



FOR IMMEDIATE RELEASE

SYMBOL: "RYL.UN"

ROYAL HOST REIT ANNOUNCES FIRST QUARTER RESULTS

Calgary, Alberta, May 13, 2008 - Royal Host Real Estate Investment Trust ("Royal Host" or the "Trust") today announced results for the three months ended March 31, 2008.

Royal Host generated significantly higher investment income and stable continuing hotel results. The Trust reported a loss from continuing operations of \$0.2 million compared to a \$2.1 million loss in the first quarter of 2007. The Trust generated Distributable Income of \$1.3 million (2007 - \$1.0 million), or \$0.05 per unit (2007 - \$0.04 per unit). Net income increased to \$12.1 million, or \$0.44 per unit (2007 \$2.3 million, or \$0.10 per unit), mainly attributable to an \$11.7 million gain on the sale of the Travelodge Hotel Burlington on the Lake.

During the first quarter of 2007, Royal Host continued to take significant steps to deliver on its commitment to create Unitholder value. In addition to the sale of the Travelodge Hotel Burlington on the Lake, the Trust also completed a Substantial Issuer Bid, repurchasing approximately 5.4 million, or 20%, of its issued and outstanding trust units, generating immediate accretion to Unitholders.

Hospitality revenue decreased 2.4% to \$29.3 million in the three months ended March 31, 2008. Occupancy decreased due, in part, to the inclusion of the Easter holiday which resulted in a shift in demand for accommodations from the first quarter into the second quarter, negatively impacting comparison to 2007. Average daily rate ("ADR") grew by 3.1%. Revenue Per Available Room ("RevPAR") from continuing operations decreased by 1.4% to \$56.25.

During the first quarter, Royal Host invested an additional \$14.4 million into its portfolio of publicly-traded securities and generated \$2.1 million of investment income (2007 - \$1.4 million). The Trust also reinvested \$2.2 million in its properties.

"The results of this quarter demonstrate the benefits of our opportunity-driven strategy. The combination of a strong hotel portfolio and various initiatives previously undertaken resulted in an increase in Distributable Income per unit despite the impact of the Easter holiday," said Brad Cann, Executive Vice President and Chief Financial Officer of Royal Host.

The Trust declared distributions of \$4.2 million, or \$0.165 per unit, in the three months ended March 31, 2008, consistent with 2007.

The following table summarizes room statistics for the Trust's continuing operations.

33 hotels / 4,168 rooms	Three months ended March 31		
	2008	2007	Change (%)
RevPAR	\$ 56.26	\$ 57.03	(1.4)
Occupancy	55.9%	58.4%	(4.3)
ADR	\$ 100.57	\$ 97.59	3.1

The following table highlights the Trust's financial results for the three months ended March 31, 2008.

(\$000's, except as otherwise noted)	Three months ended March 31		
	2008	2007	Change (%)
Hospitality Revenue (Continuing Operations)	29,344	30,080	(2.4)
Hospitality Expenses	23,413	23,362	0.2
Hospitality Gross Margin	5,931	6,718	(11.7)
Hospitality Gross Margin %	20.2	22.3	(9.4)
Investment Income	2,068	1,403	47.4
Other Expenses	8,222	10,219	(19.5)
Loss From Continuing Operations	(223)	(2,098)	89.4
Income From Discontinued Operations	12,281	4,441	176.5
Net Income	12,058	2,343	414.6
Basic Per Unit Net Earnings (\$)			
From Continuing Operations	(0.01)	(0.08)	87.5
From Discontinued Operations	0.45	0.18	150.0
	0.44	0.10	340.0
Distributable Income	1,310	1,021	28.3
Distributions Declared on Trust Units	4,153	4,141	0.2
Basic Per Unit Distributable Income (\$)	0.05	0.04	25.0
Per Unit Distributions Declared (\$)	0.165	0.165	0.0

Management of Royal Host will host an investor conference call on Wednesday, May 14, 2008 at 11:00 a.m. Eastern Time. The call may be accessed by dialing 1-866-542-4270 or 1-416-695-6616. A recording of this call will be available shortly after the call until May 22, 2008. To access this recording please dial 1-800-408-3053 or 1-416-695-5800 and provide the playback password 3259467. Alternatively, a recording of the audio webcast will also be available on the Trust's website after May 19, 2008.

