FOR IMMEDIATE RELEASE SYMBOL: “RYL.UN”

ROYAL HOST REAL ESTATE INVESTMENT TRUST ANNOUNCES FOURTH QUARTER RESULTS

Calgary, Alberta March 27, 2003 -- Royal Host a diversified hotel Real Estate Investment Trust (REIT) today announced financial results for the fourth quarter and year ended December 31, 2002.

“This past year has been extremely challenging for the hospitality industry,” says R.B. Royer, President and CEO of Royal Host REIT. “During the year we significantly improved the capital structure of the REIT through refinancing and increasing our cash position. We continue to focus attention on improving operations in key properties and we will continue to make strategic acquisitions. ”

During 2002 Royal Host:

1. Paid 12 consecutive monthly distributions of $0.06 per unit, for a total of $0.72 per unit in 2002. The total distributions were paid from free cash flow and not from borrowed funds. Only 40% of the distributions were taxable with the balance being tax deferred.

2. Maintained a strong and low-levered balance sheet and further reduced debt during the year. Total mortgage debt was reduced by $11.1 million from $152.3 million at December 31, 2001 to $141.2 million at December 31, 2002. At December 31, 2002 Royal Host’s debt to gross book value stood at 31.4%.

3. Further reduced risks by decreasing the current portion of mortgages and other debt by $32.4 million to $36.3 million at December 31, 2002, from $68.7 million at December 31, 2001.

4. Completed a $40 million convertible unsecured subordinated debentures offering, which improved liquidity and flexibility.

5. Purchased 2 hotels in Belleville and Trenton, Ontario for $11.7 million, including closing costs, adding 233 rooms to Royal Host's portfolio. Subsequent to year end, Royal Host agreed to purchase a third hotel to further diversity its portfolio.

6. Continued to improve the quality of the hotel portfolio by investing $6.3 million in capital expenditures and renovations during 2002.

7. Increased cash by $7 million to $16.1 million at December 31, 2002.

Fourth Quarter Results

Total hospitality revenues increased by almost $2.2 million to $34.3 million in the fourth quarter of 2002 compared to $32.1 million in the same quarter of 2001.

Year over year, 2002 fourth quarter room revenues increased by 12% or $2.2 million; food and beverage revenues increased by $1.2 million; while other hospitality revenues were $1.3 million lower than the fourth quarter of 2001. The increase in revenues reflects the impact of the acquisition of two hotels in 2002 and inclusion of the operations of the Yellowknife hotel in the fourth quarter. Lower other hospitality revenues reflect the previously stated strategy of restructuring of the timeshare business.

Hospitality expenses increased by $1.9 million from $24 million in the fourth quarter of 2001 to $25.9 million in the same quarter of 2002. The year over year increase in expenses is largely attributable to the addition of new hotel operations.

Gross margin increased 3.4% to $8.5 million in the fourth quarter of 2002 compared to $8.2 million in the same quarter of 2001. While revenues demonstrated healthy year over year increases, cost pressures, particularly in energy costs, property taxes and insurance, reduced gross margins to 24.6% in the fourth quarter of 2002.

On the quarter, 2002 net earnings were $2 million or $2.6 million greater than the same period of 2001. This increase is largely due to a future income tax recovery and reduction in interest expenses.

Cash available for distribution was $0.6 million higher in 2002 than in 2001. However, largely due to the full impact of interest payments on the $40 million convertible debenture, per unit cash available for distribution was $0.12 per unit in the fourth quarter of 2002 compared to $0.14 per unit in the same quarter of 2001.

Year end Results

For the twelve months ended December 31, 2002, total revenues declined $0.7 million to $137 million. This decline occurred entirely in other hospitality revenues, which reflects Management's stated objective of refocusing the timeshare business. However, new hotel additions resulted in improved year over year revenue, in the core operations of room and food & beverage.

Total hospitality expenses for the 12 months ended December 31, 2002 were $1.1 million higher than the same period in 2001. Increased costs were the result of the addition of new hotel operations and increased operating costs in certain areas.

Gross margins decreased to 29.5% in 2002 from 30.7% in 2001. Part of this decline is due to the acquisition of new hotels with higher food and beverage revenues and consequently lower margins than Royal Host's same store portfolio.

Year over year at December 31, 2002, reduced debt resulted in interest expenses being almost $1.5 million lower than in 2001. Lower interest costs and a future income tax recovery resulted in net earnings being $1.1 million higher at $8.1 million in 2002, compared to $7 million for the 12 months ended December 31, 2001.

For the year, per unit basic cash available for distribution was $0.78 in 2002, primarily due to increased interest from the new debenture, compared to $0.94 in 2001.

Outlook

"While we suffered some short term dilution from the issuance of the $40 million convertible debenture in 2002, it has allowed us to purchase additional hotel properties, deploy capital in our hotels and improve our cash position," stated Royer. "In addition, over the past six months we have committed both time and effort to the development of the Private Residence Club at the Grand Okanagan Resort. This program involves the development and sale of luxury condominium units at the Grand Okanagan and takes advantage of available land at the hotel. We believe that this program will generate additional revenue and profit for Royal Host beginning in 2003. "

"As we move forward into the future our objective is to continue to acquire hotels, continue to opportunistically renovate and reposition our properties, and focus on our other business units to leverage our expertise to create greater profitability. "

"While it is difficult to fully understand the economic impact of recent events in Iraq on Royal Host, we are optimistic about Royal Host's medium and long-term prospects," Royer concluded.

Operating Results

	Three Months Ended		Years Ended	
	December 31, 2002	**December 31, 2001**	**December 31, 2002**	**December 31, 2001**
ADR	$85.07	$84.71	$89.91	$87.58
Occupancy	60.1%	58.0%	63.9%	66.0%
RevPAR	$51.11	$49.16	$57.43	$57.76
Total Available Room Nights (000's)	416	394	1,613	1,575

Royal Host will host a conference call on Friday, March 28 at 11:30 a.m. Eastern Time to discuss these results. Please dial 1-877-888-4483 or 1-416-695-9713 to access the call. You will be required to identify yourself and the organization on whose behalf you are participating. Media will be in listen-only mode for the duration of the call. A recording of this conference call will be made available beginning March 28 through April 4, 2003. To access the recording please dial 1-866-518-1010 or 1-416-252-1143.

