PUBLIC STORAGE CANADIAN PROPERTIES

(A Limited Partnership Governed By
The Limited Partnerships Act Of Ontario)

ANNUAL REPORT TO UNITHOLDERS

DECEMBER 31, 2006

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Properties

The following table sets forth information about the properties owned by Public Storage Canadian Properties as at February 28, 2007:

Location	Date Opened	Land Areas (Acres)	Net Rentable Square Feet	Number of Rental Spaces (1) (2)
Alberta				
Calgary / Harvest Hills (3) (5)	Mar. 2005	5.4	74,000	798
British Columbia				
Coquitlam / United (4)	Apr. 1981	4.7	65,000	724
Surrey / Cloverdale (3)	Apr. 2005	2.1	57,000	699
Surrey / King George (4)	Apr. 1982	4.1	80,000	646
Surrey / Scott (4)	Nov. 1980	3.2	60,000	529
Vancouver / Commercial (3)	Jul. 2006	1.3	74,000	975
			336,000	3,573
Ontario				
Brampton / Advance (4)	Aug. 1979	4.1	63,000	514
Etobicoke / Mendota (4)	Nov. 1979	1.9	29,000	267
Etobicoke / Queen Elizabeth (4)	Sep. 1986	2.5	66,000	691
Hamilton / Burford (4)	Sep. 1979	5.0	95,000	803
Markham / Dynamic (4)	Sep. 1980	4.7	80,000	652
Mississauga / South Sheridan (4)	Sep. 1979	3.7	58,000	506
Mississauga / Eglington (4)	Dec. 1986	4.3	82,000	737
Mississauga / Queensway East (4)	Feb. 1981	6.3	105,000	827
North York / Arrow (4)	Oct. 1980	6.0	117,000	1,011
North York / Hobson (4)	Apr. 1982	2.6	63,000	610
Rexdale / Greensboro (4)	Jan. 1980	4.9	141,000	1,515
Scarborough / Birchmount (4)	Jan. 1987	3.4	73,000	700
Scarborough / Finch (4)	Dec. 1980	4.2	58,000	449
Toronto / Estate Drive (6)	n/a	5.0	86,000	962
			1,116,000	10,244
Québec				
Montréal / Jean Pratt (3)	Mar. 2006	1.7	92,000	950
St. Laurent / Côte-de-Liesse (3)	Jun. 2006	8.5	216,000	2,381
Laval / Highway 13 (6)	n/a	3.4	84,000	947
			392,000	4,278
Total			1,918,000	18,893

(1) Number of spaces may change. Internal partitions are sometimes added or deleted to satisfy space size demand.
(2) Includes outdoor spaces for vehicle storage: Markham / Dynamic, 40; Scarborough / Finch, 37; Coquitlam / United, 150; North York / Arrow, 83; Hamilton / Burford, 14; Rexdale / Greensboro, 105; Etobicoke / Queen Elizabeth, 23; and Brampton / Advance, 2.
(3) "New" Facility. See Management's Discussion and Analysis.
(4) "Same Store" Facility. See Management's Discussion and Analysis.
(5) This facility was acquired by the Partnership in March 2005. The Harvest Hills Facility was previously operated by another owner, who opened the Harvest Hills Facility in April 2004.
(6) These facilities are currently under development and are scheduled to open in the middle of 2007. The net rentable square feet and number of rental spaces presented are estimates.

Management's Discussion and Analysis of Financial Conditions and Results of Operations

Dated March 23, 2007

Forward Looking Statements

This discussion of the financial condition and results of operations of Public Storage Canadian Properties ("PSCP" or the "Partnership") contains forward-looking statements regarding, among other things, the Partnership's beliefs, plans, objectives, strategies, estimates, intentions and expectations, including as they relate to its operating and financial results, capital expenditures, distribution policy and financing strategies and the ability to execute on its operating, development and financing strategies. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "believe", "potential", "expect", "estimate", "would", "could", "intend", "will", "if" and "may". These forward-looking statements are based on a number of assumptions which may prove to be incorrect, including management's current expectations, estimates and assumptions about the markets the Partnership operates in, the Canadian economic environment, interest rates, exchange rates, the Partnership's ability to attract and retain customers and to manage its mini-warehouse assets and operating costs, assumptions respecting the availability and cost of construction materials and labour, there being limited costs, difficulties or delays related to obtaining construction and operating permits or as a result of adverse weather conditions and expectations respecting the useful life of assets of the Partnership. Forward-looking statements involve known and unknown risks, uncertainties and other facts which may cause actual results or developments to differ materially from those contemplated or implied by these statements depending on, among others, such factors as:

- the accuracy of management's assumptions;
- the failure of the Partnership to manage acquisitions;
- delays in " rent - up" of new facilities of the Partnership;
- losses of key personnel may affect the Partnership's ability to operate effectively;
- the leverage of the Partnership;
- restrictive covenants in the Partnership's credit facilities and the Partnership Agreement contain restrictions that limit the Partnership's flexibility in operating the business;
- the Partnership may incur significant environmental costs and liabilities;
- litigation risks;
- property taxes can increase and cause a decline in yields on investments;
- competition has affected the occupancy levels, rental rates and operating expenses of some of the Partnership's facilities;
- the value of the Partnership's properties may be reduced by the general risks of rental real estate ownership including lack of demand for rental spaces or units in a locale, changes in general economic or local conditions, changes in supply of or demand for similar or competing facilities in an area, changes in environmental, real estate, zoning or tax laws, and changes in interest rates;
- rental real estate development (including the development of mini-warehouse facilities) is subject to timing, budgeting and other risks including construction delays or cost overruns that may increase project costs;
- the Partnership does not own the trade-mark "Public Storage";
- the Partnership's properties compete with other properties managed by the General Partner of the Partnership which operate under the trade-mark "Public Storage"
- there may be situations in which conflicts of interest may arise between the General Partner of the Partnership and its respective officers and directors in relation to the interests of the Partnership; and
- the Hughes Family (as defined below) controls the Partnership.

This list is not exhaustive of the factors that may affect any of the Partnership's forward-looking statements. Investors and others should carefully consider these and other factors and not place undue reliance on these forward-looking statements. Further information regarding these and other factors is included in the Partnership's public filings with Canadian securities regulatory authorities including the section titled "Risk Factors" in the Partnership's Annual Information Form. The forward-looking statements contained in this discussion of the consolidated financial condition and results of operations of the Partnership represent the Partnership's views only as of the date hereof. While the Partnership anticipates that subsequent events and developments may cause the Partnership's views to change, the Partnership does not undertake to update any forward-looking statements.

General

Public Storage Canadian Properties is a publicly held limited partnership formed under the *Limited Partnership Act (Ontario)*. The Partnership owns 21 operating self-storage facilities. Thirteen facilities are located in Ontario, five facilities are located in British Columbia, two facilities are located in Québec and one facility is located in Alberta. In addition, the Partnership owns a parcel of land in Toronto, Ontario for development into a self-storage facility and leases a parcel of land in Laval, Québec (with an option to purchase) for development into a self-storage facility.

The facilities are operated under the trade name "Public Storage" and are managed by the General Partner pursuant to a separate property management agreement. The General Partner of the Partnership is Canadian Mini-Warehouse Properties Company ("CMP" or the "General Partner"). All of the shares of CMP are beneficially owned by B. Wayne Hughes and certain members of his family (collectively, the "Hughes Family"). Entities controlled by the Hughes Family beneficially owned 3,896,942 units of the Partnership ("Units") including the Units owned by CMP, or approximately 53.9% of the outstanding Units as at December 31, 2006.

