

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dundee Real Estate Investment Trust. These financial statements have been prepared in accordance with Canadian GAAP, using management's best estimates and judgments when appropriate.

The Board of Trustees is responsible for ensuring that management fulfils its responsibility for financial reporting and internal control. The audit committee, which is comprised of trustees, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditors. The audit committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

PricewaterhouseCoopers LLP, the independent auditors, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditors have full and unrestricted access to the audit committee, with or without management present.



Michael J. Cooper
President and
Chief Executive Officer

Toronto, Ontario
February 19, 2004



Jeff B. Barnes
Executive Vice-President
and Chief Financial Officer

AUDITORS' REPORTS

Dundee Real Estate Investment Trust Consolidated Financial Statements Auditors' Report

To the Trustees of Dundee Real Estate Investment Trust:

We have audited the consolidated balance sheets of Dundee Real Estate Investment Trust as at December 31, 2003 and June 30, 2003 and the consolidated statements of net income, unitholders' equity and cash flows for the six months ended December 31, 2003. These financial statements are the responsibility of Dundee Real Estate Investment Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Dundee Real Estate Investment Trust as at December 31, 2003 and June 30, 2003 and the results of its operations and its cash flows for the six months ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP Chartered Accountants
Toronto, Ontario
February 19, 2004

Commercial Real Estate Division of Dundee Realty Corporation Combined Financial Statements Auditors' Report

To the Directors of Dundee Realty Corporation:

We have audited the combined balance sheets of the Commercial Real Estate Division of Dundee Realty Corporation as at June 30, 2003 and December 31, 2002 and the combined statements of net income, divisional equity and cash flows for the six months ended June 30, 2003 and the year ended December 31, 2002. These financial statements are the responsibility of Dundee Realty Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Commercial Real Estate Division of Dundee Realty Corporation as at June 30, 2003 and December 31, 2002 and the results of its operations and its cash flows for the six months ended June 30, 2003 and the year ended December 31, 2002 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP Chartered Accountants
Toronto, Ontario
September 3, 2003

CONSOLIDATED FINANCIAL STATEMENTS

Dundee Real Estate Investment Trust and Commercial Real Estate Division of Dundee Realty Corporation Balance Sheets

(in thousands of dollars)	Note	Dundee REIT Consolidated		Commercial Real Estate Division of Dundee Realty Corporation ("Division of DRC") Combined	
		December 31, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Assets					
Rental properties	3	\$ 915,050	\$ 811,339	\$ 811,339	\$ 822,415
Deferred costs	4	38,177	34,802	34,802	31,725
Amounts receivable	5	7,268	6,156	5,850	5,568
Prepaid expenses and other assets	6	32,706	9,631	9,631	6,852
Cash and short-term deposits		3,976	1,582	1,582	2,651
		\$ 997,177	\$ 863,510	\$ 863,204	\$ 869,211
Liabilities					
Debt	7	\$ 582,492	\$ 505,592	\$ 505,592	\$ 504,159
Amounts payable and accrued liabilities	8	17,393	16,191	16,191	14,620
Distributions payable	9	3,600	–	–	–
Future income tax liability	13	7,737	8,000	64,902	59,838
		611,222	529,783	586,685	578,617
Equity					
Unitholders' equity	10	385,955	333,727	–	–
Divisional equity		–	–	276,519	290,594
		\$ 997,177	\$ 863,510	\$ 863,204	\$ 869,211

See accompanying notes to the consolidated and combined financial statements

On behalf of the Board of Trustees of Dundee Real Estate Investment Trust:



Ned Goodman
Trustee



Michael J. Cooper
Trustee

On behalf of the Board of Directors of Dundee Realty Corporation:



Jeff B. Barnes
Director



Michael J. Cooper
Director

Dundee Real Estate Investment Trust and Commercial Real Estate Division of Dundee Realty Corporation
Statements of Net Income

	Note	2003		2002
		Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined
		July 1 to December 31	January 1 to June 30	For the Year Ended December 31, 2002
(in thousands of dollars, except per unit amounts)				
Rental properties				
Revenues		\$ 78,162	\$ 74,540	\$ 146,682
Operating expenses		37,376	38,493	73,608
Net operating income		40,786	36,047	73,074
Other expenses				
Interest	12	18,858	18,275	35,602
Depreciation of rental properties		4,854	4,439	8,311
Amortization of deferred leasing costs		3,095	2,897	4,701
General and administrative		2,109	3,339	5,613
		28,916	28,950	54,227
Other income				
Interest and fee income, net		674	656	1,424
Income before loss on disposal of land		12,544	7,753	20,271
Loss on disposal of land		(289)	–	–
Income before income and large corporations taxes		12,255	7,753	20,271
Income taxes	13			
Current income and large corporations taxes		50	1,965	3,312
Future income taxes		32	1,675	4,076
		82	3,640	7,388
Net income		\$ 12,173	\$ 4,113	\$ 12,883
Net income per unit				
Basic and diluted	14	\$ 0.71		

See accompanying notes to the consolidated and combined financial statements

Dundee Real Estate Investment Trust
Consolidated Statement of Unitholders' Equity

(in thousands of dollars, except unit amounts)	Note	Number of Units	Amount	Cumulative Foreign Currency Translation Adjustment	Total
Unitholders' equity, June 30, 2003		16,279,437	\$ 335,455	\$ (1,728)	\$ 333,727
Net income		-	12,173	-	12,173
Distributions paid	9	-	(15,782)	-	(15,782)
Distributions payable	9	-	(3,600)	-	(3,600)
Public Offering of Units	10c	2,600,000	56,420	-	56,420
Distribution Reinvestment Plan	10d	355,847	7,830	-	7,830
Unit Purchase Plan	10e	70,364	1,536	-	1,536
Deferred Unit Incentive Plan	10f	-	113	-	113
Issue costs	10c	-	(5,193)	-	(5,193)
Change in foreign currency translation adjustment		-	-	(1,269)	(1,269)
Unitholders' equity, December 31, 2003		19,305,648	\$ 388,952	\$ (2,997)	\$ 385,955

Commercial Real Estate Division of Dundee Realty Corporation
Combined Statements of Divisional Equity

(in thousands of dollars)	For the Period from January 1, 2003 to June 30, 2003	For the Year Ended December 31, 2002
Divisional equity, beginning of period	\$ 290,594	\$ 299,174
Net income	4,113	12,883
Change in foreign currency translation adjustment	(2,471)	(372)
Net funds transferred to Dundee Realty Corporation	(15,717)	(21,091)
Divisional equity, end of period	\$ 276,519	\$ 290,594

See accompanying notes to the consolidated and combined financial statements

**Dundee Real Estate Investment Trust
and Commercial Real Estate Division of Dundee Realty Corporation
Statements of Cash Flows**