Royal Host REIT owns 38 hotels, manages 76 properties and franchises 116 locations for over 15,500 guestrooms in the mid-market to upscale segments. Royal Host also owns the master franchise rights for both Travelodge and Country Hearth Inns brands in Canada. Royal Host also provides hotel and resort management services for the portfolio and to third party properties, markets vacation intervals in hotels, resorts, and operates a facility for customers to trade and bank prepaid vacation weeks.

Royal Host's objective is to maximize earnings while balancing risk for its unitholders through efficient operations, strong marketing and a focus on providing travelers with superior accommodations and travel experiences. Royal Host units are traded on the Toronto Stock Exchange under the trading symbol "RYL.UN" and "RYL.DB".

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ROYAL HOST REAL ESTATE INVESTMENT TRUST

Consolidated Financial Statements

For the years ended December 31, 2002 and December 31, 2001

ROYAL HOST REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets
$000

	As At	
	December 31, 2002	**December 31, 2001**
ASSETS		
Current Assets		
Cash and short-term investments *(Note 2(l))*	16,106	9,007
Accounts and notes receivable	9,430	8,348
Deposits and prepaid expenses	3,783	2,781
Inventories	3,885	3,471
Property under development *(Note 7)*	340	-
Future income tax *(Note 9)*	195	255
	33,739	**23,862**
Restricted Cash *(Note 4)*	**4,159**	**3,194**
Capital Assets *(Note 10)*	**327,818**	**327,250**
Long-term Notes Receivable and Other Assets *(Note 8)*	**5,012**	**3,730**
	370,728	**358,036**
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	18,366	15,595
Current portion of mortgages and other debt *(Note 11)*	36,307	68,724
Current portion of capital leases *(Note 12)*	1,208	1,273
Distributions payable	1,667	1,636
Other current liabilities	2,118	2,140
	59,666	**89,368**
Mortgages and Other Debt *(Note 11)*	**104,933**	**83,582**
Capital Leases *(Note 12)*	**1,125**	**2,225**
Future Income Taxes *(Note 9)*	**792**	**1,138**
Deferred Revenue	**1,478**	**1,235**
Equity *(Note 13)*	**202,734**	**180,488**
	370,728	**358,036**

See accompanying Notes to Consolidated Financial Statements

ROYAL HOST REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Net Earnings
For the years ended December 31, 2002 and December 31, 2001
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	Three Months Ended		Years Ended	
	December 31, 2002	**December 31, 2001**	**December 31, 2002**	**December 31, 2001**
Hospitality Revenues				
Rooms	20,971	18,730	92,051	89,969
Food and beverage	7,493	6,278	24,056	23,045
Other hospitality revenues	5,872	7,137	20,809	24,633
	34,336	**32,145**	**136,916**	**137,647**
Hospitality Expenses	**25,881**	**23,965**	**96,486**	**95,394**
Gross Margin	**8,455**	**8,180**	**40,430**	**42,253**
Other (Income) and Expenses				
Interest income	(146)	(86)	(490)	(362)
Interest on mortgages and other debt	3,212	3,494	12,787	14,262
Trust administration	437	405	1,692	1,687
Capital and other taxes	44	61	261	267
Future income tax	(1,908)	117	(286)	468
Amortization	4,816	4,766	18,340	18,877
Gain on translation of foreign subsidiaries *(Note 3(b))*	(10)	-	(10)	-
	6,445	**8,757**	**32,294**	**35,199**
Net Earnings *(Note 5)*	**2,010**	**(577)**	**8,136**	**7,054**
Per unit net earnings				
- basic *(Note 5)*	**0.00**	**(0.07)**	**0.04**	**0.11**
- diluted *(Note 5)*	**0.00**	**(0.07)**	**0.04**	**0.11**

See accompanying Notes to Consolidated Financial Statements

ROYAL HOST REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows
For the years ended December 31, 2002 and December 31, 2001
$000

	Three Months Ended		Years Ended	
	December 31, 2002	December 31, 2001	December 31, 2002	December 31, 2001
CASH PROVIDED BY (USED IN)				
Operating Activities				
Net earnings	2,010	(577)	8,136	7,054
Items not affecting cash:				
Amortization of capital assets	4,549	4,486	17,566	17,694
Future income tax (recovery) expense	(1,908)	117	(286)	468
Funds from operations	4,651	4,026	25,416	25,216
Change in non-cash working capital:				
(Increase) decrease in accounts and notes receivable	(103)	2,453	(1,082)	3,972
(Increase) decrease in deposits and prepaid expenses	483	378	(1,002)	(178)
Increase in inventories	(302)	(25)	(414)	(568)
Increase (decrease) in accounts payable and accrued liabilities	783	(713)	2,771	(341)
Increase (decrease) in other current liabilities and deferred revenue	570	(204)	221	(783)
Amortization of deferred finance costs	267	280	774	1,183
	6,349	**6,195**	**26,684**	**28,501**
Financing Activities				
Additions to mortgages and other debt	-	-	11,100	15,206
Principal repayments on mortgages and other debt and capital leases	(1,181)	(2,945)	(23,454)	(22,773)
Issuance of trust units	-	-	-	22,559
Issuance of trust units under employee unit purchase plan	36	-	95	-
Issuance of convertible debenture	-	-	40,000	-
Equity financing issue costs	(4)	-	(1,892)	(1,409)
Equity distributions *(Note 13 (b))*	(6,150)	(5,804)	(24,062)	(25,730)
	(7,299)	**(8,749)**	**1,787**	**(12,147)**
Investing Activities				
Restricted cash *(Note 4)*	(462)	(396)	(965)	(3,194)
Capital expenditures	(3,426)	(2,713)	(18,011)	(10,643)
Property under development	(340)	-	(340)	-
(Increase) decrease in long-term notes receivable and other assets	(332)	68	(2,056)	(309)
	(4,560)	**(3,041)**	**(21,372)**	**(14,146)**
Net Change in Cash and Short-term Investments	**(5,510)**	**(5,595)**	**7,099**	**2,208**
Cash and Short-term Investments, beginning of year	**21,616**	**14,602**	**9,007**	**6,799**
Cash and Short-term Investments, end of year	**16,106**	**9,007**	**16,106**	**9,007**