Royal Host is a diversified hospitality trust that delivers Unitholder value through hotel ownership, investment, management and franchising. It is Canada's second-largest hotel Real Estate Investment Trust.

Royal Host owns a diversified portfolio of 33 operating hotels, comprising approximately 4,200 guest rooms. The portfolio includes limited, focused and full-service hotels in the mid-market to upscale hospitality segments, and is represented throughout Canada operating under such recognizable brands as Best Western®, Country Inns & Suites®, Hilton®, Holiday Inn®, Ramada®, Super 8®, Thriftlodge® and Travelodge®, as well as a number of unbranded properties such as the Chimo Hotel in Ottawa and the Grand Okanagan Resort and Conference Centre in Kelowna.

The Trust also maintains an investment portfolio of publicly-traded securities focused on the hospitality and service sectors. A uniquely diversified portfolio permits the Trust to readjust the balance of resources dedicated to direct hotel ownership and indirect investments in response to changing market dynamics.

In addition to providing management services to its own portfolio, Royal Host's team manages a number of properties on behalf of third parties using its proven training programs, operating procedures, revenue and yield management systems and sales programs.

Royal Host also owns the master franchise rights for Travelodge® and Thriftlodge® in Canada. Through its subsidiary, Travelodge Canada, Royal Host currently franchises over 100 locations, 13 of which are owned by the Trust, and receives a stable stream of revenue through monthly royalty fees paid by licensed hotel owners and by selling franchise licenses, which enhances the overall diversity of Royal Host's portfolio.

Royal Host trust units and convertible debentures are traded on the Toronto Stock Exchange under the trading symbols "RYL.UN", "RYL.DB.A", "RYL.DB.B", "RYL.DB.C" and "RYL.DB.D", respectively.

The above statements in regard to the financial results should be read in conjunction with Royal Host's unaudited consolidated financial statements for the three months ended March 31, 2008 and its management's discussion and analysis, which are available on Royal Host's website at www.royalhost.com as well as the SEDAR website at www.sedar.com.

This press release contains certain forward-looking statements relating, but not limited to, Royal Host's operations, anticipated financial performance, business prospects, and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", or similar words suggesting future outcomes. Such forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed, projected, or implied by such forward-looking statements. Such factors include, but are not limited to economic, competitive, and lodging industry conditions. Royal Host disclaims any responsibility to update any such forward-looking statements except as required by law.

For more information please contact:

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2008 | *Q1*

MANAGEMENT'S
DISCUSSION AND ANALYSIS
& CONSOLIDATED
FINANCIAL STATEMENTS

Management's Discussion and Analysis

FOR THE THREE MONTHS ENDED MARCH 31, 2008

Highlights

In the first quarter of 2008, Royal Host Real Estate Investment Trust ("Royal Host" or the "Trust") delivered stable results, demonstrating the effectiveness of its opportunity-driven strategy to generate sustainable Unitholder value. Royal Host accomplished this by:

- Maintaining rooms revenue at 2007 levels despite movement of the Easter holiday from the second to the first quarter in 2008, and holding costs at 2007 levels;
- Selling the Travelodge Hotel Burlington on the Lake, realizing an \$11.7 million gain on disposition contributing to the Trust's record \$12.1 million of Net Income;
- Increasing Distributable Income⁽¹⁾ to \$1.3 million (2007 - \$1.0 million), or \$0.05 per unit (2007 - \$0.04 per unit);
- Distributing \$4.2 million, or \$0.165 per unit, to Unitholders;
- Effectively deploying cash by repurchasing approximately 20% of the total outstanding trust units of the Trust pursuant to a substantial issuer bid, resulting in immediate accretion to Unitholders;
- Reinvesting \$2.2 million in properties, reflecting our ongoing commitment to maintain and improve the quality of our directly-owned hotels; and
- Investing an additional \$14.4 million into marketable securities focused on the hospitality and service sectors.

⁽¹⁾Hospitality Gross Margin and Distributable Income are non-GAAP measures.

Royal Host is a diversified hospitality trust that delivers Unitholder value through hotel ownership, investment, management and franchising. It is Canada's second-largest hotel Real Estate Investment Trust.