(in thousands of dollars)	Note	2003		2002
		Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined
		July 1 to December 31	January 1 to June 30	For the Year Ended December 31, 2002
Generated from (utilized in) operating activities				
Net income		\$ 12,173	\$ 4,113	\$ 12,883
Non-cash items:				
Depreciation of rental properties		4,854	4,439	8,311
Amortization of deferred leasing costs		3,095	2,897	4,701
Loss on disposal of land		289	–	–
Future income taxes		32	1,675	4,076
		20,443	13,124	29,971
Deferred leasing costs incurred		(5,450)	(2,921)	(10,361)
Change in working capital		5,252	(621)	(2,098)
		20,245	9,582	17,512
Generated from (utilized in) investing activities				
Investment in rental properties		(2,856)	(4,309)	(14,649)
Acquisition of rental properties	3	(32,991)	(861)	(915)
Acquisition deposit on rental properties	6	(14,300)	–	–
Proceeds from disposal of land		367	–	–
Change in restricted cash, net		(9,581)	(106)	(15)
		(59,361)	(5,276)	(15,579)
Generated from (utilized in) financing activities				
Mortgage principal repayments		(5,397)	(7,094)	(11,045)
Mortgage debt placed	3	–	50,918	106,931
Mortgage lump sum repayments		(12,439)	(32,411)	(80,467)
Term debt principal repayments		(460)	(1,071)	(1,572)
New term debt placed		–	–	6,341
Demand revolving credit facility, net		7,026	–	–
Demand non-revolving credit facility		6,619	–	–
Distributions paid	9	(7,952)	–	–
Units issued net of costs		54,113	–	–
Net funds transferred from the Division		–	(15,717)	(21,091)
		41,510	(5,375)	(903)
Increase (decrease) in cash and cash equivalents		2,394	(1,069)	1,030
Cash and short-term deposits, beginning of period		1,582	2,651	1,621
Cash and short-term deposits, end of period		\$ 3,976	\$ 1,582	\$ 2,651

See accompanying notes to the consolidated and combined financial statements

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

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

1. Basis of Financial Statement Presentation

These financial statements present the financial position of Dundee Real Estate Investment Trust (“Dundee REIT”) at December 31, 2003 and the results of its operations and its cash flows from the commencement of its operations on July 1, 2003 to December 31, 2003 and the financial position of the commercial real estate division of Dundee Realty Corporation (the “Division”) at June 30, 2003 and the results of the Division’s operations and its cash flows for the year ended December 31, 2002 and the six months ended June 30, 2003.

References herein to the “Trust” refer collectively to Dundee REIT as at, and for any period after June 30, 2003, and to the Division for periods prior to and including June 30, 2003. Except for the impact of the conversion of the Division to Dundee REIT (see below) and unless otherwise indicated, balances for Dundee REIT as at June 30, 2003 are the same as balances of the Division as at June 30, 2003.

These financial statements have been prepared in accordance with the accounting recommendations of The Canadian Institute of Chartered Accountants (“CICA”) and are substantially in accordance with the practices recommended by the Canadian Institute of Public and Private Real Estate Companies (“CIPPREC”).

Dundee REIT

Dundee REIT is an open-ended investment trust created pursuant to a Declaration of Trust under the laws of the Province of Ontario dated May 9, 2003 as amended and restated (the “Declaration of Trust”).

The consolidated balance sheet of Dundee REIT includes the accounts of Dundee REIT and its subsidiaries, together with Dundee REIT’s proportionate share of the assets and liabilities of joint ventures in which it participates. Included in these accounts are the assets and liabilities acquired by Dundee Properties Limited Partnership (“DPLP”) from Dundee Realty Corporation (“DRC”) on June 30, 2003 (the “Transfer”) comprising:

- a portfolio of office, industrial and retail rental properties together with their related assets and liabilities; and
- a 50% interest in a joint venture comprising the property management operations of DRC relating to revenue properties (Dundee Management Limited Partnership, or “DMLP”).

As a result of completion of the Arrangement noted below, DPLP is an indirect subsidiary of Dundee REIT.

As consideration for the Transfer of the Division, and pursuant to completion of the Plan of Arrangement of Dundee Realty Corporation dated June 30, 2003 (the “Arrangement”), a series of transactions ultimately resulted in Dundee REIT issuing REIT Units, Series A to certain public shareholders of DRC, and DPLP issuing LP Class B Units, Series 1 that are held directly and indirectly by DRC. As partial consideration for the Transfer, DPLP issued LP Notes, Series 1, LP Notes, Series 2, and LP Notes, Series 3 (collectively the “LP Notes”). Pursuant to the completion of the Arrangement, the LP Notes were transferred to Dundee REIT in consideration for the issuance by Dundee REIT of REIT Units, Series A. These LP Notes were then transferred to Dundee Properties Operating Trust A (“OTA”), whose sole unitholder is Dundee REIT, in consideration for OTA notes and additional OTA Units, and OTA then transferred the LP Notes to DPLP in consideration for LP Class A Units. These transactions, combined, had no net effect on the consolidated balance sheet of Dundee REIT. The LP Class B Units, Series 1 are generally exchangeable on a one-for-one basis for REIT Units, Series B at the option of the holder. The LP Class B Units, Series 1 generally have economic and voting rights equivalent in all material respects to REIT Units, Series A. The REIT Units, Series A and REIT Units, Series B generally have economic and voting rights equivalent in all material respects to each other. Accordingly, the LP Class B Units, Series 1 are classified as Unitholders’ equity in the consolidated balance sheet of Dundee REIT.

The assets and liabilities of the Division acquired in the Transfer have been measured under the continuity of interests accounting method at DRC’s historical carrying amounts at June 30, 2003 as there was no substantive change in the ultimate ownership interests in the Division. As a result, the Divisional equity of the Division at June 30, 2003 became the opening Unitholders’ equity of Dundee REIT subject to certain adjustments noted below. Because the continuity of interests method of accounting was used, the financial position, results of operations and cash flows of the Division have been presented as comparative information for Dundee REIT.

The differences between the consolidated balance sheet of Dundee REIT at its commencement on June 30, 2003 and the combined balance sheet of the Division at June 30, 2003 comprises:

- The elimination of a majority of the future tax liability of the Division as at June 30, 2003. The future tax liability of Dundee REIT of \$8,000 at June 30, 2003 is with respect to Dundee REIT’s corporate subsidiaries that remain taxable; and
- The issuance pursuant to the Arrangement of 15,000 REIT Units, Series A to DRC, in exchange for a demand promissory note of \$306 included in amounts receivable at June 30, 2003, and subsequently collected.

The following table reconciles the Divisional equity of the Division at June 30, 2003 to the opening Unitholders' equity of Dundee REIT on June 30, 2003:

	Divisional equity	Unitholders' equity	Cumulative foreign currency translation adjustment	Total
Divisional equity – June 30, 2003	\$ 277,084	\$ –	\$ (565)	\$ 276,519
Elimination of majority of the future income tax liability of the Division	58,065	–	(1,163)	56,902
Reclassification of Divisional equity to Unitholders' equity	(335,149)	335,149	–	–
Issuance of 15,000 REIT Units, Series A	–	306	–	306
Unitholders' equity – June 30, 2003	\$ –	\$ 335,455	\$ (1,728)	\$ 333,727

Commercial Real Estate Division

The Division is not a legal entity. It represents a combination of the portfolio of office, industrial and retail rental properties owned by DRC and 50% of the property management operations of DRC relating to rental properties, together with their related assets and liabilities, prior to the Transfer.

The combined financial statements of the Division present the financial position, results of operations and cash flows of the Division, had the Division been accounted for on a stand-alone basis, and include the Division's proportionate share of the assets, liabilities, revenues and expenses of joint ventures in which it participates.

The combined financial statements of the Division have been prepared in accordance with the accounting recommendations of the CICA. Management has extracted the information used to prepare these combined financial statements from the financial records of DRC and as such assets and liabilities have been measured using the historical carrying amounts of DRC. Divisional equity represents the excess of the Division's assets over the Division's liabilities.