Significant Transactions

On March 1, 2006, construction of a new facility located in the city of Montréal, Québec was completed and the facility opened for business. See "New" Facility Acquisitions and Developments. This is the first property owned by the Partnership in the province of Québec. Unitholders may be required to file a Québec tax return. Unitholders should consult their tax advisors.

On April 6, 2006, the holders of Units of the Partnership (the "Unitholders") approved the issuance of up to a maximum of 2,410,715 Units by way of a rights offering (the "Rights Offering"). The Unitholders also approved amendments relating to the provisions of the limited partnership agreement of the Partnership (the "Partnership Agreement") with respect to the limitations on debt financing, the allocation of net income and losses and the appointment of auditors. In addition, Unitholders other than the Hughes Family approved the acquisition of two development properties and one operating self-storage mini-warehouse property from entities controlled by the Hughes Family.

On June 2, 2006, the Partnership completed the Rights Offering. An aggregate of 2,410,715 Units were issued in connection with the Rights Offering for aggregate net proceeds of approximately $47 million. Eighty-seven percent of the rights issued to Unitholders were exercised, resulting in the issuance of 2,092,146 Units. The remaining 318,569 Units were issued to holders of rights who not only exercised their rights but also elected to subscribe for additional units available as a result of unexercised rights. Proceeds from the Rights Offering were used to repay amounts outstanding under the Partnership's credit facility (the "Credit Facility") and for acquisition purposes.

On June 16, 2006, the Partnership acquired an existing self-storage facility located at 5605 Côte-de-Liesse in the city of St. Laurent, Québec. See "New" Facilities.

On July 27, 2006, a newly constructed facility located in the city of Vancouver, British Columbia opened for business. See "New" Facilities.

On November 2, 2006, the Partnership acquired a 5.03 acre property located at 28 Estate Drive in Toronto, Ontario for development into a mini-warehouse facility. See Facilities Under Development.

On November 25, 2006, the Partnership entered into a land lease agreement with an option to purchase the land after 10 years for a property located in Laval, Québec for development into a mini-warehouse facility. See Facilities Under Development.

Selected Annual Information

	2006	2005	2004
Revenues:			
Rental income	$ 19,846,000	$ 16,879,000	$ 15,242,000
Interest and other income	112,000	320,000	28,000
Gain on sale of land	137,000	-	-
	20,095,000	17,199,000	15,270,000
Cost and expenses:			
Cost of operations	6,775,000	5,539,000	5,136,000
Management fees	1,191,000	1,012,000	916,000
Amortization of real estate facilities	3,161,000	2,368,000	2,023,000
Amortization of intangible assets	632,000	-	-
Interest expense	606,000	457,000	-
Administrative	441,000	414,000	397,000
	12,806,000	9,790,000	8,472,000
Net income	$ 7,289,000	$ 7,409,000	$ 6,798,000
Per Partnership Unit:			
Net income	$ 1.17	$ 1.54	$ 1.41
Distributions	1.80	1.80	1.80
Weighted average Partnership Units outstanding	6,221,626	4,821,430	4,821,430
Partnership Units Outstanding at end of period	7,232,145	4,821,430	4,821,430
Balance sheet data:			
Cash and cash equivalents	$ 415,000	$ 491,000	$ 275,000
Total assets	79,242,000	55,954,000	36,228,000
Total debt	9,423,000	28,500,000	8,200,000
Partners' equity	67,953,000	25,542,000	26,812,000
Other data:			
Net cash provided by operating activities	$ 10,616,000	$ 11,057,000	$ 8,090,000
Net cash used in investing activities	(26,737,000)	(22,462,000)	(8,392,000)
Net cash provided by (used in) financing activities	16,045,000	11,621,000	(479,000)
Funds from operations ("FFO") (1)	10,945,000	9,777,000	8,821,000
FFO per Unit (1)	1.76	2.03	1.83
Earnings before interest, taxes, depreciation and amortization ("EBITDA") (2)	11,439,000	9,914,000	8,793,000
EBITDA per Unit (2)	1.84	2.06	1.82

(1) FFO is equal to net income computed in accordance with Canadian generally accepted accounting principles ("GAAP") plus depreciation and amortization. FFO is a supplementary performance measure for real estate companies used by many investors and analysts. FFO does not take into consideration scheduled principal payments on debt, capital improvements, distributions and other obligations of the Partnership. Accordingly, FFO is not a substitute for the Partnership's cash flow or net income as a measure of the Partnership's liquidity or operating performance or ability to pay distributions. This non-GAAP financial measure does not have any standardized meanings prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. See "Funds from Operations (FFO) and Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)."

(2) EBITDA is equal to earnings before interest and other income, interest expense, taxes, depreciation and amortization. EBITDA is a supplementary performance measure for real estate companies used by many investors and analysts. EBITDA does not take into consideration scheduled principal payments on debt, capital improvements, distributions and other obligations of the Partnership. Accordingly, EBITDA is not a substitute for the Partnership's cash flow or net income as a measure of the Partnership's liquidity or operating performance or ability to pay distributions. This non-GAAP financial measure does not have any standardized meanings prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. See "Funds from Operations (FFO) and Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)."

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The Partnership's significant accounting polices are outlined in Note 2 of the Partnership's audited annual consolidated financial statements.

Accruals for Expenses

The Partnership accrues for property tax expenses and other operating expenses each quarter based on historical trends and anticipated disbursements. If these estimates are incorrect, the timing of expense recognition will be affected.

Capitalization Policy

Expenditures greater than $2,500 related to the renovation or betterment of real estate facilities and that benefit a period of five years are capitalized and amortized on a straight-line basis over their useful life.

Construction in Progress

Interest, property taxes and other costs directly attributable to the real estate facilities under development are capitalized. Construction in progress is reclassified to real estate facilities and amortized when the facility commences operations.

Environmental Liabilities

The Partnership accrues environmental assessments and estimated remediation costs when it is probable that such efforts will be required and the related costs can be reasonably estimated. The Partnership's current practice is to conduct environmental investigations in connection with property acquisitions. Although there can be no assurance, the Partnership is not aware of any environmental contamination of any facilities, which individually or in the aggregate would be material to the Partnership's overall business, financial condition, or results of operations.

Purchase Price Allocation

The Partnership determines the fair value of acquired tangible and intangible assets, including land, buildings, tenant improvements, above- and below-market leases and origination costs related to acquired in-place leases, other identified intangible assets and assumed liabilities and allocate the purchase price to the acquired assets and assumed liabilities, including land at appraised value and buildings at depreciated replacement costs. Recorded amounts for in-place lease origination values are based on the Partnership's evaluation of the specific characteristics of each tenant's lease. Factors to be considered include estimates of carrying costs during expected lease-up period considering current market conditions, and costs to execute similar leases.

Operating Results

The Partnership reported net income of $7,289,000 or $1.17 per partnership unit for the year ended December 31, 2006 compared to $7,409,000 or $1.54 per partnership unit for the same period in 2005. During 2005, the Partnership received a refund of $297,000 from Public Storage, Inc. in the United States for the reimbursement of software development costs that were initially charged to the Partnership. This amount was included as other income and reflected in the Partnership's net income for the year ended December 31, 2005.

Economic and industry factors, specifically increased competition from newer facilities in the Toronto market, remain unchanged from those described in the Annual Report of the Partnership for the year ended December 31, 2005.

The following table summarizes the net operating income ("NOI") of the properties for the years ended December 31, 2006 and 2005. NOI is equal to rental income less cost of operations and management fees paid to CMP before amortization. This non-GAAP financial measure does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers.

