CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

2015 Annual Report | Management's Discussion and Analysis

For the twelve months ended December 31, 2015

PROFILE

Centurion Apartment Real Estate Investment Trust (the "REIT" or "Trust") is an income-producing, diversified real estate investment trust investing in multi-residential apartments, student housing and mortgage investments in Canada.

2015 HIGHLIGHTS

- Increased total assets from $637.47 million to $836.89 million.
- Successfully completed four acquisitions for a total purchase consideration of $94.25 million.
- Disposed of one building in the year for disposition proceeds of $2.38 million.
- Internalized the asset and property management functions.
- Class A 10.20% compounded return
- Class F 11.17% compounded return

OBJECTIVES

- Provide investors with stable cash distributions, payable monthly; tax deferred, where reasonably possible, with the opportunity for long-term growth and a focus on preservation of capital.
- Maintain and grow a diversified investment portfolio of income-producing multi-unit residential apartments and student housing properties in Canada.
- Maximize Unit value through the active management of the Portfolio.
- Leverage the strategic relationships within Centurion Asset Management Inc.'s network to increase investment opportunities and manage risk.

FINANCIAL HIGHLIGHTS

Portfolio Performance	Notes:	2015	2014
Overall Portfolio Occupancy		91.5%	96.6%
Operating Revenues		$49,682,274	$40,322,024
NOI		$29,671,845	$21,609,015
NOI Margin		59.72%	53.59%
Operating Performance			
Net Income & Comprehensive Income Per Unit	*3*	$1.15	$0.88
FFO Per Unit	*page 46*	$0.58	$0.54
NFFO Per Unit	*page 46*	$0.99	$0.94
PFFO Per Unit	*page 46*	$1.18	$1.21
Weighted Average Number of Units		36,416,486	28,761,167
Distributions per Class "A" Unit		$0.8200	$0.8200
Distributions per Class "F" Unit		$0.9300	$0.9300
Total Annual Return - Class A		10.20%	9.21%
Total Annual Return - Class F		11.17%	10.21%
Liquidity and Leverage			
Total Debt to Gross Book Value		38.22%	40.41%
Net Debt to Adjusted Gross Book Value	*1*	27.61%	30.33%
Weighted Average Mortgage Liability Interest Rate		3.48%	3.95%
Weighted Average Mortgage Liability Term (years)		4.40 years	4.20 years
Weighted Average Mortgage Investment Interest Rate		10.33%	10.37%
Weighted Average Mortgage Investment Term (years)		0.96 years	1.30 years
Gross Interest Expense Coverage Ratio (times)	*2*	3.58	2.92
Available Liquidity - Acquisition and Operating Facility		$45,730,000	$37,659,766
Other			
Number of Rental Units Acquired		875	355
Number of Rental Units Disposed		30	108
Number of Rental Units		5,379	4,498
New Mortgage Investments Made		$49,121,113	$72,096,719
Mortgage Investment Repayments		$23,433,803	$22,967,094
Closing Price of Trust Units		$12.262	$11.860
Total Assets		$836,888,801	$637,472,407
Market Capitalization		$484,894,083	$384,593,032

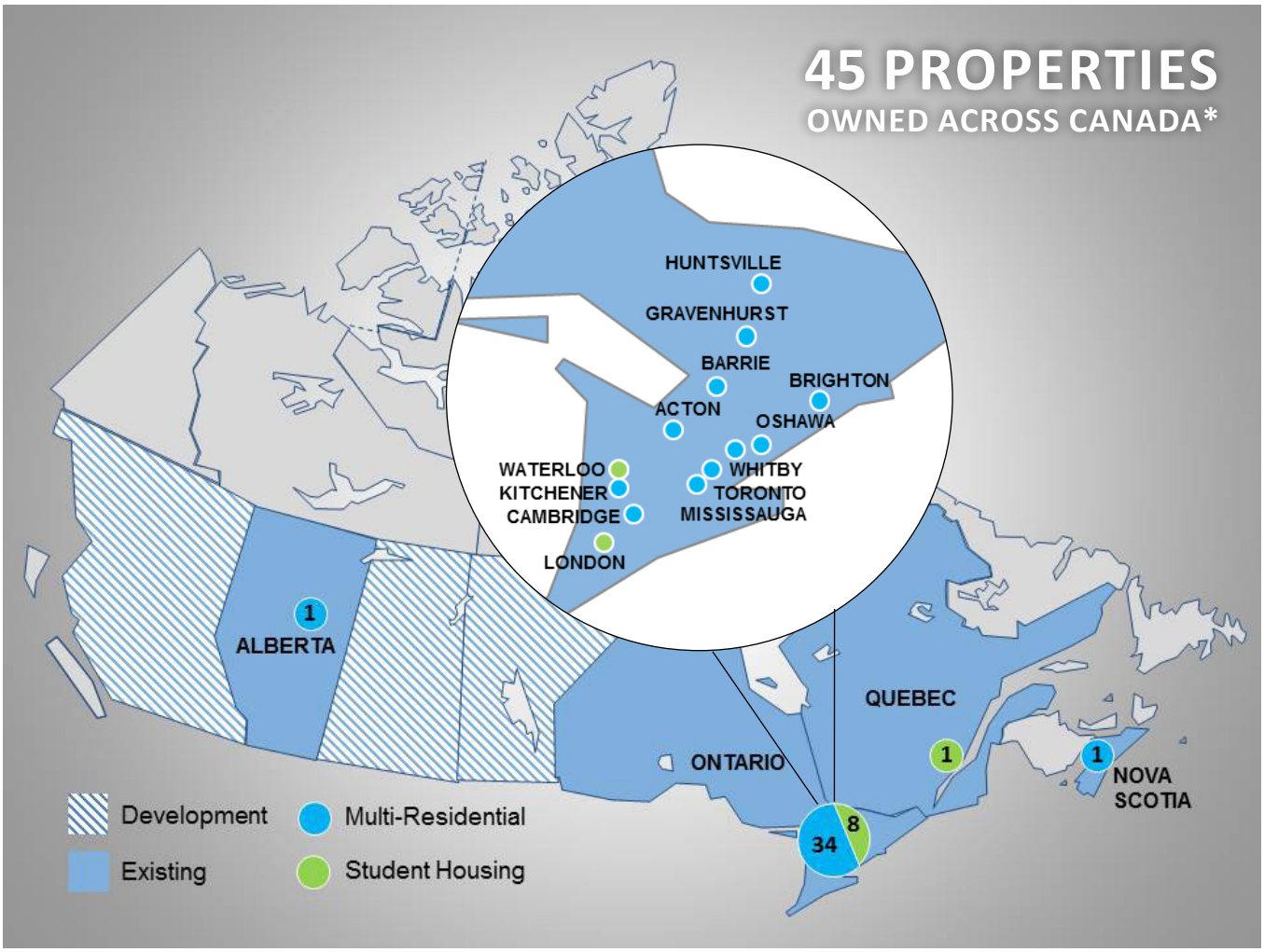
Notes:

(1) Calculated by taking Mortgage liabilities less mortgage assets and divided by (gross book value less mortgage investments).

(2) Calculated by taking NOI plus interest income divided by finance costs.

(3) Net Income & Comprehensive Income less Minority Interest

PORTFOLIO DIVERSIFICATION



ALBERTA

EDMONTON (1)

ONTARIO

ACTON (1)
BARRIE (2)
BRIGHTON (2)
CAMBRIDGE (4)
GRAVENHURST (1)
HUNTSVILLE (1)
KITCHENER (7)
LONDON (4) | **The MARQ London***
MISSISSAUGA (2)
OSHAWA (2)
TORONTO (11)
WATERLOO (4) | **The MARQ Waterloo***
WHITBY (1)

QUEBEC

MONTREAL (1) | **La MARQ Montreal**

NOVA SCOTIA

DARTMOUTH (1)

**Third-party managed properties not included. When included, numbers are as follows; London (5), Waterloo (13), total across Canada (63).*

PORTFOLIO COMPOSITION

16 CITIES | 45 PROPERTIES | 5,379 RENTAL UNITS*

APARTMENTS

CITIES	PROPERTIES | SUITES
ALBERTA	
EDMONTON	(1) | 126
ONTARIO	
ACTON	(1) | 33
BARRIE	(2) | 43
BRIGHTON	(2) | 59
CAMBRIDGE	(4) | 583
GRAVENHURST	(1) | 39
HUNTSVILLE	(1) | 25
KITCHENER	(7) | 662
MISSISSAUGA	(2) | 186
OSHAWA	(2) | 71
TORONTO	(11) | 1026
WHITBY	(1) | 36
NOVA SCOTIA	
DARTMOUTH	(1) | 114
TOTAL RENTAL UNITS	**3,003**

**Owned properties only*

STUDENT HOUSING

CITIES	PROPERTIES | BEDS
ONTARIO	
THE MARQ LONDON*	(4) | 950
THE MARQ WATERLOO*	(4) | 986
QUEBEC	
LA MARQ MONTREAL	(1) | 440
TOTAL RENTAL UNITS	**2,376**

STUDENT HOUSING

Including Third-Party Management

CITIES	PROPERTIES | BEDS
ONTARIO	
THE MARQ LONDON	(5) | 1541
THE MARQ WATERLOO	(13) | 1832
QUEBEC	
LA MARQ MONTREAL	(1) | 440
TOTAL RENTAL UNITS	**3,813**

EXECUTIVE MANAGEMENT AND BOARD OF TRUSTEES

Gregory Romundt
President, Trustee

Ross Amos
Independent Trustee, Chairman

Robert Orr
Chief Financial Officer & Chief Compliance Officer, Trustee

Martin Bernholtz
Independent Trustee

Lucian Ionescu
Vice President, Residential Operations

John Mills
Independent Trustee

LETTER FROM THE PRESIDENT

2015 was a year in which we made a modest number of property acquisitions and continued to execute on our operational plans to stabilize the existing portfolio and set the REIT up for future growth.

Acquisition & Investment Activity

Acquisition activity in 2015 was modest even though the market was extremely active. The market has been very aggressive in paying premium prices to buy properties and as a result, very few deals met our acquisition criteria.

In 2015, the REIT bought or contracted to buy six properties:

- 3707 & 3711 Whitelaw Lane NW in Edmonton, that was negotiated in 2014 and completed in January 2015; This was our first property acquisition in Alberta;
- 515 St. Catherine Street in Montreal, was negotiated in 2014 and completed in January 2015;
- 205 Oxford Street East in London, Ontario, a 14-storey high-rise with 135 units. The purchase closed in September 2015. This increased the REIT's holdings in London to 950 rental units;
- 46-56 College Street and 58 & 64 Weber Street West in Kitchener, a portfolio of 74 units was purchased from a mortgage originating in Centurion Real Estate Opportunities Trust. This increased the REIT's holdings in Kitchener to 662 rental units; and
- A 96 unit apartment property in Cambridge, Ontario purchased. The transaction closed in January 2016 and brought the REIT's holdings in Cambridge to 679 rental units;
- An 81 unit apartment property in Mississauga, Ontario that closed in March 2016 and brought the REIT's holdings in Mississauga to 267 rental units.

The REIT completed one disposition in 2015:

- 118 St. Joseph's Drive in Hamilton, Ontario for $2.375 million closed in April 2015. It was originally purchased in 2007 for $925,000. This decreased the REIT's holdings in Hamilton to zero.

The REIT's strategy is to increase the number of opportunities to purchase newly-built properties upon completion by bringing in additional third party capital through investment in Centurion Real Estate Opportunities Trust ("REOT" or "CREOT"). REOT's capital base has grown considerably with strong interest from investors in this strategy. As at December 31, 2015, investments by external investors in REOT now account for approximately 38% of REOT's capital with the balance held by the REIT. The REIT has purchased three properties from its REOT program with another expected to be completed in the next few months. Up to this point, the REIT has purchase options on nearly $567 million of apartment and student properties currently in various stages of development. The REIT may not purchase all of the properties on which it has options, but this represents a strong pipeline of potential opportunities for the REIT.

Portfolio Stabilization

The REIT made significant progress in moving properties along the stabilization process with occupancies on repositioning properties at 96.6% and stabilized properties at 97.9% with an average of 97.4% of these two combined categories at December 31, 2015. As noted previously, the REIT made a number of acquisitions in the year that had vacancies when we purchased them and required lease up. This impacted on overall

LETTER FROM THE PRESIDENT

portfolio occupancy such that unstabilized properties were at 56.2% occupancy at year-end. The unstabilized properties which comprise 14% of the total rental units thus dragged overall occupancy at year end down to 91.5%. Management is executing on its plan to fill these properties and stabilize them over the next year to get overall occupancy on the existing portfolio to its target of 97%.

Internalization of the Asset and Property Management Teams

As at January 1, 2015 the asset and property management teams of the REIT were internalized into the REIT. No fee or premium was paid to Centurion Asset Management Inc., the Asset Manager, for the internalization of the asset management teams. The REIT internalized the property management teams via its acquisition of Centurion Property Associates Inc. ("CPAI"), no premium was paid on the acquisition of CPAI. Management believes the decision to internalize these functions saved approximately $2.5 million in costs in 2015 and that these savings will increase in time as both these funds continue to grow. It is anticipated that the internalization will also result in closer alignment of the operational teams with the REIT and its investors.

Third Party Property Management Business

Management believes that there is a lack of institutional grade managers of student housing properties in Canada and has thus also launched a third-party student property management business. The REIT started negotiating contracts in 2015 and created an entirely new revenue stream. In June it was announced that the REIT successfully entered a contract to manage a student housing portfolio of 1,725 beds in Waterloo. Management believes that increased scale will help to continue to build the student brand, drive economies of scale and may become a source of acquisition opportunities down the line.

Reducing Net Interest Costs

Given exceptionally low interest rates, refinancing properties has been a significant area of focus. The REIT completed $50.4 million in refinancing on twelve properties in December 2015 at a weighted average rate of 1.83%. The total portfolio weighted average mortgage liability interest rate is 3.48% at December 31, 2015 which is down from 3.95% as at December 31, 2014.

In addition to refinancing, we secured significant low rates on new purchases during the year. In September the REIT completed a five year financing at a fixed rate of 1.33%, the lowest in its history.

Investment Returns

The distributions per Unit in 2015 were stable at $0.82/ Class A Unit and $0.93/ Class F Unit. Tax treatment of distributions in 2015 was 83.31% Return of Capital (83.7% in 2014), 1.15% Capital Gains (1.87% in 2014) and 15.54 % Other Income (14.43% in 2014). The Other Income allocation arises from the REIT's mortgage investments. Given the strategic importance of continuing to build a future acquisition pipeline for accretive growth, Management expects that this income may increase for the next while as the REIT continues to deploy into similar opportunities until these turn into actual property acquisitions upon project stabilization. Once these opportunities become property rather than mortgage investments, Management expects that the proportion of returns for tax purposes classified as Other Income will decline.

LETTER FROM THE PRESIDENT

Ontario Offering Memorandum Exemption

In January 2016 the securities regulators in Alberta, New Brunswick, Nova Scotia, Ontario, and Quebec finalized further amendments to the National Instrument 45-106 Prospectus Exemptions. These amendments will introduce the offering memorandum exemption into Ontario and will modify the existing offering memorandum exemption in the other participating jurisdictions to add new investor protection measures.

With the opening of the exempt market to investment by non-accredited investors in Ontario, we anticipate strong demand for the investment products we offer. However, there may be challenges to accommodating the incremental demand from investors for capacity. Management is resolute in not taking money that the trusts do not require as has been our practice over the years.

2016 and Beyond

We believe that the financial markets in 2016 will continue to be volatile but that interest rates will plumb to new depths, likely going negative in Canada at some point this year. We believe that this environment will be very supportive of existing operations (in keeping occupancies high), supporting valuations and make borrowing cheaper thus increasing margins. Low interest rates will continue to make it challenging to find opportunities to deploy capital into acquisitions although demand for loans seems to be extremely robust and we are focusing on cultivating this area.

Greg Romundt
President and Trustee

2015: MANAGEMENT'S DISCUSSON AND ANALYSIS

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis ("MD&A") of Centurion Apartment Real Estate Investment Trust ("Centurion", "Centurion REIT", "Centurion Apartment REIT", the "Trust" or the "REIT") 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, 2015 along with Centurion REIT's other documents available on the Trust's 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, 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", "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 trust Units, 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's trust Units, lack of availability of growth opportunities, diversification, potential unitholders' liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, the unit 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 C "Risks and Uncertainties" and in other sections of the 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,

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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 REIT & DECLARATION OF TRUST

Centurion Apartment Real Estate Investment Trust

Centurion Apartment REIT is a private real estate investment trust focused on apartment buildings, student housing, and mortgage investments in Canada. It is organized as an unincorporated open-ended investment trust created by a declaration of trust made as of August 31, 2009, and as amended and restated, (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 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:

www.centurionapartmentreit.com/current-offering-materials

INVESTMENT GUIDELINES

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) Trust Units of Centurion Apartment REIT being disqualified for any class of Deferred Income Plan; 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 have 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 investment or acquisition is of strategic interest to Centurion Apartment REIT as determined by the Trustees in their discretion;

(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

INVESTMENT GUIDELINES

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).

For the purpose of the foregoing guidelines, the assets, liabilities and transactions of a corporation, trust 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 to an investment in real property will be deemed to include an investment in a joint venture arrangement or a limited partnership. Except as specifically set forth to the contrary, all of the foregoing prohibitions, limitations or requirements for investment shall be determined as at the date of investment by the Trust.

For greater certainty, the investment guidelines are intended to set out generally the parameters under which subsidiaries in which the Trust is permitted to invest will be empowered under their constating documents to re-invest. References to the Trust shall be read as applying to such subsidiary where the actual activity that is the subject of the policy is carried out by such subsidiary. Further, any determinations in respect of the investment restrictions that are determinations reserved to the Trustees, where the actual activity is carried on by a subsidiary, will be made by the trustees or directors of the relevant subsidiary. Nothing in the investment guidelines empowers or entitles the Trust or the Trustees to carry on business or to otherwise undertake any activity that would violate the mutual fund trust status of the Trust.

OPERATING POLICIES

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 honor 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. As at the date hereof, the Trust has engaged Centurion Asset Management Inc. ("CAMI") by the terms of the Trust Asset Management Agreement. This agreement shall remain in full force and effect until terminated by the Trustees or CAMI in accordance with its terms.

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

Accounting Policies

The REIT's significant accounting policies are described in Note 2 of the consolidated financial statements (see "Appendix D") for the year-ended December 31, 2015. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements.

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

Non-IFRS Measures

Centurion Apartment REIT prepares unaudited consolidated interim financial statements and audited consolidated financial statements in accordance with IFRS. In this MD&A, as a complement to the financial results provided in accordance with IFRS, Centurion Apartment REIT also discloses and discusses certain financial measures not recognized by IFRS including Net Operating Income ("NOI") , Normalized Net Operating Income ("NNOI"), Funds From Operations ("FFO"), Normalized Funds From Operations ("NFFO") and Potential Funds From Operations ("PFFO").

These metrics (or, in each case, substantially similar terms) are measures used by Canadian real estate investment trusts as indicators of financial performance, however they do not have standardized meanings prescribed by and 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.

Funds From Operations ("FFO") is a financial measure used by some REITs to define their operating performance to provide an idea of the REIT's cash performance, which is a better indicator of a REIT's performance than earnings which includes large non-cash items. As a rapidly growing REIT with a number of properties that are currently unstabilized or in a period of repositioning, Management does not look at FFO to be a very useful indicator of stabilized cash flow or earnings but calculates and presents FFO as an input into the calculation of the measures such as NFFO and PFFO which it believes are more useful.

Normalized Funds From Operations ("NFFO") is a financial measure that adjusts Funds From Operations for non-recurring items. Some of these items Management considers to be capital in nature but for accounting purposes are written off under IFRS (e.g. portfolio stabilization costs). Adjustments may include things such as portfolio stabilization costs (e.g. extra vacancy costs, rental promotions costs and non-normalized collections and evictions costs) that are not expected to be ongoing once stabilization is achieved, adjustments for the difference between underwritten Internal Rates of Return on participating mortgage type investments and minimum coupon rates on those investments to show the impact of timing differences on earnings related to these investments, leakage costs on excess capital (for undeployed capital) that has dragged on current period earnings but that is non-recurring and new recurring measures such as internalization of the asset and property management teams and their influence on earnings capacity. Management looks at NFFO as a better measure of the REIT's current cash generating capacity than FFO

NON-IFRS MEASURES

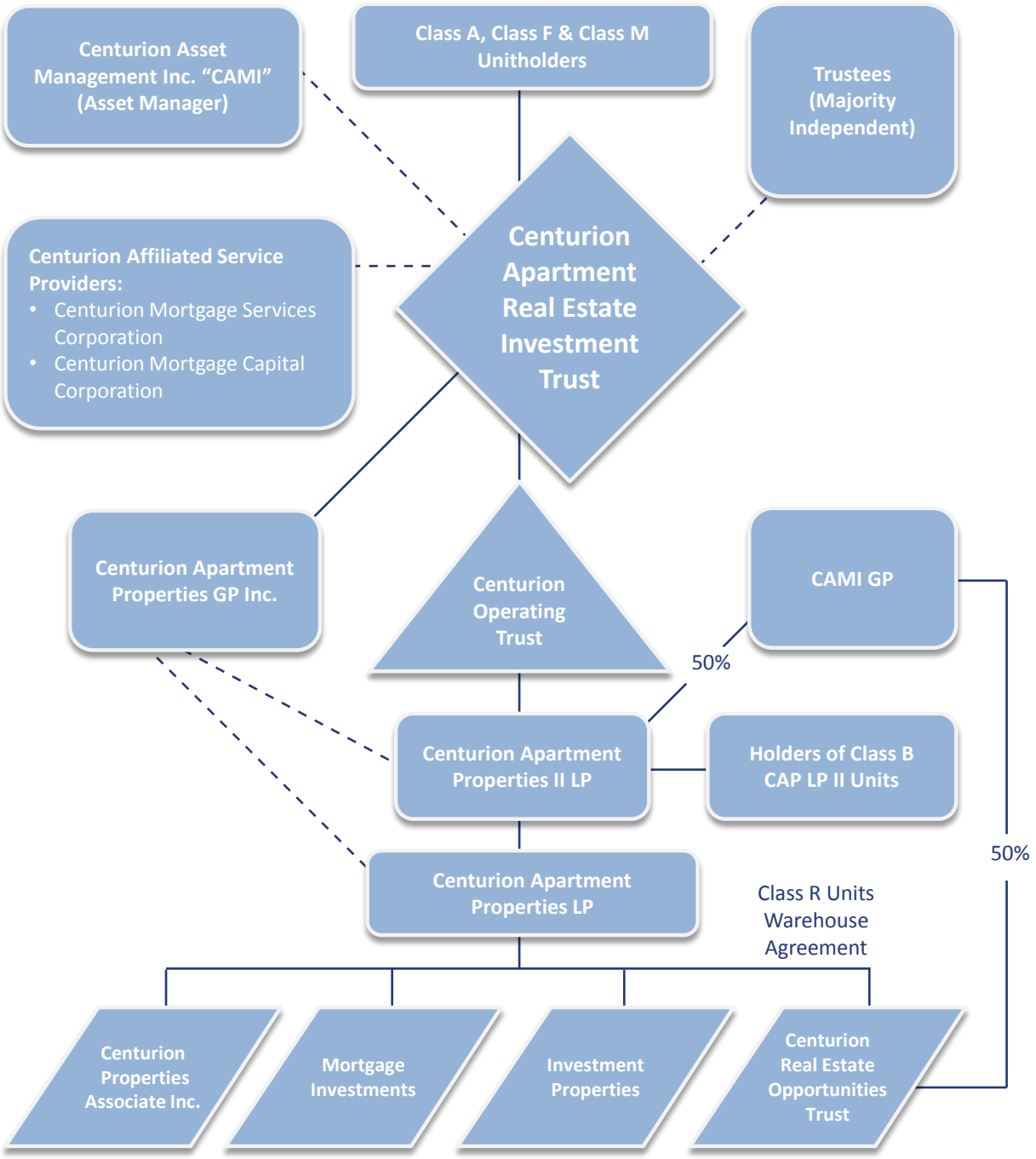
as it takes a stabilized view of the portfolio and adjusts for items that are not expected to influence earnings capacity over the medium to long term. It excludes identified opportunities and costs that Management has identified and believes may be realized over time.