All balances except for income tax, capital and large corporations taxes and general and administrative expenses have been derived from records specific to the properties and entities that were subject to the Transfer. Capital and large corporations taxes have been allocated to the Division based on the net book value of the properties acquired that are subject to such taxes relative to the total net book value of the properties of DRC that are subject to such taxes. Other income taxes have been determined based on the operation of, and taxable temporary differences related to the net assets of the Division, as if it were a taxable entity. General and administrative expenses have been allocated to the Division based on the net book value of the assets acquired relative to the total net book value of the assets of DRC.

The combined financial statements of the Division are not necessarily indicative of the results that would have been attained if the Division had been operated as a separate legal entity during the periods presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to reflect possible incremental changes to the cost structure as a result of the Transfer.

The comparative figures for the Division for periods prior to and including June 30, 2003 have been reclassified to conform to the current period's financial statement presentation.

2. Summary of Significant Accounting Policies

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Revenue Recognition

Properties are considered operational at the earlier of the achievement of a predetermined level of occupancy or at the expiry of a reasonable period following substantial completion. The Trust has retained substantially all of the benefits and risks of ownership of its rental properties and therefore accounts for leases as operating leases.

Revenues from rental properties include base rents, recoveries of operating expenses including property taxes, percentage participation rents, lease cancellation fees, parking income and incidental income. The total of the cash rents received for the initial term of the lease for free rent tenant inducements are recorded on a straight-line basis over this period. Leases, which include contractual increases in basic rents, are only accounted for on a straight-line basis when they exceed expected increases in the projected Consumer Price Index; otherwise basic rents are accounted for as they become due. Recoveries from tenants are recognized as revenues in the period in which the applicable costs are incurred. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. The Trust provides an allowance for doubtful accounts against that portion of amounts receivable, which is estimated to be uncollectible. Such allowances are reviewed periodically based on the recovery experience of the Trust.

Rental Properties

Rental properties are stated at the lower of historic cost less accumulated depreciation and the net recoverable amount. Rental properties under development include interest on project-specific and general debt, property taxes, carrying charges and applicable general and administrative expenses incurred in the pre-development and construction periods, and initial leasing costs, less revenue earned prior to the project being declared operational. The net recoverable amount represents the undiscounted estimated future cash flow expected to be received from the ongoing use of the property, combined with its estimated residual value, and is intended to determine recovery of an investment and is not an expression of a property's fair market value.

Buildings, initial leasing costs and major expansions and renovations are depreciated using the sinking fund method. Under this method, an amount, which increases at 5% per annum, is charged to income so as to fully depreciate the buildings over their estimated useful lives of 30 to 40 years. Building improvements are depreciated on a straight-line basis over the life of the improvement. Pavement, vehicles, office premises improvements, furniture and computer equipment are depreciated on the declining balance basis over their estimated useful lives ranging from 8% to 30% per annum.

Deferred Costs

Deferred costs may include:

- Deferred leasing costs, which include leasing fees and costs, leasehold improvements and tenant inducements, other than initial leasing costs, and which are depreciated on a straight-line basis over the term of the applicable lease;
- Recoverable operating expenses, which are amortized over the period during which they are recoverable from tenants;
- Deferred financing costs, which include debt issue fees and expenses that are amortized on a straight-line basis over the term of the debt;
- Direct acquisition fees and costs, which exclude general and administrative costs, and which are deferred until the acquisition is completed and the costs are capitalized to the acquisition, or the acquisition is abandoned and the costs are written off; and
- Investigative and pre-development expenditures, which can include an allocation of general and administrative expenses incurred on specific potential projects. These costs are deferred until the project is either abandoned, at which time the costs are written off, or until the project proceeds to the construction stage, at which time the costs are capitalized to the project.

Foreign Currency Translation

The Trust's foreign operations are considered financially self-sustaining and operationally independent. Accordingly, assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the average rate for the period. Translation gains and losses are deferred as a separate component of equity until there has been a realized reduction in the underlying investment.

Foreign Currency Transactions

Monetary assets and liabilities to be settled in foreign currencies, which are not held in foreign self-sustaining operations, are translated into Canadian dollars using the period-end rate of exchange. Non-monetary assets, liabilities, revenues and expenses are translated at the rate in effect on the date of the transaction. Gains and losses are included in the statements of net income. No such gains or losses were recorded in either the six months ended December 31, 2003, the six months ended June 30, 2003, or the year ended December 31, 2002.

Income Taxes

Dundee REIT uses the liability method of accounting for future income taxes of its incorporated subsidiaries. The net future income tax liability represents the cumulative amount of taxes applicable to temporary differences between the carrying amount of these corporate subsidiaries' assets and liabilities and their carrying amounts for tax purposes. In addition, the benefit of tax losses available to be carried forward to future years for tax purposes, that are more likely than not to be realized, are recognized as a reduction of the income tax liability. Future income taxes are measured at the tax rates expected to apply in the future as temporary differences reverse and tax losses are utilized. Changes to future income taxes related to changes in tax rates are recognized in income in the period when the tax rate change is substantively enacted.

The Division uses the liability method of accounting for future income taxes. The net future income tax liability represents the cumulative amount of taxes applicable to temporary differences between the carrying amount of the Division's assets and liabilities and their carrying amounts for tax purposes. The provision for current income and large corporations taxes does not result in current taxes payable or receivable in the combined financial statements of the Division as such items are the obligation of, or the right of, legal entities not included in the Division. The benefits of tax losses are not reflected as a reduction of the future income tax liability recognized in the combined financial statements of the Division because they are the right of those legal entities not included in the Division. As such, current taxes payable or receivable and the benefit of losses, are included in Divisional equity as a component of the amount of funds transferred to or from DRC. Future income taxes are measured at the tax rates expected to apply in the future as temporary differences reverse. Changes to future income taxes related to changes in tax rates are recognized in income in the period when the tax rate change is substantively enacted.

Unit-based Compensation Plan

Dundee REIT has a Deferred Unit Incentive Plan as described in Note 10f. The Trust recognizes compensation expense on a straight-line basis over the period that deferred units vest, based on the market price of REIT units on the date of grant.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Trust considers all short-term investments with an original maturity of three months or less to be cash equivalents, and excludes cash subject to restrictions that prevent its use for current purposes.

3. Rental Properties

	Dundee REIT Consolidated		Division of DRC Combined	
	December 31, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Land	\$ 159,940	\$ 139,548	\$ 139,548	\$ 143,198
Buildings and building improvements	788,746	700,778	700,778	704,363
Equipment	5,724	5,658	5,658	5,498
	954,410	845,984	845,984	853,059
Accumulated depreciation	(39,360)	(34,645)	(34,645)	(30,644)
Total	\$ 915,050	\$ 811,339	\$ 811,339	\$ 822,415

During the six months ended December 31, 2003, non-cash changes in working capital items related to investment in rental properties amounted to \$(327) (six months ended June 30, 2003 - \$1,587; year ended December 31, 2002 - \$4,343).

On November 27, 2003, the Trust completed the purchase of the Palladium Office Campus for a purchase price of \$37,000. On December 3, 2003, the Trust completed the purchase of a 50% interest in Telus Tower for a purchase price of \$68,000. Existing first mortgages were assumed having an aggregate principal amount of \$31,000 and \$44,000, respectively.