See accompanying Notes to Consolidated Financial Statements

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 and hospitality businesses, under specified guidelines as defined under the Declaration of Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The Royal Host accounting policies and standards of financial disclosure are in accordance with Canadian generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants ("CICA") and industry specific accounting principles as published by the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC").

b) Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenue and expenses for the reported periods. Actual results could differ from those estimates.

c) Principles of Consolidation

These consolidated financial statements include the accounts of Royal Host and its wholly-owned subsidiaries, and the accounts of all partnerships and co-tenancy to the extent of the Royal Host proportionate interest in their respective assets, liabilities, revenues, expenses and cash flows. All inter-company transactions and balances have been eliminated.

d) Revenue Recognition

Revenues consisting of rooms, food and beverage and other hospitality revenues are recognized when services are provided and collection is reasonably assured. Other hospitality revenues include management fees, franchise royalties, parking, tenant lease, health club and spa, timeshare maintenance fees and sales and others. Ongoing credit evaluations are performed and an allowance for potential credit losses is provided against the portion of accounts receivable which is estimated to be uncollectible.

Timeshare revenues are recorded when the purchaser has complied with all major conditions of the sale, including the payment of the full purchase price or the arrangement of appropriate financing. Certain portions of timeshare revenue are deferred until earned by Royal Host.

e) Capital Assets

Hotel properties are recorded at the lower of net book value or net recoverable amount. The net recoverable amount represents the estimated undiscounted projected future net cash flow generated from the property throughout its useful life, including its residual value, and is intended to determine the recovery of an investment and is not an expression of a property's fair market value.

Hotel properties are amortized using the straight-line method over their estimated useful lives. Each individual property is evaluated quarterly and a useful life is estimated based on certain factors including construction materials used, location, and condition of the property and the particular capital maintenance program and requirements of the property. In 2001, Royal Host's evaluation of estimates used resulted in the extension of the useful lives of the hotel and resort buildings from 25 years for all of the properties to ranges between 25 and 40 years, commencing January 1, 2001.

Maintenance and repair costs are expensed against operations as incurred, while significant improvements, replacements and major renovations are capitalized to hotel properties. Furniture, equipment and certain improvements are amortized on a straight-line basis over periods of up to ten years.

Properties under development consist of properties under construction and are recorded at the lower of cost, including pre-development expenditures, and their net recoverable amount.

Goodwill comprises the unamortized balance of the excess of the Royal Host acquisition cost over the fair value of the identifiable net assets of Royco Hotels & Resorts ("Royco") and R.V.I. Holiday Limited Partnership ("RVI"). To December 31, 2001, goodwill had been amortized on a straight-line basis over periods between five and 15 years.

Effective January 1, 2002, Royal Host adopted the recommendations of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3062 regarding Goodwill and Other Intangible Assets, which requires non-amortization of goodwill (see Note 3 (c)), for years beginning after January 1, 2002.

f) Capitalized Costs

Costs associated with the acquisition of the hotel properties are capitalized to the respective hotel property. These costs typically include realty agent commissions, property transfer taxes, legal fees, environmental studies, engineering and other direct expenses.

The cost of hotel properties under development includes all expenditures incurred in connection with the activities of acquiring, developing and constructing these properties. These expenditures consist of all direct costs including debt interest and an appropriate allocation of general and administrative costs incurred.

g) Inventory

Inventory consists of food, beverages, china, silverware, glassware, linen and general supplies. These items are recorded at lower of cost or net replacement value and are determined on a first-in, first-out basis.

h) Financing Costs

Debt financing costs are deferred and amortized on a straight-line basis over the terms of the related loans.

i) Income Taxes

Royal Host is taxed as a “mutual fund trust” for income tax purposes. Pursuant to the Declaration of Trust, the Trustees intend to distribute all taxable income directly earned by Royal Host to its Unitholders and to deduct such distributions and designations for income tax purposes.

Royal Host utilizes the future income tax asset and liability method of accounting for future income taxes. This requires recording a future tax amount for the Trust’s subsidiaries based on differences between the carrying amount of balance sheet items and their corresponding tax basis. In addition, the future tax benefits of income tax assets, including unused tax losses, are recognized to the extent that it is more likely than not that such losses will be ultimately utilized by the Trust’s subsidiaries. Future income tax assets and liabilities are measured using the enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be either realized or settled.

j) Unit Option Plan

Royal Host has a unit option plan as described in Note 13(d). No compensation expense is recognized for the plan when options are granted. Consideration received on exercise of options is credited to Unitholders' equity. See Note 3 (a) for changes in accounting policy related to Stock Based Compensation Plans.

k) Non-GAAP Measures Reporting

Cash available for distribution is calculated as net earnings before amortization of capital assets, amortization of deferred financing fees and future income tax (recovery) expense less the capital replacement reserve. This amount is determined in accordance with the Declaration of Trust and is intended to approximate Royal Host's taxable income, which is distributed to unitholders. Special charges and the capital replacement reserve are determined at the discretion of the Board of Trustees. Readers are cautioned that cash available for distribution is not a defined measure of performance under Canadian generally accepted accounting principles ("GAAP"). Royal Host's calculation of cash available for distribution may be different than similar calculations used by other comparable entities.

l) Cash and Cash Equivalents

Cash and short-term investments include all cash and highly liquid investments with an original maturity less than three months and exclude restricted cash.

m) Foreign Currency Translation

The Trust's foreign operations are conducted through integrated subsidiaries and financial statements are translated using the temporal method. Accordingly, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the consolidated financial statements. Non-monetary assets, liabilities and other items recorded in the net earnings arising from transactions denominated in foreign currencies, are translated at rates of exchange in effect at the date of the transaction. Exchange gains and losses are included in net earnings.