	Year ended December 31,		
	2006	2005	Change
Rental income:			
"Same Store" facilities (a)...	$16,965,000	$16,352,000	3.7%
"New" facilities (b)	2,881,000	527,000	
	19,846,000	16,879,000	17.6%
Cost of operations:			
"Same Store" facilities	5,204,000	5,093,000	2.2%
"New" facilities..................	1,571,000	446,000	
	6,775,000	5,539,000	22.3%
Management fees (c):			
"Same Store" facilities	1,020,000	981,000	4.0%
"New" facilities..................	171,000	31,000	
	1,191,000	1,012,000	17.7%
Net operating income:			
"Same Store" facilities	10,741,000	10,278,000	4.5%
"New" facilities..................	1,139,000	50,000	
	$11,880,000	$10,328,000	15.0%

(a) "Same Store" facilities are facilities that have been owned and operated at a mature, stabilized occupancy level since January 1, 2005. Management considers the operating performance of the "Same Store" facilities to be a more useful measure of the overall operating performance of the Partnership's portfolio. As at December 31, 2006, the "Same Store" facilities consist of sixteen facilities that have been owned and operated by the Partnership since its inception and contain approximately 1,235,000 net rentable square feet and 11,181 storage units.

(b) "New" facilities are properties that have been recently acquired and/or developed by the Partnership and were not owned by the Partnership prior to January 1, 2004. Generally, these facilities are still in their initial "fill-up" stage. The Partnership reports the performance of "New" facilities separately from the performance of the Partnership's "Same Store" facilities. The Partnership will reclassify these properties to "Same Store" facilities once they have been opened for three years as of January 1 of the earliest period presented. "New" facilities contain approximately 513,000 net rentable square feet and 5,203 storage units. For further information regarding "New" facilities, see "New" Facility Acquisitions and Developments" below. The aggregate costs of "New" Facilities were approximately $44,878,000 during 2006 and $15,604,000 during 2005.

(c) Management fees are payable to CMP pursuant to the terms of the amended and restated management agreement between the Partnership and CMP dated as of January 1, 1999 (the "Management Agreement"). Management fees are equal to 6% of Gross Operating Revenues (defined below) of each property, calculated monthly. "Gross Operating Revenue" means all cash receipts (excluding security deposits paid by tenants unless and until recognized as income by the Partnership) received by or on behalf of the Partnership under each lease of space on the properties.

"Same Store" Facilities

The following table summarizes the pre-amortization operating results of the Partnership's "Same Store" facilities.

	Year ended December 31,		
	2006	2005	Change
Rental income (a)	$ 16,965,000	$ 16,352,000	3.7%
Cost of operations:			
Property taxes (b)	1,871,000	1,735,000	7.8%
Direct payroll (c)	1,443,000	1,368,000	7.8%
Utilities (d)	316,000	356,000	(11.2%)
Repairs and maintenance (e)	509,000	547,000	(6.9%)
Advertising (f)	208,000	184,000	13.0%
Insurance	166,000	170,000	(2.4%)
Other (g)	691,000	733,000	(5.7%)
	5,204,000	5,093,000	2.2%
Management fees	1,020,000	981,000	4.0%
Net operating income	$ 10,741,000	$ 10,278,000	4.5%
Gross margin (h)	63.3%	62.9%	
Weighted average for period:			
Occupancy	87.0%	88.4%	
Realized annual rent per square foot (i)	$15.80	$14.98	5.5%

(a) The increase in rental income, net of discounts, was due primarily to rental rate increases implemented on April 1, 2006 and lower discounts given. Discounts were $1,271,000 for the year ended December 31, 2006 compared to $1,378,000 for the same period in the prior year.

(b) The Partnership received property tax refunds of $23,000 during the year ended December 31, 2006 compared to $134,000 for the same period in the prior year. Excluding the property tax refunds, property taxes have increased 1.6% from the same period in the prior year.

(c) The increase in direct payroll includes severance of $80,000.

(d) The decrease in utilities expense for the year ended December 31, 2006 was due to a mild winter season compared to the same period in the prior year.

(e) The decrease in repairs and maintenance expense was due to controlled levels of discretionary spending and various maintenance initiatives implemented in the prior years.

(f) The increase in advertising expense was due primarily to an increase in yellow pages advertising rates.

(g) The decrease in other expenses was due to a reduction in the cost of supervising and administrative costs.

(h) Gross margin is computed by dividing property net operating income by rental income.

(i) Realized rent per square foot represents the actual revenue earned per occupied square foot. Management believes this is a more relevant measure than posted or scheduled rates as posted rates can be discounted through promotions.

Rental income of the Partnership's "Same Store" facilities by geographic region is summarized as follows:

	Year ended December 31,		
	2006	2005	Change
Rental income:			
British Columbia	$ 2,813,000	$ 2,699,000	4.2%
Ontario	14,152,000	13,653,000	3.7%
	$ 16,965,000	$ 16,352,000	3.7%

Amortization of Real Estate Facilities

Amortization expense of real estate facilities was $3,161,000 for the year ended December 31, 2006 compared to $2,368,000 for the same period in the prior year. The increase was due to amortization on "New" facilities and recent capital expenditures (e.g. security system).

Amortization of Intangible Assets

Amortization expense of intangible assets was $632,000 for the year ended December 31, 2006 compared to $nil for the same period in the prior year. The increase was due to amortization of in-place leases acquired in connection with an existing facility.

Administrative

Administrative expense consists primarily of professional fees, accounting personnel, reporting issuer costs and credit facility fees not associated with amounts outstanding. Administrative expense was $441,000 for the year ended December 31, 2006 compared to $414,000 for the same period in the prior year. The increase was due primarily to higher professional fees.

Interest and Other Income

Interest and other income include interest received on cash balances. Interest and other income was $112,000 for the year ended December 31, 2006 compared to $320,000 for the same period in the prior year. During 2005, the Partnership received a refund of $297,000 from Public Storage, Inc. in the United States for the reimbursement of software development costs that were initially charged to the Partnership.

Gain on Sale of Land

In June 2006, the Partnership sold a parcel of excess land in Calgary, Alberta for net proceeds of $760,000. The Partnership recognized a gain on disposition of $137,000 during the year ended December 31, 2006.

Interest Expense

Interest expense was $606,000 (net of $311,000 capitalized to construction projects) for the year ended December 31, 2006 compared to $457,000 (net of $334,000 capitalized to construction projects) for the same period in the prior year. The increase in interest expense is due primarily to interest expense associated with the assumption of a 7.879% mortgage note payable in connection with the acquisition of the facility located at Côte-de-Liesse, St. Laurent, Québec. The Partnership capitalizes certain interest expense incurred during the period a project is being developed and constructed. The weighted average borrowing rate on the Credit Facility was 5.19% for the year ended December 31, 2006 compared to 3.96% for the same period in the prior year.

Quarterly Results

The following table presents a summary of selected operating results of the Partnership on a quarterly basis for the years ended December 31, 2006 and 2005,

Quarter Ended	Total Revenues	Net Income	Net Income Per Unit
March 31, 2005	$ 3,882,000	$ 1,652,000	$ 0.34
June 30, 2005	4,209,000	1,889,000	0.39
September 30, 2005	4,478,000	1,947,000	0.40
December 31, 2005	4,630,000	1,921,000	0.40
March 31, 2006	$ 4,328,000	$ 1,528,000	$ 0.32
June 30, 2006	4,926,000	2,023,000	0.36
September 30, 2006	5,522,000	2,062,000	0.29
December 31, 2006	5,319,000	1,676,000	0.23

Seasonality

The mini-warehouse industry is subject to seasonal fluctuations in occupancy levels with the spring and summer months generating increased rental activity compared to decreased rental activity in the colder winter months. The Partnership experiences the effects of these fluctuations as spring and summer occupancies are typically higher than those in the fall and winter.

