Street	Student Housing	75%			2	45	90			137	103	499	374
1 Beaufort Street	Student Housing	75%						27		27	20	135	101
St. George Street & Ann Street	Student Housing	100%					24			24	24	96	96
1631 Victoria Park Avenue	Apartment	100%	4	19	12					35	35	35	35
4 & 8 Rannock St, and 880 Pharmacy Ave.	Apartment	100%		33	51					84	84	84	84
173 King Street North	Student Housing	100%		1	1		54			56	56	219	219
25 & 45 Briardale Road	Apartment	100%		14	76					90	90	90	90
133-143 Woodside Avenue	Apartment	100%		125	206	2				333	333	333	333
26 Thorncliffe Park Drive	Apartment	100%		35	25	1				61	61	61	61
27 Thorncliffe Park Drive	Apartment	100%	2	45	39					86	86	86	86
50 Thorncliffe Park Drive	Apartment	100%	1	10	34	12				57	57	57	57
219 St. Andrews Street	Apartment	100%	3	13	12					28	28	28	28
252 & 256 St. Andrews Street	Apartment	100%		3	129					132	132	132	132
1594 Victoria Park Avenue	Apartment	100%	1	13	14					28	28	28	28
5 Dufresne Court	Apartment	100%		108	82	28				218	218	218	218
275 North Service Road	Apartment	100%		34	41	7				82	82	82	82
1175 Dundas Street West	Apartment	100%	1	53	50					104	104	104	104
167 King Street North	Student Housing	100%						41		41	41	205	205
Total			**51**	**976**	**1650**	**196**	**208**	**118**	**2**	**3201**	**2797**	**4409**	**3633**

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).

Summary By City

City	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
Acton	1	33	1%	33	1%	33	1%	33	1%
Barrie	2	43	1%	43	2%	43	1%	43	1%
Brighton	2	58	2%	58	2%	58	1%	58	2%
Cambridge	4	583	18%	583	21%	583	13%	583	16%
Gravenhurst	1	39	1%	39	1%	39	1%	39	1%
Hamilton	3	88	3%	88	3%	88	2%	88	2%
Huntsville	1	25	1%	25	1%	25	1%	25	1%
Kitchener	5	588	18%	300	11%	588	13%	300	8%
London	4	235	7%	194	7%	777	18%	619	17%
Milverton	1	22	1%	22	1%	22	0%	22	1%
Mississauga	2	186	6%	186	7%	186	4%	186	5%
Montreal	1	100	3%	25	1%	440	10%	110	3%
Oshawa	2	71	2%	71	3%	71	2%	71	2%
Tillsonburg	1	61	2%	61	2%	61	1%	61	2%
Toronto	9	935	29%	935	33%	935	21%	935	26%
Waterloo	2	97	3%	97	3%	424	10%	424	12%
Whitby	1	36	1%	36	1%	36	1%	36	1%
17 Cities	**42 Buildings**	**3200 Suites**	**100%**	**2796 Suites**	**100%**	**4409 Rental Units**	**100%**	**3633 Rental Units**	**100%**

Summary By Province

Province	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
Ontario	41	3100	97%	2771	99%	3969	90%	3523	97%
Quebec	1	100	3%	25	1%	440	10%	110	3%
Total	**42**	**3200**	**100%**	**2796**	**100%**	**4409**	**100%**	**3633**	**100%**

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	36	2815	88%	2527	90%	2815	64%	2527	70%
Student Housing	6	385	12%	269	10%	1594	36%	1106	30%
Total	**42**	**3200**	**100%**	**2796**	**100%**	**4409**	**100%**	**3633**	**100%**

Student Housing By City

City	Type of Building	# of Complexes	# of Suites (Undiluted)	# of Suites (Diluted)	# Of Beds (Undiluted)	# of Beds (Diluted)
Montreal	Student Housing	1	100	25	440	110
London	Student Housing	3	188	147	730	572
Waterloo	Student Housing	2	97	97	424	424
Total		**6**	**385**	**269**	**1594**	**1106**

Average Rents (Undiluted Basis)

	Total Rental Units	Revenue/Unit /Month
Apartment	2,815	$874
Student Residence	1,594	$654
Total	4,409	$794

List of Properties (Apartments)

	**Churchill Court Apartments** Location: Acton, Ontario Address: 196 Churchill Road South (map) Type of Building: Walk-up apartments Number of Suites: 33 (3 bachelor, 7 one bdrm, 23 two bdrm)
	**Kempenfelt Village** Location: Barrie, Ontario Address: 362 Shanty Bay Road (map) Type of Building: Townhouses Number of Suites: 15 (4 one bdrm, 11 two bdrm)
	**Milligan Park Apartments** Location: Barrie, Ontario Address: 255 Dunlop Street West (map) Type of Building: Townhouses (2 two bdrm, 26 three bdrm) Number of Suites: 28
	**Brookside Apartments** Location: Brighton, Ontario Address: 60 Prince Edward Street (map) Type of Building: Walk-up apartments Number of Suites: 30 (3 one bdrm, 27 two bdrm)