4. Deferred Costs

	Dundee REIT Consolidated		Division of DRC Combined	
	December 31, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Deferred leasing costs	\$ 25,605	\$ 21,817	\$ 21,817	\$ 20,657
Deferred recoverable costs	9,431	9,061	9,061	7,250
Deferred financing costs	2,010	2,358	2,358	2,219
Other deferred costs	1,131	1,566	1,566	1,599
Total	\$ 38,177	\$ 34,802	\$ 34,802	\$ 31,725

Deferred leasing costs are net of accumulated amortization of \$12,153 at December 31, 2003 (June 30, 2003 - \$11,207; December 31, 2002 - \$13,220).

5. Amounts Receivable

Amounts receivable and deposits are net of credit adjustments of \$1,546 at December 31, 2003 (June 30, 2003 - \$2,954; December 31, 2002 - \$2,780). Total U.S. dollar denominated amounts receivable and other assets relating to self-sustaining foreign operations are US\$995 as at December 31, 2003 (June 30, 2003 - US\$593; December 31, 2002 - US\$1,001).

6. Prepaid Expenses and Other Assets

	Dundee REIT Consolidated		Division of DRC Combined	
	December 31, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Prepaid expenses	\$ 5,711	\$ 6,516	\$ 6,516	\$ 3,845
Deposits	14,315	16	16	14
Restricted cash	12,680	3,099	3,099	2,993
Total	\$ 32,706	\$ 9,631	\$ 9,631	\$ 6,852

Deposits include a \$14,300 payment with respect to an agreement to acquire certain rental properties, as described in Note 19. Restricted cash represents primarily tenant rent deposits and cash held as security for certain mortgages and bank loans drawn on a line of credit.

7. Debt

	Dundee REIT Consolidated		Division of DRC Combined	
	December 31, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Mortgages	\$ 483,667	\$ 420,468	\$ 420,468	\$ 417,437
Term debt	85,180	85,124	85,124	86,722
Demand revolving credit facility	7,026	—	—	—
Demand non-revolving credit facility	6,619	—	—	—
Total	\$ 582,492	\$ 505,592	\$ 505,592	\$ 504,159

Mortgages and term debt are secured by charges on specific rental properties. DRC continues to be contingently liable for certain debt obligations of Dundee REIT.

A demand revolving credit facility is available to a formula-based maximum of \$20,000, bearing interest generally at the bank prime rate (4.5% as at December 31, 2003) plus 1% or bankers' acceptance rates. The facility is secured by a first ranking collateral mortgage on two of the Trust's properties and a second ranking collateral mortgage on a third property. As at December 31, 2003, \$7,026 was drawn on the facility and an additional \$2,925 (June 30, 2003 - \$2,925) was utilized under the facility in the form of letters of guarantee. As at December 31, 2003, the amount still available on this facility was \$5,688.

A demand non-revolving credit facility in the amount of \$6,619 (US\$4,971) at December 31, 2003 was drawn to repay a U.S. dollar mortgage. The demand non-revolving credit facility was secured by a Canadian dollar deposit. The facility bears interest at the bank's U.S. base rate plus 0.25%, and is due on demand, but no later than May 31, 2004.

The weighted average interest rates for the fixed and floating components of debt are as follows:

	Weighted Average Interest Rates			Maturity Dates	Debt Amount		
	December 31, 2003	June 30, 2003	December 31, 2002		December 31, 2003	June 30, 2003	December 31, 2002
Fixed rate							
Mortgages	6.93%	7.16%	7.28%	2004 to 2013	\$ 483,667	\$ 420,468	\$ 417,437
Term debt	7.70%	7.70%	7.71%	2004 to 2006	65,886	65,570	62,357
Total fixed rate	7.02%	7.23%	7.33%		549,553	486,038	479,794
Variable rate							
Term debt	5.51%	6.04%	5.53%	2004	19,294	19,554	24,365
Demand revolving credit facility	5.50%	—	—	2004	7,026	—	—
Demand non-revolving credit facility	4.75%	—	—	2004	6,619	—	—
Total variable rate	5.35%	6.04%	5.53%		32,939	19,554	24,365
Total debt	6.93%	7.19%	7.24%		\$ 582,492	\$ 505,592	\$ 504,159

Total variable rate term debt outstanding at December 31, 2003 bears interest generally at the rate of bankers' acceptance plus 2.75% (June 30, 2003 - plus 2.75%; December 31, 2002 - plus 2.75%). At December 31, 2003, the rate of bankers' acceptance was 2.76%.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term Debt	Demand Revolving Credit Facility	Demand Non-Revolving Credit Facility	Total
Year ending December 31, 2004	\$ 59,285	\$ 84,899	\$ 7,026	\$ 6,619	\$ 157,829
2005	22,956	179	—	—	23,135
2006	51,171	102	—	—	51,273
2007	48,122	—	—	—	48,122
2008	85,919	—	—	—	85,919
2009 and thereafter	216,214	—	—	—	216,214
Total	\$ 483,667	\$ 85,180	\$ 7,026	\$ 6,619	\$ 582,492

The estimated fair value of debt is as follows:

	December 31, 2003	June 30, 2003	December 31, 2002
Mortgages	\$ 501,173	\$ 440,412	\$ 433,521
Term debt	85,894	86,313	88,816
Demand revolving credit facility	7,026	-	-
Demand non-revolving credit facility	6,619	-	-
Total	\$ 600,712	\$ 526,725	\$ 522,337

Mortgages include US\$20,617 at December 31, 2003 (June 30, 2003 - US\$25,617; December 31, 2002 - US\$26,135) of debt secured by assets located in the United States relating to self-sustaining foreign operations.

8. Amounts Payable and Accrued Liabilities

	Dundee REIT Consolidated		Division of DRC Combined	
	December 31, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Trade payables	\$ 1,450	\$ 1,681	\$ 1,681	\$ 2,959
Accrued liabilities and other payables	10,682	9,802	9,802	6,605
Deposits	3,565	3,526	3,526	3,396
Deferred revenue	1,696	1,182	1,182	1,660
Total	\$ 17,393	\$ 16,191	\$ 16,191	\$ 14,620

Total U.S. dollar denominated amounts payable and accrued liabilities relating to self-sustaining foreign operations are US\$975 at December 31, 2003 (June 30, 2003 - US\$556; December 31, 2002 - US\$606).

9. Distributions

The following table sets out Dundee REIT's distributions for the six months ended December 31, 2003.

	REIT Units, Series A	LP Class B Units, Series 1	Total
Paid in cash	\$ 7,952	\$ -	\$ 7,952
Paid by way of reinvestment in units	1,190	6,640	7,830
Payable at December 31, 2003	2,228	1,372	3,600
Total	\$ 11,370	\$ 8,012	\$ 19,382

The amount payable at December 31, 2003 was satisfied on January 15, 2004 by way of \$1,853 in cash and \$1,747 by way of 15,210 REIT Units, Series A and 55,655 LP Class B Units, Series 1.

Included in the total distributions is the 4% additional distribution that forms part of the distribution reinvestment plan in the amount of \$253.

10. Unitholders' Equity

Dundee REIT was originally established on May 9, 2003 when one initial REIT unit was issued for ten dollars. As part of completing the Arrangement, this unit was redeemed.