Potential Funds From Operations ("PFFO") is a financial measure that adjusts the Normalized Funds From Operations to include items that are reasonably anticipated to impact cash flows in future periods assuming the full implementation of Management identified revenue and expense opportunities and the incorporation of market rates on rents and debt costs. Other measures of cash flow do not account for the potentially positive or negative impact of rolling over rents or mortgage liabilities at current market rates that can significantly skew FFO and NFFO and thus their usefulness in assessing the long-term cash generating capacity of the REIT. For example, if market interest rates for mortgage liabilities are substantially above todays in place rates, ceteris paribus, PFFO would show that future cash flows would be expected to decline as these mortgages rolled over to market rates compared to NFFO. The inverse would also be true where if market mortgage interest rates were substantially below in place mortgage interest rates, cash flow over time would be expected to increase relative to NFFO. PFFO does not incorporate inflation assumptions on rental rates or expenses as this measure is not meant to capture future inflation because it is not known in advance. It also does not incorporate the impact of the REIT's capital improvement program on market rental rates or from changes in the REIT's leverage strategy other than disclosed line items. The market rental rate assumed is current market rental rates. To the extent that the REIT may be successful in deploying capital investments that move up market rental rates in future periods, this is not factored into PFFO as the new market rental rates have not been established yet. PFFO is Managements preferred indicator of the REIT's long-term cash flow generating capacity because it incorporates much more of the up to date information available to Management and is forward looking rather than rearward looking like FFO and NFFO.

Readers are cautioned that these metrics and calculations are not alternatives to measures under IFRS and should not, on their own, be construed as indicators of the Trust's performance, 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. In addition, these measures may be calculated differently by other similar organizations and may not be comparable.

The Trust has four classes of units, The Class "A" Units, Class "F" Units, Class "M" Units (formerly Class "B" Units) and Exchangeable "B" LP Units. Under IFRS, the REIT has no instrument qualifying for equity classification on its Consolidated Statement of Financial Position and as such, all units are classified as financial liabilities. The classification of all units as financial liabilities with presentation as net assets attributable to Unitholders does not alter the underlying economic interest of the Unitholders in the net assets and net operating results attributable to Unitholders.

CENTURION APARTMENT REIT ORGANIZATIONAL STRUCTURE



The Trust`s operating structure was revised due to internalization. Centurion Properties Associates Inc. was purchased by Centurion Apartment Properties LP. In addition, a new entity was formed, Centurion Asset Management GP Inc. ("CAMI GP") which is owned 50% by Centurion Apartment Properties II LP which was created to provide tax efficiencies to the Trust. (See Outlook and Business Strategy – Expense Management – Internalization).

COMMENTS ON THE APARTMENT MARKET

2015 was a relatively quiet year in the apartment industry. Capitalization rates were largely stable with a slight downward bias as interest rates continued to move lower. However, the market was very aggressive in paying premium prices to buy properties. Overall, spreads between real estate capitalization rates and government bond yields are trading at very wide levels at 457 basis points, compared to the ten year average of 377 basis points (Source: BMO REIT Beat 2016-04-22). This suggests that capitalization rates may well decline (meaning higher property prices) going forward if interest rates remain stable, which is our core view. It appears that with few alternative investment options and near zero interest rates that existing property owners have little reason to want to consider selling unless there is a requirement to do so (like an estate sale).

New apartment development and site intensification remains one of the prime areas of focus of our industry peer group.

OUTLOOK & BUSINESS STRATEGY

Management is focused on a number of key areas for 2016 that can be broken down as follows:

Growth strategy

Deploying existing available capital and growing the portfolio is a key part of Management's plan for the next year.

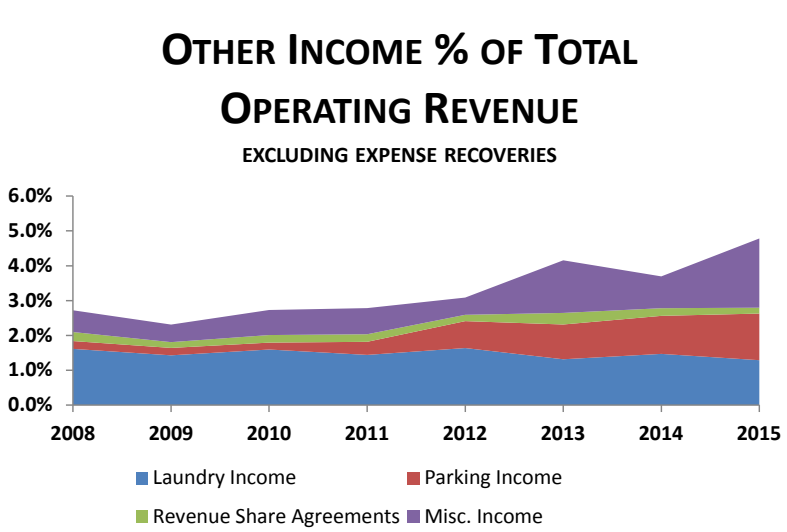
In the third quarter of 2014, Management executed on its mortgage investment mandate and the Centurion Real Estate Opportunities Trust ("REOT") was launched. This mandate has proven to be very successful in 2015. On September 12, 2014, Centurion Apartment REIT contributed an initial mortgage investment portfolio to REOT in return for 5,892,722.80 Class "R" Units of REOT at $10.00 per Class R Unit reflecting a purchase price of $58,927,228 which was equal to the then gross book value plus accrued interest of the initial portfolio as of August 31, 2014. As the trust owns 62.04% of REOT as at December 31, 2015, the REOT results are required to be consolidated with the Trust in accordance with IFRS.

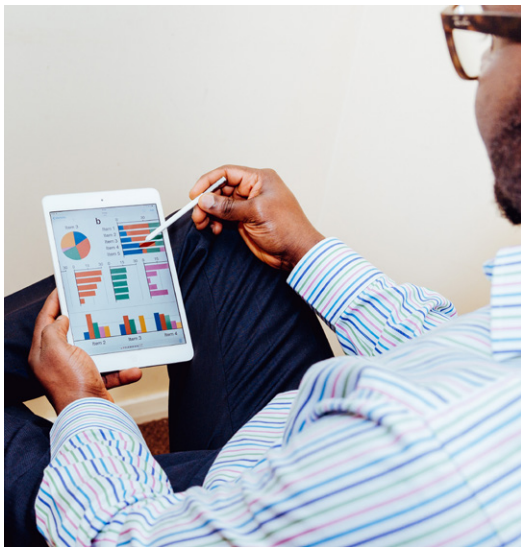
Management continues to believe that the greatest opportunity in the Canadian apartment market right now, and for the next few years, is new apartment construction. REOT will raise capital separately for these opportunities so that the Trust can maximize the number of opportunities it can participate in and potentially purchase upon completion.

Management also believes that purpose built student housing provides significant opportunities for the Trust as 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. Capitalization rates in the student space were largely stable in 2015. The Trust is one of the largest private owners of student properties in Canada. (See "Portfolio Summary" and the Trust's 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 in order to build on its platform with its dedicated student brand "The **MARQ**".

As major bank based lenders continue to restrict the availability of funding to developers, management continues to focus on securing a pipeline of future acquisitions by assisting developer partners with financing through REOT to complete properties which the Trust may ultimately buy. Further, due to the reduced availability of prime financing to developers, the Trust will continue to 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 continually examines revenue opportunities but is currently focused on:

- Closing the Trust's 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 $1,924,000.

- Filing above guideline rent increases (AGIs) wherever possible for the extensive capital works that have recently completed or will soon be completing (see Appendix C – Government Regulation). In 2015, the Trust filed AGIs on fifteen (15) properties. In 2016, four (4) AGIs have been filed to date and we expect that over thirteen (13) will be filed in the year.

- Continuing to invest capital in the portfolio strategically to create value. The Trust has budgeted approximately $26,500,000 in capital improvements in 2016.

- Cash deployed from additional leverage of the portfolio could result in $931,000 towards the Trust's results.

- Continuing to implement the segmentation and charging independently for previously included services to drive revenues (like parking and storage). It is estimated $390,000 of additional revenue could be derived from parking.

- Management will continue to focus on stabilization of properties in the turnaround phase to reduce the short term drag on NOI. The Trust continues to stabilize its portfolio of recent acquisitions which will result in positive contributions to NOI in 2016. The stabilization costs incurred in 2015 were $3,712,000.

- The REIT is currently working on a program to provide property management services to multi-residence apartments and student housing. The REIT has significant experience in property management and there is a need for these services in the market. This is a new revenue opportunity for the REIT and revenues of $355,000 are expected in 2016 with further growth in the future as the Trust attracts additional customers to this program.

EXPENSE MANAGEMENT

Internalization

Effective January 1, 2015, the REIT internalized its property and asset management teams. Management believes that internalizing these teams better aligns the management structure of the REIT with the interests of the unitholders.

The key benefits of internalization include the elimination of the property management fees, the asset management fees and the capital expenditure fees while maintaining the REIT's ability to draw upon the expertise of management.

It is estimated that savings were $2.5 million in 2015 and it is anticipated that these savings will increase as the REIT continues to grow.

Some of the material terms of the internalization transaction were as follows:

- The ownership of Centurion Property Associates Inc., the property manager of the REIT was transferred to the REIT, which assumed its assets and liabilities, including its staff. The REIT did not pay any fee or premium to the property manager for the transfer.

- As a result of the internalization, the REIT will share certain office, overhead, staffing and other costs with Centurion Real Estate Opportunities Trust and any other funds in the future, that would have been previously incurred by Centurion Property Associates Inc. and Centurion Asset Management Inc.

- The REIT will have access to all the resources it currently has but will only pay its respective share of current and future expenses.

- The rights to "The **MARQ**", Centurion's student housing brand were transferred to the REIT. The REIT will have the opportunity to earn management fees on third party management of student properties.

On-going Expense Management

Management continually reviews the REIT's operations for opportunities to reduce expenses. The following initiatives are underway to increase income:

- The Trust's sub-metering initiatives continues to gain traction. Upon full implementation, and after all units have turned over to tenants paying utilities, Management believes that savings of $865,000 may ultimately be realized of which potentially $98,000 is anticipated to occur in 2016.

- Management will actively renegotiate its mortgage portfolio to take advantage of this current low interest rate environment and savings of $4,277,000 could be achieved.

- Management has implemented energy and utility management systems that tie into the Trust's existing systems to improve energy management and benchmarking. Management believes that there are significant savings available over time that will create value.

EXPENSE MANAGEMENT

- 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 $8,742,000 potential to increase income over time. Readers are cautioned that these are Management estimates, which may take years to realize or may not be realized at all or only be partially realized.

2015 operating results were impacted by stabilization costs ($3,712,000), cash leakage ($3,408,000), and normalized participating interest ($4,954,000) for a total of $12,074,000 which management believes are short term non-recurring items and will reduce as the portfolio stabilizes. Total combined potential increase in income and short term non-recurring items could increase operating results by a total of $20,816,000 over time.

Further, certain capital expenditures may be required (e.g. on suite turns) to realize this potential. See the table below:

Revenue and Expense Summary Table		Potential Impact on Income (1)
Rental Gap to Market	$	1,924,000
Roll down of mortgage portfolio to market rate - 5 year mortgages		4,277,000
Third-Party Property Management Income		355,000
Submetering Savings		865,000
Parking Income		390,000
Cash Deployed ($20 million at 10% return net of interest cost) from extra leverage		931,000
Total Value Add	**$**	**8,742,000**

(1) This is based on management's estimate of the REIT's 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).

FINANCE & TREASURY

With the significant decline in interest rates in the marketplace, Management is continuing to focus on minimizing the amount of short term debt maturities and extend the duration of mortgage liabilities.

Credit Facilities

The Trust has two credit facilities which can be used for operations, capital works, and acquisitions. These facilities provide the Trust with significantly more financing flexibility. The total amount of the REIT's credit facilities were $45,750,000 as at December 31, 2015. Generally, liquidity originating from new equity issuance is directed towards these operating facilities to lessen the dilutive impact of carrying large cash balances. Of the $45,750,000 in facilities, $40,000,000 is committed and $5,750,000 is on demand. 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.

As at December 31, 2015, the Trust had $45,730,000 available in undrawn credit facilities. The REOT (consolidated as part of the Trust) negotiated a new credit facility totalling $20,000,000 with a Canadian Chartered bank. Once in place, this will increase the total group liquidity to $65,750,000.

Financing Costs

The Trust continually works on improving its financing costs to reduce the overall weighted average cost of debt and believes that if rates remain stable, that there is significant savings potential in the Trust's mortgage portfolio.

Over the course of the year, the Trust reduced its weighted average financing costs from 3.95% per annum at the end of 2014 to 3.48% per annum rate at the end of 2015; a decrease of almost 50 basis points. In September the Trust completed a mortgage financing at a fixed rate of 1.33% per annum with a maturity of 5 years, this was the lowest historical interest rate the trust negotiated. In addition, in December, the Trust refinanced twelve properties which resulted in a significant decrease in the overall financing costs which will bode well in 2016 and future years. The refinancing of these twelve properties resulted in interest rates of between 1.77% and 1.91% for a weighted average rate of 1.83%.

2014 and 2015 mortgage and credit facilities interest expenses were $9,322,971 and $11,715,244 (excluding amortization of financing fees) respectively. The increase being the result of the additional of mortgages on new purchases during the year. Outstanding mortgages payable and credit facilities increased from $257,597,251 in 2014 to $319,423,433 in 2015.

The Trust earned interest income of $11,180,673 in 2015. This resulted in a 2015 Net Interest Expense of only $534,571 which is a significant decrease from 2014 when it was $2,059,470. The Trust continues to expect that it may be possible for the Trust to be a net interest earner and not a net payer of interest. As such, Management believes that a further key benefit of its mortgage investment strategy will be a significant reduction in its overall exposure to interest rate risk.

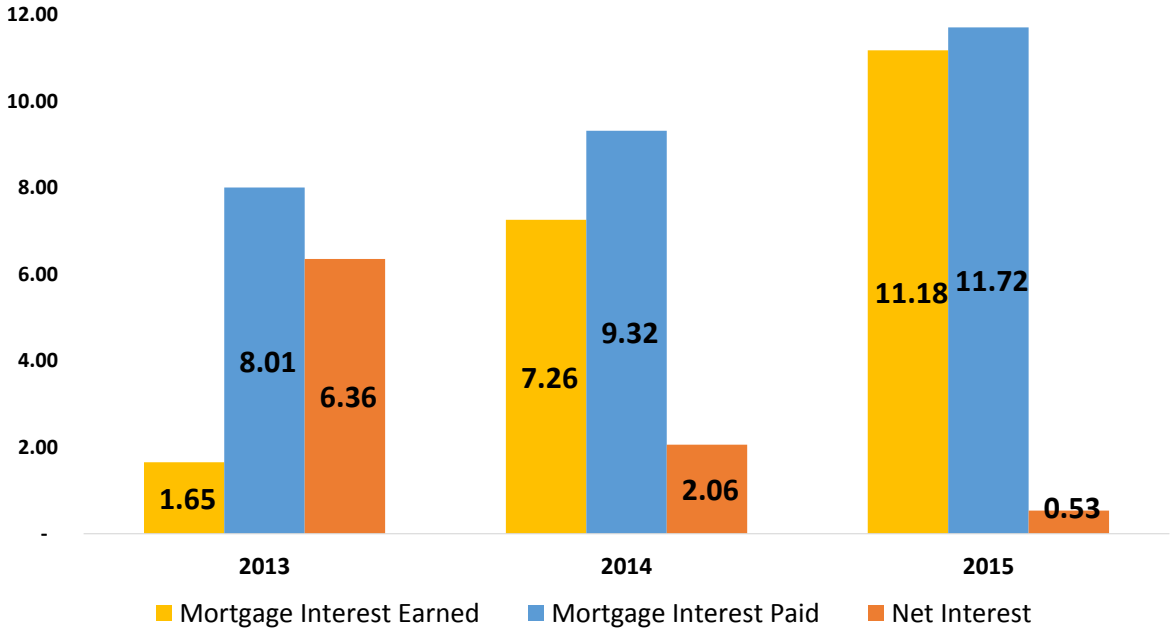
Based on the current in place average debt cost of 3.48% and the estimated current cost of 5 year mortgages at 2.15% (blended between CMHC and conventional mortgages), the REIT has potential interest rate savings of $4.28 million/year if interest rates remain at their current levels and the REIT is able to roll all of its mortgages over at these rates over time. In 2015, mortgage maturities were very limited and as such, Management believes that it will get rate reductions on its mortgage portfolio through new purchases financed at current rates and rollovers in future years.

FINANCE & TREASURY

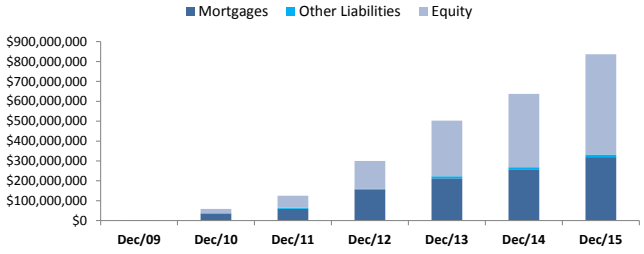
MORTGAGE INTEREST EARNED -VS- MORTGAGE INTEREST PAID

	2015	2014
Mortgage investment interest income	$11,180,673	$7,263,501
Mortgage payable interest expense	($11,715,244)	($9,322,971)
Net interest income (expense)	($534,571)	($2,059,470)

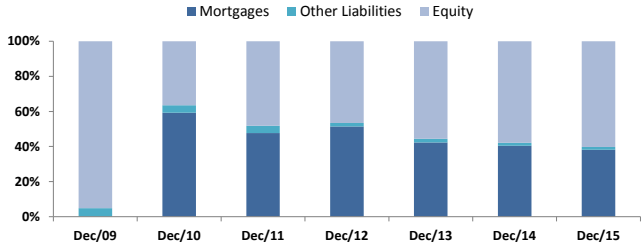
INTEREST TREND CHART (IN MILLIONS)



ASSETS & DEBT/EQUITY MIX



DEBT/EQUITY MIX (%)



FINANCE & TREASURY

Under the accounting principles of consolidation, all entities that are controlled by the Trust must be consolidated with the results of the Trust. The Trust owns 62.04% of REOT as at December 31, 2015 and has been deemed to have control over the entity and as such all assets, liabilities, income and expenses of REOT have been included in the consolidated financial statements of the Trust. The reconciliation of what assets are the assets, liabilities, income and expenses directly attributable to each entity is as follows:

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	REIT	REOT	ELIMINATION ENTRY	CONSOLIDATION
ASSETS				
NON-CURRENT ASSETS				
Investment properties	$ 666,463,327	$ -	$ -	$ 666,463,327
Mortgage investments	442,070	44,368,333	-	44,810,403
Equity accounted investments	-	15,121,406	-	15,121,406
Investment in CREOT	80,594,059	-	80,594,059	-
Property and equipment	282,391	-	-	282,391
	747,781,847	59,489,739	80,594,059	726,677,527
CURRENT ASSETS				
Current portion of mortgage investments	19,578,502	57,721,396	-	77,299,898
Mortgage interest receivable	1,715	369,997		371,712
Other assets	10,613,151	-	-	10,613,151
Accounts receivable	1,002,543	140,139	-	1,142,682
Cash	6,982,620	12,619,971	-	19,602,591
Restricted cash	-	1,181,240	-	1,181,240
	38,178,531	72,032,743	-	110,211,274
TOTAL ASSETS	**$ 785,960,378**	**$ 131,522,482**	**$ 80,594,059**	**$ 836,888,801**
LIABILITIES				
NON-CURRENT LIABILITIES				
Mortgages payable and credit facilities	$ 284,741,739	$ -	$ -	$ 284,741,739
	284,741,739	-	-	284,741,739
CURRENT LIABILITIES				
Current portion of mortgages payable and credit facilities	34,681,694	-	-	34,681,694
Accounts payable and accrued liabilities	7,826,902	246,135	-	8,073,037
Tenants deposits	3,563,439	-	-	3,563,439
Unit subscriptions in trust	-	1,181,240	-	1,181,240
Distributions payable	73,717	-	-	73,717
	46,145,752	1,427,375	-	47,573,127
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	**330,887,491**	**1,427,375**	**-**	**332,314,866**
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	**$ 455,072,887**	**$ 130,095,107**	**$ 80,594,059**	**$ 504,573,935**

FINANCE & TREASURY

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED	REIT	REOT	ELIMINATION ENTRY	CONSOLIDATION
Revenue from investment properties	$ 49,682,274	$ -	$ -	$ 49,682,274
Property operating costs	(20,010,429)	-	-	(20,010,429)
NET RENTAL INCOME	**29,671,845**	**-**	**-**	**29,671,845**
OTHER INCOME				
Interest income on mortgage investments	1,756,960	9,423,713	-	11,180,673
Distribution income	6,028,679	-	(6,028,679)	-
Income on equity accounted investments	-	1,137,612	-	1,137,612
General and administrative expenses	(6,682,902)	(1,523,492)	-	(8,206,394)
Provision for mortgage investment loss	(159,646)	(645,123)	-	(804,769)
Fair value gains on investment properties	23,066,385	-	-	23,066,385
Gain (loss) on sale of properties	103,139	-	-	103,139
OPERATING INCOME	**53,784,460**	**8,392,710**	**(6,028,679)**	**56,148,491**
FINANCE COSTS				
Finance costs	(12,209,880)	-	-	(12,209,880)
NET INCOME AND COMPREHENSIVE INCOME	**$ 41,574,580**	**$ 8,392,710**	**$ (6,028,679)**	**$ 43,938,611**

MORTGAGES, DEBT AND CAPITAL STRUCTURE

The Trust is limited in its Declaration of Trust to a leverage ratio of up to 75% but targets to keep its debt ratio in the 62-67% range. This range is comparable to most of its multi-residential peers and would generally be considered very conservative in the multi-residential space. The mortgage liability portfolio at year end was at a weighted average interest rate of 3.48 % down from 3.95% in 2014. Mortgage leverage is at approximately 38.22% of total assets at IFRS value at the end of 2015 down from 40.41% in 2014 (see the table "Debt to Gross Book Value" below), which is well below the target ratio range.