	**MacIntosh Court Apartments** Location: Brighton, Ontario Address: 122 Elizabeth Street (map) Type of Building: Walk-up apartments Number of Suites: 28 (26 two bdrm, two three bdrm)
	**25 & 45 Brierdale Road** **Location: Cambridge, Ontario** **Address: 25 & 45 Brierdale Road (map)** **Type of Building: Two 3-Storey Walk-up apartments** **Number of Suites: 90 (14 one bdrm, and 76 two bdrm)**
	**133-143 Woodside Avenue** **Location: Cambridge, Ontario** **Address: 133,135,137,141,142, & 143 Woodside Avenue (map)** **Type of building: Five 3-Storey walk-up apartments.** **Number of suites: 333 (125 one bdrm, 206 two bdrm, and 2 three bdrm)**
	**219 St. Andrews Street** **Location: Cambridge, Ontario** **Address: 219 St. Andrews Street (map)** **Type of building: Walk-up apartments** **Number of suites: 28 (3 bach, 13 one bdrm, and 12 two bdrm)**

	**252 & 256 St. Andrews Street** **Location: Cambridge, Ontario** **Address: 252 & 256 St. Andrews Street (map)** **Type of building: Walk-up apartments** **Number of suites: 132 (3 one bdrm, and 129 two bdrm)**
	**Cherokee Court Apartments** Location: Gravenhurst, Ontario Address: 165 Old Muskoka Road (map) Type of Building: Apartments (elevator) Number of Suites: 39 (1 bachelor, 4 one bdrm, 33 two bdrm, 1 three bdrm)
	**East Mount Village Townhouses** Location: Hamilton, Ontario Address: 387,391,395,399,423 & 425 East 42nd Street (map) Type of Building: Townhouse Number of Suites: 36 (24 two bdrm, 12 three bdrm) Condominium Status
	**Gladstone Apartments** Location: Hamilton, Ontario Address: 624 Main Street East (map) Type of Building: Walk-up apartments Number of Suites: 23 (6 bachelor, 9 one bdrm, 6 two bdrm, 2 other)

	**St. Joseph's Apartments** Location: Hamilton, Ontario Address: 118 St. Joseph's Drive (map) Type of Building: Walk-up apartments Number of Suites: 30 (17 bachelor, 9 one bdrm, 4 two bdrm)
	**Hunters Bay Apartments** Location: Huntsville, Ontario Address: 2 & 4 Yonge Street (map) Type of Building: Walk-up apartments Number of Suites: 25 (6 bachelor, 13 one bdrm, 6 two bdrm)
	**Fairway Apartments** Location: Kitchener, Ontario Address: 21 & 31 Jean Ave (map) Type of Building: Walk-up apartments Number of Suites: 32 (20 one bdrm, 12 two bdrm)
	**Hoffman Apartments** Location: Kitchener, Ontario Address: 356 & 360 Hoffman Street (map) Type of Building: Walk-up apartments Number of Suites: 96 (36 one bdrm, 60 two bdrm)

	**Hugo Apartments** Location: Kitchener, Ontario Address: 15,19 & 25 Hugo Crescent (map) Type of Building: Walk-up apartments Number of Suites: 53 (7 one bdrm, 46 two bdrm)
	**Morgan Apartments** Location: Kitchener, Ontario Address: 167 Morgan Avenue (map) Type of Building: Apartments (elevator) Number of Suites: 47 (2 bachelor, 10 one bdrm, 20 two bdrm, 15 three bdrm)
	**Kingswood Estates*** Location: Kitchener, Ontario Address: 262,266,270,274,278,282,310 & 320 Kingswood Drive (map) Type of Building: Walk-up apartments Number of Suites: 360 (92 one bdrm, 268 two bdrm) * Centurion owns 20% of this property in joint venture with other investors
	**Trafalgar Manor** Location: London, Ontario Address: 1459 Trafalgar St (map) Type of Building: Walk-up apartments Number of Suites: 47 (28 one bdrm, 19 two bdrm) Condominium Status