The following table presents a summary of quarterly revenue and weighted average occupancy of the "Same Store" facilities for the years ended December 31, 2006 and 2005,

Quarter Ended	"Same Store" Revenues	Weighted Average Occupancy
March 31, 2005	$ 3,868,000	86.8%
June 30, 2005	4,123,000	88.9%
September 30, 2005	4,276,000	90.0%
December 31, 2005	4,085,000	87.9%
March 31, 2006	$ 4,058,000	87.1%
June 30, 2006	4,338,000	88.2%
September 30, 2006	4,370,000	87.3%
December 31, 2006	4,199,000	85.4%

Liquidity and Capital Resources

The Partnership had $415,000 in cash and cash equivalents as at December 31, 2006. The Partnership generates sufficient cash flows from operations to finance its operations, both on a short-term and long-term basis. In addition, the Partnership has a $35 million revolving Credit Facility with a commercial bank for general corporate purposes and to provide short term financing for property acquisitions and developments. Net cash provided by operating activities for the year ended December 31, 2006 was $10,616,000 compared to $11,057,000 for the same period in the prior year.

Capital Improvements

The Partnership invested $1,055,000 in capital expenditures (e.g., new roofs, driveway asphalt, painting and gates) during the year ended December 31, 2006 to improve the function and aesthetics of the older facilities. Management believes these improvements are necessary to remain competitive with newer facilities in the marketplace. The Partnership has budgeted approximately $1,400,000 in capital expenditures for 2007 (excluding capital expenditures related to new property acquisitions and development). In addition, the Partnership has budgeted approximately $4,000,000 for the demolition and redevelopment of an existing facility in Toronto.

Credit Facility

In July 2006, the Partnership amended and extended its credit agreement with the Bank of Montreal. The new $35 million revolving Credit Facility matures in July 2009. The Credit Facility is secured by four real estate facilities and a general security agreement. As at December 31, 2006, amounts due under the Credit Facility were $3,800,000.

At the Partnership's option, the rate of interest charged on the Credit Facility is equal to either (i) the Prime Rate or (ii) a rate equal to the Banker's Acceptance Rate plus an applicable margin of 0.875%. In addition, the Partnership is required to pay a standby fee equal to 0.125% based on the unused portion of the Credit Facility.

Under the terms of the Credit Facility, the Partnership is required to (i) maintain a senior funded debt ratio (as defined) of not greater than 4.50 to 1.00 and (ii) maintain a tangible net worth (as defined) of $60,000,000. As at December 31, 2006, the Partnership was in compliance with the terms of the Credit Facility.

Property acquisitions and development costs are funded from the Partnership's cash flows from operations after distributions and from its Credit Facility. As at December 31, 2006, remaining costs to be incurred in connection with the Partnership's development projects in Toronto, Ontario and Laval, Quebec were approximately $14 million.

On April 6, 2006, the Unitholders passed an extraordinary resolution amending the Partnership Agreement relating to the limitations on debt financing. The total amount of all secured and unsecured debt of the Partnership (the "Borrowing Limit") was raised from four to seven times earnings of the Partnership before interest, taxes, depreciation and amortization for the twelve months ended the immediately preceding financial quarter of the Partnership. Based on the new terms of the Partnership Agreement, the Borrowing Limit was approximately $82 million as at December 31, 2006.

<u>"New" Facilities</u>

The Partnership finances its property acquisitions and developments through its Credit Facility (See "Liquidity and Capital Resources – Credit Facility"). In addition, the Partnership reimburses CMP for out-of-pocket acquisition and construction costs. These costs are capitalized and included in construction in progress.

Harvest Hills Facility – Calgary, Alberta

In March 2005, the Partnership, through a wholly-owned subsidiary, acquired an existing self storage facility located adjacent to the Harvest Hills community of Calgary, Alberta. The Partnership acquired the facility from an unaffiliated third party for cash of $9,000,000. The facility consists of one non-climate controlled one-storey building and one climate controlled two-storey building with approximately 74,000 net rentable square feet and 798 storage units. This was the first existing self storage facility acquired by the Partnership. The total acquisition cost of this facility including closing costs, rebranding costs and other related costs of acquisition was $9,276,000. This is an existing facility which was recently constructed and opened for business in April 2004. As at December 31, 2006, this facility was 68.9% occupied.

Cloverdale Facility – Surrey, British Columbia

In April 2005, construction of a new facility located in the Cloverdale area of Surrey, British Columbia was completed and the facility opened for business. The facility is situated on a site which was acquired by the Partnership in December 2003 for $1,715,000. The total cost to develop this facility (including cost of land) was approximately $6,328,000. The facility consists of a two-storey climate controlled building with approximately 57,000 net rentable square feet and 699 storage units. As at December 31, 2006, this facility was 72.9% occupied.

Jean Pratt Facility – Montréal, Québec

In March 2006, construction of a mini-warehouse facility located in the city of Montréal, Québec was completed and the facility opened for business. The facility was converted from a three-storey general warehouse facility which was acquired by the Partnership in July 2005 for $5,550,000. The total cost to develop this facility (including purchase price of existing property) was approximately $8,847,000. The facility consists of a three-storey heated building with approximately 92,000 net rentable square feet and 950 storage units. As at December 31, 2006, this facility was 16.2% occupied.

Commercial & Powell Facility – Vancouver, British Columbia

On July 27, 2006, the newly constructed facility located in the city of Vancouver, British Columbia opened for business. The facility is situated on a site which was acquired by the Partnership in June 2004 for $2,840,000. The total cost to develop this facility (including cost of land) was approximately $11,480,000. The facility consists of a four-storey climate controlled building with approximately 74,000 net rentable square feet and 975 storage units. As at December 31, 2006, this facility was 21.9% occupied.

Côte-de-Liesse Facility – St. Laurent, Québec

In June 2006, the Partnership, through a wholly-owned subsidiary, acquired an existing self storage facility located at 5605 Côte-de-Liesse, St. Laurent, Québec. This property encompasses a mini-warehouse facility that is being operated from three buildings on the property with 216,000 net rentable square feet and 2,381 storage units. The acquisition cost of this facility was $13,850,000 (less the assumption of a mortgage payable of $5,676,000). Total cost to renovate and rebrand this facility is expected to be approximately $1,202,000. As at December 31, 2006, the Partnership has invested $701,000 in renovations and rebranding and expects to invest the remaining balance of $501,000 in 2007. As at December 31, 2006, this facility was 72.9% occupied.

Facilities Under Development

Estate Drive – Toronto, Ontario

The "Estate Drive Property" is located at 28 Estate Drive in Toronto, Ontario. This property encompasses 5.03 acres of vacant land. The land was initially acquired by the Hughes Family in January 2006 for $2,750,000. The total cost to develop this property (including the purchase price) into a self-storage mini-warehouse facility comprising 86,000 net rentable square feet and 962 units is expected to be approximately $11,000,000. On November 2, 2006, the Partnership acquired this property, approved by unitholders other than the Hughes Family, from the Hughes Family for their cost of approximately $3,929,000 (including interest expense, construction costs and other carrying costs actually incurred by the Hughes Family in respect of this property). This facility is expected to open in the middle of 2007.

This property will be the Partnership's first significant construction project in the Toronto market in many years and will require increased attention from management of the General Partner. Management's plans and expectations respecting the acquisition and development of the Estate Drive Property are subject to various assumptions and risks. See "Forward-Looking Statements" on page 3.

Highway 13 – Laval, Québec

This property (the "Laval Property") is located at the south east corner of Highway 13 and Notre Dame Blvd. in Laval, Québec. This property encompasses 3.4 acres of vacant land. The Partnership has entered into a land lease agreement with the current owner with an option to purchase the land after 10 years. The option price of the land is $1,550,000. The total cost to develop this property into a self-storage mini-warehouse facility comprising 84,000 net rentable square feet and 947 units is expected to be approximately $9,426,000. This facility is expected to open in the middle of 2007.