3. CHANGES IN ACCOUNTING POLICY

a) Stock Based Compensation Plans

Effective January 1, 2002, the Trust adopted Section 3870 - Stock Based Compensation Plans of the CICA Handbook with respect to the accounting and disclosure of stock based compensation plans, which recommends that awards to employees be valued using fair-value method of accounting.

Under CICA Section 3870, companies that elect a method other than fair-value method of accounting are required to disclose pro forma net income and earnings per share information, using a pricing model such as the Black-Scholes model, as if the fair-value method of accounting had been used. These new rules do not apply to pre-existing awards except for those awards that call for settlement in cash and other assets.

The adoption of Handbook Section 3870 has no financial impact to the Trust on the issued unit options, under the existing unit option plan, as they were issued prior to the date of adoption.

b) Foreign Currency Translation

Effective January 1, 2002, the Trust adopted the amendments to Section 1650 - Foreign Currency Translation of the CICA Handbook. These amendments deal with elimination of the deferral and amortization of unrealized translation gains and losses on non-current monetary assets and liabilities and the requirement to disclose the exchange gains and losses included in net earnings. The Trust had no material deferred unrealized translation gains or losses on non-monetary assets and liabilities and therefore required no adjustments to net earnings at January 1, 2002.

c) Goodwill & Intangible Assets

Effective January 1, 2002, the Trust adopted Section 3062 - Goodwill and Other Intangible Assets of the CICA Handbook. In accordance with the changes provided in this section, Management has evaluated the goodwill balance at January 1, 2002, totaling approximately $21.7 million, for reclassification to intangible assets versus the traditional classification of goodwill. Upon evaluating goodwill, Management reclassified goodwill to two categories of intangible assets: (1) franchise rights and management contracts, and (2) customer lists and intellectual and human capital. Management evaluated the estimated useful lives of the corresponding intangible assets to ensure the amortization periods being used appropriately reflected the period of remaining benefit. Effective January 1, 2002, intangible assets – franchise rights and management contracts have been amortized on a straight-line basis over periods between three and ten years, with intangible assets – customer lists and intellectual and human capital amortized on a straight-line basis over periods between one and seven years.

Intangible assets are recorded at the lower of net book value or net recoverable amount. Any permanent impairment would be written down in the period identified and charged against earnings.

This change in accounting policy affects calculations of net earnings and net earnings per unit, but does not impact the cash available for distribution and cash available for distribution per unit calculations. The following table depicts the impact of adopting this accounting policy:

For the years ended:	**December 31, 2002** *(000's)*	**December 31, 2001** *(000's)*
Earnings per unit		
Adjusted basic net earnings *(Note 5)*	**934**	**2,458**
Items to reflect comparative pro forma 2001 balance:		
Add: Goodwill amortization	-	3,872
Less: Intangible assets amortization - 2001 pro forma	-	(3,927)
Adjusted net earnings (2001 pro forma)	**934**	**2,403**
Basic earnings per unit		
Adjusted net earnings for per unit calculations	0.04	0.11
Add: Goodwill amortization	-	0.17
Less: Intangible assets amortization	-	(0.17)
Adjusted net earnings	**0.04**	**0.11**
Diluted earnings per unit		
Adjusted net earnings for per unit calculations	0.04	0.11
Add: Goodwill amortization	-	0.17
Less: Intangible assets amortization	-	(0.17)
Adjusted net earnings	**0.04**	**0.11**
Weighted average units	**24,453,887**	**23,172,267**

4. RESTRICTED CASH

Included in restricted cash is an amount of $4,159,000 (2001 - $3,194,000) representing funds on deposit with lenders for future planned capital expenditures within the next 12 months.

5. CASH AVAILABLE FOR DISTRIBUTION AND PER UNIT COMPUTATIONS

There were 24,634,976 trust units outstanding as at December 31, 2002 (2001 – 24,115,846). Per unit computations are based on the weighted average number of trust units outstanding for the year, after adjusting the net earnings and cash available for distribution for payments on the convertible debentures of $4,933,000 (2001 - $1,760,000) and payments on the redeemable partnership units of $2,269,000 (2001 - $2,836,000).

For the twelve months ended:	December 31, 2002			December 31, 2001		
	($000's)	Weighted Average Units *(000's)*	Per Unit	($000's)	Weighted Average Units *(000's)*	Per Unit
Earnings						
Net earnings	8,136			7,054		
Less:						
Distributions on redeemable partnership units	(2,269)			(2,836)		
Interest on 8% convertible debentures	(1,760)			(1,760)		
Interest on 9.25% convertible debentures	(3,173)			-		
Basic and diluted earnings	**934**	**24,454**	**0.04**	**2,458**	**23,172**	**0.11**
Cash available for distribution						
Net earnings	8,136			7,054		
Add (deduct):						
Amortization of capital assets	17,566			17,694		
Amortization of deferred financing fees	774			1,183		
Future income tax (recovery) expense	(286)			468		
Cash available for distribution	**26,190**			**26,399**		
Distributions on redeemable partnership units	(2,269)			(2,836)		
Interest on 8% convertible debentures	(1,760)			(1,760)		
Interest on 9.25% convertible debentures	(3,173)			-		
Basic adjusted cash available for distribution	**18,988**	**24,454**	**0.78**	**21,803**	**23,172**	**0.94**
Adjustment for impact of:						
Distributions on redeemable partnership units	2,269	3,151		2,836	3,151	
Interest on 8% convertible debentures	-	-		1,760	2,000	
Interest on 9.25% convertible debentures	3,173	4,900		-	-	
Diluted adjusted cash available for distribution	**24,430**	**32,505**	**0.75**	**26,399**	**28,323**	**0.93**

In computing the diluted earnings per unit in fiscal 2002 and 2001, the convertible debentures and redeemable partnership units had an anti-dilutive impact on earnings and therefore did not impact the calculation.