	**William Street Apartments** Location: Milverton, Ontario Address: 55 William Street (map) Type of Building: Walk-up apartments Number of Suites: 22 (7 one bdrm, 13 two bdrm, 2 three bdrm)
	**1175 Dundas Street West (Westdale Apartments)** **Location: Mississauga, Ontario** **Addresss: 1175 Dundas Street West (Map)** **Type of building: Apartment (elevator)** **Number of suites: 104 (1 bach, 53 one bdrm, 50 two bdrm)**
	**275 North Service Road (North Apartments)** **Location: Mississauga, Ontario** **Address: 275 North Service Road (Map)** **Type of building: Apartment (elevator)** **Number of suites: 82 (34 one bdrm, 41 two bdrm, and 7 three bdrm)**
	**Park Place Apartments** Location: Oshawa, Ontario Address: 277 Anderson Avenue (map) Type of Building: Apartments (elevator) Number of Suites: 47 (47 two bdrm)

	**Orchard View Apartments and Mansion** Location: Oshawa, Ontario Address: 36 and 70 Orchardview Blvd (map) Type of Building: Walk-up apartments Number of Suites: 24 (5 one bdrm, 19 two bdrm)
	**Lisgar Court Apartments** Location: Tillsonburg, Ontario Address: 185, 187, 191 Lisgar Avenue (map) Type of Building: Walk-up apartments Number of Suites: 61 (22 one bdrm, 38 two bdrm, 1 three bdrm)
	**Biggin Court** **Location: Toronto, Ontario** **Address: 1,2,3,5 and 7 Biggin Court (map)** Type of Building: Apartments (elevator) Number of Suites: 306 (11 Bachelor, 9 Jr one bdrm, 170 one bdrm, 108 two bdrm, 8 three bdrm).
	**Grandstand Place** **Location: Toronto, Ontario** **Address: 6 Grandstand Place (map)** Type of Building: Apartments (elevator) Number of Suites: 60 (21 one bdrm, 33 two bdrm, 6 three bdrm).

	**1631 Victoria Park Avenue** **Location: Toronto, Ontario** **Address: 1631 Victoria Park Avenue (map)** **Type of Building: Walk-up apartments** **Number of Suites: 35 (4 Bach, 19 one bdrm, and 12 two bdrm)**
	**1594 Victoria Park Avenue** **Location: Toronto, Ontario** **Address: 1594 Victoria Park Avenue (map)** **Type of Building:** Apartments (elevator) **Number of Suites: 28 (1 Bach, 13 one bdrm, and 14 two bdrm)**
	**4 & 8 Rannock Avenue, and 880 Pharmacy Ave** **Location: Toronto, Ontario** **Address: 4 & 8 Rannock Avenue, and 880 Pharmacy Avenue (map)** **Type of Building: Walk-up apartments** **Number of Suites: 84 (33 one bdrm, and 51 two bedrm)**
	**26 Thorncliffe Park Drive** **Location: Toronto, Ontario** **Address: 26 Thorncliffe Park Drive (map)** **Type of Building: Apartments (elevator)** **Number of Suites: 61 (35 one bdrm, 25 two bdrm, and 1 three bdrm)**

	**27 Thorncliffe Park Drive** **Location: Toronto, Ontario** **Address: 27 Thorncliffe Park Drive (map)** **Type of building: Apartments (elevator)** **Number of suites: 86 (2 Bach, 45 one bdrm, 39 two bdrm)**
	**50 Thorncliffe Park Drive** **Location: Toronto, Ontario** **Address: 50 Thorncliffe Park Drive (map)** **Type of building: Apartments (elevator)** **Number of suites: 57 (1 bach, 10 one bdrm, 34 two bdrm, and 12 3 bdrm)**
	**5 Dufresne Court** **Location: Toronto, Ontario** **Address: 5 Dufresne Court (Map)** **Type of building: Apartments (elevator)** **Number of suites: 218 (27 Junior one bdrm, 54 one bdrm, 27 large one bdrm, 82 two bdrm, and 28 three bdrm).**
	**Dundas Court** Location: Whitby, Ontario Address: 707& 711 Dundas Street West (map) Type of Building: Townhouses Number of Suites: 36 (24 two bdrm, 12 three bdrm)

List of Properties (Student Residences)

	**75 Ann Street*** **Location: London (Ontario)** **Address: 75 Ann Street (map)** **Type of Building: Student Residence (elevator)** **Number of Suites: 137 suites comprising 499 rental beds.** * Centurion owns 75% of this property in joint venture with other investors
	**1 Beaufort Street*** **Location: London (Ontario)** **Address: 1 Beaufort Street (map)** **Type of Building: Student Residence** **Number of Suites: Six block townhouse complex with 27 suites comprising 135 rental beds (27 five bdrms)** * Centurion owns 75% of this property in joint venture with other investors
	**St George Street** **Location: London (Ontario)** **Address: 83 St. George Street (13 townhouses), 87,89,91,93,95,97,99 St. George Street, 149,151,163,165 Ann Street. (map)** **Type of Building: Student Residence** **Number of Suites: 24 townhouses comprising of 96 rental beds (24 four bdrms).**