This property will be the Partnership's first significant ground-up construction project in the Montréal market and will require increased attention from management of the General Partner. Management's plans and expectations respecting the acquisition and development of the Laval Property are subject to various assumptions and risks. See "Forward-Looking Statements" on page 3.

Expectations respecting the cost to develop these facilities and the date each will be open are based on various assumptions and are subject to various risks, including with respect to the availability and cost of construction materials and labour and there being limited costs, difficulties or delays related to obtaining construction and operating permits or as a result of adverse weather conditions. See "Forward-Looking Statements" on page 3.

Rights Offering

On April 6, 2006, the Unitholders approved the issuance of up to a maximum of 2,410,715 Units by way of the Rights Offering. The Rights Offering provided the existing Unitholders of the Partnership that were Qualifying Persons (as defined below) with the right to purchase additional Units in the Partnership.

On June 2, 2006, the Partnership completed the Rights Offering. An aggregate of 2,410,715 Units were issued in connection with the Rights Offering for aggregate net proceeds of approximately $47 million. Eighty-seven percent of the rights issued to Unitholders were exercised, resulting in the issuance of 2,092,146 Units. The remaining 318,569 Units were issued to holders of rights who not only exercised their rights but also elected to subscribe for additional units available as a result of unexercised rights. Proceeds from the Rights Offering were used to repay amounts outstanding under the Partnership's Credit Facility.

Distributions

The general partner analyzes the distribution level on a quarterly basis. Among the items considered when determining distribution levels are historical property operations, current cash reserves and obligations of the Partnership, including debt, expected capital expenditures and other factors. The Partnership distributed $11,933,000 ($1.80 per Unit) during the year ended December 31, 2006 compared to $8,679,000 ($1.80 per Unit) during the same period in the prior year. The Partnership also declared a distribution of $0.45 per Unit to be paid on March 30, 2007 to Unitholders of record at the close of business on March 15, 2007.

Funds from Operations ("FFO") and Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")

FFO and EBITDA are supplementary performance measures for real estate companies used by investors and analysts. These non- "GAAP" financial measures do not have any standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Management, investors and analysts consider FFO and EBITDA to be good measures of the performance of real estate companies because they evaluate the cash generating ability of an entity (in the case of FFO) or its assets (in the case of EBITDA), without taking into account the impact of amortization (and interest, in the case of EBITDA), which may vary significantly between real estate companies based on when particular assets were acquired and financed. FFO is equal to net income computed in accordance with GAAP plus depreciation and amortization. EBITDA is equal to earnings before interest income, interest expense, taxes, depreciation and amortization. EBITDA is utilized in determining the debt capacity of the Partnership. FFO and EBITDA do not take into consideration scheduled principal payments on debt, capital improvements, distributions or other obligations of the Partnership. Accordingly, FFO and EBITDA are not substitutes for the Partnership's cash flow or net income as a measure of the Partnership's liquidity or operating performance or ability to pay distributions.

The following table calculates FFO and EBITDA for the years ended December 31, 2006 and 2005:

	Year ended December 31,		
	2006	2005	Change
Calculation of FFO:			
Net income	$ 7,289,000	$ 7,409,000	
Less: gain on sale of land	(137,000)	-	
Amortization of real estate facilities	3,161,000	2,368,000	
Amortization of intangible assets	632,000	-	
FFO	$ 10,945,000	$ 9,777,000	11.9%
Weighted average number of Units	6,221,626	4,821,430	
FFO per Unit	$1.76	$2.03	(13.3%)
Calculation of EBITDA:			
Net income	$ 7,289,000	$ 7,409,000	
Less: gain on sale of land	(137,000)	-	
Interest expense	606,000	457,000	
Amortization of real estate facilities	3,161,000	2,368,000	
Amortization of intangible assets	632,000	-	
Less: interest and other income	(112,000)	(320,000)	
EBITDA	$ 11,439,000	$ 9,914,000	15.4%
Weighted average number of Units	6,221,626	4,821,430	
EBITDA per Unit	$1.84	$2.06	(10.7%)

Transactions with Related Parties

Management Agreement with CMP

Pursuant to the terms of the Management Agreement, CMP manages the operation of mini-warehouse facilities of the Partnership for a management fee of 6% of Gross Operating Revenue (as defined in the Management Agreement). In addition to management fees, the Partnership reimburses CMP for any reasonable expenses or costs it incurs, or disbursements it makes on behalf of the Partnership in connection with its duties as General Partner and property manager.

Public Storage Trade-Mark and Licence Agreement

For as long as: (i) either CMP or Public Storage, Inc. ("PSI") or any of their respective affiliates is the General Partner of the Partnership; and (ii) CMP is the Property Manager of the Partnership pursuant to the Management Agreement, the Partnership may use the name and trade-mark "Public Storage" and related marks, slogans, caricatures, designs and other trade or service items in connection with the Partnership Properties. If at any time, CMP or PSI or any of their respective affiliates ceases to be the General Partner, the Partnership would no longer be able to use the name and trade-mark "Public Storage" and related marks, slogans, caricatures, designs and other trade or service items. In addition, if CMP ceased to be the Property Manager of the Partnership as result of the termination of the Management Agreement, the Partnership would no longer be able to use the name and trade-mark "Public Storage" and related marks, slogans, caricatures, designs and other trade or service items.

Properties Acquired from the Hughes Family

On April 6, 2006, a majority of the Unitholders other than entities controlled by B. Wayne Hughes and members of his family approved the acquisition and/or development of three facilities that the Hughes Family had entered into agreements with the owners of such facilities or land. The Partnership acquired two of these three properties from the Hughes Family and, after acquiring the right to purchase the third property from the Hughes Family, the Partnership entered into a lease with the current third party owner with an option to purchase the land after 10 years. See "New" Facilities.

Outstanding Partnership Unit Data

As at March 23, 2007, the capital of the Partnership is divided into 7,404,445 Units of which 7,232,145 have been issued and are outstanding.

Tax Treatment and Notices

Taxes based on the income of the Partnership are the responsibility of the individual partners and, accordingly, each Unitholder is responsible for reporting their pro-rata share of the Partnership's income for tax purposes on their tax return based on the amount of distributions received. The pro-rata share of income to be recognized is based on the Partnership's income for tax purposes and is not on its reported "book" income. Partnership income for tax purposes and "book" income differ due to difference in the reporting of various items. The major difference is the amount of capital cost allowance recognized for tax purposes versus the amount of amortization recognized for "book" purposes. The majority of this difference resulted from a "step-up" in the basis of real estate assets for "book" purposes in connection with various amalgamations to which the Partnership has been a party. For tax purposes, as the transactions were treated as "tax-free" exchanges, these assets have not been "stepped-up".

Income for federal tax purposes for Unitholders holding their Units for the entire year was approximately $1.34 and $1.79 per unit for 2006 and 2005, respectively. The cost of real estate assets for tax purposes was $79,683,000 and $41,515,000 as at December 31, 2006 and 2005, respectively. Accordingly, the cost of real estate assets for tax purposes was more than their net book value by $1,429,000 as at December 31, 2006 and less than their book value by $318,000 as at December 31, 2005.

The Partnership, through its transfer agent, or the Unitholder's brokerage firm, will provide each Unitholder with a Form T-5013 and RL-15 by March 31, 2007. The form indicates the amount of income the Unitholder is responsible for reporting on their tax return. Unitholders who have not received a Form T-5013 and RL-15 should contact their broker or the transfer agent for assistance. Tax information for Unitholders is also provided on the Partnership's website at www.publicstoragecanada.com.