The weighted average term to maturity was 4.4 years as at December 31, 2015 and 4.2 years as at December 31, 2014. REIT capital (see table "REIT Capital Structure" below) grew to $823,997,368 in 2015 from $626,766,113 in 2014, an increase of 31.47%.

The Trust's debt strategy is to ladder its mortgage maturities across a diverse array of lenders and maturity dates. The Trust's debt schedule, contained in Note 11 of the consolidated financial statements (see Appendix "D") is summarized below.

Ratio of Debt to GBV

	2015	2014
Total Unrestricted Assets	$835,707,561	$637,472,407
Mortgages Payable	$319,423,433	$257,597,251
Ratio of Debt to GBV	38.22%	40.41%

REIT Capital Structure as at December 31

	2015	2014
Mortgages Payable	$319,423,433	$257,597,251
Net assets attributable to unitholders	$504,573,935	$369,168,862
Total	**$823,997,368**	**$626,766,113**

Mortgages payable at December 31, 2015 are due as follows:

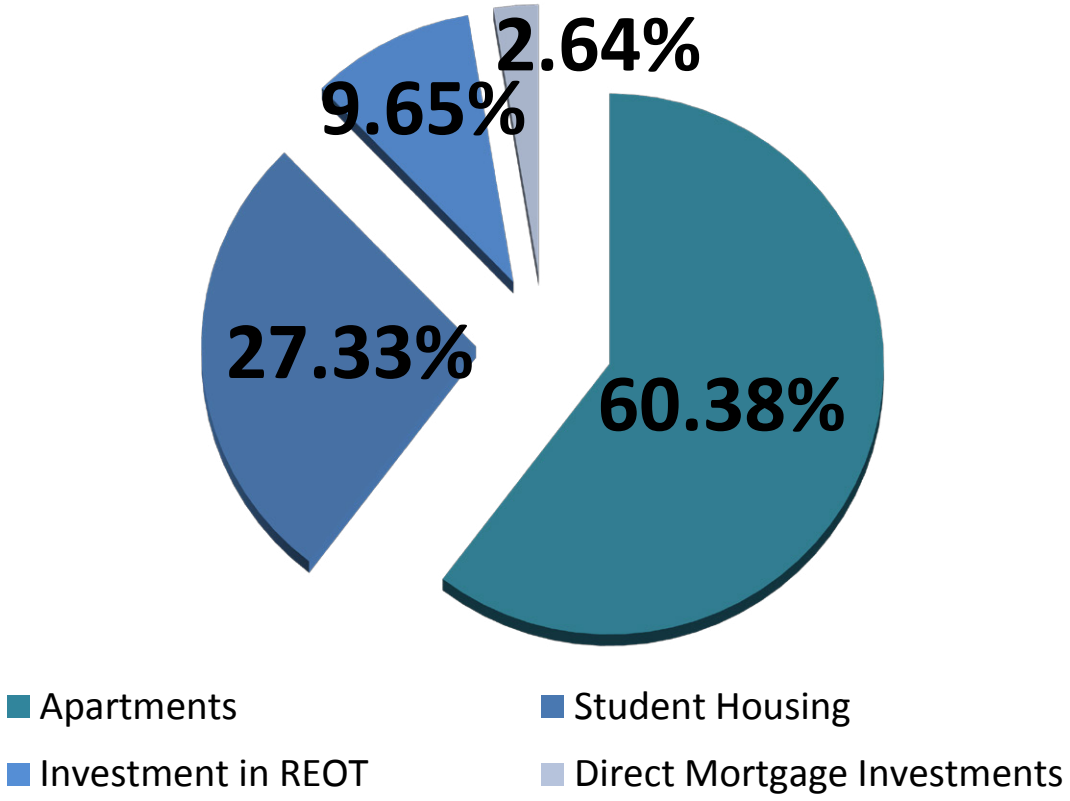
	Principal Repayments	Balance due at Maturity	Total
Year ended December 31, 2016	$ 8,811,426	$ 25,870,268	$ 34,681,694
Year ended December 31, 2017	8,120,486	32,810,720	40,931,206
Year ended December 31, 2018	7,404,987	60,610,119	68,015,106
Year ended December 31, 2019	5,536,491	21,492,940	27,029,431
Year ended December 31, 2020	4,777,892	26,689,873	31,467,765
Thereafter	11,520,440	107,518,923	119,039,363
	$ 46,171,722	**$ 274,992,843**	**$ 321,164,565**
Less Marked to Market Adjustment			$ 421,432
Less: Financing fees			(2,162,564)
			$ 319,423,433

PORTFOLIO SUMMARY

CENTURION APARTMENT REIT INVESTS PRIMARILY IN THE FOLLOWING AREAS:

1. Apartments
2. Student Housing
3. Direct Mortgage Investments
4. Investment in REOT
5. Other Assets

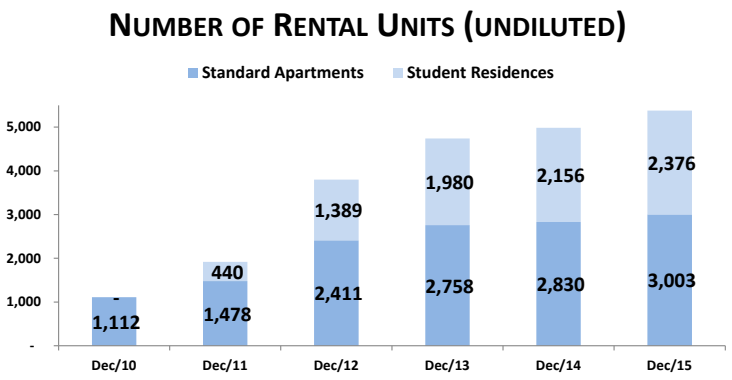
PORTFOLIO SUMMARY (% OF ASSETS)



BY PERCENTAGE PORTFOLIO (% OF $ VALUE OF ASSETS) AS AT DECEMBER 31, 2015

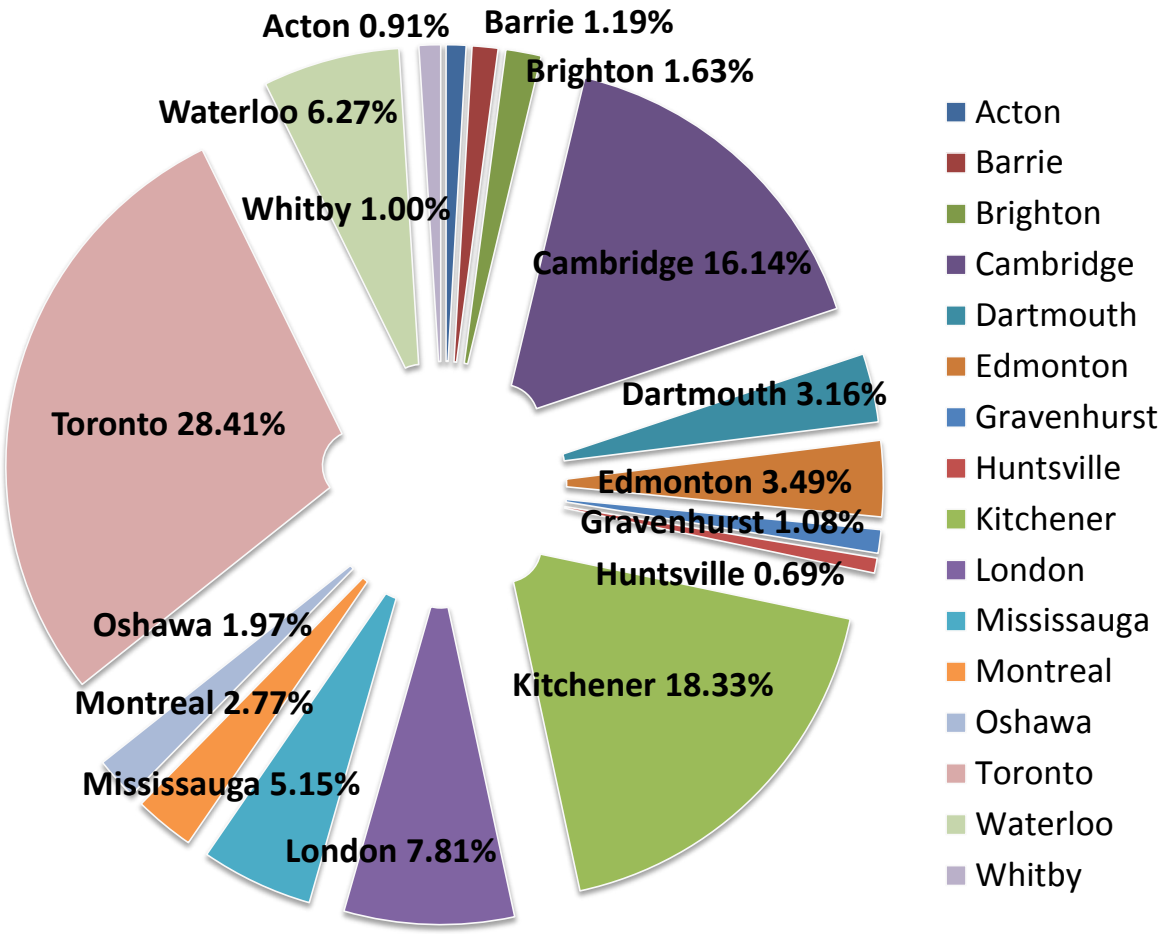
PROVINCE	PROPERTY HOLDINGS	PERCENTAGE WEIGHT OF REOT PORTFOLIO	DIRECT MORTGAGE & EQUITY ACCOUNTED INVESTMENTS	TOTAL
Ontario	72.85%	4.98%	2.64%	80.47%
Quebec	7.83%	0.00%	0.00%	7.83%
Alberta	3.72%	1.86%	0.00%	5.58%
Nova Scotia	3.31%	0.00%	0.00%	3.31%
British Columbia	0.00%	1.58%	0.00%	1.58%
Manitoba	0.00%	0.73%	0.00%	0.73%
Saskatchewan	0.00%	0.50%	0.00%	0.50%
TOTAL	**87.71%**	**9.65%**	**2.64%**	**100.00%**

PORTFOLIO SUMMARY



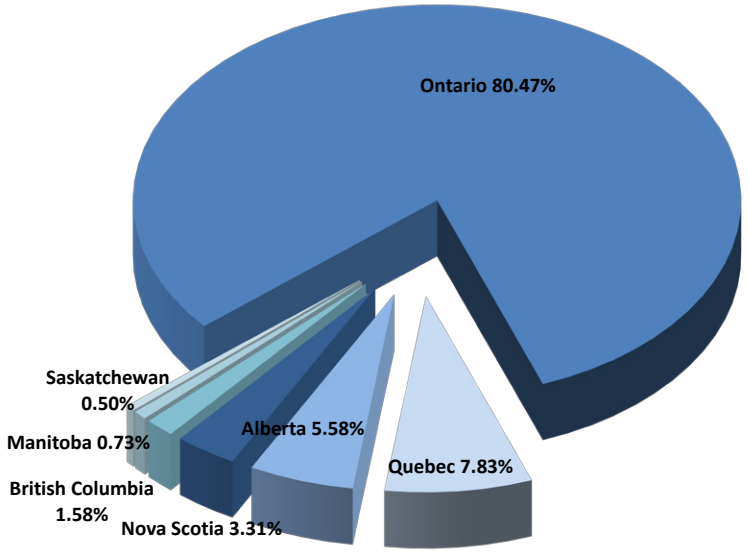
As at December 31, 2015, the Trust owned 45 buildings. The charts below provide additional details of the property portfolio. With building purchases in Dartmouth, Nova Scotia and Edmonton, Alberta, the Trust is increasing its geographical reach across Canada. In addition to building purchases, the Trust holds mortgage investments in Alberta, Saskatchewan, Manitoba, Ontario and British Columbia.

PERCENTAGE OF SUITES BY CITY (DILUTED)

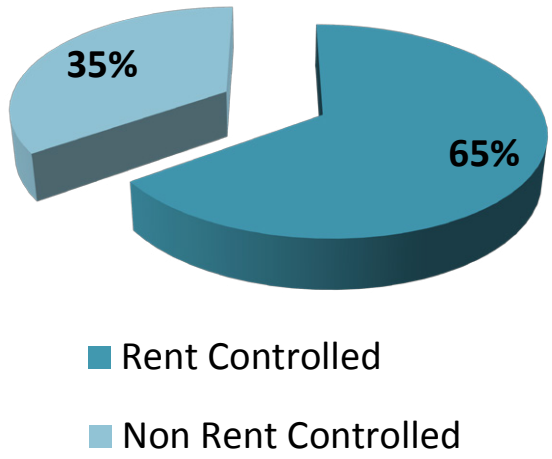


OTHER PORTFOLIO METRICS

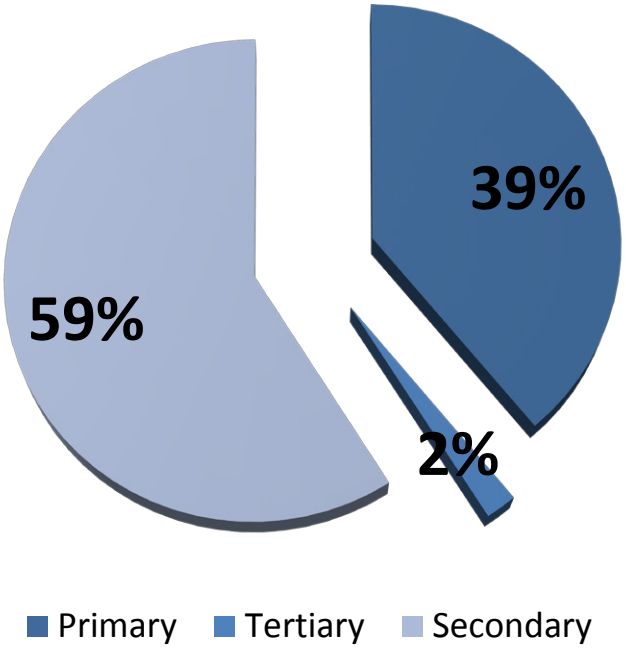
Provincial Exposure by $ value of assets



Property Summary by Rent Control Status (By Rent Unit Count - Diluted)



Property Summary by Market Size Type (By Rental Unit Count – Diluted)

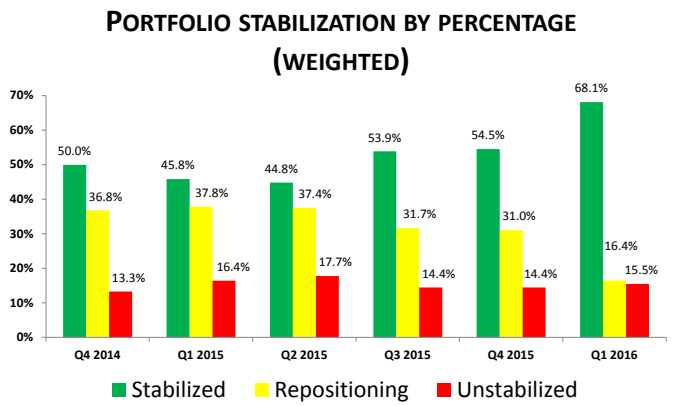


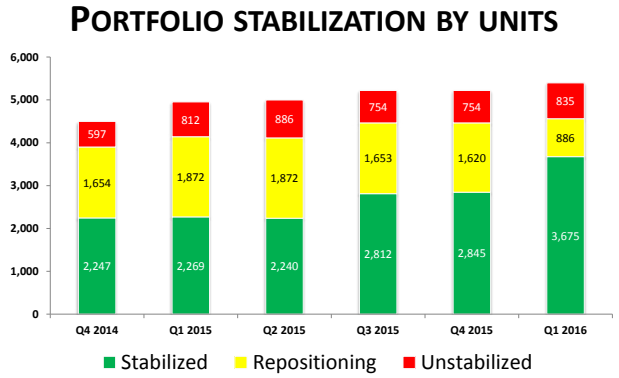
PORTFOLIO STABILIZATION & REPOSITIONING PROGRESS

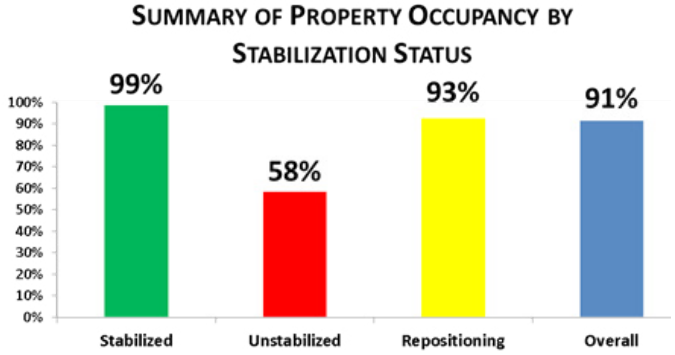
The following charts breakdown the Trust's portfolio into three categories as at March 31, 2016:

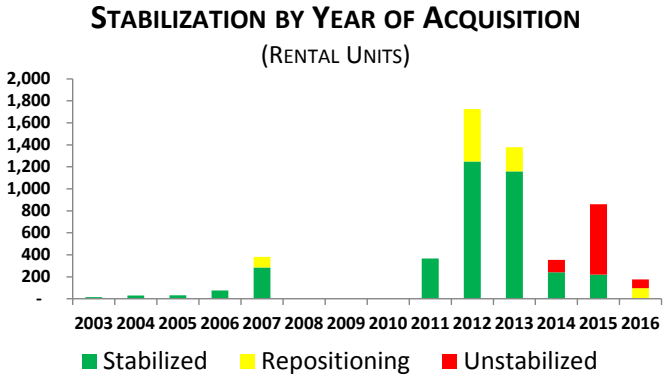
1) Stabilized **2) Unstabilized** **3) Repositioning**

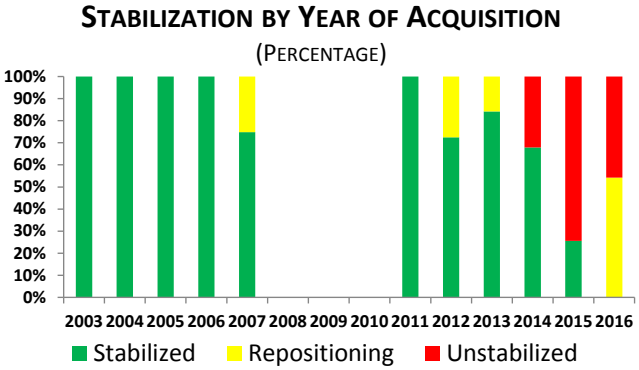
There has been significant improvement in stabilizing our properties over the year.











PORTFOLIO STABILIZATION & REPOSITIONING PROGRESS

Renewal and Turnover Analysis - Q4 2014 vs Q4 2015

By Stabilization - Apartments

STATUS	MARKET RENT INCREASE	RENEWALS	NEW TENANTS *(including unit transfers)*
Stabilized	1.81%	2.39%	5.14%
Repositioning	2.28%	3.49%	4.97%
Unstabilized	1.30%	1.52%	1.68%
Overall	**1.88%**	**2.63%**	**4.63%**

By Stabilization - Student

STATUS	MARKET RENT INCREASE	RENEWALS	NEW TENANTS *(including unit transfers)*
Stabilized	2.94%	1.45%	1.63%
Repositioning	2.30%	0.50%	2.53%
Unstabilized	2.05%	0.00%	2.08%
Overall	**2.51%**	**1.20%**	**2.21%**

Acquisitions

In 2015, the Trust made the following acquisitions:

CLOSING DATE	CITY	ADDRESS	# OF UNITS (1)	TYPE	PRICE	INTEREST
19-Jan-15	Edmonton, Alberta	3707 & 3711 White Lane NW	126	Standard Apartment	$ 28,500,000	100%
20-Jan-15	Montreal, Quebec	1430 rue City Councillors (2)	440	Student Residence	37,500,000	75% (2)
04-May-15	Kitchener, Ontario	46-56 College Street/58-64 Weber Street	74	Standard Apartment	7,998,045	100%
10-Sept-15	London, Ontario	205 Oxford Street	235	Standard Apartment	20,250,000	100%
TOTAL			**875**		**$ 94,248,045**	

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

(2) This acquisition related to a property in which the REIT held a 25% interest. The REIT, acquired the remaining 75% interest in the 440 unit student residence property held by its partner, bringing the REIT`s holding to 100% of the property as of the closing.

With the above acquisitions in Quebec and Alberta, the Trust is increasing its geographical reach across Canada.

Dispositions

Management continually reviews a select number of small non-core holdings for potential disposition as it seeks to tighten regional property clusters. The following building was sold in the year:

CLOSING DATE	CITY	ADDRESS	# OF UNITS	TYPE	PRICE	INTEREST
13-Apr-15	Hamilton, Ontario	118 St. Joseph's Drive	30	Standard Apartment	2,375,000	100%
TOTAL			**30**		**$ 2,375,000**	

Please refer to Appendix A for Summary Information About the Properties.

MORTGAGE INVESTMENT STRATEGY

Since the beginning of 2013, the Asset Manager had been building a financing business for Centurion Apartment REIT and in May of 2013 began its first capital deployments. As the financing business grew, the Asset Manager believed that the potential scale of these opportunities, particularly in the development of new apartments and student housing which the REIT could buy upon completion, would ultimately require a larger capital allocation than could be supported on the REIT`s balance sheet alone. Further, the Asset Manager was seeing a regular flow of other real estate debt and equity investment opportunities that fell outside of the acquisition pipeline goals of the REIT by virtue of its' activities in the market that it had to forego. As such, the Asset Manager believed that there was sufficient scope to create a fund to focus on these and other similar opportunities. To maximize the number of opportunities upon which it could execute and potentially secure purchase options, the Board of Trustees of the REIT decided to set up a new fund, Centurion Real Estate Opportunities Trust, ("REOT") to which it contributed the majority of the REIT's debt and equity financing portfolio of $58.93 million in return for Class R equity units in REOT in September 2014.

The REIT and REOT are strategic partners in providing developers an end-to-end solution for debt and equity financing and ultimately a potential exit in a sale of the stabilized development to the REIT. In the opinion of the Asset Manager, this end-to-end solution has been seen by developers as an attractive option and has garnered considerable interest. The strategic partnership between the REIT and the REOT is intended primarily to have the following benefits:

For Developers and other clients:

- an end-to-end solution to finance, develop, manage and sell their properties

For Centurion Apartment REIT:

- the continuing opportunity to participate in the income and growth on its pro-rata holdings in the portfolio it had built and contributed to REOT
- the opportunity to use its own operating facilities to fund higher yielding investments on a short term basis via the Warehousing Agreement for short term income
- the opportunity to build a larger pipeline of potential acquisitions than it could on its own.

For Centurion Real Estate Opportunities Trust:

- a significant starting portfolio with a track record that would allow REOT to get to scale faster than if it started from scratch
- the opportunity to invest for income and growth on new opportunities originating from relationships developed by the REIT
- via a Warehousing Agreement with the REIT, the ability to move quickly to commit to investment opportunities to build its portfolio.

As such, the REIT will invest in the strategic relationship with REOT by maintaining an investment in REOT and in providing a warehouse facility to REOT to assist REOT in growing its portfolio and thus ultimately, the number of options to purchase properties which the REIT may have interest in.