	**Auburn Student Residence*** **Location:** Montréal (Québec) Address: 505-521 Ste-Catherine Street West (map) **Type of Building: Student Residence (elevator)** Number of Suites: 100 suites comprising 440 rental beds (10 three bdrm, 40 four bdrm, 50 five bdrm). * Centurion owns 25% of this property in joint venture with other investors
	**University View** **Location: Waterloo, Ontario** **Address: 173 King Street North (map)** **Type of Building: Student residence (Elevator)** **Number of Suites: 56 Suites comprising 219 rental beds (1 one bdrm, 1 two bedrm, and 54 four bdrm)**
	**167 King Street North** **Location: Waterloo, Ontario** **Address: 167 King Street North (map)** **Type of Building: Student residence (Elevator)** **Number of Suites: 41 Suites comprising 205 rental beds (41 five bdrm)**

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 IFRS. Distributable income is presented herein because Management of Centurion Apartment REIT believes this non-IFRS 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 IFRS, 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 Provinces of Ontario and Quebec. The nature of apartment construction and operation is such that refurbishment and structural repairs are required periodically, in addition to regular ongoing maintenance. In addition, legislation relating to, among other things, environmental and fire safety standards is continually 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. See below for further restrictions in the respective jurisdictions:

Ontario

. The Government of Ontario drafted and finalized new residential tenancy legislation, The Residential Tenancies Act, 2006 ("**RTA**"), which it characterized as ''effective tenant protection.'' The RTA received Royal Assent June 22, 2006, and is now law, replacing the *Tenant Protection Act*, 1997 (Ontario) (the ''**TPA**''). The RTA provides restrictions upon the ability of a landlord to increase rents above a prescribed guideline, which is established annually. The rent increase guideline is calculated under the RTA, and is based on the Ontario Consumer Price Index, which is calculated monthly by Statistics Canada. On June 13, 2012, the Government of Ontario passed legislation to amend the RTA, to ensure that the Rent Increase Guideline is capped at 2.5%. The guideline increase for 2012 was 2.5%; the 2013 guideline increase was calculated by averaging the percentage increase in the Ontario Consumer Price Index during the previous 12 months, from June 2011 to May 2012. Since the average CPI was 2.6%, the amended legislation capped the guideline at 2.5%. In order to increase rents above the maximum guideline increase of 2.5% per annum for 2013 , 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 RTA 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 RTA 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.

Quebec

The Government of Québec relies upon the *Civil Code of* Quebec, C.C.Q. ("**C.C.Q.**") and the *Act Respecting the Régie du logement, R.S.Q. c. R-8.1* (the "Act") in administering landlord tenant concerns through the Régis du logement (the Régis). Similar to Ontario, there are restrictions upon the ability of a landlord to increase rents above a prescribed guideline, which is established annually. The guideline increase for 2012 ranged between 0.6% and 3.6% depending on the type of heating; the 2013 guideline increase ranged between 0.9% and 1.7%. A landlord, which undertakes major repairs or renovations, may make changes to the conditions of a lease, including an increase in the rental rate above the guideline that is based upon a prescribed calculation to justify the increase. Should the tenant, within his or her right, refuse modifications and the new rental rate, the landlord may apply to the Régie (within 1 month of refusal, otherwise the lease is renewed under previous conditions) (1947 C.C.Q.). As a result,

Centurion Apartment REIT may, in the future, incur capital expenditures which may not be fully recoverable from tenants. In Québec, the cornerstone principle is the tenant's right to maintain occupancy (1936 C.C.Q.), and barring notice from either party to the contrary, automatic renewal for fixed term leases (maximum 12 months) (1941 C.C.Q.). Further, the landlord must provide notice to any new lessee, presenting the lowest rent paid in the preceding 12 months (1896 C.C.Q.); should the tenant dispute the new rental rate, they may make application to the Régis to set the rent.

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 Asset Manager and Property Manager are not owned by Centurion Apartment REIT but are related by common management and personnel to Centurion Apartment REIT. This could create conflicts of interest between the Asset Manager and Property Manager and Centurion Apartment REIT.

Centurion Apartment REIT is a connected issuer of Centurion Apartment REIT Management Inc., the Asset Manager and an exempt market dealer in certain jurisdictions (Ontario, British Columbia and Alberta as at the date hereof), by virtue of the Asset Manager's role in managing the affairs of Centurion Apartment REIT and its compensation under the Asset Management Agreement. See "The Asset Manager", "Asset Managers Duties" and "Asset Manager's Fees for more particulars regarding the relationship between Centurion Apartment REIT and the Asset Manager. The decision to distribute the Units being offered hereunder was made upon the recommendation of the Asset Manager in its capacity as the asset manager of Centurion Apartment REIT.