On March 1, 2006, construction of a new facility located in the city of Montréal, Québec was completed and the facility opened for business. This was the first property owned by the Partnership in the province of Québec. Unitholders may be required to file a Québec tax return. Unitholders should consult their tax advisors.

On April 6, 2006, the Unitholders amended the Partnership Agreement to change the allocation of net income or net loss of the Partnership to Unitholders in proportion to distributions received. In prior years, net income was allocated to December 31 Unitholders based on ownership percentage.

On October 31, 2006, Canada's Minister of Finance announced sweeping proposals to amend the *Income Tax Act* (Canada) to eliminate tax advantages presently enjoyed by certain investors in publicly-traded income trusts and limited partnerships, including the Partnership. Very generally, if these proposals are implemented, commencing in the Partnership's taxation year ending in 2011, the Partnership will be required to pay tax on its income at rates equivalent to that of a corporation. In addition, if the proposals are implemented, income subject to the new tax allocated to holders of Units will be taxed as though received by them as taxable dividends paid by a taxable Canadian corporation. In the case of a Unitholder that is an individual, tax dividend gross-up and tax credit rules regularly applicable to such dividends will then apply to such deemed dividends. A Unitholder that is a corporation will generally be entitled to deduct the amount of such deemed dividends in computing its income for tax purposes. The effect of these measures, generally speaking, will be that income earned by the Partnership will be taxed at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations.

Disclosure Controls and Procedures

Management, including the President and Controller, has evaluated the effectiveness of the Partnership's disclosure controls and procedures (as defined in the Canadian Securities Administrators Multilateral Instrument 52-109). Based on that evaluation, the President and Controller concluded that such disclosure controls and procedures were effective and the design of internal controls over financial reporting was effective as at December 31, 2006 in providing reasonable assurance that material information required to be disclosed by the Partnership in its filings or other reports filed or submitted by it under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in such legislation and is accumulated and communicated to management to allow timely decisions regarding disclosure.

Consolidated Financial Statements

Public Storage Canadian Properties

(A Limited Partnership Governed by the Limited Partnerships Act of Ontario)

December 31, 2006

AUDITORS' REPORT

To the Board of Directors of the General Partner and Unitholders of
Public Storage Canadian Properties (a Limited Partnership)

We have audited the consolidated balance sheets of **Public Storage Canadian Properties (a Limited Partnership)** (the "Partnership") as at December 31, 2006 and 2005 and the consolidated statements of operations and partners' equity and cash flows for the years then ended. These financial statements are the responsibility of the Partnership'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 the Partnership as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada,
February 9, 2007.

(Signed) Ernst & Young LLP
Chartered Accountants

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Public Storage Canadian Properties (the "Partnership") and all of the information in this annual report are the responsibility of management and have been approved by the Board of Directors of Canadian Mini-Warehouse Properties Company ("CMP"), the general partner of the Partnership.

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise as they include certain amounts based on estimates and judgments. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Partnership maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Partnership's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors of CMP is responsible for ensuring that its staff fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with auditing standards generally accepted in Canada on behalf of the Unitholders of the Partnership.

(Signed) David P. Singelyn
President
Canadian Mini-Warehouse Properties Company

(Signed) Vincent R. Chan
Vice President and Controller
Canadian Mini-Warehouse Properties Company

March 23, 2007.

CONSOLIDATED BALANCE SHEETS

As at December 31,

	2006 $	2005 $
ASSETS		
Cash and cash equivalents	**415,000**	491,000
Real estate facilities *[note 4, 6 and 7]*		
Land and land improvements	**23,379,000**	17,672,000
Buildings and equipment	**78,969,000**	50,946,000
	102,348,000	68,618,000
Less accumulated amortization	**(29,946,000)**	(26,785,000)
	72,402,000	41,833,000
Construction in progress *[note 5]*	**4,904,000**	13,340,000
Intangible assets, net *[note 3]*	**948,000**	—
Rent and other receivables	**254,000**	180,000
Other assets	**319,000**	110,000
	79,242,000	55,954,000
LIABILITIES AND PARTNERS' EQUITY		
Accounts payable and accrued liabilities *[note 9]*	**1,003,000**	1,322,000
Advance payments from renters	**863,000**	590,000
Amounts due under credit facility *[note 6]*	**3,800,000**	28,500,000
Mortgage note payable *[note 7]*	**5,623,000**	—
Commitments and contingencies *[note 10]*		
Partners' equity *[note 8]*		
7,232,145 partnership units issued and outstanding as at December 31, 2006 (2005 - 4,821,430)	**67,953,000**	25,542,000
Total liabilities and partners' equity	**79,242,000**	55,954,000

See accompanying notes

On behalf of the Board of the General Partner, Canadian Mini-Warehouse Properties Company:

(Signed) Roland A. Cardy
Director

(Signed) William E. Ardell
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND PARTNERS' EQUITY

Years ended December 31,

	2006 $	2005 $
Revenue		
Rental income	**19,846,000**	16,879,000
Interest and other income	**112,000**	320,000
Gain on sale of land	**137,000**	—
	20,095,000	17,199,000
Cost and expenses		
Cost of operations	**6,775,000**	5,539,000
Management fees [note 9]	**1,191,000**	1,012,000
Amortization of real estate facilities	**3,161,000**	2,368,000
Amortization of intangible assets	**632,000**	—
Interest expense	**606,000**	457,000
Administrative	**441,000**	414,000
	12,806,000	9,790,000
Net income for the year	**7,289,000**	7,409,000
Weighted average partnership units outstanding	**6,221,626**	4,821,430
Net income per unit	**1.17**	1.54
Partners' equity, beginning of year	**25,542,000**	26,812,000
Net income for the year	**7,289,000**	7,409,000
Net proceeds from rights offering *[note 8]*	**47,055,000**	—
Distributions	**(11,933,000)**	(8,679,000)
Partners' equity, end of year	**67,953,000**	25,542,000

See accompanying notes

Public Storage Canadian Properties
(A Limited Partnership Governed by the Limited Partnerships Act of Ontario)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2006 $	2005 $
OPERATING ACTIVITIES		
Net income for the year	**7,289,000**	7,409,000
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of land	**(137,000)**	—
Amortization of real estate facilities	**3,161,000**	2,368,000
Amortization of intangible assets	**632,000**	—
Increase in rent and other receivables	**(74,000)**	(33,000)
(Increase) decrease in other assets	**(209,000)**	520,000
(Decrease) increase in accounts payable and accrued liabilities	**(319,000)**	695,000
Increase in advance payments from renters	**273,000**	98,000
Net cash provided by operating activities	**10,616,000**	11,057,000
INVESTING ACTIVITIES		
Proceeds from sale of land	**760,000**	—
Acquisition of real estate facilities		
Land and land improvements	**(2,850,000)**	(2,579,000)
Buildings and equipment	**(10,121,000)**	(6,697,000)
Intangible assets	**(1,580,000)**	—
Construction in progress		
Purchase of property	**—**	(5,550,000)
Construction of new facilities	**(11,891,000)**	(6,384,000)
Improvements to real estate facilities	**(1,055,000)**	(1,252,000)
Net cash used in investing activities	**(26,737,000)**	(22,462,000)
FINANCING ACTIVITIES		
Borrowings from credit facility	**8,300,000**	20,300,000
Repayments of credit facility	**(33,000,000)**	—
Mortgage note payable	**5,676,000**	—
Repayments of mortgage note payable	**(53,000)**	—
Net proceeds from rights offering	**47,055,000**	—
Distributions	**(11,933,000)**	(8,679,000)
Net cash provided by financing activities	**16,045,000**	11,621,000
Net (decrease) increase in cash and cash equivalents during the year	**(76,000)**	216,000
Cash and cash equivalents, beginning of year	**491,000**	275,000
Cash and cash equivalents, end of year	**415,000**	491,000
Supplemental cash flow information		
Interest paid	**785,000**	870,000
Transfer of construction in progress to real estate facilities:		
Land and land improvements	**3,480,000**	1,633,000
Buildings and equipment	**16,847,000**	4,695,000
Construction in progress	**(20,327,000)**	(6,328,000)

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

1. DESCRIPTION OF PARTNERSHIP

Public Storage Canadian Properties (the "Partnership") is a publicly held limited partnership formed under the *Limited Partnerships Act (Ontario).* The Partnership owns 21 self-storage facilities. Thirteen facilities are located in Ontario, five facilities are located in British Columbia, two facilities are located in Québec and one facility is located in Alberta. In addition, the Partnership owns a parcel of land in Toronto, Ontario for development into a self-storage facility and leases a parcel of land in Laval, Québec (with an option to purchase) for development into a self-storage facility.