This will permit the Trust to participate in more opportunities without necessarily increasing the amount of capital dedicated to the strategy and potentially increase the acquisition pipeline further. 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 continue to restrict lending to the development community, particularly condos 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

MORTGAGE INVESTMENT STRATEGY

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.

Since REOT's launch it has continued to grow its net assets from an initial $58.93 million to $130.1 million. The portfolio is diversified with 38 funded investments of which 32.02% are designated as "participating" – meaning that REOT has equity type risk positions in these projects so there is the potential for upside beyond the return from the mortgage investment side of the projects.

As the REIT owns 62.04% of REOT as at December 31, 2015, consolidation principles apply. On a consolidated basis, there are 41 funded investments categorized as debt financing, weighted effective interest rate is 10.33% and the weighted average contractual term of maturity is 0.96 years. The weighted average loan to value is 74.02%. Portfolio turnover was healthy with $23.43 million in pay-downs and $49.12 million in fundings. As at December 31, 2015, a provision for mortgage investment losses of $804,769 has been made. This is a collective allowance against future potential losses not identified.

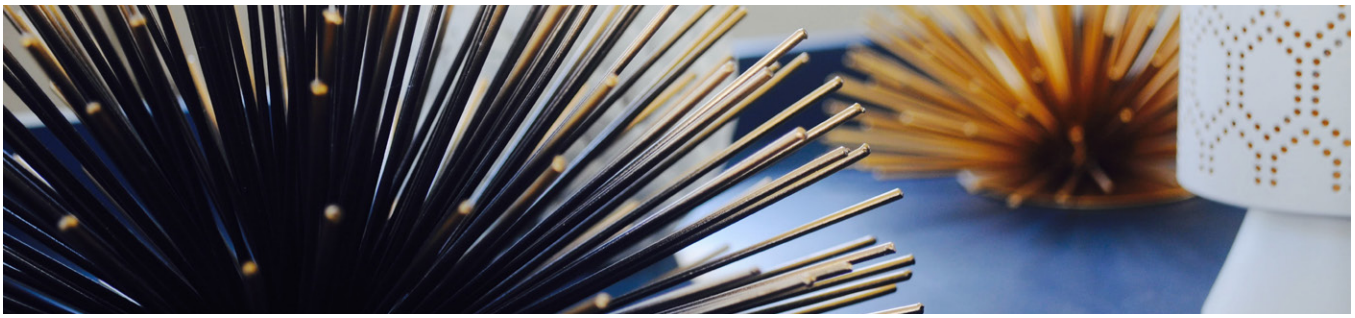
On an unconsolidated basis, five of the 41 investments are held directly by the REIT with the remainder held directly by REOT (some investments are syndicated between both funds).

Appendix B provides detailed information of the mortgage investments as at December 31, 2015.

It is anticipated that the return on the participating investments will be approximately 25%. This represents the IRR of deal underwriting over the life of the specific investments. The IRR's on participating investments are estimated and may not be realized and are not guaranteed. The return is not expected to occur linearly and may change materially. The IRR has been estimated over the investments life and may not be realized in 2016. The gap between the realization of participating IRR and the actual IRR was dilutive to the 2015 returns by $3,712,000.

REOT utilizes a strategy that is focused on a very specific niche and builds on its relationship with the REIT as a potential end buyer of completed apartment and student properties. REOT's ability to attract joint venture/developers to its project development program by being able to offer an end-to-end solution to its partners (debt, equity, property management/lease up, and potential end buyer) continues to gain traction in the market. As such, REOT has a very robust pipeline of opportunities into 2016.

The REIT's strategy is to increase the number of opportunities to purchase newly built properties upon completion by bringing in additional third party capital through investment in REOT. The REIT has already purchased one property under this strategy and is in the process of preparing to exercise an option on another development which is anticipated to be announced early 2016. As at December 31, 2015, the REIT has purchase options on a number of apartment and student properties currently in various stages of development and construction with a potential market value of $567 million.

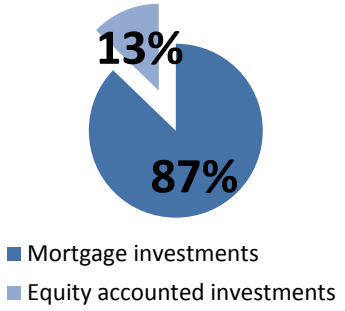


MORTGAGE INVESTMENT STRATEGY

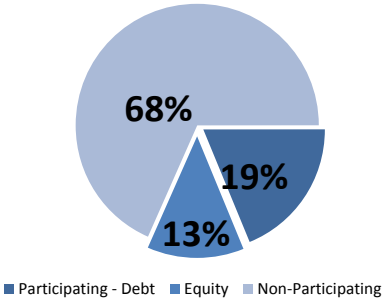
The REIT may not exercise its options to purchase all of the properties on which it holds options, however these options provide a strong pipeline of potential acquisition opportunities for the REIT. Management considers this to be very important for the REIT's future growth.

The following charts provide additional information relating to the mortgage investments and equity accounted investments in REOT. The Trust has a 62.04% ownership in REOT and as such 100% of the assets, liabilities, income and expenses of REOT are consolidated in the trusts financial statements even though the Trust only owns 62.04% of REOT(please see page 32 for the summary what is directly attributable to each entity). The Trust has a direct ownership of mortgage investments totaling $20.02 million that are not included in the following graphs and tables.

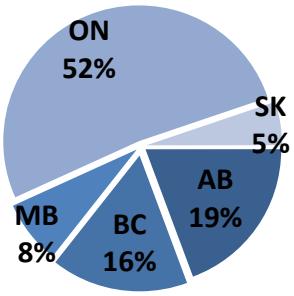
Portfolio Summary



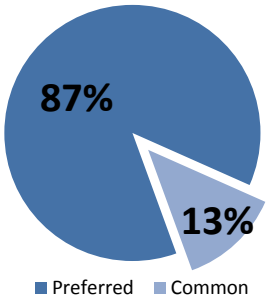
Participating vs Non-participating Investments



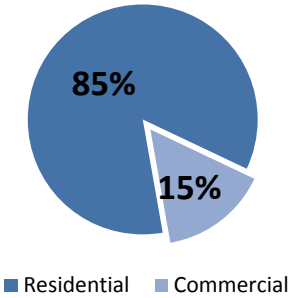
By Province



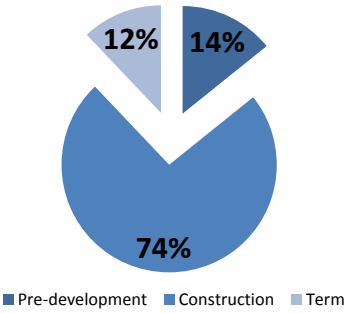
Capital Position



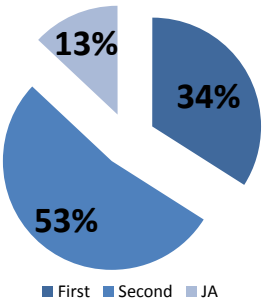
By Investment Type



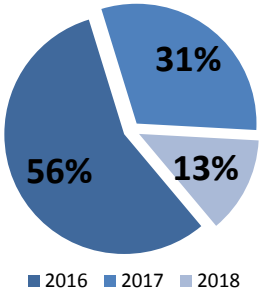
By Development Stage



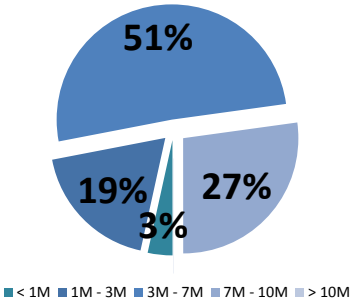
By Rank



By Maturity



By Investment Size



Please refer to Appendix B for Summary Information on the Mortgage Investment Portfolio.

2015 OPERATING RESULTS

In 2015, the Trust had Net Income and Comprehensive Income of $43,938,611 under IFRS compared to $24,825,975 in 2014, an increase of 76.99%.

NOI Margins expanded from 53.5% in 2014 to 59.7% in 2015. Management believes that it is only part of the way to stabilization, both on re-positioning and on previous acquisition properties that are currently in the process of being stabilized. The medium term stabilized target is 62% - 65% upon completion of the process of stabilization on a same store basis (i.e. not considering future new acquisitions) and thus believes 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 value creation that resulted from this process even though Management believes that the Trust is only part way through the value creation process (See Fair Value Adjustments of Investment Properties on page 47).

NORMALIZED NET OPERATING INCOME (NNOI)

2015 operating results were impacted by stabilization costs ($3,712,000), cash leakage ($3,408,000), and normalized participating interest ($4,954,000) for a total of $12,074,000 which management believes are short term non-recurring and will reduce as the portfolio stabilizes.

In 2015, NNOI started the year at a $27,646,973 and ended at $31,625,462 an increase of 14.39% over the same period in 2014. The below table reflects annualized NNOI at the end of each of these periods not the NNOI for the full period.

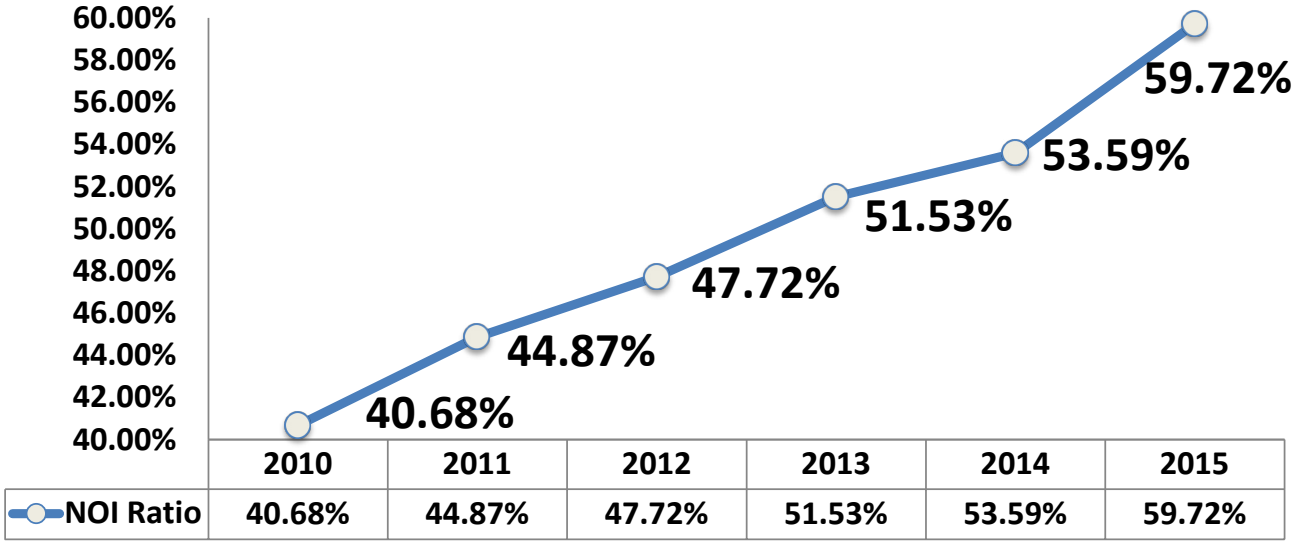
Normalized Net Operating Income (NNOI) Run Rates

	2011	2012	2013	2014	2015[1]
SAME PROPERTY	$3,999,542	$7,531,522	$18,092,846	$24,834,252	$27,809,062
NEW ACQUISITIONS	$3,033,930	$8,909,944	$6,317,287	$2,812,721	$3,816,400
TOTAL	$7,033,472	$16,441,466	$24,410,133	$27,646,973	$31,625,462

(1) Estimated

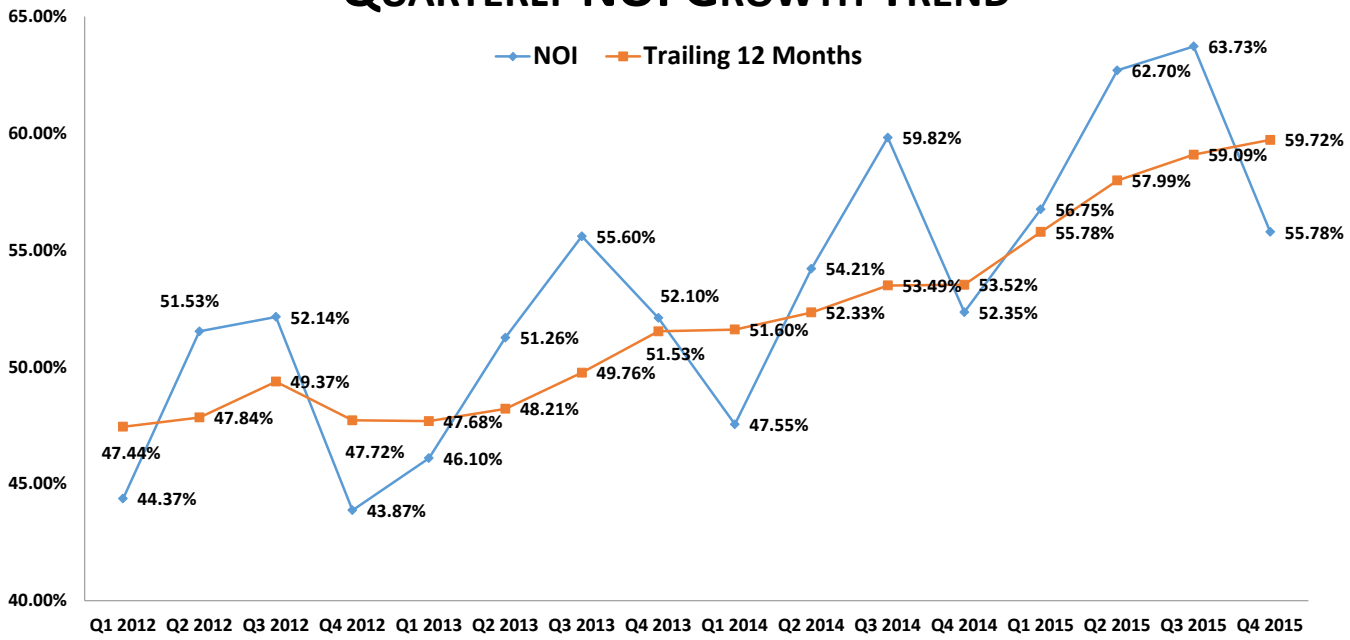
As Management has implemented its programs, NOI ratios have continued to increase overtime. Management is targeting an NOI Ratio of between 62% and 65% in 2016.

Annual NOI Ratio Growth



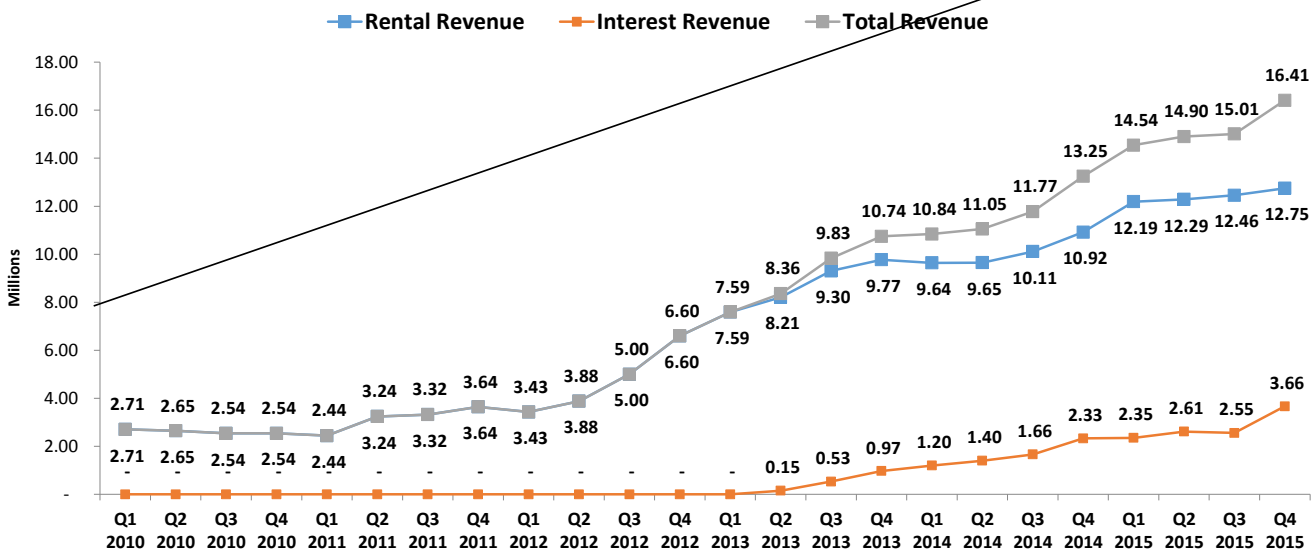
NORMALIZED NET OPERATING INCOME (NNOI)

QUARTERLY NOI GROWTH TREND



QUARTERLY REVENUE GROWTH

(IN MILLIONS)



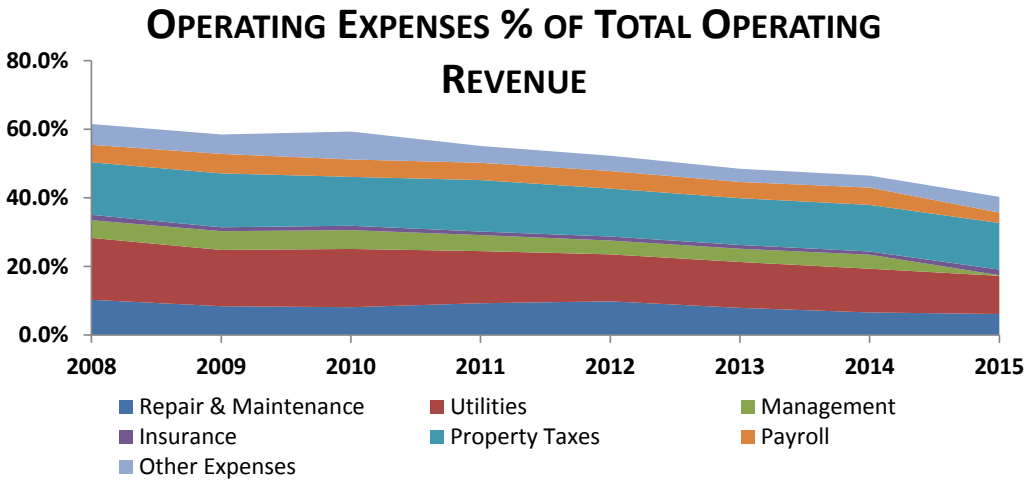
SAME STORE ANALYSIS (1)

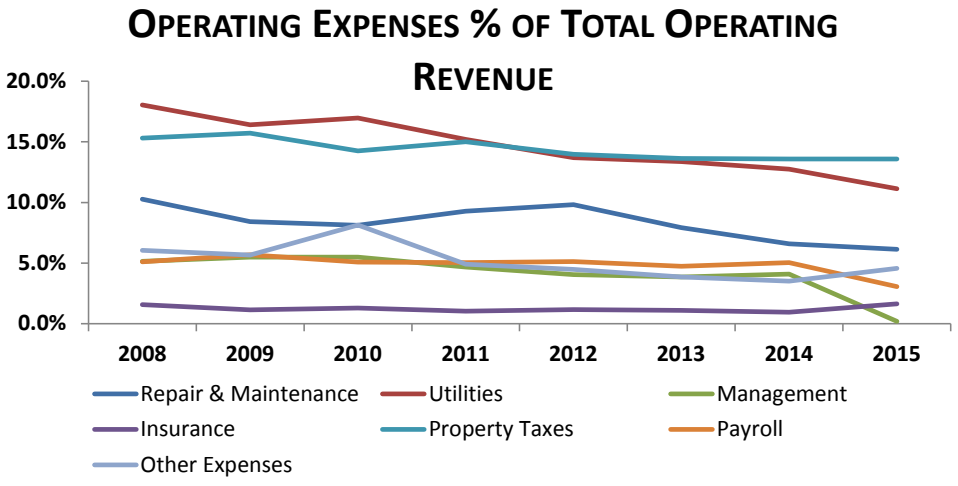
ASSET TYPE	STABLE			REPOSITIONING		
YEAR	2014	2015	CHANGE	2014	2015	CHANGE
INCOME						
Total Operating Revenue	$17,716,098	$18,101,300	2.17%	$14,849,115	$15,173,105	2.18%
Total NOI	$9,809,980	$10,728,861	9.37%	$8,410,229	$9,439,206	12.23%
NOI Ratio	55.37%	59.27%	3.90%	56.64%	62.21%	5.57%
Average Rent/Unit as per Dec 31st Rent Roll	$840.10	$864.45	2.90%	$754.41	$793.31	5.16%
EXPENSE RATIO (%)						
Taxes	14.27%	15.10%	0.83%	12.13%	12.06%	-0.07%
R&M	6.84%	6.01%	-0.82%	6.10%	5.94%	-0.17%
Wages	4.26%	3.42%	-0.83%	5.02%	3.20%	-1.82%
Insurance	0.91%	1.22%	0.31%	0.97%	1.43%	0.47%
Utilities	11.63%	11.21%	-0.42%	12.33%	10.92%	-1.41%
G&A	3.03%	3.77%	0.74%	2.82%	3.65%	0.83%
EXPENSE DOLLARS ($)						
Taxes	$2,527,948	$2,732,424	$204,476	$1,800,908	$1,829,403	$28,495
R&M	$1,210,898	$1,088,137	-$122,761	$906,487	$900,726	-$5,761
Wages	$753,890	$619,889	-$134,000	$745,574	$485,728	-$259,846
Insurance	$161,476	$221,213	$59,737	$143,376	$217,427	$74,051
Utilities	$2,059,750	$2,029,020	-$30,730	$1,830,848	$1,656,548	-$174,300
G&A	$536,886	$681,754	$144,868	$419,281	$554,271	$134,990

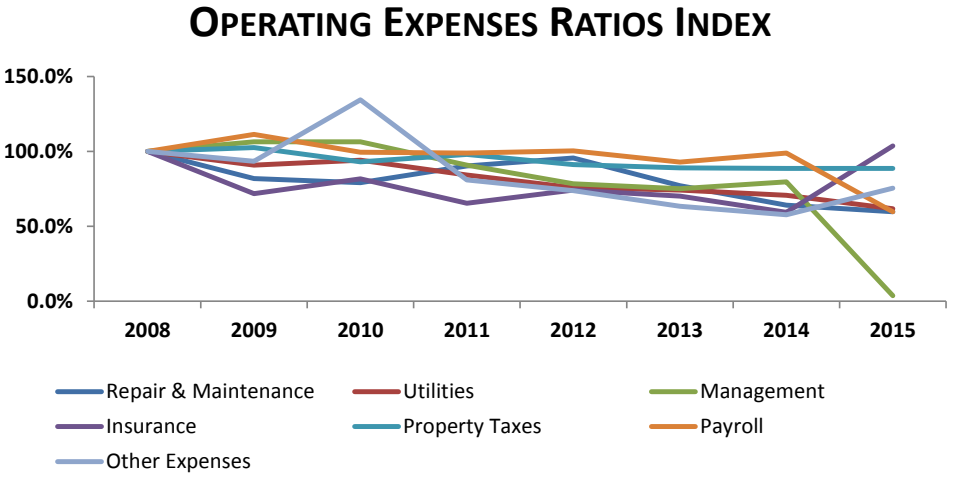
ASSET TYPE	UNSTABILIZED			TOTAL – SAME STORE		
YEAR	2014	2015	CHANGE	2014	2015	CHANGE
INCOME						
Total Operating Revenue	$4,858,713	$5,733,793	18.01%	$37,423,926	$39,008,197	4.23%
Total NOI	$2,103,982	$3,218,360	52.97%	$20,324,191	$23,386,427	15.07%
NOI Ratio	43.30%	56.13%	12.83%	54.31%	59.95%	5.64%
Average Rent/Unit as per Dec 31st Rent Roll	$1,081.58	$1,097.48	1.47%	$827.90	$861.63	4.07%
EXPENSE RATIO (%)						
Taxes	5.46%	5.42%	-0.04%	13.73%	13.80%	0.07%
R&M	2.24%	2.76%	0.52%	6.55%	6.17%	-0.37%
Wages	1.39%	1.65%	0.26%	4.56%	3.48%	-1.08%
Insurance	0.29%	0.35%	0.06%	0.93%	1.26%	0.33%
Utilities	6.46%	5.23%	-1.23%	12.96%	11.48%	-1.48%
G&A	1.43%	1.16%	-0.27%	3.12%	3.62%	0.50%
EXPENSE DOLLARS ($)						
Taxes	$810,741	$822,660	$11,919	$5,139,597	$5,384,488	$ 244,891
R&M	$333,351	$419,488	$86,137	$2,450,736	$2,408,351	-$ 42,385
Wages	$206,630	$250,587	$43,957	$1,706,095	$1,356,204	-$ 349,890
Insurance	$43,449	$53,432	$9,984	$348,301	$492,072	$143,771
Utilities	$959,256	$793,570	-$165,687	$4,849,854	$4,479,138	-$370,716
G&A	$211,844	$175,695	-$36,149	$1,168,011	$1,411,720	$243,710

(1) Same store analysis includes the results for all properties that were owned throughout the period from December 31, 2013 to December 31, 2014 and the results for the same properties for the period from December 31, 2014 to December 31, 2015.