Gregory Romundt, the president of the Asset Manager is also the president and a trustee of Centurion Apartment REIT. The Asset Manager is 100% beneficially owned by Gregory Romundt and his family. This could be seen to be a potential conflict of interest, however, as the Ultimate Designated Person of the Asset Manager, Mr. Romundt has a responsibility to deal fairly, honestly and in the best interests of investors.

The Centurion Apartment REIT Declaration of Trust contains "conflict 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.

In the event that a REIT Unitholder purchases REIT Units by way of a Fee Based Accounts Option, such REIT Unitholder, whether a Registered Account or otherwise, may be subject to additional tax and such REIT Unitholder should consult with their tax advisors in this regard.

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.

APPENDIX C – Audited Financial Statements

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CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Financial Statements

For the year ended December 31, 2012

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Tel: 416 865 0200
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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 statement of financial position as at December 31, 2012, and the consolidated statements of income and comprehensive income, changes in unitholders' equity and cash flows for the year then ended, 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 audit. We conducted our audit 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 overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained 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, 2012 and its financial performance and its cash flows for the year then ended in accordance with International financial reporting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

March 27, 2013
Toronto, Ontario

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note		**December 31, 2012**		December 31, 2011
Assets					
Non-current assets					
Investment properties	5	**$**	**289,540,146**	$	121,250,438
Current assets					
Accounts receivable, deposits and prepaids	6		**5,470,766**		2,348,272
Cash			**5,286,107**		1,781,765
			10,756,873		4,130,037
Total Assets		**$**	**300,297,019**	$	125,380,475
Liabilities and Unitholders' Equity					
Non-current liabilities					
Mortgages payable	7	**$**	**139,692,653**	$	50,666,880
Tenants deposits			**1,939,500**		876,924
			141,632,153		51,543,804
Current liabilities					
Current portion of mortgages payable	7		**14,843,533**		9,070,580
Exchangeable units	8		**11,809,714**		9,430,548
Distributions payable			**933,589**		485,553
Accounts payable and accrued liabilities	9		**2,981,852**		3,939,555
			30,568,688		22,926,236
Total Liabilities			**172,200,841**		74,470,040
Unitholders' equity			**128,096,178**		50,910,435
Total Liabilities and Unitholders' Equity		**$**	**300,297,019**	$	125,380,475

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

Approved by the Board of Trustees:

(Signed) Gregory G. Romundt

Trustee

(Signed) Wayne Tuck

Trustee

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

Year ended December 31, 2012

	Note	**2012**	2011
Revenue from property operations		**$18,909,921**	$ 9,544,564
Property operating costs		**(9,886,378)**	(5,261,589)
Net rental income		**9,023,543**	4,282,975
Other expenses			
Mortgage expenses	10	**(4,401,216)**	(2,596,069)
General and administrative expenses	11	**(1,680,791)**	(802,501)
Income before undernoted		**2,941,536**	884,405
Fair value adjustment on investment properties	5	**16,480,474**	11,088,189
Distributions on exchangeable units		**(795,063)**	(1,076,374)
Fair value adjustment on exchangeable units	8	**(4,357,716)**	(1,946,629)
Net income and comprehensive income		**$14,269,231**	$ 8,949,591

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

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

Year ended December 31, 2012

	Note	**2012**	2011
Units			
Balance, beginning of period		**$ 51,177,413**	$ 14,046,936
Class A units converted from exchangeable units	8	**2,094,676**	7,429,186
Class A units issued		**71,934,256**	39,493,159
Unit issue costs		**(2,222,862)**	(1,734,684)
Redemption of units		**(4,164,335)**	(8,057,184)
Balance, end of period		**118,819,148**	51,177,413
Retained earnings/(deficit)			
Balance, beginning of year		**(266,978)**	(7,236,103)
Net income		**14,269,231**	8,949,591
Distributions to Class A unitholders		**(4,725,223)**	(1,980,466)
Balance, end of year		**9,277,030**	(266,978)
Total Unitholders' Equity		**$ 128,096,178**	$ 50,910,435