Immediately prior to completion of the Arrangement, there were 16,264,437 common shares of DRC issued and outstanding. As a result of the Transfer and completion of the Arrangement as described in Note 1, certain public shareholders of DRC who formerly held 9,355,192 common shares of DRC received 9,355,192 REIT Units, Series A and DRC received, directly and indirectly, 6,909,245 LP Class B Units, Series 1. In addition, 15,000 REIT Units, Series A were issued to DRC in exchange for a demand promissory note of \$306. Divisional equity at June 30, 2003, excluding the cumulative foreign currency translation adjustment of \$(1,728), was allocated between these REIT Units, Series A and LP Class B Units, Series 1 on a pro rata basis with resulting book values of \$192,775 and \$142,374, respectively. Included in Divisional equity at June 30, 2003 was a cumulative foreign currency translation adjustment of \$(565) (December 31, 2002 - \$1,906).

	REIT Units, Series A		LP Class B Units, Series 1		Cumulative Foreign Currency Translation Adjustment	Total	
	Number of Units	Amount	Number of Units	Amount		Number of Units	Amount
Unitholders' equity, June 30, 2003	9,370,192	\$ 193,081	6,909,245	\$ 142,374	\$ (1,728)	16,279,437	\$ 333,727
Net income	-	7,182	-	4,991	-	-	12,173
Distributions paid	-	(9,142)	-	(6,640)	-	-	(15,782)
Distributions payable	-	(2,228)	-	(1,372)	-	-	(3,600)
Public Offering of Units	2,600,000	56,420	-	-	-	2,600,000	56,420
Distribution							
Reinvestment Plan	53,661	1,190	302,186	6,640	-	355,847	7,830
Unit Purchase Plan	70,364	1,536	-	-	-	70,364	1,536
Deferred Unit Incentive Plan	-	113	-	-	-	-	113
Issue costs	-	(5,193)	-	-	-	-	(5,193)
Change in foreign currency translation adjustment	-	-	-	-	(1,269)	-	(1,269)
Unitholders' equity, December 31, 2003	12,094,217	\$ 242,959	7,211,431	\$ 145,993	\$ (2,997)	19,305,648	\$ 385,955

a) Dundee REIT Units

Dundee REIT is authorized to issue an unlimited number of REIT Units and an unlimited number of Special REIT Units. The REIT Units were initially divided into and issued in two series: REIT Units, Series A and REIT Units, Series B. REIT Units are redeemable at the option of the holder, generally at any time subject to certain restrictions, at a redemption price per REIT Unit equal to the lesser of 90% of a 20-day weighted average market price prior to the redemption date and 100% of the market price on the redemption date. The total amount payable by Dundee REIT in any calendar month shall not exceed \$50 unless waived by Dundee REIT's trustees at their sole discretion. Any dollar amount in excess of this monthly dollar maximum, unless waived, will be paid by notes of OTA or OTB.

REIT Units, Series A and REIT Units, Series B represent an undivided beneficial interest in Dundee REIT and in distributions made by Dundee REIT. No REIT Unit, Series A or REIT Unit, Series B has preference or priority over any other. Each REIT Unit, Series A and REIT Unit, Series B entitles the holder to one vote held at all meetings of unitholders.

Special REIT Units are issued in conjunction with LP Class B Units, Series 1 of DPLP. The Special REIT Units are not transferable separately from the LP Class B Units, Series 1 to which they relate and will be automatically redeemed for a nominal amount and cancelled upon surrender or exchange of such LP Class B Units, Series 1. Each Special REIT Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT Units, Series B, which may be obtained upon the surrender or exchange of the LP Class B Units, Series 1 to which they relate. At December 31, 2003, 7,211,431 Special REIT Units are issued and outstanding (June 30, 2003 - 6,909,245 issued and outstanding). These Special REIT Units are recorded at nominal value.

Dundee REIT's Declaration of Trust provides Dundee Bancorp Inc. ("DBI") with a pre-emptive right pursuant to which Dundee REIT will not issue any REIT Units, or any securities convertible into REIT Units, to any person without first making an offer to DBI to issue that number of REIT Units or securities or a comparable number of LP Class B Units, Series 1 necessary to maintain the percentage of the outstanding voting interest in Dundee REIT held by DBI and its affiliates at the date of offer. After completion of the Plan of Arrangement, DBI indirectly controls DRC.

b) DPLP Units

DPLP is authorized to issue two initial units, an unlimited number of LP Class A and an unlimited number of LP Class B limited partnership units and such other classes as the general partner of DPLP, a wholly owned subsidiary of Dundee REIT, may decide. The LP Class B Units have been issued in two series: LP Class B Units, Series 1 and LP Class B Units, Series 2.

The LP Class B Units, Series 1, together with the accompanying Special REIT Units, have economic and voting rights equivalent in all material respects to the REIT Units, Series A and REIT Units, Series B. Generally, each LP Class B Unit, Series 1 entitles the holder to a distribution equal to distributions declared on REIT Units, Series B or, if no such distribution is declared, on REIT Units, Series A. LP Class B Units, Series 1 may be surrendered or indirectly exchanged on a one-for-one basis at the option of the holder, generally at any time subject to certain restrictions, for REIT Units, Series B. The LP Class B Units, Series 1 are not entitled to vote at any meeting of the limited partners of DPLP.

The LP Class A Units and LP Class B Units, Series 2 are entitled to vote at meetings of the limited partners of DPLP and each unit entitles the holder to a distribution equal to distributions on the LP Class B Units, Series 1.

At December 31, 2003, 12,094,217 LP Class A Units (June 30, 2003 - 9,370,192), 7,211,431 LP Class B Units, Series 1 (June 30, 2003 - 6,909,245) and one LP Class B Unit, Series 2 (June 30, 2003 - one) are issued and outstanding. As at December 31, 2003 and June 30, 2003, all issued and outstanding LP Class A Units and the outstanding LP Class B Unit, Series 2 of DPLP were owned indirectly by Dundee REIT and have been eliminated in the consolidated balance sheets.

c) Public Offering of Units

On November 5, 2003, Dundee REIT completed a public offering for gross cash proceeds of \$56,420 through the issuance of 2.6 million REIT Units, Series A at a price of \$21.70 per unit. Costs relating to the offering totalled \$5,193 and were charged directly to Unitholders' equity of which \$1,350 was included in amounts payable and accrued liabilities at December 31, 2003.

d) Distribution Reinvestment Plan

In August 2003, Dundee REIT established a Distribution Reinvestment and Unit Purchase Plan for holders of REIT Units, Series A and REIT Units, Series B.

The Distribution Reinvestment Plan allows unitholders, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dundee REIT reinvested in additional REIT Units, Series A. Unitholders, who so elect, receive an additional distribution of REIT Units, Series A equal to 4% of each cash distribution that was reinvested. A similar distribution reinvestment arrangement exists for holders of LP Class B Units, Series 1. As at and for the six months ended December 31, 2003, 53,661 REIT Units, Series A and 302,186 LP Class B Units, Series 1 were issued under the Distribution Reinvestment Plan for \$1,190 and \$6,640, respectively. The price per unit is calculated by reference to a five-day weighted average closing price of the units on the TSX preceding the relevant distribution date, which typically is on or about the 15th day of the month following the declaration.

e) Unit Purchase Plan

The Unit Purchase Plan allows existing unitholders to purchase additional REIT Units, Series A of Dundee REIT. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT Units, Series A that may be acquired. The price per unit is calculated in a similar manner to the Distribution Reinvestment Plan. No commission, service charges or brokerage fees are payable by participants in connection with either the Distribution Reinvestment Plan or Unit Purchase Plan.