OPERATING EXPENSES







"FFO", "NFFO" & "PFFO"

Funds From Operations, Normalized Funds from Operations & Potential Funds from Operations

	2015	2014[9]
FFO (Funds From Operations):		
Net Income & Comprehensive Income	$43,938,611	$24,825,975
Less: FV Gains on Investment Properties	-$23,066,385	-$10,841,904
Less: (loss)/Gain on sale of properties	-$103,139	$301,691
Less: Minority Interest	-$2,049,052 [1]	----
Plus: Provision on Mortgage Portfolio	$804,769	----
Plus: Amortizations	$494,636	$329,727
Plus: One time costs	$419,352 [2]	$712,452
Plus: Capital raised costs expensed through G&A	$591,353	----
FFO	**$21,030,145**	**$15,327,941**
NFFO (Normalized Funds From Operations):		
FFO	$21,030,145	$15,327,941
Plus: Vacancy and portfolio stabilization costs	$3,712,400 [3]	$2,188,872
Plus: Normalized Participating Interest	$4,954,171 [4]	$2,813,000
Plus: Cash leakage and underleveraging	$3,408,184 [5]	$1,666,667
Plus: Gap to Market Rents	$1,924,228	$1,953,981
Plus: Realized mortgage interest savings	$1,029,877	----
Plus: Internalization benefit	----	$2,500,000
NFFO	**$36,059,005**	**$26,450,461**
PFFO (Potential Funds From Operations):		
NFFO	$36,059,005	$26,450,461
Submetering	$864,794	$884,878
Parking Implementation	$390,177	$205,021
Roll down of mortgage portfolio to market rate 5 year mortgages	$4,276,994 [6]	$4,769,550
Cash Deployed ($20 million at 10% net return) from extra leverage	$930,840 [7]	$1,200,000
Third party management	$355,000 [8]	$250,000
Internalization benefit	----	$200,000
PFFO	**$42,876,809**	**$33,959,910**
Average Number of Outstanding Units	36,416,486	28,761,167
Less: Adjustment to Average Number of Outstanding Units	----	- 595,745
Adjusted Number of Outstanding Units	36,416,486	28,165,422
Per Unit Statistics (Per Adjusted # of Outstanding Units)		
Net Income & Comprehensive Income	$1.15	$0.88
FFO	$0.58	$0.54
NFFO	$0.99	$0.94
PFFO	$1.18	$1.21

Notes:

(1) Represents the Non-controlling Interest

(2) One time costs related to internalization and an abandoned debenture issue

(3) Normalized vacancy, credit and leasing costs associated with repositioning and stabilizing the portfolio to normal operations.

(4) Most participating investments have returns that are back end weighted and not smoothly realized. This amount reflects the dilution from earnings from the timing effects on the assumption that estimated earnings on these investments will be realized as underwritten but smoothed over the life of the deal (like an IRR).

(5) In 2015, the REIT had excess capital and cash which remained undeployed for a period which is why the Trust had to be capped to new investment.

(6) The REIT expects to reduce the costs of its mortgage liabilities over time. This represents the difference between current and in place mortgage rates and currently available rates based on a 3.48% average.

(7) The REIT is currently significantly underleveraged. A new $20 million credit facility in REOT has been approved.

(8) The REIT launched its third party property management services in 2015. This represents additional earnings expectations from this business.

(9) For details of the 2014 figures please see the 2014 Annual Report.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

Under IFRS, investment properties are recorded on the balance sheet at fair market value, unadjusted for portfolio or platform premiums. Changes in fair value flow through the statements of income and comprehensive income. In 2015, the gross value of the properties appreciated by $45,834,159 (see table below). By comparison the value change in 2014 was $39,363,337.

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 do not reflect in value immediately.

Fair Value of Investment Properties

	2015	2014
Balance, beginning of the year	$528,582,993	$447,129,371
Property acquisitions [1]	$94,248,045	$48,993,949
Property dispositions	($2,201,870)	($6,903,664)
Increase (decrease) in valuation	$45,834,159	$39,363,337
TOTAL	**$666,463,327**	**$528,582,993**

[1] At purchase price

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

	2015	2014
Change in property valuation	$45,834,159	$39,363,337
Less: Acquisitions costs	($1,851,021)	($1,200,522)
Less: Property improvements	($20,916,753)	($27,320,911)
FAIR VALUE ADJUSTMENT ON INVESTMENT PROPERTIES	**$23,066,385**	**$10,841,904**

[1] This table reconciles the Gross Change in property valuation with the financial statements.

Refer to Note 5 of the audited financial statements in Appendix "D"

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

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 2015 did see capital appreciation due to a reduction in capitalization rates, and accretive acquisitions activity, the capital investments made in 2015 and in previous years also contributed to this success. Management believes that the significant investments made in 2014 and 2015 will contribute to growth in property values, ceteris paribus, in 2016 and beyond. Management anticipates that it will be filing a number of additional above guideline rent increase applications in 2016 as a result of many of these capital improvements and that ultimately this will contribute further to property values. (See "Revenue and Expense Summary Table" for a partial list of some of these initiatives and their potential impacts).

Sources of Change in Portfolio Valuation

	2015	2014
Change in capitalization rates	54%	26%
Growth of NNOI	39%	21%
Acquisitions	7%	53%
TOTAL	100%	100%

The portfolio weighted average capitalization rate declined slightly on a year-end basis from 5.23% in 2014 to 5.18% in 2015 (see Note 5 of the consolidated audited financial statements in Appendix "D") 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 2015 at attractive rates. Part of this can also be explained by the increased allocation to student properties which generally have higher capitalization rates.

Management believes that there still remains scope for capital growth in 2016 and beyond. Further, as discussed previously, the Trust invested $20,916,753 million in capital improvements in 2015 and it is Management's opinion that not all of the benefits of these improvements are reflected in current values.

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, 2015

	2015	2014
Class A	35,095,135	30,117,969
Class F	4,139,635	1,947,283
Class M	50,000	50,000
Exchangeable LP	259,683	312,491
TOTAL	**39,544,453**	**32,427,743**

DISTRIBUTIONS

In 2015, distributions per unit remained at $0.82/Unit/Annum for the Class A units and $0.93/Unit/Annum for the Class F units while the unit price continued to increase in 2015. Distribution yield is currently 6.91% based on $0.8200/Unit/Annum on a $12.262 price/Unit for Class A units and 7.84% based on $0.9300/Unit/Annum on an $12.262 price/Unit for Class F units.

Management anticipates that distributions per Unit will remain at the current level for the remainder of the year while it focuses on the stabilizing and repositioning in-process properties and realizing some of the potential in the portfolio.

Effective May 1, 2015 and going forward, for all unitholders subscribing to the REIT the closing date for new subscriptions will become the first business day of the month and will no longer be the last business day of the month. Subscribers will be considered unitholders as of the first business day of the month and not the last business day of the month, provided that their completed subscription documents have been received on or before this date.

For example, an investor that submitted their completed subscription forms on May 25, 2015, became a unitholder of the REIT on June 1, 2015 with their first distribution being paid on July 15, 2015. A unitholder must be invested for a full calendar month before receiving a distribution. An investor that submitted their completed subscription forms on June 2, 2015 would have missed the cut-off of June 1, 2015 and became a unitholder as of July 1, 2015 with their funds held in a segregated subscription trust account until the next closing.

This change was made to reduce dilution to existing unitholders. Under the old methodology, new investors received a distribution for only being invested a single day. When the REIT was originally formed, it was assumed that subscriptions would flow in at a steady pace over the course of the month. It became clear over time that this assumption was incorrect and that the majority of subscriptions flowed in on the final few days of the closing month. Since these funds were held in escrow and not invested, the REIT had no opportunity to earn the first month's distribution given to new unitholders by being invested. As such, the first month's distribution under the old methodology was a transfer of returns paid for by existing unitholders to new unitholders. The change was proposed the Board of the Trustees and passed to take effect May 1, 2015. The last closing under the old methodology was April 30, 2015. The Board of Trustees believe that the new methodology is a more balanced and fair approach than the old methodology.

All other aspects of Centurion's subscription and distribution policies remain unchanged. Please note distributions are paid out on the 15th of each month, except when the 15th falls on a weekend or legal holiday, in which case distributions are paid out on the first business day following the 15th of the month. Unitholders are entitled to a distribution in a given month if they are unitholders on the last business day of that month.

TAX TREATMENT OF DISTRIBUTIONS

The chart below shows the history of the tax treatment of the REIT's distributions by year.

In 2015 Other Income increased as a portion of total returns to 15.54%. This was driven by the interest income earned by the REIT on its mortgage investment and development portfolio. Given the strategic importance of continuing to build a future pipeline for accretive growth, Management expects that this income will remain the same or increase as the REIT continues to deploy capital into similar opportunities until these turn into actual property acquisitions upon project stabilization. Once these opportunities become property rather than mortgage investments, we expect that the proportion of returns for tax purposes classified as Other Income will decline.

Box on T3	Description	2009	2010	2011	2012	2013	2014	2015
42	Return of Capital	100.00%	100.00%	100.00%	100.00%	90.25%	83.70%	83.31%
21	Capital Gains	-	-	-	-	9.75%	1.87%	1.15%
26	Other Income	-	-	-	-	-	14.43%	15.54%

CAPITAL RAISING ACTIVITY

2015 was another strong year for capital raising considering the Trust was capped for investment for a period of three months in 2015 (October 1, 2015 – December 31, 2015) due to excess liquidity and insufficient accretive acquisition opportunities. 2015 equity inflows were $80.11 million, the Trust remained capped as at March 31, 2016 though it was opened for a capital raise of $20 million in mid-March 2016.

The chart on page 53 shows monthly flows since the Trust's inception (but excluding CAPLP). Management believes that it has sufficient capital to execute upon its vision.

The Trust continually looks for additional capital sources and structures, such as debt offerings, which would be accretive to the unitholders.

USE OF PROCEEDS

Form 45-106 is a required regulatory form which provides details of the use of proceeds as at the financial year end. The date of the report is April 7, 2016 which is the date of the auditor's report on the consolidated financial statements for the Trust for the most recently completed financial year December 31, 2015.

NOTICE OF USE OF PROCEEDS[4]

For the financial year-ended December 31, 2015

Report date April 7, 2016[1]

OPENING PROCEEDS				
(A)	Closing unused proceeds balance from the last Notice in Form 45-106F16 filed, if any	$	----	2
(B)	Proceeds raised in the most recently completed financial year	$	80,111,543	3
(C)	Total opening proceeds	$	80,111,543	
PROCEEDS USED DURING THE MOST RECENT COMPLETED FINANCIAL YEAR				
	Proceeds used to pay the following:			
	Unit issue costs	$	2,122,668	
	Net Mortgage Investments Issued	$	5,834,198	
	Redemptions of units	$	7,108,376	
	Investment property acquisitions	$	39,956,915	
	Capital improvements	$	20,916,753	
	Changes in working capital	$	4,172,633	
(D)	Total used proceeds	$	80,111,543	
(E)	Closing unused proceeds	$	----	

NOTES

(1) The regulation states the date must be no earlier than the date of the auditor's report.

(2) The Closing unused proceeds is nil as this Notice was not required in the prior year.

(3) Proceeds raised refer to Centurion Apartment REIT only on an unconsolidated basis.

(4) The Consolidated Statement of Cash Flows included in the audited consolidated financial statements provides more detailed information.

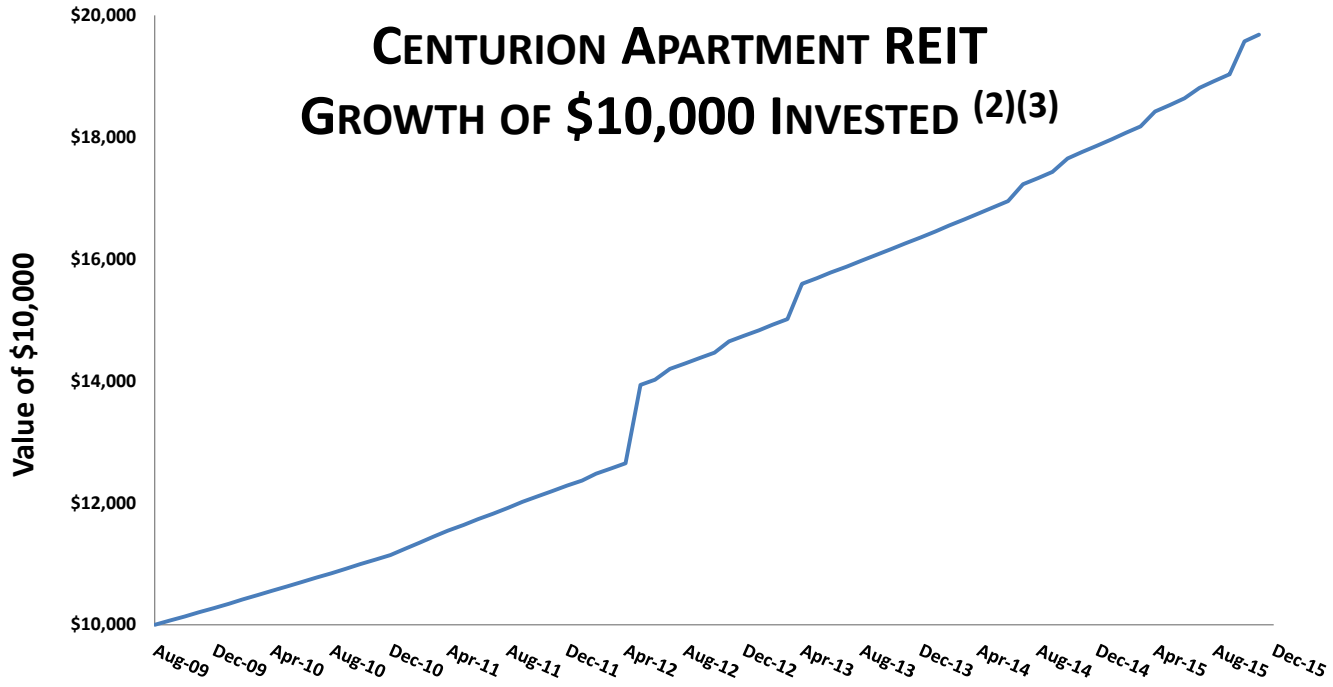
TOTAL RETURNS

Including the upwards adjustment in NAV, and the reinvestment of distributions, total one year returns were 10.20% for Class A units and 11.17% for Class F units in 2015. Management believes that capitalization rates are stable with a downward bias and that future returns will be driven by the continued execution of the strategies outlined previously in repositioning the portfolio, our development pipeline, reducing interest costs and realization of the benefits of the capital investments that have been made in the portfolio.

REIT Returns for Class A Units (excluding history of CAPLP)

CALENDAR RETURNS (%)	2009[1]	2010	2011	2012	2013	2014	2015
Centurion CAPLP/REIT TR(%)	2.75%	8.48%	10.21%	20.01%	10.95%	9.21%	10.20%

COMPOUND RETURNS (%)	1-YEAR	2-YEAR	3-YEAR	4-YEAR	5-YEAR	SINCE INCEPTION OF REIT
Centurion CAPLP/REIT TR(%)	10.20%	9.70%	10.12%	12.51%	12.05%	11.29%



Notes:

(1) For partial year from 31 Aug09 to 31 Dec09

(2) Refer to detailed Disclaimer on Sheet labeled "Disclaimer" in the calculation spreadsheet published by Management here: www.centurionapartmentreit.com/noindex/Historic-Returns

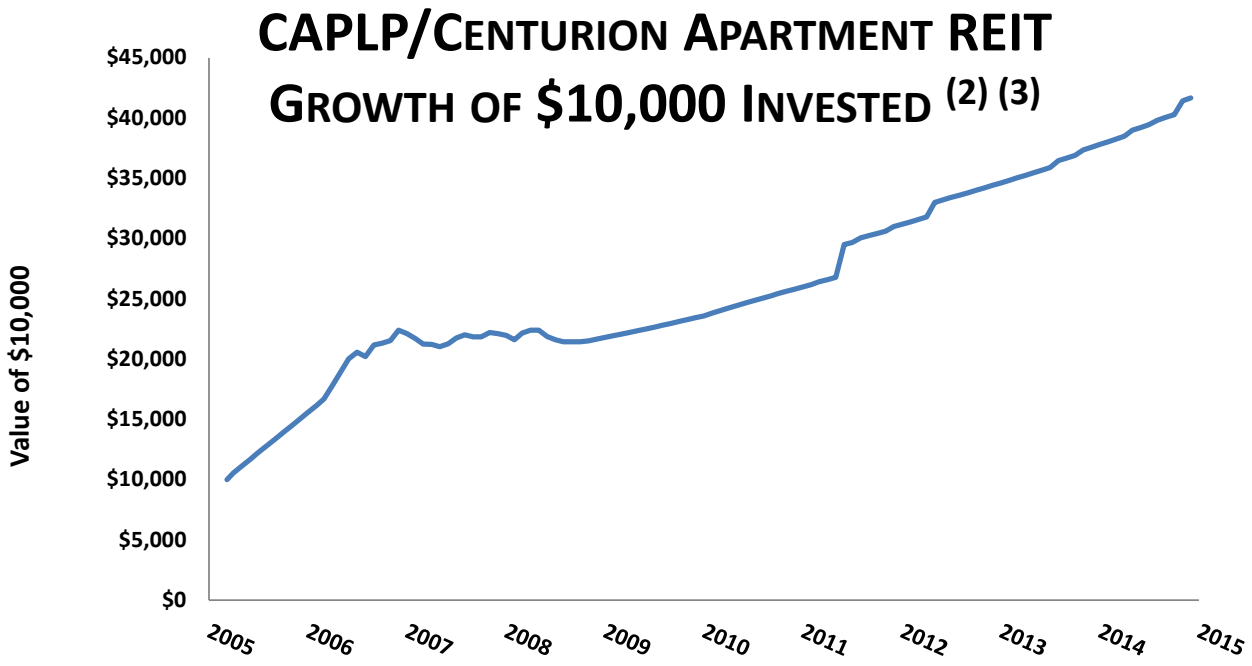
(3) Class "A" Units

TOTAL RETURNS

REIT Returns for Class A Units (including history of CAPLP)

CALENDAR RETURNS (%)	2006[1]	2007	2008	2009	2010	2011	2012	2013	2014	2015
CAPLP	55.80%	41.92%	-0.67%	-0.78%	8.25%	10.21%	20.01%	10.95%	9.21%	10.20%

COMPOUND RETURNS (%)	1-YEAR	2-YEAR	3-YEAR	4-YEAR	5-YEAR	6-YEAR	7-YEAR	SINCE INCEPTION OF CAPLP
Centurion CAPLP/REIT TR(%)	10.20%	9.70%	10.12%	12.51%	12.05%	11.41%	9.58%	15.62%



Notes:
(1) For partial year from 7 Mar06 to 31 Dec06
(2) Refer to detailed Disclaimer on Sheet labelled "Disclaimer"
(3) Class "A" Units

Refer to detailed Disclaimer on Sheet labeled "Disclaimer" in the calculation spreadsheet published by Management here: www.centurionapartmentreit.com/noindex/Historic-Returns

APPENDIX A

Summary Information About the Properties

ADDRESS	CITY	PROVINCE	YEAR ACQUIRED	NOTES
362 Shanty Bay Rd	Barrie	Ontario	2010	(R)
60 Prince Edward St	Brighton	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)
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)
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)
262-320 Kingswood Dr	Kitchener	Ontario	2010	(R)
6 Grand Stand Place	Toronto	Ontario	2011	(A)
Auburn Student Residence	Montreal	Quebec	2011/2015	(A)(J)(V)
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)
1594 Victoria Park Avenue	Toronto	Ontario	2013	(A)
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)
345 King Street North	Waterloo	Ontario	2013	(A)
3443 Bathurst Street	Toronto	Ontario	2013	(A)
4 Antrim Crescent	Toronto	Ontario	2014	(A)
3443 Bathurst Street	Toronto	Ontario	2014	(A)
4 Antrim Crescent	Toronto	Ontario	2014	(A)
168 King Street North	Waterloo	Ontario	2014	(A)
58 Holtwood Court	Halifax	Nova Scotia	2014	(A)
3707-3711 Whitelaw Lane NW	Edmonton	Alberta	2015	(A)
45-56 College Street	Kitchener	Ontario	2015	(A)
64-66 Weber, 58-60 Weber, 96 Young	Kitchener	Ontario	2015	(A)
205 Oxford St	London	Ontario	2015	(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.

(V) The Trust acquired 25% of this property in 2011 with the remaining 75% acquired in 2015.

