

**ROYAL HOST REAL ESTATE INVESTMENT TRUST**

**Consolidated Interim Financial Statements**

**For the three months ended March 31, 2000 and 1999**

*(unaudited)*

**ROYAL HOST REAL ESTATE INVESTMENT TRUST**  
**Consolidated Balance Sheets**  
*\$000 (unaudited)*

	<u>As at</u>	
	<u>March 31, 2000</u>	<u>December 31 1999</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and short-term investments	4,388	7,291
Accounts and notes receivable	7,803	8,055
Other current assets	3,969	3,720
	<u>16,160</u>	<u>19,066</u>
<b>Capital Assets (Note 3)</b>	<b>343,237</b>	<b>347,300</b>
<b>Long-term Notes Receivable and Other Assets</b>	<u>4,378</u>	<u>4,180</u>
	<u>363,775</u>	<u>370,546</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	14,102	12,812
Current portion of mortgages and other debt (Note 4)	116,773	115,547
Distributions payable	1,874	-
Other current liabilities	2,467	3,503
	<u>135,216</u>	<u>131,862</u>
<b>Mortgages and Other Debt (Note 4)</b>	<b>39,359</b>	<b>41,057</b>
<b>Deferred Revenue</b>	<b>1,526</b>	<b>1,446</b>
<b>Equity (Note 5)</b>	<u>187,674</u>	<u>196,181</u>
	<u>363,775</u>	<u>370,546</u>

*See accompanying Notes to Consolidated Financial Statements*

**ROYAL HOST REAL ESTATE INVESTMENT TRUST**  
**Consolidated Statements of Net Loss and Cash Available for Distribution**  
**For the three months ended March 31, 2000 and 1999**  
*\$000 (unaudited)*

	<u>March 31, 2000</u>	<u>March 31, 1999</u>
<b>Hospitality Revenues</b>		
Rooms	17,910	16,587
Food and beverage	4,728	4,462
Lease and other hospitality revenues	6,227	5,153
	<u>28,865</u>	<u>26,202</u>
<b>Hospitality Expenses</b>	<u>22,283</u>	<u>20,625</u>
<b>Operating Income</b>	<u>6,582</u>	<u>5,577</u>
<b>Other (Income) and Expenses</b>		
Interest income	( 15 )	( 123 )
Interest on mortgages and other debt	3,395	3,083
Trust administration	573	504
Capital and other taxes (Note 6)	( 393 )	150
Depreciation and amortization	5,451	4,457
	<u>9,011</u>	<u>8,071</u>
<b>Net loss (Note 2)</b>	( 2,429 )	( 2,494 )
Add: Depreciation and amortization	<u>5,451</u>	<u>4,457</u>
<b>Cash Available for Distribution (Note 2)</b>	<u>3,022</u>	<u>1,963</u>

*See accompanying Notes to Consolidated Financial Statements*

**ROYAL HOST REAL ESTATE INVESTMENT TRUST**  
**Consolidated Statements of Cash Flows**  
**For the three months ended March 31, 2000 and 1999**  
*\$000 (unaudited)*

	<u>March 31,</u> <u>2000</u>	<u>March 31,</u> <u>1999</u>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>Operating Activities</b>		
Net loss	( 2,429 )	( 2,494 )
Items not affecting cash:		
Depreciation and amortization	5,451	4,457
Cash flows from operations	<u>3,022</u>	<u>1,963</u>
Decrease (increase) in accounts and notes receivable	252	( 2,078 )
Decrease (increase) in other current assets	( 249 )	( 332 )
Increase (decrease) in accounts payable and accrued liabilities	1,290	4,484
Increase (decrease) in other current liabilities	( 1,036 )	112
Other changes in non-cash working capital	-	15
	<u>3,279</u>	<u>4,164</u>
<b>Financing Activities</b>		
Additions to mortgages and other debt	-	7,026
Principal repayments on mortgages and other debt	( 472 )	( 635 )
Issuance of trust units	-	-
Issuance of trust units under distribution reinvestment plan	-	2
Unit issue costs	-	-
	<u>( 472 )</u>	<u>6,393</u>
<b>Investing Activities</b>		
Capital expenditures and capital replacement reserve	( 1,130 )	( 8,540 )
Decrease (increase) in long-term notes receivable and other assets	( 456 )	( 494 )
Increase (decrease) in deferred revenue	80	-
	<u>( 1,506 )</u>	<u>( 9,034 )</u>
<b>Equity Distributions</b>	<u>( 4,204 )</u>	<u>( 4,541 )</u>
<b>Net Change in Cash and Short-term Investments</b>	<u>( 2,903 )</u>	<u>( 3,018 )</u>
<b>Cash and Short-term Investments, beginning of period</b>	<u>7,291</u>	<u>14,642</u>
<b>Cash and Short-term Investments, end of period</b>	<u>4,388</u>	<u>11,624</u>