For the six months ended December 31, 2003, 70,364 REIT Units, Series A were issued under the Unit Purchase Plan for \$1,536.

f) Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan provides for the grant of deferred trust units and income deferred trust units to trustees, officers and employees, and affiliates and their service providers. Deferred trust units are granted at the discretion of the trustees while income deferred trust units are granted to deferred trust unit holders based on distributions paid on the REIT Units, Series A. Once vested, each deferred trust unit and income deferred trust unit will entitle the holder to receive a REIT Unit, Series A at no cost. Deferred trust units vest evenly over three to five years on the anniversary date of the grant while income deferred trust units vest on the same date as the associated deferred trust unit. Subject to an election for certain participants to postpone receipt of REIT Units, Series A, such units will be issued immediately after vesting. Up to a maximum of 500,000 deferred trust units and income deferred trust units are issuable under the Deferred Unit Incentive Plan. Compensation expense is recorded based on the fair market value at the date of grant amortized as earned over the vesting period. At December 31, 2003, 88,200 deferred trust units (June 30, 2003 - nil) had been granted with a grant-date value of \$21.35 per unit. During the six months ended December 31, 2003, \$113 of compensation expense was recorded and is included in general and administrative expenses. During the six months ended December 31, 2003, 2,812 income deferred trust units were granted. As no deferred trust units have vested, no REIT Units, Series A have been issued to date under the plan.

11. Joint Ventures and Co-ownerships

The Trust participates in incorporated and unincorporated joint ventures, partnerships and co-ownerships (the "joint ventures") with other parties and accounts for its interests using the proportionate consolidation method.

The following amounts represent the total assets and liabilities of rental property joint ventures in which the Trust participates and its proportionate share of the assets, liabilities, revenues, expenses and cash flows therein.

Total	Dundee REIT Consolidated		Division of DRC Combined	
	December 31, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Assets	\$ 352,369	\$ 203,145	\$ 203,145	\$ 206,733
Liabilities	200,565	103,011	103,011	106,447

Proportionate Share	Dundee REIT Consolidated		Division of DRC Combined	
	December 31, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Assets	\$ 186,908	\$ 112,956	\$ 112,956	\$ 114,771
Liabilities	104,559	55,995	55,995	57,767

Proportionate Share	2003		2002
	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined
	July 1 to December 31	January 1 to June 30	For the Year Ended December 31
Revenues	\$ 12,439	\$ 12,247	\$ 23,126
Expenses	9,388	9,465	17,499
	\$ 3,051	\$ 2,782	\$ 5,627

Proportionate Share	2003		2002
	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined
	July 1 to December 31	January 1 to June 30	For the Year Ended December 31
Cash flow generated from (utilized in):			
Operating activities	\$ 5,315	\$ 2,806	\$ 8,449
Financing activities	(878)	(3,491)	(5,972)
Investing activities	(2,809)	(884)	(1,301)
Increase (decrease) in cash and cash equivalents	\$ 1,628	\$ (1,569)	\$ 1,176

The Trust is contingently liable for the obligations of the other owners of the unincorporated joint ventures in the aggregate amount of \$84,960 at December 31, 2003 (June 30, 2003 - \$41,340). In each case, however, the co-owner's share of assets is available to satisfy these obligations.

At December 31, 2003, Dundee REIT's proportionate share of the assets and liabilities of DMLP are as follows:

	December 31, 2003	June 30, 2003
Assets		
Amounts receivable and other assets	\$ 2,675	\$ 2,210
Liabilities		
Debt	\$ 461	\$ 570
Amounts payable and accrued liabilities	739	500
	\$ 1,200	\$ 1,070

12. Interest

Interest incurred, capitalized and charged to earnings is recorded as follows:

	2003		2002
	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined
	July 1 to December 31	January 1 to June 30	For the Year Ended December 31
Interest expense incurred, at stated rate of debt	\$ 18,421	\$ 17,965	\$ 35,339
Amortization of deferred financing costs	618	465	772
Marked-to-market adjustment to rate	(181)	(155)	(333)
Interest capitalized	-	-	(176)
Interest expense	\$ 18,858	\$ 18,275	\$ 35,602

Certain debt assumed on acquisitions completed in prior years has been adjusted to fair value using the market interest rate at the time of the acquisition ("marked-to-market"). This marked-to-market adjustment is amortized to interest expense and principal repayments over the remaining life of the debt. Interest capitalized in 2002 included interest on general and specific debt on rental properties under development.

Cash interest paid in the six months ended December 31, 2003 is \$15,099 (six months ended June 30, 2003 - \$20,929; year ended December 31, 2002 - \$35,080).

13. Income and Large Corporations Taxes

Dundee REIT

Dundee REIT is taxed as a mutual fund trust for income tax purposes. Pursuant to the Declaration of Trust, the Trustees of Dundee REIT will make distributions of, or will designate, all taxable income earned by Dundee REIT, including the taxable portion of net realized capital gains, to unitholders and will deduct such distributions and designations for income tax purposes. As the income tax obligations relating to the distributions are those of the unitholders, no provision for income taxes is required on such amounts.

Canadian and United States based corporate subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. A future income tax liability of \$7,737 as at December 31, 2003 (June 30, 2003 - \$8,000) has been recorded to reflect the future tax obligations of these subsidiaries and comprises amounts resulting from the differences in tax and book values relating to the rental properties.

The reported carrying amount of Dundee REIT's net assets, excluding those in corporate subsidiaries, exceeds the corresponding tax cost by approximately \$214,000 at December 31, 2003 (June 30, 2003 - \$200,000).

Commercial Real Estate Division

	Division of DRC Combined	Division of DRC Combined
	January 1 to June 30, 2003	For the Year Ended December 31, 2002
Income tax provision based on Canadian statutory tax rate of 35.5% (six months ended June 30, 2003 - 38.3%; year ended December 31, 2002 - 38.3%)	\$ 2,752	\$ 7,764
Increase (decrease) in provision resulting from:		
Large corporations and corporate minimum taxes	1,134	2,104
Benefit from decrease in expected future income tax rates	(275)	(2,567)
Other items	29	87
Total income tax provision	\$ 3,640	\$ 7,388

The provision for current income and large corporations taxes comprises the following:

	Division of DRC Combined	Division of DRC Combined
	January 1 to June 30, 2003	For the Year Ended December 31, 2002
Current income taxes related to operations	\$ 831	\$ 1,208
Large corporations and corporate minimum taxes	1,134	2,104
	\$ 1,965	\$ 3,312

No cash taxes were paid or received by the Division because the payment is the obligation of, and the receipt is the right of, legal entities not included in the Division. During the periods presented, DRC did not pay any current income taxes because of the availability of tax losses and deductions not related to, and therefore not allocated to, the Division, nor were any current income taxes received as a result of the utilization of losses generated by the Division against taxable income not attributable to the Division.

With respect to the Division, the future income tax liability of \$64,902 at June 30, 2003 (December 31, 2002 - \$59,838) comprises amounts resulting entirely from the differences in tax and book values relating to the rental properties. For the period ended June 30, 2003, the future income tax liability was increased by \$4,500 due to differences between the provision for current income taxes and the actual tax filings, with a corresponding amount included in funds transferred to DRC.

14. Net Income Per Unit

For the six months ended December 31, 2003, the weighted average number of units outstanding was as follows:

	Units Outstanding
REIT Units, Series A	10,229,815
LP Class B Units, Series 1	7,037,422
Total weighted average number of units outstanding	17,267,237

For the six months ended December 31, 2003, deferred trust units and income deferred trust units resulted in approximately 7,138 and 2,182 incremental units for diluted per unit amount calculations, respectively.