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

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2012

	2012	2011
Cash provided by (used in) operating activities		
Net income and comprehensive income	**$ 14,269,231**	$ 8,949,591
Amortization of financing fees	**152,490**	251,520
Distribution to exchangeable units	**116,124**	1,076,374
Fair value adjustment on exchangeable units	**4,357,716**	1,946,629
Fair value adjustment on investment properties	**(16,480,474)**	(11,088,189)
Changes in non-cash operating account balances	**(3,018,763)**	780,388
	(603,676)	1,916,313
Financing activities		
Proceeds from units issued	**71,934,256**	39,493,159
Unit issue costs	**(2,222,862)**	(1,734,684)
Redemption of units	**(4,164,335)**	(8,057,184)
Financing fees	**(822,947)**	(334,046)
Mortgage advances	**115,537,969**	32,307,054
Mortgage repayments	**(20,067,642)**	(7,414,675)
Distributions	**(4,277,187)**	(2,790,522)
	155,917,252	51,469,102
Investing activities		
Property acquisitions	**(139,386,499)**	(44,583,556)
Property acquisition costs	**(5,581,720)**	(1,808,554)
Property improvements	**(6,841,015)**	(6,958,892)
	(151,809,234)	(53,351,002)
Net increase in cash	**3,504,342**	34,413
Cash, beginning of year	**1,781,765**	1,747,352
Cash, end of year	**$ 5,286,107**	$ 1,781,765
Supplemental cash flow information		
Cash paid for interest on mortgages	**$ 4,051,789**	$ 2,344,549
Distribution reinvestment plan	**2,847,413**	1,359,248

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

1. Organization

Centurion Apartment Real Estate Investment Trust (the "REIT" or "Trust") 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 located at 25 Sheppard Avenue West, Suite 710, Toronto, Ontario, M2N 6S6.

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

2. Significant Accounting Policies

a) Statement of Compliance

The consolidated financial statements for the year ending December 31, 2012 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using accounting policies described herein.

The consolidated financial statements of the REIT for the year ended December 31, 2012 have been prepared using the same accounting policies as the previous year.

These consolidated financial statements have been approved for issue by the Board of Trustees on March 27, 2013.

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 or for 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 2012 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 REIT's 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 value:

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. Any gains or losses on the retirement or disposal of investment property are recognized in the income statement in the year of retirement or 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 unitholders 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 income

Rental income is recognized using the straight-line method whereby the total amount of rental income 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 a 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 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 unitholders.

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 instruments 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
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

Standards issued and amendments to existing standards but not yet effective up to the date of issuance of these consolidated financial statements are described below. This description is of standards and interpretations issued, which the Trust reasonably expects to be applicable at a future date.

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 for annual periods beginning on or after January 1, 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 for annual periods beginning on or after January 1, 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 application 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 of the standards 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. Actual results could differ from those estimates.

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 unit's 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. Investment Property Acquisitions

(i) During the year ended December 31, 2012 the Trust completed the following investment property acquisitions, which contributed to the operating results effective from the acquisition date.

Acquisition Date	Rental Units	% of Holding	Total Acquisition Costs (millions)	Mortgage Funding (millions)	Weighted Average Interest Rate	Maturity Date(s)
February 27, 2012	634	75%	$ 29.100	$ 19.250	3.55%	February 27, 2017
March 9, 2012	96	100%	7.000	5.250	3.85%	March 9, 2017
July 24, 2012	35	100%	3.150	2.000	4.50%	July 24, 2013
July 31, 2012	303	100%	26.250	20.960	3.66%	August 1, 2017 and February 1, 2013
August 15, 2012	423	100%	37.844	29.700	4.00%	August 15, 2018 and February 15, 2013
September 4, 2012	364	100%	40.520	31.194	3.84%	September 4, 2019, March 4, 2013, June 1, 2021 and September 4, 2013
November 8, 2012	28	100%	2.800	-	-	-

(ii) During the year ended December 31, 2011 the Trust completed the following investment property acquisitions:

Acquisition Date	Rental Units	% of Holding	Total Acquisition Costs (millions)	Mortgage Funding (millions)	Weighted Average Interest Rate	Maturity Date(s)
April 7, 2011	306	100%	$ 26.250	$ 15.400	4.37%	May 1, 2016, and April 7, 2016
December 15, 2011	440	25%	46.750	34.500	3.93%	December 15, 2018
December 15, 2011	60	100%	5.950	3.850	4.20%	January 12, 2013

5. Investment Properties

	December 31, 2012	December 31, 2011
Balance, beginning of year	**$ 121,250,438**	$ 56,811,413
Property acquisitions	**139,386,499**	44,583,560
Property acquisition costs	**5,581,720**	1,808,554
Property improvements	**6,841,015**	6,958,722
Fair value gain	**16,480,474**	11,088,189
Balance, end of year	**$ 289,540,146**	$ 121,250,438

At December 31, 2012, 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% to 6.5% at December 31, 2012 (December 31, 2011 – 5.25% to 6.5%) and averaged 5.76% for the total portfolio (December 31, 2011 – 5.79%).