Royal Host trust units and convertible debentures are traded on the Toronto Stock Exchange under the trading symbols "RYL.UN", "RYL.DB.A", "RYL.DB.B", "RYL.DB.C" and "RYL.DB.D", respectively. The market capitalization of Royal Host's trust units and convertible debentures totaled approximately \$140.0 million and \$165.5 million, respectively, as of March 31, 2008.

As at May 12, 2008, Royal Host owns a diversified portfolio of 33 operating hotels comprising approximately 4,200 guest rooms. The portfolio includes limited, focused and full-service hotels in the mid-market to upscale hospitality segments, and is represented throughout Canada operating under the recognizable brands set forth in the table below, as well as a number of unbranded properties such as the Chimo Hotel in Ottawa and The Grand Okanagan Lakefront Resort and Conference Centre in Kelowna.

	ONTARIO			ATLANTIC			WESTERN			TOTAL		
	# of Hotels	# of Rooms	% of Guest Rooms	# of Hotels	# of Rooms	% of Guest Rooms	# of Hotels	# of Rooms	% of Guest Rooms	# of Hotels	# of Rooms	% of Guest Rooms
Travelodge / Thriftlodge®	9	1,316	31.6%	-	-	-	4	378	9.1%	13	1,694	40.6%
Independent	1	256	6.1%	-	-	-	2	426	10.2%	3	682	16.4%
Country Inns & Suites®	-	-	-	4	276	6.6%	3	228	5.5%	7	504	12.1%
Holiday Inn®	2	254	6.1%	-	-	-	1	137	3.3%	3	391	9.4%
Hilton®	1	323	7.7%	-	-	-	-	-	-	1	323	7.7%
Super 8®	2	159	3.8%	-	-	-	2	132	3.2%	4	291	7.0%
Best Western®	-	-	-	-	-	-	1	159	3.8%	1	159	3.8%
Ramada®	1	124	3.0%	-	-	-	-	-	-	1	124	3.0%
	16	2,432	58.3%	4	276	6.6%	13	1,460	35.1%	33	4,168	100.0%

Royal Host also maintains an investment portfolio of publicly-traded securities focused on the hospitality and service sectors, which allows the Trust to readjust the balance of resources dedicated to direct hotel ownership and indirect investments in response to changing market dynamics.

In addition to providing management services to its own portfolio, Royal Host's team manages a number of properties on behalf of third parties using its proven training programs, operating procedures, revenue and yield management systems and sales programs.

Royal Host also owns the master franchise rights for Travelodge® and Thriftlodge® in Canada. Through its subsidiary, Travelodge Canada, Royal Host currently franchises over 100 locations, 13 of which are owned by the Trust. Royal Host receives a stable stream of revenue through monthly royalty fees paid by licensed hotel owners and by selling franchise licenses, which enhances the overall diversity of Royal Host's income stream.

Royal Host's success over recent years is the embodiment of its strong focus on the fundamentals of its businesses, which provides the means to deliver value to its Unitholders. Royal Host has identified and capitalized on operational efficiencies, reinvested in its properties in order to ensure they attract their target markets, and identified opportunities for investment or acquisition that will allow the Trust to grow Unitholder value. The Trust's portfolio is diverse in terms of geography, types of business and the customer bases it services, mitigating the risks inherent in an industry that, while currently strong, is cyclical in nature.

The Trust continues to be very selective in choosing opportunities that it feels will provide profitable growth. Royal Host has a strong financial position, highlighted by \$110.8 million in cash and marketable securities and a modest amount of property secured debt, which places it in a favourable position to capitalize on its opportunity-driven approach to maximizing Unitholder value.

This Management's Discussion & Analysis ("MD&A") dated May 12, 2008 is the responsibility of Management. The Trustees carry out their responsibility for review of this MD&A principally through their Audit Committee. This MD&A should be read in conjunction with the unaudited Consolidated Financial Statements of Royal Host Real Estate Investment Trust for the three months ended March 31, 2008. The Consolidated Financial Statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Selected FINANCIAL INFORMATION