15. Segmented Information

The Trust's rental properties have been segmented into office, industrial and retail components because of the marketing, leasing and operating strategies unique to each.

The accounting policies of the segments are as described in the summary of significant accounting policies. The Trust does not allocate interest expense to these segments, since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, income taxes, and general and administrative expenses are not allocated to the segment expenses. All inter-segment revenues have been eliminated from the financial statements and the following tables.

A. By Activity

Dundee REIT For the Six Months Ended December 31, 2003	Office	Industrial	Retail	Total
Operations				
Revenues	\$ 46,009	\$ 20,425	\$ 11,728	\$ 78,162
Operating expenses	(23,670)	(7,676)	(6,030)	(37,376)
Net operating income	22,339	12,749	5,698	40,786
Depreciation of rental properties	(2,547)	(1,506)	(801)	(4,854)
Amortization of deferred leasing costs	(1,678)	(886)	(531)	(3,095)
Segment income	\$ 18,114	\$ 10,357	\$ 4,366	32,837
Interest expense				(18,858)
General and administrative expenses				(2,109)
Interest and fee income, net				674
Loss on disposal of land				(289)
Income taxes				(82)
Net income				\$ 12,173
Segment rental properties	\$ 525,360	\$ 252,521	\$ 137,169	\$ 915,050
Capital expenditures				
Investment in rental properties	\$ (1,411)	\$ (740)	\$ (705)	\$ (2,856)
Acquisition of rental properties	(32,991)	-	-	(32,991)
Deferred leasing costs	(3,675)	(1,305)	(470)	(5,450)
Total capital expenditures	\$ (38,077)	\$ (2,045)	\$ (1,175)	\$ (41,297)

Division of DRC
For the Six Months Ended June 30, 2003

	Office	Industrial	Retail	Total
Operations				
Revenues	\$ 42,965	\$ 19,760	\$ 11,815	\$ 74,540
Operating expenses	(23,874)	(8,260)	(6,359)	(38,493)
Net operating income	19,091	11,500	5,456	36,047
Depreciation of rental properties	(2,433)	(1,262)	(744)	(4,439)
Amortization of deferred leasing costs	(1,533)	(777)	(587)	(2,897)
Segment income	\$ 15,125	\$ 9,461	\$ 4,125	28,711
Interest expense				(18,275)
General and administrative expenses				(3,339)
Interest and fee income, net				656
Loss on disposal of land				-
Income taxes				(3,640)
Net income				\$ 4,113
Segment rental properties	\$ 417,222	\$ 253,456	\$ 140,661	\$ 811,339
Capital expenditures				
Investment in rental properties	\$ (2,086)	\$ (1,688)	\$ (535)	\$ (4,309)
Acquisition of rental properties	-	(3)	(858)	(861)
Deferred leasing costs	(1,314)	(946)	(661)	(2,921)
Total capital expenditures	\$ (3,400)	\$ (2,637)	\$ (2,054)	\$ (8,091)

Division of DRC
For the Year Ended December 31, 2002

	Office	Industrial	Retail	Total
Operations				
Revenues	\$ 83,878	\$ 38,566	\$ 24,238	\$ 146,682
Operating expenses	(45,168)	(15,337)	(13,103)	(73,608)
Net operating income	38,710	23,229	11,135	73,074
Depreciation of rental properties	(4,098)	(2,606)	(1,607)	(8,311)
Amortization of deferred leasing costs	(2,633)	(1,275)	(793)	(4,701)
Segment income	\$ 31,979	\$ 19,348	\$ 8,735	60,062
Interest expense				(35,602)
General and administrative expenses				(5,613)
Interest and fee income, net				1,424
Loss on disposal of land				-
Income taxes				(7,388)
Net income				\$ 12,883
Segment rental properties	\$ 417,829	\$ 254,504	\$ 150,082	\$ 822,415
Capital expenditures				
Investment in rental properties	\$ (10,888)	\$ (1,918)	\$ (1,843)	\$ (14,649)
Acquisition of rental properties	(24)	(686)	(205)	(915)
Deferred leasing costs	(3,326)	(1,814)	(5,221)	(10,361)
Total capital expenditures	\$ (14,238)	\$ (4,418)	\$ (7,269)	\$ (25,925)

B. By Country

Dundee REIT

For the Six Months Ended December 31, 2003

	Canada	U.S.	Total
Operations			
Revenues	\$ 72,805	\$ 5,357	\$ 78,162
Operating expenses	(34,490)	(2,886)	(37,376)
Net operating income	38,315	2,471	40,786
Depreciation of rental properties	(4,453)	(401)	(4,854)
Amortization of deferred leasing costs	(2,981)	(114)	(3,095)
Segment income	\$ 30,881	\$ 1,956	\$ 32,837
Segment rental properties	\$ 857,628	\$ 57,422	\$ 915,050
Capital expenditures			
Investment in rental properties	\$ (2,397)	\$ (459)	\$ (2,856)
Acquisition of rental properties	(32,991)	–	(32,991)
Deferred leasing costs	(5,317)	(133)	(5,450)
Total capital expenditures	\$ (40,705)	\$ (592)	\$ (41,297)

Division of DRC

For the Six Months Ended June 30, 2003

	Canada	U.S.	Total
Operations			
Revenues	\$ 69,115	\$ 5,425	\$ 74,540
Operating expenses	(35,481)	(3,012)	(38,493)
Net operating income	33,634	2,413	36,047
Depreciation of rental properties	(4,055)	(384)	(4,439)
Amortization of deferred leasing costs	(2,792)	(105)	(2,897)
Segment income	\$ 26,787	\$ 1,924	\$ 28,711
Segment rental properties	\$ 751,221	\$ 60,118	\$ 811,339
Capital expenditures			
Investment in rental properties	\$ (3,987)	\$ (322)	\$ (4,309)
Acquisition of rental property	(861)	–	(861)
Deferred leasing costs	(2,751)	(170)	(2,921)
Total capital expenditures	\$ (7,599)	\$ (492)	\$ (8,091)

Division of DRC

For the Year Ended December 31, 2002

	Canada	U.S.	Total
Operations			
Revenues	\$ 134,511	\$ 12,171	\$ 146,682
Operating expenses	(67,385)	(6,223)	(73,608)
Net operating income	67,126	5,948	73,074
Depreciation of rental properties	(7,471)	(840)	(8,311)
Amortization of deferred leasing costs	(4,491)	(210)	(4,701)
Segment income	\$ 55,164	\$ 4,898	\$ 60,062
Segment rental properties	\$ 752,311	\$ 70,104	\$ 822,415
Capital expenditures			
Investment in rental properties	\$ (14,172)	\$ (477)	\$ (14,649)
Acquisition of rental properties	(915)	–	(915)
Deferred leasing costs	(9,827)	(534)	(10,361)
Total capital expenditures	\$ (24,914)	\$ (1,011)	\$ (25,925)

16. Other Related Party Transactions and Arrangements

From time to time Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Prior to June 30, 2003, transactions entered into by the Division were not significant to these financial statements. At December 31, 2003 and June 30, 2003, Dundee REIT, DPLP and DMLP were parties to the following arrangements:

Master Property Management Agreement

DPLP has entered into a property management agreement ("Management Agreement") with DMLP to provide customary property management services to DPLP. The Management Agreement also authorizes DMLP, subject to certain restrictions, to contract on behalf of DPLP with third parties for the provision of certain services as provided for in DMLP's annual operating plan. DMLP is entitled to be reimbursed by DPLP for its reasonable costs for such services. The Management Agreement provides for a base management fee of 3.5% of gross revenues generated from the managed properties, as well as construction fees, and leasing administration fees for services provided. The initial term of the Management Agreement is five years. With the consent of DMLP, the Management Agreement will be automatically extended for a further five-year period. Upon expiry of the first extension term and with the mutual consent of DMLP and DPLP, the Management Agreement will be automatically extended for further five-year periods until terminated by the parties.