The facilities are operated under the trade name "Public Storage" and are managed by the General Partner of the Partnership pursuant to a separate property management agreement [see note 9]. The General Partner of the Partnership is Canadian Mini-Warehouse Properties Company ("CMP"). All of the shares of CMP are beneficially owned by B. Wayne Hughes and certain members of his family (collectively, the "Hughes Family"). Entities controlled by the Hughes Family owned 3,896,942 units of the Partnership ("Units"), including the Units owned by CMP, or approximately 53.9% of the outstanding Units as at December 31, 2006 [2005 – 2,545,328 Units or 50.9%].

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements include the accounts of the Partnership and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year consolidated financial statements.

Evaluation of asset impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized when the carrying value exceeds its undiscounted future net cash flow. The impairment is measured as the amount by which the carrying value exceeds the estimated fair value.

Cash and cash equivalents

For financial statement purposes, the Partnership considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Financial instruments

The Partnership's financial instruments consist of cash and cash equivalents, rent and other receivables, deposits in escrow, accounts payable and accrued liabilities, advance payments from renters and amounts due under its Credit Facility. The carrying values of the financial instruments approximate their fair value due to the short-term maturities of these instruments.

The mortgage note payable bears interest at a rate which, in management's opinion, approximates the current interest rates, and therefore approximates its fair value.

Credit risk with respect to rent receivable is minimized by a large and diverse customer base and its geographic dispersion. As necessary, the Partnership provides for potential bad debts. Losses to date have been within management's expectations.

The Company is not exposed to significant interest or currency risk arising from these financial instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Real estate facilities

Land and land improvements are recorded at cost and not amortized.

Buildings and building improvements are recorded at cost and amortized on a straight-line basis over 25 years. Expenditures greater than $2,500 related to the renovation or betterment of the facilities and that benefit a period of five years are capitalized and amortized on a straight-line basis over their useful life.

Computers and software and equipment are capitalized and amortized on a straight-line basis over three years.

Construction in progress

Interest, property taxes and other costs directly attributable to the facilities under development are capitalized. During the year ended December 31, 2006, the Partnership capitalized $311,000 of interest expense [2005 - $334,000], $215,000 of property taxes [2005 - $238,000] and $174,000 of internal acquisition and construction management costs [2005 - $156,000] to construction in progress.

Construction in progress is recorded at cost and not amortized. Construction in progress is reclassified to real estate facilities and amortized when the facility commences operations.

Intangible assets

Intangible assets reflect the value of in-place leases acquired in connection with the acquisition of an existing self-storage facility. In-place leases are amortized on a straight-line basis over 15 months. As at December 31, 2006, accumulated amortization was $632,000.

Other assets

Other assets consist primarily of performance bonds, prepaid expenses, deposits in escrow and deferred financing costs. Deferred financing costs consist primarily of legal and bank fees associated with the Partnership's Credit Facility and are amortized on a straight line basis over the life of the Credit Facility.

Revenue and expense recognition

Rental income, which is earned pursuant to month-to-month leases for storage space, is recognized as earned. Interest income is recognized as earned. Costs of operations, administrative costs and interest are expensed as incurred.

Property taxes

Property taxes are included in the cost of operations. As a result of changes to the assessed values of the Partnership's properties and the method in which property taxes are calculated, the Partnership regularly appeals its property tax expenditures. Refunds of previous year's property taxes are recognized as a reduction in the property tax expense in the period in which the refund becomes determinable.

Income taxes

The Partnership's consolidated financial statements do not reflect a provision for income taxes.

Taxes based on the income of the Partnership are the responsibility of the holders of Units ("Unitholders"). On April 6, 2006, the Unitholders amended the Partnership Agreement to change the allocation of net income or net loss of the Partnership to Unitholders in proportion to distributions received.

On October 31, 2006, the Canadian federal government announced a proposal to tax publicly traded partnerships. If the proposal is implemented, the Partnership will be required to pay tax on its income at a rate equivalent to that of a corporation. In addition, Unitholders will be subject to tax as if they had received a taxable dividend from a Canadian corporation equal to their share of the Partnership's income which has been subject to the tax less the tax paid by the Partnership. Under the proposed legislation there will be a transitional period so that the Partnership will not be subject to the proposed tax until 2011.

As at December 31, 2006, the unaudited cost of real estate assets for tax purposes was $79,683,000 and was more than their net book value by $1,429,000 [2005 – $41,515,000 and less than their net book value by $318,000].

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

3. BUSINESS COMBINATION

On June 16, 2006, the Partnership acquired an existing self-storage facility in St. Laurent, Québec. The earnings from this facility are reflected in the consolidated statements of operations from the date of acquisition. The purchase method of accounting was used and the purchase price was allocated as follows:

	$
Land and land improvements	**2,850,000**
Buildings	**10,121,000**
Intangible assets	**1,580,000**
Total purchase price	**14,551,000**
Less mortgage note payable assumed	**(5,676,000)**
Cash paid	**8,875,000**

4. REAL ESTATE FACILITIES

	Cost $	**Accumulated amortization** $	**Net book value** $
2006			
Land and land improvements	**23,379,000**	**—**	**23,379,000**
Buildings	**66,324,000**	**21,396,000**	**44,928,000**
Building improvements	**11,885,000**	**7,860,000**	**4,025,000**
Computers and software	**278,000**	**222,000**	**56,000**
Equipment	**482,000**	**468,000**	**14,000**
	102,348,000	**29,946,000**	**72,402,000**
2005			
Land and land improvements	17,672,000	—	17,672,000
Buildings	39,737,000	19,491,000	20,246,000
Building improvements	10,473,000	6,637,000	3,836,000
Computers and software	254,000	196,000	58,000
Equipment	482,000	461,000	21,000
	68,618,000	26,785,000	41,833,000

In June 2006, the Partnership sold a parcel of excess land in Calgary, Alberta for net proceeds of $760,000. The Partnership recognized a gain on sale of land of $137,000.

5. CONSTRUCTION IN PROGRESS

In March 2006, the Partnership completed the conversion of an existing warehouse facility into a self-storage facility in the city of Montreal, Québec and reclassified this facility from construction in progress to real estate facilities. The total cost to develop this facility (including land and building acquisition costs) was $8,847,000.

In July 2006, the Partnership completed the construction of a new facility in the city of Vancouver, British Columbia and reclassified this facility from construction in progress to real estate facilities. The total cost to develop this facility (including land acquisition costs) was $11,480,000.