(\$000's, except as otherwise noted)	Three months ended March 31		
	2008	2007	Change (%)
Hospitality Revenue (Continuing Operations)	29,344	30,080	(2.4)
Hospitality Expenses	23,413	23,362	0.2
Hospitality Gross Margin ⁽¹⁾	5,931	6,718	(11.7)
Hospitality Gross Margin % ⁽¹⁾	20.2	22.3	(9.4)
Investment Income	2,068	1,403	47.4
Other Expenses	8,222	10,219	(19.5)
Loss From Continuing Operations	(223)	(2,098)	89.4
Income From Discontinued Operations ⁽²⁾	12,281	4,441	176.5
Net Income	12,058	2,343	414.6
Basic Per Unit Net Earnings (\$)			
From Continuing Operations	(0.01)	(0.08)	87.5
From Discontinued Operations	0.45	0.18	150.0
	0.44	0.10	340.0
Distributable Income ⁽¹⁾	1,310	1,021	28.3
Distributions Declared on Trust Units	4,153	4,141	0.2
Basic Per Unit Distributable Income (\$) ⁽¹⁾	0.05	0.04	25.0
Per Unit Distributions Declared (\$)	0.165	0.165	0.0
Weighted Average Number of Trust Units Outstanding (000's)	27,055	24,858	8.8
Number of Trust Units Outstanding, as at March 31 (000's) ⁽³⁾	26,928	25,521	5.5
Closing Trust Unit Trading Price, as at March 31 (\$)	6.50	7.00	(7.1)

As at May 12, 2008, Royal Host had 21,409,289 trust units outstanding.

⁽¹⁾ Items represent non-GAAP financial measures.

⁽²⁾ Discontinued operations are comprised of the Trust's Travelodge Hotel Burlington on the Lake, US hotel management business, El Rancho Motor Hotel & Convention Centre, Thriftlodge Fort Nelson and the Sundial Inn, as described below in "Discontinued Operations and Property Held For Sale".

⁽³⁾ Subsequent to March 31, 2008, the 5.4 million trust units repurchased pursuant to the Trust's Substantial Issuer Bid were cancelled.

Non-GAAP FINANCIAL MEASURES

This MD&A includes certain non-GAAP financial measures (measures that are not calculated or presented in accordance with GAAP). Because these measures are not defined under GAAP, Royal Host's method of calculation may not be comparable to similar measures presented by other entities. These measures should not be used as an alternative to net earnings or cash flows from operations determined in accordance with GAAP when assessing Royal Host's financial performance. However, the Trust believes these measures are useful in supplementing the reader's understanding of the Trust's performance.

This MD&A includes the following non-GAAP financial measures: Revenue per Available Room ("RevPAR"), Average Daily Rate ("ADR"), Occupancy, Hospitality Gross Margin, Distributable Income (and Basic and Diluted per Unit Distributable Income), Standardized Distributable Cash, Funds from Operations and Adjusted Funds from Operations.

Key Performance Drivers and Measures

The hospitality industry and hotel real estate investment trusts commonly use three non-GAAP financial measures as key indicators of financial and operating performance:

- RevPAR, which combines information about both pricing levels and occupancy. This measure of efficiency is based on all available rooms regardless of whether they are occupied or not. RevPAR is calculated by dividing the number of rooms available in a given period into the room revenue in the same period;
- Occupancy, which measures the level of hotel room utilization and is calculated by dividing the number of rooms rented in a given period by the number of rooms available in the same period; and
- ADR, which measures the average room price for all guest rooms and is calculated by dividing total room revenue by the number of rooms rented in a given period.

Management and the Board of Trustees use these measurements, among other purposes, to assess each property's market position among its competitive set and to assess Management's effectiveness in optimizing each property's perishable inventory.

Hospitality Gross Margin

Hospitality Gross Margin is calculated by deducting gross margin generated by investment and the Royal Private Residence Club development from gross margin.

Standardized Distributable Cash, Distributable Income, Funds From Operations and Adjusted Funds From Operations

Standardized Distributable Cash, Distributable Income, Funds from Operations and Adjusted Funds from Operations are non-GAAP financial measures commonly used by hotel real estate investment trusts. As a "non-GAAP" measure, the calculation of each of these measures and reporting practices varies widely.

The policies of the Canadian Securities Administrators and the July 6, 2007 Interpretive Release issued by the Canadian Institute of Chartered Accountants ("CICA") consider distributable cash a cash flow measure and, as such, require that it be reconciled to Cash Flows from Operating Activities. The Trust has presented this calculation as directed.

The Trust calculates Funds from Operations and Adjusted Funds from Operations as defined by the Real Property Association of Canada.