In computing the diluted adjusted cash available for distribution in fiscal 2002, the 8% convertible debentures had an anti-dilutive impact on earnings and therefore did not impact the calculation.

For the three months ended:	**December 31, 2002**			**December 31, 2001**		
	($000's)	**Weighted Average Units *(000's)***	**Per Unit**	**($000's)**	**Weighted Average Units *(000's)***	**Per Unit**
Earnings (loss)						
Net earnings (loss)	2,010			(577)		
Less:						
Distributions on redeemable partnership units	(567)			(567)		
Interest on 8% convertible debentures	(444)			(444)		
Interest on 9.25% convertible debentures	(933)			-		
Basic earnings (loss)	**66**	**24,611**	**0.00**	**(1,588)**	**24,105**	**(0.07)**
Adjustment for impact of:						
Unit options					907	
Unit options repurchase					(1,482)	
Diluted earnings (loss)	**66**	**24,611**	**0.00**	**(1,588)**	**23,530**	**(0.07)**
Cash available for distribution						
Net earnings (loss)	2,010			(577)		
Add (deduct):						
Amortization of capital assets	4,549			4,486		
Amortization of deferred financing fees	267			280		
Future income tax (recovery) expense	(1,908)			117		
Cash available for distribution	**4,918**			**4,306**		
Distributions on redeemable partnership units	(567)			(567)		
Interest on 8% convertible debentures	(444)			(444)		
Interest on 9.25% convertible debentures	(933)			-		
Basic and diluted adjusted cash available for distribution	**2,974**	**24,611**	**0.12**	**3,295**	**24,105**	**0.14**

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 year ended December 31, 2002 would have been $3,736,000 (2001 - $3,641,000). As Royal Host spent $6,285,000, excluding capital leases and the purchase of two hotel properties for an aggregate purchase price of $11,726,000 (see Note 10), to December 31, 2002 (2001 - $10,643,000) to renovate and reposition the hotel properties, the Trustees have determined that no reserve would be provided for in 2002 and 2001.

6. RELATED PARTY TRANSACTIONS

During 2001, Royal Host transferred a portion of its accounts receivable, aggregating $2,761,000, to a company of which certain officers of Royal Host hold, in aggregate, a 45% interest. No gain or loss was recognized, and this transaction was conducted at amounts approximating fair market value.

7. PROPERTY UNDER DEVELOPMENT

A subsidiary of Royal Host has undertaken to develop a portion of the property at the Grand Okanagan Resort and Conference Center in Kelowna. This amount reflects the costs incurred to date to develop the property. Construction of the first phase of the project will commence upon successful completion of financing. Revenues will be recognized on the sale of developed property when title has been transferred to the purchaser and all significant conditions and obligations are met.

8. LONG-TERM NOTES RECEIVABLE AND OTHER ASSETS

	(in $000's)	
	December 31, 2002	**December 31, 2001**
Notes receivable	686	503
Deferred financing costs (net of accumulated amortization)	2,876	2,750
Investments and other	1,450	477
	5,012	**3,730**

The notes receivable mature between January 1, 2004 and June 30, 2008, require monthly payments of principal and interest based on individual customer amortization schedules, and bear interest at rates of between 8.0% and 16.9%. The carrying value of the notes receivable approximates fair value.

9. FUTURE INCOME TAXES

The Trust has tax losses of approximately $600,000 available to reduce future taxable income. The majority of the losses begin to expire in 2008 and 2009. The adjustment for the change in effective tax rates reflects the benefit from the reduction of the currently substantially enacted federal rate resulting in combined federal and provincial rates of between 32.1% and 39.1%, depending on the province.

The net future income tax liability is calculated as follows:

	(in $000's)	
	December 31, 2002	**December 31, 2001**
Tax assets relating to operating losses	195	255
Tax liabilities relating to differences in tax and book basis	(792)	(1,138)
Net future tax liability	**(597)**	**(883)**

10. CAPITAL ASSETS

	(in $000's)		
	Gross Book Value	**Accumulated Amortization**	**Net Book Value**
December 31, 2002			
Land	38,233	-	38,233
Buildings	294,237	42,185	252,052
Furniture, fixtures and equipment	35,486	25,758	9,728
Furniture, fixtures and equipment under capital leases	5,679	2,062	3,617
Paving and other	1,239	333	906
	374,874	**70,338**	**304,536**
Properties under development	4,051	-	4,051
Intangible assets *(Note 3(c))*			
Franchise rights and management contracts	27,655	10,196	17,459
Customer lists and intellectual and human capital	7,270	5,498	1,772
	413,850	**86,032**	**327,818**
December 31, 2001			
Land	37,303	-	37,303
Buildings	276,435	35,142	241,293
Furniture, fixtures and equipment	32,025	19,457	12,568
Furniture, fixtures and equipment under capital leases	5,561	1,255	4,306
Paving and other	1,195	152	1,043
	352,519	**56,006**	**296,513**
Properties under development	9,008	-	9,008
Goodwill	34,276	12,547	21,729
	395,803	**68,553**	**327,250**

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All hotel properties are wholly-owned by Royal Host, except one hotel property representing less than 5% of total capital assets, which is jointly owned by Royal Host and the vendor. Pursuant to the Exchange Agreement dated September 11, 1998, the vendor has an option to exchange its 50% ownership interest for units of Royal Host. The valuation of such exchange is to be determined based on a specified industry average historic capitalization rate and the units of Royal Host are to be priced based on a 20 day weighted average trading price per unit. This specified capitalization rate is not determined with reference to a base-lending rate such as prime rate. This calculation has been taken into consideration in the diluted per unit calculations in Note 5 and determined to be anti-dilutive.