In November 2006, the Partnership acquired a 5.03 acre property in Toronto, Ontario from the Hughes Family for an exchange amount of $3,929,000 which represents their cost (including interest expense, construction costs and other carrying costs actually incurred by them) and approximates fair value. This acquisition was previously approved by a majority of the Unitholders other than entities controlled by the Hughes Family on April 6, 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

6. CREDIT FACILITY

In July 2006, the Partnership amended and extended its credit agreement with the Bank of Montreal (the "Credit Facility"). The new $35 million revolving Credit Facility matures in July 2009. The Credit Facility is secured by four real estate facilities and a general security agreement. As at December 31, 2006, amounts due under the Credit Facility were $3,800,000 [2005 - $28,500,000].

At the Partnership's option, the rate of interest charged on the Credit Facility is equal to either (i) the Prime Rate or (ii) a rate equal to the Banker's Acceptance Rate plus an applicable margin of 0.875%. In addition, the Partnership is required to pay a standby fee equal to 0.125% based on the unused portion of the Credit Facility. The weighted average borrowing rate was 5.19% for the year ended December 31, 2006 [2005 – 3.96%].

Under the terms of the Credit Facility, the Partnership is required to (i) maintain a senior funded debt ratio (as defined) of not greater than 4.50 to 1.00 and (ii) maintain a tangible net worth (as defined) of $60,000,000. As at December 31, 2006 and 2005, the Partnership was in compliance with the terms of the Credit Facility.

7. MORTGAGE NOTE PAYABLE

In July 2006, the Partnership assumed a 7.879% mortgage note payable of $5,676,000 in connection with the acquisition of an existing self-storage facility in St. Laurent, Québec. The note payable is secured by this facility and matures in November 2012.

Principal payments are as follows:

	$
2007	**112,000**
2008	**121,000**
2009	**131,000**
2010	**141,000**
2011	**153,000**
Thereafter	**4,965,000**
	5,623,000

Interest expense on the mortgage note payable for the year ended December 31, 2006 was $237,000 (2005 – $nil).

8. PARTNERS' EQUITY

Each Unit represents an equity interest in the Partnership and entitles the Unitholder to the rights and benefits specified in the limited partnership agreement of the Partnership (the "Partnership Agreement"), including, but not limited to, the right to receive a pro rata share of distributions to Unitholders by way of income or return of capital contribution. The transferability of the Units is restricted in that transfers are not permitted to persons who are not Qualifying Persons. A "Qualifying Person" is any person that (i) is not a "non-resident" of Canada for the purposes of the Income Tax Act (Canada) (the "Tax Act"), (ii) is not a person, an interest in which would be a "tax shelter investment" as defined in the Tax Act, and (iii) if a partnership, is a "Canadian partnership" under the Tax Act.

On April 6, 2006, the Unitholders approved the issuance of up to a maximum of 2,410,715 Units by way of a rights offering (the "Rights Offering"). Under the Rights Offering, the Partnership issued to each registered Unitholder one right ("Right") for each Unit held. Two Rights entitled a holder to purchase on Units at a price of $20.00 per Unit. On June 2, 2006, the Partnership issued 2,410,715 Units in connection with the Rights Offering. Net proceeds from the Rights Offering were $47,055,000. Total offering costs were $1,159,000. The net proceeds were used to paydown the Credit Facility and for acquisition purposes.

The Partnership Agreement requires that Distributable Cash, as defined therein, be distributed quarterly. Distributions to Unitholders for the year ended December 31, 2006 were $11,933,000 or $1.80 per Unit [2005 - $8,679,000 or $1.80 per Unit].

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

9. RELATED PARTY TRANSACTIONS

Pursuant to the terms of the amended and restated management agreement dated as of January 1, 1999, between CMP and the Partnership (the "Management Agreement"), CMP manages the operations of the mini-warehouses facilities of the Partnership for a management fee of 6% of Gross Operating Revenue (as defined in the Management Agreement). During the year ended December 31, 2006, the Partnership incurred management fees of $1,191,000 [2005 - $1,012,000].

In addition to management fees, the Partnership reimburses CMP for any reasonable expenses or costs it incurs, or disbursements it makes on behalf of the Partnership in connection with its duties as General Partner and property manager (e.g., payroll, advertising, insurance and support services, etc.). Out-of-pocket costs were $1,394,000 during the year ended December 31, 2006 [2005 - $2,531,000]. These amounts are included in cost of operations and administrative expense.

The Partnership also reimbursed CMP for out-of-pocket internal acquisition and construction management costs of $174,000 during the year ended December 31, 2006 [2005 - $156,000]. These amounts are capitalized to construction in progress.

These transactions are in the normal course of operations and are measured at the exchange amount which represents the consideration established and agreed to by the related parties.

As at December 31, 2006, the Partnership owed $507,000 to CMP [2005 - $320,000]. These amounts are included in accounts payable and accrued liabilities.

During the year ended December 31, 2005, the Partnership received a refund of $297,000 from Public Storage, Inc. in the United States for the reimbursement of software development costs that were initially charged to the Partnership. This amount was included in interest and other income.

On April 6, 2006, a majority of the Unitholders other than entities controlled by B. Wayne Hughes and members of his family approved the acquisition and/or development of three facilities that the Hughes Family had entered into agreements with the owners of such facilities or land. The Partnership acquired two of these three properties from the Hughes Family and, after acquiring the right to purchase the third property from the Hughes Family, the Partnership entered into a lease with the current third party owner with an option to purchase the land after 10 years.

10. COMMITMENTS AND CONTINGENCIES

All property acquisitions and development costs are funded from the Partnership's cash flows after distributions and the Credit Facility. As at December 31, 2006, remaining costs to be incurred in connection with the Partnership's development projects in Toronto, Ontario and Laval, Québec were approximately $14 million.

The Partnership entered into a 40 year land lease agreement with an option to purchase at the end of the tenth year for $1,550,000. Future minimum lease payments are as follows:

	$
2007	**132,000**
2008	**132,000**
2009	**132,000**
2010	**132,000**
2011	**132,000**
Thereafter	**5,679,000**
	6,339,000

Due to the size, complexity and nature of the Partnership's operations, various legal matters are pending. It is not possible at this time to predict with any certainty the outcome of such litigation. Management believes that any settlements related to these matters will not have a material effect on the Partnership's consolidated financial position or results of operations.

The Company has a letter of credit outstanding in the amount of $55,000 to the City of Toronto as collateral for performance obligations as at December 31, 2006.

Corporate Data

Canadian Mini-Warehouse Properties Company

Directors

William Ardell [1] [2]
Consultant

Robert E. Bellamy [1]
Managing Director
Verulam Capital Corp.

Roland A. Cardy [1] [3]
Chairman
Primaris Retail Real Estate Investment Trust

David P. Singelyn[4]
President
Canadian Mini-Warehouse Properties Company

[1] Member – Audit Committee
[2] Lead Independent Director
[3] Chairman – Audit Committee
[4] Chairman of the Board

Officers

David P. Singelyn
President

Vincent R. Chan
Vice President – Controller

Ray Huning
Vice President – Director of Taxes

Sara Kim
Vice President and Assistant Secretary

Marcus Lowe
Vice President – Operations

Troy McLellan
Vice President – Real Estate

Andrew J. MacDougall
Secretary

Investor Information

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(866) PS-CANADA or (866) 772-2623

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Auditors
Ernst & Young LLP
Vancouver, British Columbia

Transfer Agent and Registrar
CIBC Mellon Trust Co.
Toronto, Ontario
(800) 387-0825

Additional Information

Copies of the Partnership's financial statements, tax reporting information, press releases and other information can be obtained from either the Partnership's web site (www.publicstoragecanada.com) or from SEDAR's web site (www.sedar.com). Additionally, the above mentioned information can be obtained from the Partnership, provided the Partnership may require the payment of a reasonable charge where such person is not a Unitholder of the Partnership, by contacting the Partnership's Investor Communications Department.

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