This Management Agreement also provides that DRC will pay a rent supplement to DPLP for a five-year period in the case of certain specified office and retail premises and a three-year period in the case of certain specified industrial premises. DRC will pay an amount equal to the difference between: (i) the amount that is the "total net rent" less amortized leasing costs with respect to the specified premises plus the additional rents that would be payable with respect to such premises if such premises were leased pursuant to the applicable standard lease for each premises, and (ii) the amount that is the actual base rent and additional rent received by DPLP for such premises, after deduction for amortization of leasing costs including, but not limited to, tenant inducements, landlord's work, free rent and leasing commissions paid by DPLP to lease any such premises.

If at any time, any of the premises to which the rent supplement applies are either sold by DPLP or cease to be managed by DMLP, the amount of the rent supplement will be reduced by the amount attributed to such premises. If DPLP enters into a lease with a tenant for any of the premises to which the rent supplement applies, which extends beyond the terms of the supplement for such premises and the tenant meets credit quality thresholds, has occupied the premises and has commenced full rental payment under the lease, the amount of the supplement will be permanently reduced by the actual base rent and additional rent received by DPLP for such premises after deduction for amortization of leasing costs.

Administrative Services Agreement

Dundee REIT and certain subsidiaries have entered into an administrative services agreement ("Services Agreement") with DMLP whereby DMLP will provide certain administrative services to Dundee REIT and its subsidiaries. The Services Agreement provides for a broad range of management and general administrative services, certain asset management services and certain administrative and support services. The agreement provides for a fee sufficient to reimburse DMLP for the actual costs incurred and is not intended to have a profit component. In addition, DMLP will provide, for a fee, services related to property acquisition, property financing or refinancing and equity financing. This agreement is for an initial five-year period commencing July 1, 2003 and will terminate on termination of the Management Agreement. DMLP has also entered into a similar administration and support services agreement with DRC to provide certain administration services to DRC and its subsidiaries ("DRC Services Agreement").

For the six months ended December 31, 2003, the portion of fees received from or paid to related parties under the above arrangements were as follows:

Fees Received	
Rent supplement (included in rental properties revenue)	\$ 2,180
Fees received by Dundee REIT under the DRC Services Agreement	
Services fees, netted against rental properties operating expenses	\$ 225
Fees Paid	
Fees paid by Dundee REIT under the Management Agreement	
Management fees, included in rental properties operating expenses	\$ 1,338
Construction fees, capitalized to the related assets	\$ 342
Lease administration fees, included in deferred leasing costs	\$ 370
Fees paid by Dundee REIT under the Services Agreement	
Acquisition and financing fees, capitalized to the related assets	\$ 218

Included in amounts receivable at December 31, 2003 is \$177 relating to the above agreements and \$181, which resulted from a certain cash deficit balance transferred on June 30, 2003, which was subsequently repaid on January 6, 2004. Amounts receivable at June 30, 2003 included a demand promissory note from DRC for \$306 issued in exchange for 15,000 REIT Units, Series A. The demand promissory note was interest bearing at 5.05% and was repaid on August 29, 2003.

Included in accrued liabilities and other payables at December 31, 2003 is \$444 relating to the above agreements. At June 30, 2003, there was a non-interest bearing note payable to DRC in the amount of \$1,760. This obligation was the result of certain cash balances included as part of the Transfer on June 30, 2003 and was repaid on November 6, 2003.

Substantially all of Dundee REIT's services are to be provided by DMLP and accordingly, Dundee REIT relies on DMLP to continue to provide such services.

17. Financial Instruments and Risk Management

For certain of the Trust's financial instruments, including cash and short-term deposits, amounts receivable, amounts payable and accrued liabilities, and distributions payable, carrying amounts approximate fair values due to their immediate or short-term maturity.

The fair value of debt is determined by discounting the future contractual cash flows under current financing arrangements at discount rates that represent management's best estimate of borrowing rates presently available to the Trust for loans with similar terms and maturities. Specific fair values are disclosed in the related notes.

The Trust has exposure to interest rate risk primarily as a result of its variable rate debt. Variable rate debt amounts to 5.66% at December 31, 2003 (June 30, 2003 - 3.87%; December 31, 2002 - 4.83%) of the Trust's total debt. In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and floating rate debt, stagger maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

The Trust is exposed to foreign exchange risk as it relates to its self-sustaining U.S. operations due to fluctuations in the exchange rate between the Canadian and U.S. dollars. Changes in the exchange rate may result in a reduction or an increase in net income. The impact of foreign exchange fluctuations is deferred as a separate component of equity until an investment has been liquidated. The Trust mitigates this risk by matching foreign denominated debt with foreign assets.

The Trust's assets consist of office, industrial and retail rental properties. Credit risk arises from the possibility that tenants in rental properties may not fulfill their lease or contractual obligations. Further risks arise in the event that borrowers default on the repayment of their loans to the Trust. The Trust mitigates its credit risks by attracting tenants of sound financial standing, diversifying its mix of tenants and ensuring that adequate security has been provided in support of loans.

18. Commitments and Contingencies

Dundee REIT and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the financial statements of Dundee REIT.

Dundee REIT's future minimum commitments under operating and capital leases are as follows:

	Operating Lease Payments	Capital Lease Payments
Year ending December 31, 2004	\$ 767	\$ 209
2005	731	196
2006	651	105
2007	651	-
2008	541	-
2009 and thereafter	1,591	-
Total	\$ 4,932	\$ 510

Dundee REIT's future minimum commitments under ground leases are as follows:

	Ground Lease Payments
Year ending December 31, 2004	\$ 1,011
2005	1,081
2006	1,142
2007	1,112
2008	1,112
2009 and thereafter	2,862
Total	\$ 8,320

Dundee REIT has four ground leases on three properties. The terms of the first two leases extend to 2083 and 2076; the last two extend to 2060, including renewals. They are at fixed rates for the entire term with respect to the first and third leases, until September 30, 2006 for the second lease and until June 30, 2010 for the fourth. The renewal terms for the second and fourth leases beyond these dates are defined as variable percentages of the market value of these properties at the date of the renewal, and as such, no dollar amounts are shown in the table above.

19. Subsequent Events

On December 19, 2003, Dundee REIT entered into an agreement to acquire 1.6 million square feet of newly constructed office, industrial and flex space in the Calgary and Toronto markets (collectively, the "Pauls Portfolio") for a purchase price of \$155,000 and a \$12,500 mezzanine loan, net of the assumption of debt of approximately \$65,700 at an average interest rate of 6.2%. As at December 31, 2003, Dundee REIT had made a deposit of \$14,300 relating to this agreement. The transaction is scheduled to close by the end of February.

On February 19, 2004, Dundee REIT raised gross proceeds of \$110,022 (net proceeds of \$104,321 after deduction of the underwriters' fee and the estimated expenses of the offering) pursuant to a public offering through the issuance of 4,537,000 REIT Units, Series A at a price of \$24.25 per unit.