On July 12, 2002, Royal Host acquired 2 hotel properties from a single vendor, adding 233 guestrooms, for an aggregate purchase price of $11,726,000. Cash consideration was paid from the net proceeds of the 9.25% Convertible Unsecured Subordinated Debenture issued February 21, 2002.

For discussion of capital replacement reserves in 2002 and 2001, see Note 5.

The Royal Host commitment to complete properties under development in 2002 is estimated at $550,000 (2001 - $2,307,000).

11. MORTGAGES AND OTHER DEBT

	(in $000's)	
	December 31, 2002	**December 31, 2001**
Mortgages and other debt secured by hotel properties	141,240	152,306
Less current portion	36,307	68,724
Long-term obligations	**104,933**	**83,582**

Years ending December 31 *(in 000's)*	
2003	36,307
2004	2,206
2005	27,442
2006	2,711
2007	20,075
Subsequent	52,499
	141,240

Supplementary Information:	**December 31, 2002**	**December 31, 2001**
Cash interest paid in the years ending	12,680	13,753

On July 3, 2002, Royal Host completed financing arrangements in the amount of $5,000,000, the proceeds to be used to renovate certain hotel properties. The loan is interest bearing at the bank's floating base rate, which was 6.0% at July 2002. The loan is secured by first mortgages on the land and general security registered against certain hotel properties. To date, renovations related to this debt have not yet commenced and no funds have been advanced by the lender.

On August 22, 2002, Royal Host completed a $25,000,000 first mortgage on the Grand Okanagan Resort and Conference Center. The mortgage has a 3-year term at a fixed rate of 8.50%. The loan replaces approximately $14 million in 12% debt on the hotel, which had matured. Approximately $2 million of the remaining proceeds will be used to renovate the property and the balance will be used for working capital and general purposes.

Mortgages and other debt bear interest at rates ranging from 5.25% to 9.47% (2001 – 4.75% to 12.0%) with a weighted average year-end rate of 8.84% (2001 - 9.02%) and mature between 2003 and 2018. The mortgages and other debt are secured by fixed charges over specified hotel properties. Monthly principal and interest payments pursuant to the indebtedness are $1,413,000 at December 31, 2002 (2001 - $1,488,000).

Financing charges are deferred and amortized over the term of the related debt. In 2002, $774,000 was included in amortization (2001 - $1,183,000).

12. OBLIGATIONS UNDER CAPITAL LEASES

Royal Host has entered into various capital lease obligations to acquire computers and hotel furniture, fixtures and equipment. The present values of minimum lease payments under capital lease as of December 31, 2002 are as follows:

	December 31, 2002	December 31, 2001
Present value of future minimum lease payments	2,333	3,498
Less current portion	1,208	1,273
Long-term obligations	**1,125**	**2,225**
Years ending December 31 *(in 000's)*		
2003	1,382	
2004	716	
2005	356	
2006	133	
2007	40	
Subsequent	2	
Future minimum lease payments	2,629	
Amounts representing interest	296	
Present value of future minimum lease payments	**2,333**	

The leases outstanding at December 31, 2002 bear interest at a weighted annual rate of 9.99% at (2001 – 10.25%).

13. EQUITY

	(in $000's) December 31, 2002	December 31, 2001
Balance, beginning of year	**130,988**	**128,276**
Net earnings	8,136	7,054
Issuance of trust units		
Public offering	-	22,559
Distribution reinvestment plan	720	144
Employee unit purchase program *(Note 13(g))*	2,320	-
Employee loans pursuant to employee unit purchase program *(Note 13(g))*	(2,225)	-
Equity financing issue costs	(1,892)	(1,409)
Equity distributions		
Trust units	(17,611)	(21,040)
Redeemable partnership units	(2,269)	(2,836)
Interest paid on convertible debentures	(4,933)	(1,760)
	113,234	**130,988**
Convertible Equity		
Redeemable partnership units	27,500	27,500
Convertible debentures	62,000	22,000
	89,500	**49,500**
Balance, end of year	**202,734**	**180,488**

a) Unit Capital

	Number of units	*(in $000's)*
Balance, December 31, 2000	**20,267,412**	**197,165**
Issuance of trust units under public offering		
March 27, 2001	3,390,000	20,001
April 23, 2001	433,600	2,558
Issuance of trust units under		
distribution reinvestment plan	24,834	144
Balance, December 31, 2001	**24,115,846**	**219,868**
Issuance of trust units		
Employee unit purchase program *(Note 13(g))*	400,000	2,320
Distribution reinvestment plan	119,130	720
Balance, December 31, 2002	**24,634,976**	**222,908**

As is common with REITs and other income trusts, Royal Host distributes cash in excess of the net earnings, and accordingly an accumulated deficit results, which at December 31, 2002 amounts to $109,674,000 (2001 - $88,880,000).

On March 27, 2001, pursuant to a prospectus, Royal Host issued 3,390,000 units at a unit price of $5.90 for total gross proceeds of $20,001,000. On April 23, 2001, Royal Host issued 433,600 units at a unit price of $5.90 for total gross proceeds of $2,558,000 pertaining to the over-allotment option granted in the March 27, 2001 prospectus.

b) Distributions to Unitholders

Cash available for distribution for the year ended December 31, 2002 was $26,190,000 (2001 - $26,399,000) and distributions declared to Unitholders, excluding distributions on redeemable partnership units, aggregated $17,611,000 (2001 - $21,040,000) for the same period. The distributions to holders of redeemable partnership units for fiscal 2002 was $2,269,000 (2001 – $2,836,000) and interest on convertible debentures was $4,933,000 (2001 - $1,760,000).