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%)	5.01%	$ 332.88	$ 43.34	15.0%
(0.50%)	5.26%	$ 317.06	$ 27.52	9.5%
(0.25%)	5.51%	$ 302.68	$ 13.14	4.5%
December 31, 2012	5.76%	$ 289.54	$ -	0.0%
0.25%	6.01%	$ 277.50	$ (12.04)	(4.2%)
0.50%	6.26%	$ 266.41	$ (23.13)	(8.0%)
0.75%	6.51%	$ 256.18	$ (33.36)	(11.5%)

6. Accounts receivable, deposits and prepaids

	December 31, 2012	December 31, 2011
Accounts receivable	**$ 859,959**	$ 193,543
Less: allowance for doubtful accounts	**(196,451)**	(81,727)
Accounts receivable, net	**663,508**	111,816
Investment property acquisition deposits	**2,714,589**	850,000
Unit subscription funds	**1,407,902**	849,000
Prepaids	**223,174**	137,625
Other current assets	**461,593**	399,831
	$ 5,470,766	$ 2,348,272

The aging of resident receivables is as follows:

	December 31, 2012	December 31, 2011
Current	**$ 544,246**	$ 91,379
31-60 days	**238,417**	47,434
61-90 days	**2,689**	4,075
Over 90 days	**74,607**	50,655
Allowance for doubtful accounts	**(196,451)**	(81,727)
	$ 663,508	$ 111,816

7. Mortgages Payable

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

	December 31, 2012	December 31, 2011
First mortgages on income properties, bearing interest between 2.38% and 5.42% (2011- 4.2% and 6.2%), with a weighted average interest rate of 3.69% (2011- 4.46%), secured by related income properties	**$ 118,139,295**	$ 39,900,034
Second mortgages on income properties, bearing interest between 3% and 8% (2011- 5% and 6%), with a weighted average interest rate of 6.92% (2011- 5.36%),secured by related income properties	**11,206,864**	1,844,052
Line of Credit facility, bearing interest of 4.2% to 4.5%(2011- 4% and 5.25%), with a weighted average interest rate of 4.35%(2011- 4.34%), secured by all income properties of the REIT, excluding income properties owned through joint venture	**11,933**	5,970,103
REIT proportion of mortgages held through joint venture, bearing interest between 3.55% and 5.10%(2011- 4% and 5.1%), with a weighted average interest rate of 3.99%(2011- 4.62%), secured by income properties in the joint venture	**26,247,994**	12,421,570
	155,606,086	60,135,759
Less: Financing fees	**1,069,900**	398,299
	$ 154,536,186	$ 59,737,460

Substantially all of the REIT's assets have been pledged as security under the related mortgages and other security agreements. Overall the weighted average mortgage interest rate at December 31, 2012 was 4%.

Mortgages payable at December 31, 2012 are due as follows:

	Principal Repayments	**Balance due at Maturity**	**Total**
Year ended December 31, 2013	$ 3,777,197	$ 11,066,337	$ 14,843,533
Year ended December 31, 2014	3,882,857	4,175,084	8,057,941
Year ended December 31, 2015	3,913,996	1,994,257	5,908,253
Year ended December 31, 2016	3,410,046	25,192,817	28,602,863
Year ended December 31, 2017	2,547,001	39,600,862	42,147,864
Thereafter	56,045,632	-	56,045,632
	$73,576,729	$ 82,029,357	$ 155,606,086
Less: Financing fees			1,069,900
			$ 154,536,186

The fair value of mortgages payable is approximately $155,864,000 (2011- $60,810,000)

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	7,520,397	-	7,520,397
	$12,548,634	$ 47,587,125	$ 60,135,759
Less: Financing fees			398,299
			$ 59,737,460

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 puttable financial instruments may be classified as equity.

Authorized

Unlimited number of Class A Trust Units

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 puttable 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 diluted 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 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") determined by a market formula 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

	December 31, 2012	December 31, 2011
Class A Trust Units		
Units as at January 1,	**5,660,886**	1,736,211
New units issued	**6,589,313**	3,903,903
Distribution reinvestment plan	**255,800**	83,361
Redemption of units	**(196,607)**	(62,589)
	12,309,392	5,660,886
Class B Trust Units	**50,000**	50,000
Exchangeable LP units		
Units as at January 1,	**598,662**	1,304,295
Converted to Class A units and redemptions	**(202,714)**	(733,819)
Distribution reinvestment plan	**11,065**	28,186
	407,013	598,662

9. Accounts Payable and Accrued Liabilities

	December 31, 2012	December 31, 2011
Accounts payable and accrued liabilities	**$ 2,628,050**	$ 3,803,383
Accrued interest	**353,802**	136,172
	$ 2,981,852	$ 3,939,555

10. Mortgage Expenses

		December 31, 2012		December 31, 2011
Interest on mortgages payable	**$**	**4,248,726**	$	2,344,549
Amortization of financing fees		**152,490**		251,520
	$	**4,401,216**	$	2,596,069

11. General and Administrative Expenses

		December 31, 2012		December 31, 2011
Asset management fee	**$**	**1,040,427**	$	470,489
Professional fees		**309,130**		101,648
Fund administration costs		**194,557**		170,257
Miscellaneous expenses		**136,677**		60,107
	$	**1,680,791**	$	802,501