Room STATISTICS

33 hotels / 4,168 rooms*	Three months ended March 31		
	2008	2007	Change (%)
RevPAR	\$56.26	\$57.03	(1.4)
Occupancy	55.9%	58.4%	(4.3)
ADR	\$100.57	\$97.59	3.1

*Excludes the Travelodge Hotel Burlington on the Lake, Thriftlodge Fort Nelson, El Rancho Motor Hotel & Convention Centre and the Sundial Inn.

The Trust's hotel portfolio is diversified geographically and derives its revenues from numerous customer segments with differing economic drivers, mitigating the Trust's risk exposure to fluctuating market conditions. Royal Host proactively deploys resources to maintain and grow market share, including capital improvements, revenue management strategies, sales and marketing initiatives and management of brand reservation systems.

During the three months ended March 31, 2008, the Trust benefitted from increased ADR, illustrating the Trust's success in generating incremental revenue. In 2008, the Easter holiday occurred in March as opposed to April in 2007. The two weeks surrounding Easter traditionally generate low volumes of corporate travel, producing lower occupancy levels across the Trust's

portfolio. The Trust was effective in accurately positioning room rates, utilizing improved forecasting and the developing a clearer understanding of the markets the Trust competes in and the various systems of reservation delivery.

RevPAR from continuing operations decreased by 1.4% to \$56.26 for the three months ended March 31, 2008 (2007 - \$57.03). ADR increased by \$2.98, or 3.1%, offset by a 4.3% decrease in Occupancy.

ONTARIO 55.5% of rooms revenue 17 hotels / 2,554 rooms	Three months ended March 31		
	2008	2007	Change (%)
RevPAR	\$56.51	\$58.55	(3.5)
Occupancy	57.3%	59.4%	(3.5)
ADR	\$98.63	\$98.64	0.0

RevPAR decreased for the three months ended March 31, 2008 at \$56.51 (2007 - \$58.55). ADR remained consistent at \$98.63. Occupancy decreased by 3.5% to 57.3% from 59.4% in 2007. In addition to the impact of the aforementioned Easter holiday, the Trust's Southwestern Ontario properties, such as the Hilton London, continued to experience the effects of weaker economic activity. Conversely, the Trust's Eastern and Northern Ontario properties continued to deliver year over year gains, including excellent results from Travelodge Ottawa West, Super 8 Timmins, Super 8 Sudbury and Travelodge North Bay. The Travelodge Toronto Airport Dixon Road benefitted from greater stopover business associated with the Easter holiday.

WESTERN 38.2% of rooms revenue 15 hotels / 1,593 rooms	Three months ended March 31		
	2008	2007	Change (%)
RevPAR	\$56.65	\$55.46	2.1
Occupancy	53.4%	56.4%	(5.3)
ADR	\$106.09	\$98.26	8.0

RevPAR increased by 2.1% to \$56.65 for the three months ended March 31, 2008 (2007 - \$55.46). ADR increased by 8.0%, to \$106.09 from \$98.26 in 2007. Occupancy decreased by 5.3%, to 53.4% from 56.4% in 2007. The Holiday Inn (The Palace) in Edmonton, the Best Western Village Park Inn in Calgary and the Trust's properties in Regina and Saskatoon continued to produce record results. The Trust delivered improvements in several of its Southern Alberta limited service hotels, including the Travelodge Brooks, Travelodge Medicine Hat and the Super 8 Red Deer, notwithstanding continued difficult markets in Red Deer and Lethbridge, Alberta. The Grand Okanagan Lakefront Resort and Conference Centre was impacted by lower convention business.

ATLANTIC 6.3% of rooms revenue 4 hotels / 276 rooms	Three months ended March 31		
	2008	2007	Change (%)
RevPAR	\$52.07	\$52.51	(0.8)
Occupancy	58.1%	61.3%	(5.2)
ADR	\$89.66	\$85.72	4.6

The Trust's Atlantic region has continued to generate a solid performance. Each of the Trust's Atlantic properties is well positioned in markets which benefit from strong demand generators and consistent economic environments. Three of the four properties continued to produce year-over-year growth while the Country Inn & Suites Dartmouth experienced a challenging quarter due to new supply in the market.