APPENDIX A

Summary Information About the Properties

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	Apt	100%		4	11					15	15	15	15
60 Prince Edward St	Apt	100%		3	27					30	30	30	30
21/31 Jean Ave	Apt	100%		20	12					32	32	32	32
122 Elizabeth St	Apt	100%	1		26	2				29	29	29	29
277 Anderson Ave	Apt	100%			47					47	47	47	47
36 & 70 Orchard View	Apt	100%		6	18					24	24	24	24
255 Dunlop St West	Apt	100%			2	26				28	28	28	28
356 & 360 Hoffman	Apt	100%		36	60					96	96	96	96
15, 19, 25 Hugo Cres	Apt	100%		7	46					53	53	53	53
167 Morgan Ave	Apt	100%	2	10	20	15				47	47	47	47
196 Churchill St S	Apt	100%	3	7	23					33	33	33	33
707 & 711 Dundas St W	Apt	100%			24	12				36	36	36	36
165 Old Muskoka Rd	Apt	100%		5	33	1				39	39	39	39
2 & 4 Yonge St	Apt	100%		6	13	6				25	25	25	25
262-320 Kingswood Dr	Apt	100%		92	268					360	360	360	360
1,2,3,5, and 7 Biggin Court	Apt	100%	11	179	108	10				308	308	308	308
6 Grand Stand Place	Apt	100%		21	33	6				60	60	60	60
Auburn Student Residence	SH	100%				10	40	50		100	100	440	440
75 Ann Street	SH	75%			2	45	90			137	103	499	374
1 Beaufort Street	SH	75%						27		27	20	135	101
St. George Street & Ann Street	SH	100%					24			24	24	96	96
1631 Victoria Park Avenue	Apt	100%	4	19	12					35	35	35	35
4 & 8 Rannock St, and 880 Pharmacy Ave.	Apt	100%		34	51					85	85	85	85
173 King Street North	SH	100%		1	1		54			56	56	219	219
25 & 45 Briardale Road	Apt	100%		14	76					90	90	90	90
133-143 Woodside Avenue	Apt	100%		125	206	2				333	333	333	333
26 Thorncliffe Park Drive	Apt	100%		35	25	1				61	61	61	61
27 Thorncliffe Park Drive	Apt	100%	2	45	39					86	86	86	86
50 Thorncliffe Park Drive	Apt	100%	1	10	34	12				57	57	57	57
219 St. Andrews Street	Apt	100%	3	13	12					28	28	28	28
252 & 256 St. Andrews Street	Apt	100%		3	129					132	132	132	132
1594 Victoria Park Avenue	Apt	100%	1	13	14					28	28	28	28
5 Dufresne Court	Apt	100%		108	82	28				218	218	218	218
275 North Service Road	Apt	100%		34	41	7				82	82	82	82

APPENDIX A

Summary Information About the Properties

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)
1175 Dundas Street West	Apt	100%	1	53	50					104	104	104	104
167 King Street North	SH	100%						41		41	41	205	205
345 King Street North	SH	100%				28	28	38		94	94	386	386
3443 Bathurst Street	Apt	100%		4	13	6				23	23	23	23
4 Antrim Crescent	Apt	100%		41	24					65	65	65	65
168 King St North	SH	100%		1				35		36	36	176	176
58 Holtwood Court	Apt	100%		9	99	6				114	114	114	114
3707-3711 Whitelaw Lane NW	Apt	100%		3	123					126	126	126	126
46-56 College Street	Apt	100%	8	26	12					46	46	46	46
64-66 Weber, 58-60 Weber, 96 Young	Apt	100%	3	24		1				28	28	28	28
205 Oxford St	SH	100%		50	85					135	135	220	220
TOTAL			**40**	**1061**	**1901**	**224**	**236**	**191**	**0**	**3653**	**3612**	**5379**	**5221**

Notes:
"Apt" is short for Apartment and "SH" is short for Student Housing

"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).

APPENDIX A

Summary Information About the Properties

Property 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	0.90%	33	0.91%	33	0.61%	33	0.63%
Barrie	2	43	1.18%	43	1.19%	43	0.80%	43	0.82%
Brighton	2	59	1.62%	59	1.63%	59	1.10%	59	1.13%
Cambridge	4	583	15.96%	583	16.14%	583	10.84%	583	11.17%
Dartmouth	1	114	3.12%	114	3.16%	114	2.12%	114	2.18%
Edmonton	1	126	3.45%	126	3.49%	126	2.34%	126	2.41%
Gravenhurst	1	39	1.07%	39	1.08%	39	0.73%	39	0.75%
Huntsville	1	25	0.68%	25	0.69%	25	0.46%	25	0.48%
Kitchener	7	662	18.12%	662	18.33%	662	12.31%	662	12.68%
London	4	323	8.84%	282	7.81%	950	17.66%	792	15.17%
Mississauga	2	186	5.09%	186	5.15%	186	3.46%	186	3.56%
Montreal	1	100	2.74%	100	2.77%	440	8.18%	440	8.43%
Oshawa	2	71	1.94%	71	1.97%	71	1.32%	71	1.36%
Toronto	11	1026	28.09%	1026	28.41%	1026	19.07%	1026	19.65%
Waterloo	4	227	6.21%	227	6.27%	986	18.33%	986	18.89%
Whitby	1	36	0.99%	36	1.00%	36	0.67%	36	0.69%
16 Cities	**45**	**3653**	**100%**	**3612**	**100%**	**5379**	**100%**	**5221**	**100%**

Property Summary By Region

Region	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
Central ON	4	107	2.93%	107	2.96%	107	1.99%	107	2%
Eastern ON	2	59	1.62%	59	1.63%	59	1.10%	59	1%
Greater Edmonton Area	1	126	3.45%	126	3.49%	126	2.34%	126	2%
Greater Toronto Area	17	1352	37.01%	1352	37.43%	1352	25.19%	1352	26%
Halifax Regional Municipality	1	114	3.12%	114	3.16%	114	2.12%	114	2%
Kitchener Waterloo Cambridge	15	1472	40.30%	1472	40.75%	2231	41.42%	2231	43%
London Area	4	323	8.84%	282	7.81%	950	17.66%	792	15%
Montreal	1	100	2.73%	100	2.77%	440	8.18%	440	8%
Total	**45**	**3653**	**100%**	**3612**	**100%**	**5379**	**100%**	**5221**	**100%**

APPENDIX A

Summary Information About the Properties

Property Summary By Province

Province	# 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
Alberta	1	126	3%	126	3%	126	2%	126	2%
Ontario	42	3313	91%	3272	91%	4699	87%	4541	87%
Nova Scotia	1	114	3%	114	3%	114	2%	114	2%
Quebec	1	100	3%	100	3%	440	8%	440	8%
Total	**45**	**3653**	**100%**	**3612**	**100%**	**5379**	**100%**	**5221**	**100%**

Rent Controlled vs Non Rent Controlled[1] Properties

	# 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
Rent Controlled	35	2975	81%	2975	82%	3400	63%	3400	65%
Non Rent Controlled[1]	10	678	19%	637	18%	1979	37%	1821	35%
TOTAL	**45**	**3653**	**100%**	**3612**	**100%**	**5379**	**100%**	**5221**	**100%**

Property Summary By Asset Type

Property Type	# 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	3003	82%	3003	83%	3003	56%	3003	58%
Student Housing	9	650	18%	609	17%	2376	44%	2218	42%
TOTAL	**45**	**3653**	**100%**	**3612**	**100%**	**5379**	**100%**	**5221**	**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	100	440	440
London	Student Housing	4	323	282	950	792
Waterloo	Student Housing	4	227	227	986	986
TOTAL		**9**	**650**	**609**	**2376**	**2218**

Average Rents (Undiluted Basis)

	Total Rental Units	Revenue / Unit / Month
Apartment	3,003	$856
Student Residence	2,376	$525
TOTAL	**5,379**	**$710**

Notes Pertaining to the Tables in this Appendix:

1 For the purposes of this table, "Rent Controlled", means that the rent is controlled by regulation, but excludes purpose built student properties which, although they may have formal rent controls in some cases, because of the nature of assured student turnover upon graduation, the property may be considered "Non Rent Controlled".

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: 29
(1 bachelor, 26 two bdrm, two three bdrm)

LIST OF PROPERTIES

APARTMENTS

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 bachelor, 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)

LIST OF PROPERTIES

Apartments

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)

LIST OF PROPERTIES

APARTMENTS

ROYAL AND WALES APARTMENTS

Location: Kitchener, Ontario
Address: 56 College St (map)
Type of building: Apartment
Number of suites: 46
(6 bachelor, 28 one bdrm, 12 two bdrm)

WEBER

Location: Kitchener, Ontario
Address: 64 Weber St West (map)
Type of building: Apartment
Number of suites: 28
(3 bachelor, 5 Jr one bdrm, 19 one bdrm, 1 three bdrm)

1175 DUNDAS STREET WEST (WESTDALE APARTMENTS)

Location: Mississauga, Ontario
Address: 1175 Dundas Street West (map)
Type of building: Apartment (elevator)
Number of suites: 104
(1 bachelor, 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)

LIST OF PROPERTIES

APARTMENTS

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)

BIGGIN COURT

Location: Toronto, Ontario
Address: 1,2,3,5 and 7 Biggin Court (map)
Type of Building: Apartments (elevator)
Number of Suites: 308
(11 bachelor, 9 jr one bdrm, 170 one bdrm, 108 two bdrm, 10 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 bachelor, 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 bachelor, 13 one bdrm, and 14 two bdrm)

LIST OF PROPERTIES

APARTMENTS

4 & 8 RANNOCK AVENUE, AND 880 PHARMACY AVE

Location: Toronto, Ontario
Address: 4 & 8 Rannock Avenue (map), and 880 Pharmacy Avenue (map)
Type of Building: Walk-up apartments
Number of Suites: 85
(34 one bdrm, and 51 two bdrm)

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 bachelor, 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 bachelor, 10 one bdrm, 34 two bdrm, and 12 three bdrm)

5 DUFRESNE COURT

Location: Toronto, Ontario
Address: 5 Dufresne Court (map)
Type of building: Apartments (elevator)
Number of suites: 218
(27 jr one bdrm, 54 one bdrm, 27 large one bdrm, 82 two bdrm, and 28 three bdrm)

LIST OF PROPERTIES

Apartments

Antrim Apartments
Location: Toronto, Ontario
Address: 4 Antrim Crescent (map)
Type of Building: Apartments (elevator)
Number of Suites: 65 suites
(41 one bdrm, 24 two bdrm, 6 three bdrm)
plus 1 commercial unit

Deloraine Luxury Apartments
Location: Toronto, Ontario
Address: 3443 Bathurst Street (map)
Type of Building: Luxury Apartments (elevator)
Number of Suites: 23
(4 one bdrm, 13 two bdrm, 6 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)

The Huntington
Location: Dartmouth, Nova Scotia
Address: 58 Holtwood Court (map)
Type of Building: Luxury Apartments (elevator)
Number of Suites: 114
(9 one bdrm, 99 two bdrm, 6 three bdrm)

Windermere Village
Location: Edmonton, Alberta
Address: 3707-3711 Whitelaw Lane NW (map)
Type of Building: Luxury Apartments (elevator)
Number of Suites: 126
(3 one bdrm, 123 two bdrm)

LIST OF PROPERTIES

Owned Student Residences

75 Ann Street*

Location: London (Ontario)
Address: 75 Ann Street (map)
Type of Building: Student Residence (elevator)
Number of Suites: 137
(Comprising of 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: 6 block townhouse complex; 27 suites
(Comprising of 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)

205 Oxford Centre Apartments

Location: London (Ontario)
Address: 205 Oxford Street East (map)
Type of Building: Student Residence (elevator)
Number of Suites: 135 suites
(Comprising of 220 rental beds; 50 one bdrm, 85 two bdrm)

LIST OF PROPERTIES

Owned Student Residences

University View

Location: Waterloo, Ontario
Address: 173 King Street North (map)
Type of Building: Student residence (Elevator)
Number of Suites: 56 Suites
(Comprising of 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 of 205 rental beds; 41 five bdrm)

168 King Street North

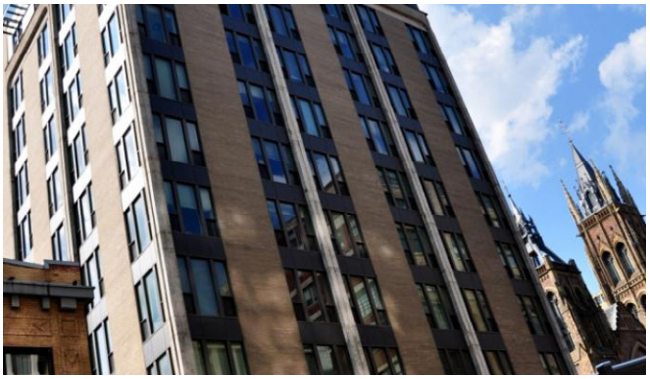
Location: Waterloo, Ontario
Address: 168 King Street North (map)
Type of Building: Student residence (Elevator)
Number of Suites: 36 Suites
(Comprising of 176 rental beds; 1 one bdrm, 35 five bdrm)

345 King Street North

Location: Waterloo, Ontario
Address: 345 King Street North (map)
Type of Building: Student residence (Elevator)
Number of Suites: 94 Suites
(Comprising of 386 rental beds; 38 five bdrm, 28 four bdrm and 28 three bdrm)

LIST OF PROPERTIES

Owned Student Residences



LA MARQ au 515

Location: Montréal (Québec)
Address: 1430 rue City Councillors (map)
Type of Building: Student Residence (elevator)
Number of Suites: 100 suites
(Comprising of 440 rental beds; 10 three bdrm, 40 four bdrm, 50 five bdrm)

LIST OF PROPERTIES

Third-Party Managed Student Residences

Residence on first (R1)

Location: London (Ontario)
Address: 625 First Street (map)
Type of Building: Student Residence (elevator)
(Comprising of 591 rental beds)

**Centurion third-party management with Adamas*

347 Spruce

Location: Waterloo (Ontario)
Address: 347 Spruce Street (map)
Type of Building: Student Residence
(Comprising of 35 rental beds)

**Centurion third-party management with Schembri*

LIST OF PROPERTIES

Third-Party Managed Student Residences

Columbia Street West

Location: Waterloo (Ontario)
Address: Columbia Street West (map)
1, 26, 35, 41, 61, 69, 75 Columbia Street West
Type of Building: Student Residence (elevator in 1 Columbia)
(Comprising of 738 rental beds)

**Centurion third-party management with Schembri*

The Block

Location: Waterloo (Ontario)
Address: 275 Larch Street (map)
Type of Building: Student Residence (elevator)
(Comprising of 73 rental beds)

**Centurion third-party management with Schembri*

APPENDIX B

Summary Information About the Mortgage Investment Portfolio of REOT (December 31, 2015)

MORTGAGE INVESTMENTS & EQUITY ACCOUNTED INVESTMENTS

The following charts provide additional information relating to the mortgage investments and equity accounted investments in CREOT. The Trust has a 62.04% ownership in CREOT and as such 100% of the assets, liabilities, income and expenses of CREOT are consolidated in the trusts financial statements even though the Trust only owns 62.04% of CREOT (please see page 32 for the summary what is directly attributable to each entity). The Trust has a direct ownership of mortgage investments totaling $20.02 million that are not included in the following graphs and tables.

SUMMARY

	Committed	Number	Funded	% of Portfolio	Number
Mortgage investments	$161,590,000	40	$103,104,849	87.21%	36
Equity accounted investments	$15,121,406	2	$15,121,406	12.79%	2
Total investments	**$176,711,406**	**42**	**$118,226,255**	**100.00%**	**38**

BY PROVINCE

Province	Committed	Committed Value	% of Portfolio	Funded	Funded Value	% of Portfolio
Alberta	7	$45,848,631	25.95%	6	$22,831,029	19.31%
British Columbia	6	$27,458,009	15.54%	6	$19,297,792	16.32%
Manitoba	1	$8,978,286	5.08%	1	$8,978,286	7.59%
Ontario	27	$88,283,360	49.95%	24	$60,976,028	51.58%
Saskatchewan	1	$6,143,120	3.48%	1	$6,143,120	5.20%
Total	**42**	**$176,711,406**	**100.00%**	**38**	**$118,226,255**	**100.00%**

PURCHASE OPTIONS ATTACHED TO INVESTMENTS

Status	Total Balance	% of Portfolio	# of Investments
Mortgages with Purchase Options	$67,409,509	57.02%	19
Mortgages without Purchase Options	$35,695,340	30.19%	17
Equity accounted investments	$15,121,406	12.79%	2
Total	**$118,226,255**	**100.00%**	**38**

ESTIMATED BUILT OUT VALUE OF PROPERTIES UNDERLYING INVESTMENTS WITH PURCHASE OPTIONS

	Undiluted	Diluted
Mortgage Investments	$382,094,790	$290,957,462
Joint Arrangements	$112,852,897	$48,132,655
Total	**$494,947,687**	**$339,090,117**

APPENDIX B

Summary Information About the Mortgage Investment Portfolio (December 31, 2015)

MORTGAGE INVESTMENTS & EQUITY ACCOUNTED INVESTMENTS

CAPITAL POSITION

Status	Total Balance	% of Portfolio	# of Investments
Preferred Position	$103,104,849	87.21%	36
Common Position	$15,121,406	12.79%	2
Total	**$118,226,255**	**100.00%**	**38**

BY INVESTMENT TYPE

	Total Balance	% of Portfolio	# of Investments
Residential	$100,277,625	84.82%	29
Commercial	$17,948,630	15.18%	9
Total	**$118,226,255**	**100.00%**	**38**

BY DEVELOPMENT STAGE

	Total Balance	% of Portfolio	# of Investments
Pre-development	$16,819,172	14.23%	5
Construction	$87,115,129	73.68%	24
Term	$14,291,954	12.09%	9
Total	**$118,226,255**	**100.00%**	**38**

BY UNDERLYING SECURITY

Type	Total Balance	% of Portfolio	# of Investments
Multi Family Apartment	$63,896,161	54.05%	17
Multi Family Student Housing	$17,420,507	14.73%	4
Retail	$11,147,663	9.43%	4
Other	$25,761,924	21.79%	13
Total	**$118,226,255**	**100.00%**	**38**

BY RANK

Position	Total Balance	% of Portfolio	# of Investments
First	$40,443,418	34.21%	16
Second	$62,661,431	53.00%	20
Equity accounted investments	$15,121,406	12.79%	2
Total	**$118,226,255**	**100.00%**	**38**

APPENDIX B

Summary Information About the Mortgage Investment Portfolio (December 31, 2015)

MORTGAGE INVESTMENTS ONLY BY LOAN TO VALUE ("LTV")				
LTV	**Total Balance**	**Running Total**	**% of Portfolio**	**# of Investments**
Non-Participating Investments (Mortgages)				
50% or Lower	$9,225,925	$9,225,925	8.95%	3
51% - 55%	$5,260,701	$14,486,626	5.10%	2
56% - 60%	$7,507,456	$21,994,082	7.28%	2
61% - 65%	$580,315	$22,574,398	0.56%	1
66% - 70%	$2,842,663	$25,417,060	2.76%	3
71% - 75%	$5,959,724	$31,376,784	5.78%	3
76% - 80%	$46,408,213	$77,784,997	45.01%	11
81% - 85%	$2,579,261	$80,364,258	2.50%	3
Above 85%	$0	$80,364,258	0.00%	0
Sub-Total	**$80,364,258**	**$80,364,258**	**77.94%**	**28**
Participating Investments				
Sub-Total	**$22,740,591**	**$22,740,591**	**22.06%**	**8**
Total	**$103,104,849**	**$103,104,849**	**100.00%**	**36**

The Weighted Average LTV of Non-participating Investments (Mortgages) is 71.71%
(First Positions - 59.73%, Second Positions - 76.03%)

MORTGAGE INVESTMENTS ONLY BY MINIMUM RETURN COUPON BY 50 BASIS POINT BUCKETS				
Coupon Rate	**# of Investments**	**Total Balance**	**% of Portfolio**	**Average Interest Rate %**
7.5% or Lower	0	$0	0.00%	0.00%
7.51%-8%	3	$2,032,408	1.97%	8.00%
8.01%-8.5%	2	$7,703,560	7.47%	8.35%
8.51%-9%	0	$0	0.00%	0.00%
9.01%-9.5%	3	$10,157,500	9.85%	9.15%
9.51% - 10%	19	$57,280,580	55.56%	10.00%
10.01% - 10.5%	0	$0	0.00%	0.00%
10.51% - 11%	5	$10,967,693	10.64%	11.00%
11.01% - 11.5%	1	$4,545,427	4.41%	11.50%
11.51% - 12%	3	$10,417,681	10.10%	12.00%
12.01% - 12.5%	0	$0	0.00%	0.00%
Total	**36**	**$103,104,849**	**100.00%**	**10.13%**

The Weighted Average Minimum Coupon Rate of the Portfolio is 10.13%

APPENDIX B

Summary Information About the Mortgage Investment Portfolio (December 31, 2015)

MORTGAGE INVESTMENTS ONLY BY MATURITY		
Maturity	**Balance Maturing**	**% of Portfolio**
Maturing 2016	$58,091,393	56.34%
Maturing 2017	$31,591,808	30.64%
Maturing 2018	$13,421,648	13.02%
Total	**$103,104,849**	**100.00%**
The Weighted Average Maturity of the Portfolio is 1.10 Years		

MORTGAGE INVESTMENTS & EQUITY ACCOUNTED INVESTMENTS BY SIZE			
	Total Balance	**% of Portfolio**	**# of Investments**
<=$1 million	$4,083,143	3.45%	7
>$1 to <=$3 million	$21,885,359	18.51%	14
>$3 to <=$7 million	$60,137,588	50.87%	13
>$7 to <=$10 million	$32,120,165	27.17%	4
>$10 million	$0	0.00%	0
Total	**$118,226,255**	**100.00%**	**38**

Average Investment Size	$3,111,217
Median Investment Size	$2,136,656

APPENDIX C

Risks and Uncertainties

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Financial Statements

For the year ended December 31, 2015

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INDEPENDENT AUDITORS' 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, 2015, the consolidated statements of net income and comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 consolidated financial position of Centurion Apartment Real Estate Investment Trust as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 7, 2016
Toronto, Canada

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note		**December 31, 2015**		December 31, 2014
Assets					
Non-current assets					
Investment properties	5	**$**	**666,463,327**	$	528,582,993
Mortgage investments	7		**44,810,403**		68,521,148
Equity accounted investments	6		**15,121,406**		3,443,112
Property and equipment			**282,391**		-
			726,677,527		600,547,253
Current assets					
Current portion of mortgage investments	7		**77,299,898**		24,153,928
Mortgage interest receivable	8		**371,712**		264,222
Other assets	10		**10,613,151**		7,186,642
Accounts receivable	9		**1,142,682**		1,339,627
Restricted cash	13		**1,181,240**		-
Cash			**19,602,591**		3,980,735
			110,211,274		36,925,154
Total Assets		**$**	**836,888,801**	$	637,472,407
Liabilities					
Non-current liabilities					
Mortgages payable and credit facilities	11	**$**	**284,741,739**	$	224,528,585
			284,741,739		224,528,585
Current liabilities					
Current portion of mortgages payable and credit facilities	11		**34,681,694**		33,068,666
Accounts payable and other liabilities	12		**8,073,037**		6,395,014
Tenants deposits			**3,563,439**		3,058,822
Unit subscriptions in trust	13		**1,181,240**		-
Distributions payable			**73,717**		1,252,458
			47,573,127		43,774,960
Total Liabilities excluding net assets attributable to Unitholders			**332,314,866**		268,303,545
Net assets attributable to Unitholders		**$**	**504,573,935**	$	369,168,862
Represented by:					
Net assets attributable to unitholders of the REIT		**$**	**455,052,297**	$	362,056,276
Net assets attributable to non-controlling interest		**$**	**49,521,638**	$	7,112,586