*See accompanying Notes to Consolidated Financial Statements*

**ROYAL HOST REAL ESTATE INVESTMENT TRUST**  
**Notes to Consolidated Interim Financial Statements**  
**As at March 31, 2000 and 1999**  
*(unaudited)*

**1. GENERAL INFORMATION**

Royal Host Real Estate Investment Trust ("Royal Host") was created pursuant to the Declaration of Trust dated August 27, 1997. Royal Host is an unincorporated closed-end mutual fund trust established for the purpose of investing in hotel properties, under specified guidelines as defined under the Declaration of Trust.

**2. PER UNIT COMPUTATION**

There were 20,267,412 trust units outstanding as at March 31, 2000 (18,829,778 - 1999). Per unit computations are based on the weighted average number of trust units outstanding for the period, after adjusting the net loss and cash available for distribution for payments on the convertible debenture of \$457,000 (\$434,000 - 1999) and payments on the redeemable partnership units of \$757,000 (\$341,000 - 1999).

	<b>March 31, 2000</b>		<b>March 31, 1999</b>	
	<b>Basic</b>	<b>Fully diluted</b>	<b>Basic</b>	<b>Fully diluted</b>
Net earnings (loss) per unit	(0.18)	<i>anti-dilutive</i>	(0.17)	<i>anti-dilutive</i>
Per unit cash available for distribution	0.09	<i>anti-dilutive</i>	0.06	<i>anti-dilutive</i>
Weighted average number of trust units <i>(in thousands)</i>	20,267	N/A	18,830	24,108

Under the Royal Host capital replacement reserve policy, 3% of total hotel revenue is deducted from cash available for distribution to allow for the upkeep and renovation of the hotel properties. This policy may be amended from time to time at the discretion of the trustees. On this basis, the reserve provided for the three months ended March 31, 2000 would have been \$742,000 (\$692,000 - 1999). As Royal Host has spent \$1,130,000 to date in 2000 to renovate the hotel properties, the trustees have determined that no reserve will be provided for the period for 2000.

**3. CAPITAL ASSETS**

	<i>\$000</i>			<b>1999</b>
	<b>March 31, 2000</b>		<b>Net book Value</b>	
	<b>Gross book value</b>	<b>Accumulated depreciation</b>		
Land	37,303	-	37,303	37,303
Building	270,284	19,851	250,433	253,160
Furniture, fixtures, and equipment	33,239	9,807	23,432	24,789
Paving and other	1,167	76	1,091	1,102
	<b>341,993</b>	<b>29,734</b>	<b>312,259</b>	<b>316,354</b>
Properties under development	2,473	-	2,473	1,475
Goodwill	34,276	5,771	28,505	29,471
	<b>378,742</b>	<b>35,505</b>	<b>343,237</b>	<b>347,300</b>

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**Notes to Consolidated Interim Financial Statements**  
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**4. MORTGAGES AND OTHER DEBT**

	<i>(in \$000)</i>	
	<b>March 31, 2000</b>	<b>December 31, 1999</b>
Mortgages and other debt secured by hotel properties	<b>156,132</b>	156,604
Less: Current portion	<u><b>116,773</b></u>	<u>115,547</u>
	<u><b>39,359</b></u>	<u><b>41,057</b></u>

**Three months ending March 31** *(in \$000's)*

2000	116,773
2001	33,245
2002	2,962
2003	1,096
2004	426
Subsequent	<u>1,630</u>
	<u><b>156,132</b></u>

**5. EQUITY**

	<u>\$000</u>
Balance, beginning of period	196,181
Net loss	( 2,429 )
Equity distributions on:	
Trust units	( 4,864 )
Partnership units	( 757 )
Interest paid on convertible debentures	<u>( 457 )</u>
<b>Balance, end of period</b>	<u><b>187,674</b></u>

**6. CAPITAL TAXES**

When the capital tax returns for 1999 were filed in March, 2000, actual capital taxes for fiscal 1999 were significantly below the amounts accrued during 1999. Therefore, \$543,000 of capital tax accrual has been reversed against capital tax expense in the first quarter of 2000.

**7. RECLASSIFICATION**

Certain prior year's figures have been reclassified to conform with the presentation adopted for 1999.