On the consolidated statement of cash flows distributions paid are net of distribution reinvestment plan contributions of $720,000 for the year ended December 31, 2002 (2001 - $144,000). Accordingly, gross distributions for the year were $24,782,000 (2001 - $25,874,000).

c) Distribution Reinvestment Plan

Royal Host has established a Distribution Reinvestment Plan (“DRIP”) that is administered by its transfer agent and has reserved 500,000 units for issue under this Plan. For the period January 2001 to July 2001, the transfer agent purchased DRIP units on the open market. Subsequent to July 2001, Royal Host has issued new units for DRIP participants out of the previously authorized reserved units.

d) Unit Options

Royal Host has reserved 1,883,000 units under its unit option plan. As at December 31, 2002, Royal Host has unit options outstanding to certain directors, employees and consultants to purchase an aggregated total of 907,500 units (2001 – 907,500 units), ranging from $10.00 to $10.50 per unit. In 2002 and 2001, the weighted average exercise price is $10.03. All unit options were issued prior to 1999 and were fully vested and exercisable at the end of December 31, 2002 and 2001. These options expire on October 31, 2007 and on March 23, 2008. During 2002 and 2001, no options were issued or exercised and no options expired in 2002 (2001 – 82,500).

The adoption of Handbook Section 3870 – Stock Based Compensation Plans has no financial impact on the stock options under the existing stock option plan, which were issued prior to the date of adoption (see Note 3 (a)).

e) Redeemable Partnership Units

Holders of redeemable partnership units (“Holders”) are entitled to receive distributions indirectly from Royal Host equivalent to the distributions paid by Royal Host to its Unitholders, commencing on January 1, 1999. Each partnership unit is redeemable by the Holders after January 1, 2000 at a cash price equal to the market value of a Royal Host unit, or at the option of Royal Host and subject to regulatory approval, one Royal Host unit or a combination thereof.

Under certain circumstances, including a change of control (“Trigger Event”), the Holders have the right to redeem the partnership units for cash proceeds of $27.5 million. If the Trigger Event occurs after the issuance of redeemable units but prior to January 1, 2004, then the Holders may redeem the then outstanding redeemable partnership units for cash, at the greater of $9.00 per unit or the market price of the Royal Host units. Change in control is defined as ownership by any one entity or a group of related entities of more than 20% of the outstanding units of Royal Host.

For accounting purposes, the redeemable partnership units have equity characteristics and accordingly, they are classified as equity instruments.

f) Convertible Debentures

i) 8.00% Convertible Secured Debentures

The convertible debentures of $22,000,000 bear interest at 8% per annum and are payable monthly, at Royal Host's option, in either cash or Royal Host units of an equivalent value. In addition, upon maturity in 2003, Royal Host has the option to repay the debentures in either cash or in equivalent units of Royal Host.

Based on certain conditions, the debentures are convertible at $11.00 per trust unit for the period from October 1, 2001 to September 30, 2003.

ii) 9.25% Convertible Unsecured Subordinated Debentures

The convertible debentures of $40,000,000 bear interest at 9.25% per annum and are payable semi-annually in arrears on March 1 and September 1 in each year commencing September 1, 2002. In addition, upon maturity in 2007, Royal Host has the option to repay the debentures in either cash or in equivalent units of Royal Host. The number of units to be issued will be determined by dividing the principal amount of the debentures by 95% of the current market price of the units on the maturity date.

Based on certain conditions, the debentures are convertible at $7.00 per trust unit from date of issue to March 1, 2007.

For accounting purposes, the convertible debentures have equity characteristics and accordingly, they are classified as equity instruments.

g) Employee Unit Purchase Program

During 2000, the Trustees approved the issuance of up to 400,000 units from treasury for an employee unit purchase program. Under this program, certain approved Royal Host employees (excluding certain senior executives) were eligible to finance the purchase of units from treasury at $5.80 per unit at that time.

On April 1, 2002, 400,000 units were issued under this plan. The employee unit purchase program represents a financing program for selected employees to purchase units of Royal Host. Royal Host has recorded employee loans receivable of $2,320,000 in respect to this transaction, which bear interest at a fixed rate of 5.0%, a rate established based on consideration of existing institutional rates and Canadian Customs and Revenue Agency (“CCRA”) guidelines for employee loan rates at that time. This plan structure does not meet the definition of stock based compensation plans, and therefore does not fall under the new Handbook Section 3870 – Stock Based Compensation Plans (Note 3 (a)).

In accordance with EIC (“Emerging Issues Committee”) 44, for accounting purposes, these employee loans receivable have been offset against the corresponding trust units equity.

14. COMMITMENTS

a) Energy Contracts

Royal Host has entered into long-term supply arrangements with two electrical utility companies and four natural gas providers to supply electricity and natural gas requirements for certain properties.

i. Electricity
The electricity contracts are for a term of five years at a blended rate of approximately 6.98 cents per kilowatt-hour, excluding delivery, for annual usage of approximately 14.8 million kilowatt-hours in 2003 (2002 – 9.23 cents per kilowatt-hour for 5.7 million kilowatt hours).

ii. Natural Gas
The natural gas contracts are for terms of one, two, three, and five years, at a blended rate of approximately 23.22 cents per cubic meter, excluding delivery, on annual usage of approximately 3.99 million cubic meters for 2003 (2002 – 19.80 cents per cubic meter for 4.64 million cubic meters). Royal Host is not required to guarantee usage levels for any contracts. The contracts, which had terms of one, two and three years expire in 2003 on November 30, March 31 and July 31 respectively. Royal Host is currently sourcing and negotiating new and replacement contracts.

b) Vacation Club Transactions

Effective December 18, 2001, Royal Host management, acting in its capacity as manager of an unincorporated, independent vacation club society ("Society") entered into a lease agreement with a party to secure, on behalf of the Society, the right to use a vacation property. The Society is not owned or controlled by Royal Host. The lease agreement temporarily obligates a Royal Host subsidiary to lease the particular vacation property for three successive 15-year terms followed by a final 5-year term. The renewal terms are automatic and substantially obligate the lessee to renew the lease for a full term of 50 years.