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

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For the year ended	Note	December 31, 2015	December 31, 2014
Revenue from investment properties		**$ 49,682,274**	$ 40,322,024
Property operating costs		**(20,010,429)**	(18,713,009)
Net rental income		**29,671,845**	21,609,015
Other income			
Interest income on mortgage investments	7	**11,180,673**	7,263,501
Income on equity accounted investments	6	**1,137,612**	-
General and administrative expenses	16, 19	**(8,206,394)**	(4,934,056)
Provision for mortgage investment loss	7a	**(804,769)**	-
Fair value gains on investment properties	5	**23,066,385**	10,841,904
Gain (loss) on sale of properties	4	**103,139**	(301,691)
Operating income		**56,148,491**	34,478,673
Finance costs			
Finance costs	15	**(12,209,880)**	(9,652,698)
Net Income and Comprehensive Income		**$ 43,938,611**	$ 24,825,975
Attributable to:			
Unitholders of the REIT		$ 41,889,559	$ 24,667,058
Non-controlling interest		$ 2,049,052	$ 158,917

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

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended December 31, 2015	Note	Net assets attributable to unitholders of the REIT	Net assets attributable to non-controlling interest	Net assets attributable to Unitholders
Net assets attributable to Unitholders at beginning of the period		**$ 362,056,276**	**$ 7,112,586**	**$ 369,168,862**
Net Income and Comprehensive Income		**41,889,559**	**2,049,052**	**43,938,611**
Redeemable unit transactions				
Proceeds from units issued (net of issuance costs)	14	73,687,366	41,264,648	114,952,014
Reinvestments of distributions by Unitholders	14	14,566,079	601,195	15,167,274
Redemption of units	14	(8,019,042)	(49,050)	(8,068,092)
Distributions to unitholders		(29,127,941)	(1,456,793)	(30,584,734)
Net increase from unit transactions		**51,106,462**	**40,360,000**	**91,466,462**
Net increase in net assets attributable to Unitholders		**92,996,021**	**42,409,052**	**135,405,073**
Net assets attributable to Unitholders at end of the period		**$ 455,052,297**	**$ 49,521,638**	**$ 504,573,935**

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

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended December 31, 2014	Note	Net assets attributable to unitholders of the REIT	Net assets attributable to non-controlling interest	Net assets attributable to Unitholders
Net assets attributable to Unitholders at beginning of the period		**$ 279,347,295**	**$ -**	**$ 279,347,295**
Net Income and Comprehensive Income		**24,667,058**	**158,917**	**24,825,975**
Redeemable unit transactions				
Proceeds from units issued (net of issuance costs)	14	79,857,454	6,984,406	86,841,860
Reinvestments of distributions by Unitholders	14	12,774,206	49,834	12,824,040
Redemption of units	14	(9,400,435)	-	(9,400,435)
Distributions to unitholders		(25,189,302)	(80,571)	(25,269,873)
Net increase from unit transactions		**58,041,923**	**6,953,669**	**64,995,592**
Net increase in net assets attributable to Unitholders		**82,708,981**	**7,112,586**	**89,821,567**
Net assets attributable to Unitholders at end of the period		**$ 362,056,276**	**$ 7,112,586**	**$ 369,168,862**

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

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31,	Note	2015	2014
Cash provided by (used in):			
Operating activities			
Comprehensive Income and Increase in net assets attributable to Unitholders		**$ 43,938,611**	$ 24,825,975
Add-back Non-operating items:			
Finance costs	15	**12,209,880**	9,652,698
Non-cash items:			
Fair value gains on investment properties	5	**(23,066,385)**	(10,841,904)
(Gain) loss on sale of properties	4	**(103,139)**	301,691
Accrued interest on mortgage investments		**(7,665,455)**	(4,319,094)
Provision for mortgage investments loss	7a	**804,769**	-
Non cash portion of equity income	6	**(1,137,612)**	-
Amortization of financing fees	15	**494,636**	329,727
Amortization of property and equipment		**293,547**	-
Non cash portion of revenue from investment properties recognized through acquisition of investment properties		**(97,906)**	-
Changes in non-cash operating account balances		**(12,827,114)**	(3,684,517)
Interest received on mortgage investments		**3,005,281**	-
Net cash from operating activities		**15,849,113**	16,264,576
Financing activities			
Proceeds from units issued		**122,679,074**	87,647,022
Unit issue costs		**(5,211,360)**	(3,896,431)
Cash distributions to Unitholders		**(16,596,201)**	(12,103,275)
Redemption of units		**(7,157,426)**	(9,400,436)
Financing fees		**(895,883)**	(1,091,302)
Mortgage advances		**43,518,466**	43,656,921
Mortgage repayments		**(29,344,980)**	(22,523,285)
Finance costs paid		**(12,209,880)**	(9,652,698)
Net cash from financing activities		**94,781,810**	72,636,516
Investing activities			
Investment property acquisitions	4	**(38,105,894)**	(18,572,481)
Equity accounted investment		**(10,540,682)**	(3,443,112)
Investment property acquisition costs		**(1,851,021)**	(1,200,522)
Investment property improvements		**(20,916,753)**	(27,320,911)
Proceeds from investment property dispositions		**2,201,870**	2,292,552
Acquisition of property and equipment		**(109,277)**	-
Mortgage investments - repaid		**23,433,803**	22,967,094
Mortgage investments - issued		**(49,121,113)**	(72,096,719)
Net cash used in investing activities		**(95,009,067)**	(97,374,099)
Net increase (decrease) in cash		**15,621,856**	(8,473,007)
Cash, beginning of year		**3,980,735**	12,453,742
Cash, end of year		**$ 19,602,591**	$ 3,980,735

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 initially dated August 31, 2009, as further amended from time to time and most recently amended on November 26, 2013 ("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 properties, student residence properties, mortgages and other real estate investments in Canada.

2. Significant Accounting Policies

a) Statement of Compliance

The consolidated financial statements for the year ending December 31, 2015 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been approved for issue by the Board of Trustees on April 7, 2016.

b) Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for investment properties.

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 International Accounting Standards ("IAS") 1 – Presentation of Financial Statements. Centurion Apartment REIT has elected to present the Consolidated Statements of 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 arrangements which are classified as joint operations. Entities subject to joint arrangements characterized as joint ventures are accounted for using the equity method. Centurion Real Estate Opportunities Trust ("CREOT") is a subsidiary of the REIT as the REIT owns 62.04% (2014 – 90.72%) of the units of CREOT.

2. Significant Accounting Policies (continued)

c) Principles of Consolidation (continued)

The summarized financial information of CREOT is as follows:

	December 31, 2015	December 31, 2014
Non-current Assets	**$ 59,489,739**	$ 63,389,584
Current Assets	**72,032,743**	18,249,458
Total Assets	**131,522,482**	81,639,042
Current Liabilities	**(1,427,375)**	(3,363,611)
Total Liabilities	**(1,427,375)**	(3,363,611)
Net assets attributable to Unitholders	**$ 130,095,107**	$ 78,275,431
Total income	**$ 10,561,325**	$ 2,130,411
Total expenses	**(2,168,615)**	(366,879)
Net Income and Comprehensive Income	**$ 8,392,710**	$ 1,763,532

Subsidiaries are consolidated from the date of acquisition, which is the date the REIT obtains control of the subsidiary. Control exists when the REIT has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns, is exposed, or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The REIT reassesses whether or not it controls the investee if facts, circumstance and events indicate that there are changes to the elements listed above.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. The consolidated financial statements reflect the REIT's proportionate share of revenues, expenses, assets and liabilities of the joint operations which are included in the respective items on the consolidated statements of financial position and consolidated statements of comprehensive income.

The accounting policies of the subsidiaries and joint operations 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.

2. Significant Accounting Policies (continued)

d) Reclassification of Comparative Amounts

Certain comparative amounts for the prior period have been reclassified to conform to current period presentation; the impact of the reclassifications is as follows:

- Consolidated statement of financial position - $682,986 included in participating loan interests has been reclassified to mortgage investments.
- Consolidated statement of net income and comprehensive income - $682,986 included in fair value gains on participating loan interests has been reclassified to interest income on mortgage investments.

Such reclassifications had no effect on net income or net assets attributable to unitholders.

e) 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 REIT reasonably expects to be applicable at a future date.

Leases ("IFRS16")

IFRS 16 was issued on January 13, 2016. The new standard will replace existing lease guidance in IFRS and related interpretations, and requires lessees to bring most leases on-balance sheet. The financial reporting impact of adopting IFRS 16 is being assessed. The new standard is effective for years beginning on or after January 1, 2019. Early adoption will be permitted only if the company has adopted IFRS 15 Revenue from Contracts with Customers. The REIT has not yet determined the impact of the new standard on its consolidated financial statements.

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, 2018, with earlier application permitted. The REIT has not yet determined the impact of the new standard on its consolidated financial statements.

2. Significant Accounting Policies (continued)

e) Future Changes in Accounting Policies (continued)

Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. The REIT is currently assessing the impact of the new standard on its consolidated financial statements.

Joint arrangements ("IFRS 11")

The REIT intends to adopt the amendments to IFRS 16 in its financial statements for the annual period beginning on January 1, 2016. The amendment provides specific guidance for the acquisitions of an interest in a joint arrangement that is a business. The REIT does not expect the amendments to have a material impact on the financial statements.

Property, Plant & Equipment ("IAS 16")

The REIT intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The REIT does not expect the amendments to have a material impact on the financial statements.

f) Investment Properties

The REIT accounts for its investment properties using the fair value model in accordance with IAS 40 - Investment Properties ("IAS 40"). 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 if the transaction is deemed to be an asset acquisition. 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 - Business Combinations ("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 2015 and 2014, all acquisitions of investment properties were treated as asset acquisitions.

2. Significant Accounting Policies (continued)

f) Investment Properties (continued)

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 Internal Team is responsible quarterly and annually for:

- Assembling the property specific data used in the valuation model based on the process set forth in the valuation framework
- Reviewing the valuation framework to determine whether any changes or updates are required
- Inputting the capitalization rates, "set offs" and normalization assumptions provided by the valuators; and
- Delivering the completed valuation framework to the external team for review at year-end for the audited financial statements

The External Team, comprised of the valuators, are responsible for:

- Annually and quarterly:
  - 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 off amounts and normalization assumptions used in the calculation of NNOI; and
  - Supplying a Fair Value Report for financial statement purposes

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 consolidated statement of comprehensive income in the year of retirement or disposal.

2. Significant Accounting Policies (continued)

g) Joint Arrangements

The REIT enters into joint arrangements through joint operations and joint ventures. A joint arrangement is a contractual arrangement pursuant to which the REIT and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint arrangements that involve the establishment of a separate entity in which each party to the venture has rights to the net assets of the arrangement are referred to as joint ventures.

The REIT reports its interest in joint ventures using the equity method of accounting. The REIT will recognize its proportionate share of assets, liabilities, income and expenses on a line-by-line basis.

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

The REIT has instituted a DRIP in accordance with Article 5.8 of the 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 and exchangeable Unitholders 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.

i) Revenue Recognition

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. All rental leases are considered operating leases.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the REIT and the amount of income can be measured reliably. Interest income is determined using the effective interest rate method.

Ancillary income generated from the operation of investment properties is recognized as earned.

j) 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.

2. Significant Accounting Policies (continued)

j) Provisions (continued)

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.

k) 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.

l) Income Taxes

The REIT qualifies as a Mutual Fund Trust for Canadian income tax purposes. In accordance with the terms of the Declaration of 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.

m) 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.

Fair Value Through Profit or Loss ("FVTPL")

Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented within operating income attributable to unitholders in the consolidated statement of comprehensive income in the period in which they arise. Financial assets and liabilities at FVTPL are classified as current, except for the portion expected to be realized or paid beyond 12 months of the consolidated statement of financial position date, which is classified as non-current. Derivatives are also categorized as FVTPL unless designated as hedges.

Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less. Restricted cash does not meet the definition of cash and cash equivalents and is included in other assets in the consolidated statement of financial position. Interest earned or accrued on these financial assets is included in other income.

2. Significant Accounting Policies (continued)

m) Financial Instruments (continued)

Loans and receivables

Such receivables arise when the REIT provides services to a third party, such as a tenant, and are included in current assets, except for those with maturities more than 12 months after the consolidated statement of financial position date, which are classified as non-current assets. Loans and receivables are included in other assets in the consolidated statement of financial position and are accounted for at amortized cost.

Available-for-sale

Investments are measured at fair value at each consolidated statement of financial position date and the difference between the fair value of the asset and its cost basis is included in other comprehensive income ("OCI"). Differences included in accumulated other comprehensive loss ("AOCL") are transferred to net income when the asset is removed from the consolidated statement of financial position or an impairment loss on the asset has to be recognized. Income on available-for-sale investments is recognized as earned and included in other income.

Other financial liabilities

Such financial liabilities are recorded at amortized cost and include all liabilities other than derivatives or liabilities, which are designated to be accounted for at fair value.

Derivatives

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value. Derivatives are measured at fair value with changes therein recognized directly through the consolidated statement of comprehensive income within operating income.

Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free-standing derivative; and the combined instrument or contract is not measured at fair value. These embedded derivatives are measured at fair value with changes therein recognized within operating income in the consolidated statement of comprehensive income.

The classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the REIT's designation of such instruments.

2. Significant Accounting Policies (continued)

m) Financial Instruments (continued)

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
Mortgage investments	Loans and receivables	Amortized cost
Mortgage interest receivable	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Financial Liabilities:		
Mortgages payable and credit facilities	Other financial liabilities	Amortized cost
Tenant deposits	Other financial liabilities	Amortized cost
Unit subscriptions in trust	Other financial liabilities	Amortized cost
Distributions payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

At each reporting date, 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 the consolidated statement of comprehensive income.

n) Fair Value

Fair value measurements recognized in the statement of financial position 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.

2. Significant Accounting Policies (continued)

o) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and mainly comprise head office and regional offices leasehold improvements, corporate and information technology systems. These items are amortized on a straight-line basis over their estimated useful lives ranging from three to five years, or, in the case of leasehold improvements, are amortized over the shorter of the lease term and their estimated useful lives.

p) Net Assets Attributable to Unitholders

i. Balance Sheet Presentation

In accordance with *IAS 32 Financial Instruments: Presentation,* puttable instruments are generally classified as financial liabilities. The REIT's units are puttable instruments, meeting the definition of financial liabilities in IAS 32. There are exception tests within IAS 32 which could result in classification as equity; however, the REIT units do not meet the exception requirements. Therefore, the REIT has no instrument qualifying for equity classification on its Statement of Financial Position pursuant to IFRS. The classification of all units as financial liabilities with presentation as net assets attributable to Unitholders does not alter the underlying economic interest of the Unitholders in the net assets and net operating results attributable to Unitholders.

Non-controlling interests that present ownership interests and entitle unitholders of a subsidiary to a proportionate share of the subsidiary entity's net assets in the event of liquidation are measured at the non-controlling interests' proportionate share of the recognized amounts of the subsidiaries' identifiable net assets.

ii. Statement of Financial Position Measurement

REIT units are carried on the Statement of Financial Position at net asset value. Although puttable instruments classified as financial liabilities are generally required to be remeasured to fair value at each reporting period, the alternative presentation as net assets attributable to Unitholders reflects that, in total, the interests of the Unitholders is limited to the net assets of the REIT.

q) Mortgage Investments

Mortgage investments are classified as loans and receivables. Such investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses.

2. Significant Accounting Policies (continued)

r) Impairment

Mortgage investments are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of mortgage investments measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against the investments. Interest on the impaired asset continues to be recognized through the unwinding of the discount if it is considered collectable.

At a collective level and an individual level, the REIT assesses for impairment to identify losses. As part of the REIT's analysis on a collective basis it has grouped mortgage investments with similar risk characteristics including geographical exposure, collateral type, loan-to-value, counterparty and other relevant groupings and assesses them for impairment using statistical data. Based on the amounts determined by management analysis, the REIT uses judgement to determine whether a collective provision against potential future losses not identified should be recognized.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

s) Employee Benefits

i. Short term benefits;

Short term employee benefit obligations, including vacation and bonus payments, are measured on an undiscounted basis and are expensed as the related service is provided. Liabilities are recognized for the amounts expected to be paid within 12 months as the REIT has an obligation to pay this amount as a result of a past service provided by the employee, and the obligation can be estimated reliably. Short term employee benefits are recorded in Accounts payable and accrued liabilities.

2. Significant Accounting Policies (continued)

s) Employee Benefits (continued)

ii. Unit-based payment plans:

The REIT maintains a deferred trust unit plan for some of its employees. This plan is considered cash settled and the fair value of the amount payable is recognized as an expense with a corresponding increase in liabilities, over the vesting period of the units issued. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized in the consolidated statement of financial position.

3. Critical Accounting Estimates and Judgments

The preparation of financial statements as per IFRS requires management to make estimates and judgments 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 judgments 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 or an operating expense. 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 ("IFRS 3") 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.

3. Critical Accounting Estimates and Judgments (continued)

Business combinations (continued):

Classification of co-investments:

The REIT makes judgments as to whether its co-investments 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 as joint operations and has used the share of net assets, liabilities, revenues and expenses method to account for these arrangements.

Fair value of investment properties:

Investment properties are measured at fair value as at the consolidated statement of financial position dates. Any changes in the fair value are included within operating income in the consolidated statement of comprehensive income. Fair value is supported by independent external valuations or detailed internal valuations using market-based assumptions, each in accordance with recognized valuation techniques. The techniques used comprise the capitalized net operating income method and include estimating, among other things (all considered Level 3 inputs), future stabilized net operating income, capitalization rates, discount rates and other future cash flows applicable to investment properties. Fair values for investment properties are classified as Level 3 in the fair value hierarchy.

Recoverability of mortgage investments:

The fair value of the mortgage investments is reliant on the ability of the borrower to fully repay the loan and all accrued interest and fees, any defaults that occur may materially impact the fair value of these investments.

Capitalization of costs:

The amount of expenditures capitalized to investment properties is based on the REIT's judgment as to whether the expenditure extends the useful life or increases the asset value. The REIT capitalizes investment property acquisition costs incurred at the time of purchase.

4. Investment Property Acquisitions/Dispositions

(i) During the year ended December 31, 2015, the REIT completed the following investment property acquisitions, which contributed to the operating results effective from the acquisition date. All acquisitions in the year are accounted for as asset acquisitions.

Acquisition Date	Rental Units	% of Holding	Total Purchase Price	Mortgage Funding	Average Interest Rate	Maturity Date(s)
January 19, 2015	126	100%	$ 28,500,000	$ 19,500,000	3.43%	April 1, 2025
January 20, 2015	440	75% **	37,500,000	23,929,479	3.93%	December 15, 2018
May 4, 2015	74	100%	7,998,045	-		
September 10, 2015	235	100%	20,250,000	12,895,707	1.33%	October 1, 2020
			$ 94,248,045	**$ 56,325,186**		

** This acquisition related to a property in which the REIT held a 25% interest (see Note 17). The REIT, acquired the remaining 75% interest in the 440 unit student residence property held by its partner, bringing the REITs holding to 100% of the property as of the closing

(ii) During the year ended December 31, 2014, the REIT completed the following investment property acquisitions:

Acquisition Date	Rental Units	% of Holding	Total Purchase Price	Mortgage Funding	Average Interest Rate	Maturity Date(s)
July 24, 2014	65	100%	$ 9,700,000	$ 5,937,748	3.34%	November 1, 2024
October 7, 2014	176	100%	15,627,942	11,134,089	5.37%	July 5, 2018
December 1, 2014	114	100%	23,666,007	17,000,000	3.75%	December 1, 2015
			$ 48,993,949	**$ 34,071,837**		

All the above acquisitions are asset acquisitions.

(iii) During the year ended December 31, 2015 the REIT completed the following investment property disposition:

Disposition Date	Rental Units	% of Holding	Disposition Proceeds	Original Purchase Price	Cumulative Fair Value Adjustment	Fees on disposition	Gain on Sale
April 13,2015	30	100%	$2,375,000	$1,644,143	$557,727	$69,991	$103,139

4. Investment Property Acquisitions/Dispositions (continued)

(iv) During the year ended December 31, 2014 the REIT completed the following investment property dispositions:

Disposition Date	Rental Units	% of Holding	Disposition Proceeds	Original Purchase Price	Cumulative Fair Value Adjustment	Fees on disposition	Loss on Sale
April 30, 2014	47	100%	$3,300,000	$2,478,633	$718,380	$113,000	($10,013)
December 4, 2014	61	100%	$3,650,000	$3,700,155	$117,788	$123,735	($291,678)
							($301,691)

The above gain (loss) on sale of investment properties has been calculated by taking the fair value of the asset at the date of sale less the proceeds received.

5. Investment Properties

In accordance with the accounting policy, as detailed in Note 2(f), the REIT recorded investment properties at fair value. Fair value adjustments on investment properties are primarily driven by changes in capitalization rates and stabilized net operating income ("NOI"). Supplemental information on fair value measurement, including valuation techniques and key inputs, is included in Note 23.

	December 31, 2015	December 31, 2014
Balance, beginning of year	**$ 528,582,993**	$ 447,129,371
Property acquisitions	**94,248,045**	48,993,949
Increase in property valuation	**45,834,159**	39,363,337
Property dispositions	**(2,201,870)**	(6,903,664)
Balance, end of year	**$ 666,463,327**	$ 528,582,993

	December 31, 2015	December 31, 2014
Increase in property valuation	**$ 45,834,159**	$ 39,363,337
Less: Acquisition costs	**(1,851,021)**	(1,200,522)
Less: Property improvements	**(20,916,753)**	(27,320,911)
Fair Value Adjustment on Investment Properties	**$ 23,066,385**	$ 10,841,904

At December 31, 2015 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 4.00% to 6.25% at December 31, 2015 (December 31, 2014 – 4.25% to 6.38%) and the weighted average was 5.18% for the total portfolio (December 31, 2014 – 5.23%).

5. Investment Properties (continued)

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 in millions (at REIT's ownership)	Fair value variance	% change
(0.75%)	4.43%	$ 779,295,719	$ 112,832,392	16.9%
(0.50%)	4.68%	$ 737,666,674	$ 71,203,347	10.7%
(0.25%)	4.93%	$ 700,259,642	$ 33,796,315	5.1%
December 31, 2015	5.18%	$ 666,463,327	$ -	-
0.25%	5.43%	$ 635,779,012	$ (30,684,315)	(4.6%)
0.50%	5.68%	$ 607,795,781	$ (58,667,546)	(8.8%)
0.75%	5.93%	$ 582,172,012	$ (84,291,315)	(12.6%)

6. Equity accounted investments

(i) Harbour View Estates LP

The REIT entered into a joint venture with a third party to commence a development project comprised of a 208 unit prefabricated four building multi-family development located in Regina, Saskatchewan, which it has a 60% limited partnership interest in the net assets.

(ii) The Residences of Seasons LP:
The REIT entered into a joint venture with a third party to develop a property apartment building comprising of 400 units in Winnipeg, Manitoba. REIT has a 50% limited partnership interest in the project.