12. Investment in Joint Ventures

The REIT's investment in Kingswood Drive Kitchener Limited Partnership for the period ended December 31, 2012 is 20%. $3,666,796 of mortgage of this joint venture has been guaranteed by the REIT as of December 31, 2012. During December 2011, the REIT acquired a 25% interest in another Joint Venture, Ste Catherine Co-ownership. The REIT guaranteed mortgage balance is $8,417,504 as of December 31, 2012. In addition, during February 2012, the REIT acquired a 75% interest in another Joint Venture, Varsity Co-ownership. The REIT guaranteed mortgage balance is $14,163,694 as of December 31, 2012.

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

	December 31, 2012	December 31, 2011
Non-current assets	**$ 51,973,651**	$ 20,116,111
Current assets	**31,487**	548,959
Non-current liabilities	**26,189,892**	12,101,941
Current liabilities	**765,183**	718,432
Revenues	**3,507,004**	444,033
Expenses	**2,809,656**	334,916
Fair value adjustment on investment properties	**7,025,591**	2,493,730
Net income for the period	**7,722,939**	2,602,846

13. 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 lower of:
   i. 1.5% of the net asset value of the regular units of the REIT
   ii. 0.525% of total assets of previous reporting period

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% of the gross income from its investment properties.

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

c) The REIT is committed to property management agreements with three external parties related to its student housing portfolio. Under these agreements, the REIT is required to pay a management and administrative fee of 4% of gross rentals per month with the obligation to pay an incentive fee if certain benchmarks are met.

14. 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.

15. 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 the period ended December 31, 2012 were $452,105 (2011 - $232,237).

During the year, the REIT was charged acquisition fees, asset management fees and property management fees under agreements described in Note 13 of $1,611,054, $1,040,427 and $762,975, respectively (2011 - $500,449, $726,292 and $446,064). 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 $ nil (2011 - $255,803).

Key management consists of the Board of Trustees and executive management team of the REIT. Compensation paid to key management during 2012 is $108,000 (2011 - $108,000).

16. 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), and lines of credit. 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 endeavors to make annual distributions. 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. The following table highlights the REIT's existing leverage ratio in accordance with the Declaration of Trust:

As at	**December 31, 2012**	December 31, 2011
Total Assets	**$ 300,297,019**	$ 125,380,475
Mortgages payable	**$ 154,536,186**	$ 59,737,460
Ratio of debt to GBV	**51.46%**	47.64%

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

As at	**December 31, 2012**	December 31, 2011
Mortgages payable	**$ 154,536,186**	$ 59,737,460
Exchangeable units	**11,809,714**	9,430,548
Unitholders' equity	**128,096,178**	50,910,435
Total	**$ 294,442,078**	$ 120,078,443

17. 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 identifying 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 unitholders, 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, 2012 the REIT had $5,286,107 in cash and $14,808,067 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, 2012, 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	$ 14,843,533	$ 148,435	$ 148,435	$ (148,435)	$ (148,435)

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 statement of income and comprehensive income and subsequent recoveries of amounts previously written off are credited in the consolidated statement 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 income and liabilities.

Market risk at		-5%		5%	
	Carrying Amount	Income	Liabilities	Income	Liabilities
Financial liabilities					
Exchangeable units	$ 11,809,714	$ 590,486	$ (590,486)	$ (590,486)	$ 590,486

18. Comparative Information

Certain comparative figures have been reclassified to conform to the current year's presentation.

19. Subsequent Events

Subsequent to the year end the REIT completed the following investment property acquisitions and arranged the financing as below:

a) In January 2013, the REIT announced the acquisition of a portfolio of 404 rental suites comprised of 218 apartments in Toronto and 186 apartments in Mississauga. The acquisition price was $46.89 million. The acquisition was financed by a combination of cash, operating facilities and 3 new mortgages of $8.3 million, $13.75 million and $5.53 million, bearing interest at 3.87%, 5.53% and 3.60%, for a 10 year, 4 years and 9 years term respectively.
b) In February 2013, the REIT announced the pending acquisition of a 205 unit student residence in Waterloo, Ontario. The acquisition price is $17 million and will be financed by a combination of cash, operating facilities and a new long term mortgage.
c) The REIT issued additional units for approximately $15 million cash proceeds.
d) In March 2013, the REIT paid off the principal balance on an outstanding mortgage of $6.04 million.
e) In March 2013, the REIT entered into a sales agreement with a third party to sell one of its buildings for a sale price of $1.28 million. The sale agreement includes a vendor-take back mortgage at 3.5% due in October 2013.

CENTURION APARTMENT

REAL ESTATE INVESTMENT TRUST