Management intends to fully transfer the entitlements and obligations associated with this lease agreement to the Society, and the Society has agreed to accept the entitlements and obligations associated with the lease agreement pending finalization of legal and contractual documentation pertaining to the transfer of the lease entitlements and obligations to the Society.

It is anticipated that the finalization of such transfer of lease entitlements and obligations will occur in the near future. Should matters arise that result, for whatever reason, in the entitlements and obligations of the lease agreement not transferring to the Society, Royal Host may record such entitlements and obligations in its consolidated financial statements at that time. The current estimated fair value of each of the future entitlements and of the obligations at December 31, 2002 is approximately $3.2 million.

15. OTHER HOSPITALITY REVENUES

Other hospitality revenues included rental income from one hotel property in Yellowknife, Northwest Territories that was leased to the previous owner for a fixed fee of $2,015,000 per annum. The lease had a renewal option to the tenant for a further three additional 5-year terms, commencing October 31, 2002. The tenant did not exercise the renewal option in fiscal 2002.

On November 1, 2002, Royal Host commenced operation of the Yellowknife property after expiration of the aforementioned tenant lease contract. The property is a 130 room full-service hotel and is connected to a shopping mall, containing 24,752 net leasable square feet, in which it maintains an approximate 1/3 interest.

16. FRANCHISE AGREEMENTS

Under the terms of the hotel franchise agreements expiring at various dates commencing October 31, 2007 through to December 12, 2021, annual payments for franchise expenses (including fees, reservation and advertising services) are due to external parties for 35 of the 38 hotels owned by Royal Host (2001 - 33 of the 36 hotels). In 2001, a hotel property in which Royal Host is a 50% co-tenant was converted to the Travelodge brand, of which Royal Host is the master franchisor in Canada. There were no Royal Host owned hotels converted to the Travelodge brand in 2002. In 2002, Royal Host acquired two hotel properties (see Note 10) for which the franchise fees are paid to an external party. The franchise royalties to external parties are computed based upon percentages of defined revenues and amounted to $2,010,000 for the year (2001 - $2,061,000).

17. OPERATING LEASES

Certain property and equipment are leased under operating lease agreements expiring at varying intervals. The following is a five-year schedule for future minimum rental payments required under these leases as at December 31, 2002:

Years ending December 31 ***($000's)***

2003	1,002
2004	694
2005	390
2006	173
2007	72
Total future minimum rental payments	**2,331**

18. RISK MANAGEMENT

Royal Host's key financial risk exposures include credit risks arising from receivables from corporate accounts and amounts owed by purchasers of timeshares, commodity price risk on utilities and interest rate risk arising from fluctuations in interest rates.

Credit risks are minimized, as amounts due from any one debtor are not significant and routine credit assessments are carried out prior to credit being granted. The accounts receivable from timeshare owners are secured by the timeshares purchased.

Commodity price risk is managed through the use of fixed price contracts, where available, for the stable supply of natural gas and electricity in the jurisdictions where such commodities have been de-regulated.

Interest rate risk is continually monitored and managed through limiting the amount of variable rate debt as well as the total amount of debt. The amount of variable rate debt aggregated $1,660,000 or 1.2% of the Royal Host total debt portfolio as at December 31, 2002 (2001 - $21,332,000 or 14.0%). Variable rates for 2002 ranged from prime plus 3/4% to prime plus 1.5% (2001 - prime plus 3/4% to prime plus 2.0%).

19. FAIR VALUES

Current assets and liabilities approximate their carrying values at December 31, 2002, due to their short-term nature. The fair values of the non-current portion of mortgages and other debt and convertible equity instruments are as follows:

(in $000's)	**Carrying Values**	**Fair Values**
Mortgages and other debt	104,933	105,177
Capital leases	1,125	1,012
Redeemable partnership units and convertible debentures	89,500	84,536

Fair value estimates are made at a specific point in time based on relevant market information. These are estimates and involve uncertainties and matters of significant judgment and cannot be determined with precision. Changes in assumptions and estimates could significantly affect fair values.

20. COMPARATIVE FIGURES

Certain prior year's figures have been reclassified to conform with the presentation adopted for 2002; also certain of the 2001 figures have been restated to reflect the adoption of new accounting standards for Section 3062 - Goodwill and Other Intangible Assets, Section 1650 – Foreign Currency Translation and Non-GAAP Measures Reporting. In addition, for 2002 Royal Host has adopted the practice of classifying restricted cash held by lenders (see Note 4) as a non-current item. This classification has been applied on a comparative basis for 2001.

21. SUBSEQUENT EVENTS

a). Acquisitions

Royal Host has agreed to purchase the Calgary Best Western Village Park Inn, adding 160 guestrooms, for a purchase price of $12.7 million. This transaction is scheduled to close on March 31, 2003.

b). Financing

i. On February 6, 2003, Royal Host completed financing in the amount of $6.0 million, the proceeds to be used for general working capital purposes. This is a revolving operating loan, repayable on demand, available to the Trust at prime rate plus 2.0% payable monthly in arrears or as a First Bank Acceptance with a Stamping Fee of 3.0% per annum. The loan is secured by a certain hotel property.

ii. On February 5, 2003, Royal Host completed financing in the amount of $6.2 million, the proceeds to be used for working capital and corporate purposes. This is an operating loan, repayable on demand; bearing interest at prime plus 1% per annum, with interest payable monthly. The loan is secured by a certain hotel property.

iii. On March 27, 2003, Royal Host completed two financings with one lender in the amounts of $2.4 and $3.7 million, the proceeds to be used for working capital and corporate purposes. These are 20 year term mortgage loans, secured by certain hotel properties. The interest is adjusted semi-annually and is the greater of:

a) 3.2% over the yield on the Government of Canada mortgage benchmark bond; and
b) A floor of 7.9% per annum.

iv. As at March 26, 2003, Royal Host had received advances of funds in the amount of $2,303,000 related to financing of $5,000,000 arranged on July 3, 2002, as described in Note 11.