The REIT equity accounted investments consist of the following:

	Ownership	**December 31, 2015**	December 31, 2014
Harbour View Estates LP	**60%**	$ 6,143,120	$ 3,443,112
The Residences of Seasons LP	**50%**	8,978,286	-
		$ 15,121,406	$ 3,443,112

6. Equity accounted investments (continued)

The following is the summarized financial information of the above investments:

	December 31, 2015	December 31, 2014
Non-current Assets	$ 40,474,324	$ 4,708,195
Current Assets	7,254,587	3,608,863
Total Assets	47,728,911	8,317,058
Non-current Liabilities	(19,502,235)	-
Current Liabilities	(1,434,903)	(80,188)
Total Liabilities	(20,937,138)	(80,188)
Total revenue	80,105	-
Total expenses	(10,822)	-
Total fair value gains	1,833,918	$ -

The REIT made contributions of $10,540,682 to the joint ventures in the year ended December 31, 2015 (December 31, 2014: $3,443,112). There was no operating activity during the year ended December 31, 2015 or during 2014. The Harbour View Estates LP joint venture and The Residences of Seasons LP joint venture earned interest income and recognized a fair value gain on the project in the year ended December 31, 2015, the REIT's portion of this interest and fair value gain was $1,137,612 (December 31, 2014: $Nil), which has been included in the consolidated statement of comprehensive income.

7. Mortgage Investments

Mortgages investments represent amounts receivable under mezzanine loan arrangements. Some of the mortgage investment agreements include purchase options in favour of the REIT. The participating rights are accounted for as derivative instruments (Note 8). The weighted average effective interest rate is 10.33% (December 31, 2014: 10.37%) and the estimated weighted average term of maturity is 0.96 years (December 31, 2014: 1.30 years). Interest income for the year was $11,180,673 (December 31, 2014: $7,263,501). Future repayments are as follows:

		December 31, 2015	December 31, 2014
Non-current mortgage investments		$ 45,615,172	$ 68,521,148
Allowance for mortgage investments loss	7a	(804,769)	-
Total non-current		44,810,403	68,521,148
Currrent mortgage investments		77,299,898	24,153,928
Mortgage interest receivable	8	371,712	264,222
Total current		77,671,610	24,418,150
Total mortgage investments		$ 122,482,013	$ 92,939,298

7. Mortgage Investments (continued)

Future repayments are as follows:

Repayments Period ended	December 31, 2015
December 31, 2016	77,671,610
December 31, 2017	31,591,809
December 31, 2018	13,722,551
December 31, 2019	-
December 31, 2020	300,812
Total repayments	**123,286,782**

As at December 31, 2015, the REIT has approved additional mortgage investment commitments of approximately $53,400,000.

As part of the assessment of indicators for impairment, management of the REIT routinely reviews each mortgage investment for changes in the credit quality of the mortgage and underlying real estate assets and determines whether such changes result in changes in the fair value of the mortgage investment.

The nature of the underlying assets for REIT's mortgage investments as at December 31, 2015 is as follows:

Period ended	December 31, 2015	December 31, 2014
Multi Family Apartments	39%	30%
Multi Family Student Housing	30%	39%
Retail	10%	0%
Other	21%	31%
	100%	100%

As at December 31, 2015 REIT has 33% interest (December 31, 2014: 57%) in first mortgages and a 67% interest (December 31, 2014: 43%) in second mortgages.

7(a) Allowance for mortgage investments loss:

At a collective level and individual level, the Company assesses for impairment to identify losses. As part of the REIT's analysis on a collective basis it has grouped mortgage investments with similar risk characteristics including geographical exposure, collateral type, loan-to-value, counterparty and other relevant groupings and assesses them for impairment using statistical data. Based on the amounts determined by management analysis, the REIT uses judgement to determine whether a collective provision against potential future losses not identified should be recognized. As at December 31, 2015, the REIT recognized a collective allowance against future potential losses not identified of $804,769 (December 31, 2014: $Nil) and a specific allowance of $Nil (December 31, 2014: $Nil).

7. Mortgage Investments (continued)

7(b) Default mortgage investments:

A mortgage investment is considered in default when a payment has not been received by the contractual due date, or a term in the mortgage agreement has been breached. Mortgage investments that are in default are not classified as impaired if they are fully secured and collection efforts are reasonably expected to result in repayment or principal plus all associated costs and accrued interest. No adjustment to the fair value of the mortgage investments was required as at December 31, 2015.

One mortgage investment with a carrying amount of $3,650,065 was in breach of its mortgage terms and the Trust has retained legal counsel.

The REIT has not recognized a loss provision for this amount as the underlying security is in excess of the carrying value of the mortgage investment as at December 31, 2015.

8. Mortgage interest receivable

	December 31, 2015	December 31, 2014
Mortgage interest receivable	**$ 371,712**	$ 264,222
	$ 371,712	$ 264,222

The following is an aging analysis of the mortgage interest receivable balance:

	December 31, 2015	December 31, 2014
Current	**$ 271,337**	$ 264,222
Over 90 days	**100,375**	-
	$ 371,712	264,222

9. Accounts Receivable

	December 31, 2015	December 31, 2014
Other receivables	$ 605,988	$ 959,934
Rent receivables	801,232	638,269
	1,407,220	1,598,203
Less: allowance for doubtful accounts	(264,538)	(258,576)
	$ 1,142,682	$ 1,339,627

The following is an aging analysis of receivables:

	December 31, 2015	December 31, 2014
Current	$ 1,012,321	$ 963,427
31-60 days	123,603	278,834
61-90 days	90,000	115,243
Over 90 days	181,296	240,699
Allowance for doubtful accounts	(264,538)	(258,576)
	$ 1,142,682	$ 1,339,627

10. Other Assets

	December 31, 2015	December 31, 2014
Amounts due on mortgage payable refinancing	$ 7,531,808	$ -
Prepaid CMHC premiums, net	1,596,961	-
Other current assets	996,794	1,837,631
Prepaid expenses	337,588	533,279
Investment property acquisition deposits	150,000	1,258,812
Unit subscription funds receivable	-	3,556,920
	$ 10,613,151	$ 7,186,642

Prepaid CMHC premiums, net represents CMHC premiums on mortgages payable net of accumulated amortization of $4,369 (December 31, 2014 - $nil)

11. Mortgages Payable and Credit Facilities

Mortgages payable and credit facilities consist of the following:

	December 31, 2015	December 31, 2014
Current	**$ 34,681,694**	$ 33,068,666
Non-current	**284,741,739**	224,528,585
	$ 319,423,433	$ 257,597,251

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

	December 31, 2015	December 31, 2014
First mortgages on investment properties, bearing interest between 1.33% and 5.53% (2014 - 2.38% and 5.53%), with a weighted average interest rate of 3.48% (2014 - 4.04%), and a weighted average maturity of 4.6 years (2014 - 4.5 years), secured by related investment properties	**$ 303,532,324**	$ 222,667,948
Second mortgages on investment properties, bearing interest between 3.00% and 4.37% (2014 - 3.00% and 5.00%), with a weighted average interest rate of 3.37% (2014 - 3.50%) and a weighted average maturity of 2.8 years (2014: 3.6 years), secured by related investment properties	**4,619,036**	5,133,745
Line of Credit facility, bearing interest of 3.90% (2014 - 4.20%), with a weighted average interest rate of 3.90% (2014 - 4.20%) secured by specific investment properties of the REIT.	**20,000**	9,432,194
REIT proportion of mortgages held through joint arrangement, bearing interest between 3.55% and 3.56% (2014 - 3.55% and 3.93%), with a weighted average interest rate of 3.55% (2014- 3.69%) and a weighted average maturity of 1.2 years (2014: 2.8 years), secured by related investment properties, secured by investment properties in the joint venture	**12,993,205**	21,373,689
	$ 321,164,565	$ 258,607,576
Less: Marked to market adjustment	**421,432**	586,212
Less: Unamortized portion of financing fees	**(2,162,564)**	(1,596,537)
	$ 319,423,433	$ 257,597,251

11. Mortgages Payable and Credit Facilities (continued)

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, 2015 was 3.48% (December 31, 2014 - 3.95%).

Mortgages payable at December 31, 2015 are due as follows:

	Principal Repayments	Balance due at Maturity	Total
Year ended December 31, 2016	8,811,426	25,870,268	34,681,694
Year ended December 31, 2017	8,120,486	32,810,720	40,931,206
Year ended December 31, 2018	7,404,987	60,610,119	68,015,106
Year ended December 31, 2019	5,536,491	21,492,940	27,029,431
Year ended December 31, 2020	4,777,892	26,689,873	31,467,765
Thereafter	11,520,440	107,518,923	119,039,363
	$ 46,171,722	$ 274,992,843	$ 321,164,565
Less: Marked to market adjustment			421,432
Less: Unamortized portion of financing fees			(2,162,564)
			$ 319,423,433

The fair value of mortgages payable is approximately $341,402,834 (2014 - $258,175,027).

12. Accounts payable and other liabilities

Other assets consists of the following:

		December 31, 2015	December 31, 2014
Accounts payable		**$ 2,323,440**	$ 1,244,928
Accrued expenses		**4,272,405**	3,421,592
Deferred revenue		**1,251,202**	1,243,361
Other liabilities		**75,737**	485,133
Deferred trust units	a)	**150,253**	-
		$ 8,073,037	$ 6,395,014

a) Deferred unit plan:

The REIT provides a deferred unit plan for some of its employees. The plan entitles certain employees to receive a deferred bonus in the form of deferred trust units. Under the terms of the plan, units have a vesting period of three years from the date of issuance and units earn DRIP throughout the vesting period.

12. Accounts payable and other liabilities (continued)

The following table summarizes the Deferred Unit activity:

		December 31, 2015
Balance, beginning of year	$	-
Units granted		134,527
Change in fair value and distributions		15,726
Balance, end of year	$	150,253

13. Restricted cash

At December 31, 2015, restricted cash consists of cash not available for current use in the amount of $1,181,240 (December 31, 2014: $Nil). This restricted cash represents Unitholder subscriptions held in trust until the trade settlement date. These amounts will be returned to investors if the proposed unitholder subscriptions do not successfully proceed. All restricted cash as at December 31, 2015 is short term.

14. Classification of Units

In accordance with the Declaration of Trust ("DOT"), the REIT may issue an unlimited number of units of various classes, with each unit representing an equal undivided interest in any distributions from the REIT, and in the net assets in the event of termination or wind-up of the REIT
.

Authorized

i. **Unlimited number of Class A Trust Units**
Class A Trust Units are participating, with one vote per unit, no par value.

ii. **Unlimited number of Class F Trust Units**
Class F Trust Units are participating, with one vote per unit, no par value.

iii. **Unlimited number of Class I Trust Units**
Class I Trust Units are participating, with one vote per unit, no par value.

iv. **Unlimited number of Class M Trust Units**
Class M Trust Units are participating, reserved for Centurion Asset Management Inc. and represent a beneficial interest based on a formula disclosed in the DOT. Apart from certain voting restrictions, Class M Unitholders are entitled to vote to that percentage of all Unitholder votes equal to the Class M Unit Percentage Interest as defined in the DOT. At any time, the holder of a Class M unit may convert into either Class A units units based on a specified ratio as disclosed in the DOT.

14. Classification of Units (continued)

v. Unlimited number of Special Voting Units of the REIT and 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 original CAP LP II Partnership (the "Partnership") which rolled into the REIT. The Exchangeable Securities of the Partnership are participating along with the Class A, F, I and M Trust Units, non-voting and exchangeable by the holder into an equivalent number of Class A Trust Units.

Each Unitholder shall be entitled to require the REIT to redeem Class A, F, I, M or Exchangeable LP 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 by a distribution in specie of debt securities on a pro rata basis.

Issued

	December 31, 2015	December 31, 2014
Class A Trust Units		
Units as at January 1,	**30,117,969**	24,506,823
New units issued	**4,817,341**	6,375,763
Distribution reinvestment plan	**1,117,855**	1,075,903
Redemption of units	**(628,014)**	(762,856)
Transferred to Class F	**(330,016)**	(1,077,664)
	35,095,135	30,117,969
Class F Trust Units		
Units as at January 1,	**1,947,283**	81,602
New units issued	**1,727,897**	787,421
Distribution reinvestment plan	**118,075**	32,941
Redemption of units	**(39,229)**	(32,345)
Transferred from Class A	**385,609**	1,077,664
	4,139,635	1,947,283
Class M Trust Units	**50,000**	50,000
Exchangeable LP units		
Units as at January 1,	**312,491**	315,076
Converted to Class A units and redemptions	**(55,593)**	(5,784)
Distribution reinvestment plan	**2,785**	3,199
	259,683	312,491

15. Finance Costs

	December 31, 2015	December 31, 2014
Interest on mortgages payable and credit facilities	**$ 11,715,244**	$ 9,322,971
Amortization of financing fees and marked to market adjustment	**494,636**	329,727
	$ 12,209,880	$ 9,652,698

16. General and Administrative Expenses

	December 31, 2015	December 31, 2014
Salaries and wages	**$ 4,828,026**	$ -
Professional fees	**982,887**	764,691
Miscellaneous expenses	**1,047,341**	384,429
Fund administration costs	**613,351**	442,714
Office rent	**441,242**	-
Amortization of property and equipment	**293,547**	-
Asset management fees (Note 18)	**-**	3,342,222
	$ 8,206,394	$ 4,934,056

During the year ended December 31, 2015, the REIT incurred $286,443 of professional fees related to the internalization process described in Note 19 and also $132,909 relating to an abandoned debenture issuance.

17. Investment in Joint Arrangements

The REIT holds investments in joint operations, which are co-ownership arrangements. The REIT's holdings are as follows:

		December 31, 2015	December 31, 2014
75 Ann & 1 Beaufort Co-ownership		75%	75%
Ste Catherine Co-ownership	**	0%	25%

**The REIT increased its investment in Ste Catherine Co-ownership to 100% on January 20, 2015 (25% as at December 31, 2014)

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

17. Investment in Joint Arrangements (continued)

	December 31, 2015	December 31, 2014
Non-current assets	$ 34,791,797	$ 47,405,741
Current assets	32,617	(122,578)
Non-current liabilities	12,993,205	21,373,689
Current liabilities	1,332,847	1,540,020
Revenues	2,593,802	4,014,206
Expenses	(1,610,097)	(2,387,798)
Fair value adjustment on investment properties	362,660	398,350
Net income for the period	1,346,365	2,024,758

18. Commitments

The REIT is committed to asset management services under an asset management agreement with Centurion Asset Management Inc., a company controlled by the President and Trustee, for a ten year term ending December 31, 2024 with a renewal term for an additional ten years unless terminated by either of the parties. The asset management agreement was amended effective January 1, 2015 (Note 19). Under the agreement, the REIT is required to pay an acquisition fee equal to 1.0% of the gross purchase price of each investment property acquired by the REIT.

19. Related Party Transactions

Effective January 1, 2015, the REIT executed an agreement with Centurion Property Associates Inc. (“CPAI”) and Centurion Asset Management Inc. (“CAMI”) to internalize the property management and some of the asset management functions of the REIT. Upon closing of the transaction, the REIT acquired CPAI’s REIT-related property management business and amended the asset management agreement with CAMI. The REIT did not pay any fee or premium on the transaction.

Centurion Asset Management Inc. (“CAMI”) holds the 50,000 Class M Trust units of the REIT. The distributions for the period ended December 31, 2015 for these units were $1,522,842 (2014 - $1,248,686).

During the year, the REIT was charged acquisition fees under agreement described in Note 19 of $974,625 (December 31, 2014: $546,536). These transactions are incurred in the normal course of business and are measured at the amounts agreed to by the related parties.

Centurion Mortgage Capital Corporation Inc. (“CMCC”) has a payable to the REIT in the amount of $113,675 as at December 31, 2015.

19. Related Party Transactions (continued)

Key management consists of the Board of Trustees and the executive management team of the REIT & REOT. Compensation paid to non-executive trustees during the year was $187,000 (2014 -$108,000). Compensation paid to executive management during the year was $660,000 (2014 - $Nil).

20. 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.

21. 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 REIT net assets attributable to Unitholders, 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 and fund real estate investments as identified.

Various debt 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, dividend reinvestment plan ("DRIP") participation ratio, and total distributions as a percent of distributable income and distributable income per unit.

21. Capital Management (continued)

The REIT's credit facilities (see Note 11) require compliance with certain financial covenants, throughout the period the REIT was in compliance with all of its loan covenants and all 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, 2015	December 31, 2014
Total unrestricted assets	**$ 835,707,561**	$ 637,472,407
Mortgages payable	**319,423,433**	257,597,251
Ratio of debt to GBV	**38.22%**	40.41%

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

As at	December 31, 2015	December 31, 2014
Mortgages payable	**$ 319,423,433**	$ 257,597,251
Net assets attributable to Unitholders	**504,573,935**	369,168,862
Total	**$ 823,997,368**	$ 626,766,113

22. 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.

22. Financial Instruments (continued)

b) Liquidity risk (continued)

The REIT's principal liquidity needs arise from working capital, debt servicing and repayment obligations, planned funding of maintenance, mortgage funding commitments, 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.

Management prepares cash forecasts and budgets on an ongoing basis to manage liquidity risks, ensure efficient use of resources and monitor the ongoing timing of liquidity events.

The success of new capital issuances is subject to the capital markets being receptive to a unit issue with financial terms favorable to the REIT. At December 31, 2015 the REIT had cash of $19,602,591 (2014: $3,980,735) and credit facilities as follows:

	December 31, 2015	December 31, 2014
Credit facilities agreed	$45,750,000	$51,450,000
Available for use	$45,750,000	$47,091,960
Available as undrawn	$45,730,000	$37,659,766

During the year, the REIT refinanced a number of properties which resulted in a significant decrease in the credit facilities agreed at December 31, 2015.

c) Interest rate risk

The REIT is subject to the risks associated with mortgage 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, 2015, $321,144,565 of the REIT's mortgages bear 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 long term debt.

22. Financial Instruments (continued)

c) Interest rate risk (continued)

Interest rate risk at		-1%		1%	
	Carrying Amount	Income	Equity	Income	Equity
Financial liabilities					
Variable rate debt due to mature in a year	$ 20,000	$ 200	$ 200	$ (200)	$ (200)

d) Credit risk

Credit risk arises from the possibility that tenants and mortgage borrowers may default on their rent and mortgage obligations respectively to the REIT. The risk of credit loss is mitigated by leasing and credit policies.

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

23. Fair value measurement

Fair value is the price that market participants would be willing to pay for an asset or liability in an orderly transaction under current market conditions at the measurement date.

The fair value of the REIT's financial instruments were determined as follows:

- The carrying amounts of cash, restricted cash, unit subscriptions in trust, accounts receivables, revolving credit facility, accounts payable, distribution payable and amounts due on mortgages payable approximate their fair values based on the short term maturities of these financial instruments.
- The fair value of the mortgage investments as at December 31, 2015 is $121,691,700 (2014: $92,256,312), based on rates received on a similar investment.
- Fair values of mortgages payable are estimated by discounting the future cash flows associated with the debt at market interest rates. The fair value at year end is $341,402,832 (December 31, 2014- $258,175,027)

In addition, the REIT carries its investment properties at fair value, as detailed in Note 5, which is determined by either the direct capitalization approach or by discounting future cash flows at a property specific discount rate.

23. Fair value measurement (continued)

The table below analyzes assets and liabilities carried at fair value in the consolidated statement of financial position, by the levels in the fair value hierarchy, which are defined as follows:

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Investment properties	$ -	$ -	$ 666,463,327	$ 666,463,327
Measured at fair value through profit and loss	**$ -**	**$ -**	**$ 666,463,327**	**$ 666,463,327**

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Investment properties	$ -	$ -	$ 528,582,993	$ 528,582,993
Measured at fair value through profit and loss	**$ -**	**$ -**	**$ 528,582,993**	**$ 528,582,993**

Investment properties

Investment properties are re-measured to fair value on a quarterly and annual basis and categorized as Level 3 in the fair value hierarchy. Investment properties were valued as at December 31, 2015 which resulted in fair value gains for the year end ended December 31, 2015 of $23,066,385 (December 31, 2014 - $10,841,904) recorded as a fair value adjustment on investment properties in the consolidated statement of comprehensive income during the period. Fair values are primarily determined by discounting the expected future cash flows, or by applying a capitalization rate to the estimated future net operating income under the direct capitalization approach. The significant unobservable inputs in the Level 3 valuations are as follows:

- Capitalization rate - based on actual location, size and quality of the property and taking into consideration available market data as at the valuation date;
- Stabilized net operating income - revenue less direct operating expenses adjusted for items such as average lease up costs, vacancies, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items;
- Cash flows - based on the physical location, type and quality of the property and supported by the terms of existing leases, other contracts or external evidence such as current market rents for similar properties.

An increase in the cash flows or stabilized net operating income results in an increase in the fair value of investment property whereas an increase in the capitalization rate decreases the fair value of an investment property.

In determining the fair value of the investment properties judgment is required in assessing the ‘highest and best use’ as required under IFRS 13, Fair value measurement. We have determined that the current uses of our investment properties are their ‘highest and best use’.

23. Fair value measurement (continued)

Mortgage investments

There are no quoted prices in an active market for the mortgage investments. Management determines fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments approximate their carrying values. As a result, the fair value of mortgage investments is based on Level 3 inputs.

24. Events after the Reporting Date

Subsequent to the reporting date the REIT completed the following transactions:

a) In January, the REIT purchased a new building, 3-storey residential complex consisting of 96 units in Cambridge, Ontario for a total purchase price of $9.1m and a mortgage commitment of $7m.
b) In March, the REIT will purchase a new building, 7-storey residential complex consisting of 81 units in Mississauga, Ontario for a total purchase price of $11.6m and a mortgage commitment of $7.5m.
c) Additional mortgage investment advances of $29.9m were completed and additional funding commitments of $41.4m have been approved.
d) Distributions declared and paid after the year end totaled $4.4m.

25. Segmented Information

Management of the REIT monitors and operates its rental real estate properties and its mortgage investment operations separately. The accounting policies of these segments are the same as those of the REIT. The results for these segments are as follows:

For the year ended December 31, 2015	Rental real estate properties	Mortgage investments	Total
Revenue / Interest income on mortgage investments	49,682,274	11,180,673	60,862,947
Operating costs	(20,010,429)	-	(20,010,429)
	29,671,845	11,180,673	40,852,518
Income from equity accounted investment	-	1,137,612	1,137,612
General and administrative expenses	(6,682,902)	(1,523,492)	(8,206,394)
Provision for mortgage investment loss	-	(804,769)	(804,769)
Fair value gains on investment properties	23,066,385	-	23,066,385
Gain on sale of properties	103,139	-	103,139
Operating income	**$ 46,158,467**	**$ 9,990,024**	**$ 56,148,491**

For the year ended December 31, 2014	Rental real estate properties	Mortgage investments	Total
Revenue / Interest income on mortgage investments	$ 40,322,024	$ 7,263,501	$ 47,585,525
Operating costs	(18,713,009)	-	(18,713,009)
	21,609,015	7,263,501	28,872,516
General and administrative expenses	(4,615,817)	(318,239)	(4,934,056)
Provision for mortgage investment loss	-	-	-
Fair value gains on investment properties	10,841,904	-	10,841,904
Loss on sale of properties	(301,691)	-	(301,691)
Operating income	**$ 27,533,411**	**$ 6,945,262**	**$ 34,478,673**

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