Distributions TO UNITHOLDERS

During the three months ended March 31, 2008, the Trust distributed \$0.165 per trust unit (2007 - \$0.165 per trust unit). In aggregate, the Trust declared distributions to Unitholders of \$4.2 million (2007 - \$4.1 million). From inception, the Trust has declared distributions of \$7.19 per unit, or \$171.8 million in total.

The Trust employs a conservative payout ratio and sets distributions at a sustainable level as determined by its Trustees based on, among other considerations, annual performance, projected cash flows, capital requirements and working capital requirements. Accordingly, cash distributions will not necessarily equal Distributable Income in any given period.

Effective December 14, 2007, the Trust amended its distribution policy, and declares monthly cash distributions on or about the 15th day of the month to Unitholders of record at the end of the month; distributions are payable on or about the 15th day of the following month.

Royal Host's trust units' overall return of 5.1% in the first three months of 2008 outperformed the S&P TSX REIT Index's overall 6.3% loss.

Distributable Income

Distributable Income is commonly used to measure the performance of real estate investment trusts. The Trust believes that Distributable Income provides useful supplemental information. Distributable Income is not a measure defined by GAAP, nor does it have a standard definition, and as such may not be comparable to measures by other trusts that use similar terms. Royal Host calculates Distributable Income by deducting a provision for capital replacement (calculated as 4.0% of rooms

and food and beverage revenue) from cash flows from total operations, as presented in the Trust's Consolidated Financial Statements.

(\$000's, except as otherwise noted, unaudited)	Three months ended March 31		
	2008	2007	Change (%)
Cash Flows from Operating Activities	3,572	1,811	
Changes in Non-Cash Working Capital	(1,203)	1,783	
Changes in Investment in Royal Private Residence Club	-	(1,500)	
Cash Flows from Total Operations	2,369	2,094	26.3
Provision for Capital Replacement ⁽¹⁾	(1,059)	(1,073)	1.3
Distributable Income	1,310	1,021	28.3
Distributions Declared	4,153	4,141	0.3
Basic Per Unit Distributable Income (\$)	0.05	0.04	25.0
Diluted Per Unit Distributable Income (\$)⁽²⁾	0.05	0.04	25.0
Per Unit Distributions Declared (\$)	0.165	0.165	0.0

⁽¹⁾This provision is calculated as 4.0% of rooms and food and beverage revenue.

⁽²⁾Based on a weighted-average number of trust units of 27,054,925 (2007 - 24,868,130).

Distributable Income increased comparatively for the three months ended March 31, 2008 to \$1.3 million, or \$0.05 per unit (2007 - \$1.0 million, or \$0.04 per unit).

Standardized Distributable Cash

The July 6, 2007 Interpretive Release issued by the Canadian Institute of Chartered Accountants (the "Interpretive Release") recommends disclosure of Standardized Distributable Cash. This is provided in the table below.

Standardized Distributable Cash is defined as the periodic cash flows from operating activities determined in accordance with GAAP, including the effect of changes in non-cash working capital and any operating cash flows provided for or used in discontinued operations, less adjustments for:

- a) total capital expenditures; and
- b) restrictions on distributions arising from compliance with financial covenants and limitations arising from the existence of a minority interest in a subsidiary.

The Interpretive Release recommends the analysis of the relationship between Standardized Distributable Cash, distributions (including unit repurchases through normal course and substantial

issuer bids or any other unit transactions executed in exchange for cash in the normal course of business), and investing and financing activities.

(\$000's, except as otherwise noted, unaudited)	Three months ended March 31		
	2008	2007	Change (%)
Cash Flows from Operating Activities	3,572	1,811	97.2
Capital Expenditures	(3,375)	(3,136)	7.6
Standardized Distributable Cash	197	(1,325)	
Distributions Declared	4,153	4,141	0.3
Repurchases of Trust Units Pursuant to Normal Course and Substantial Issuer Bids⁽ⁿ⁾	3,469	3,001	15.6
	7,622	7,142	6.7

⁽ⁿ⁾ Subsequent to March 31, 2008, the Trust disbursed \$35.3 million in connection with its substantial issuer bid.

Standardized Distributable Cash for the three months ended March 31, 2008 increased due to a \$0.3 million improvement in cash flows provided by operations and a favourable change in non-cash working capital compared to the three months ended March 31, 2007.

The table below reconciles Standardized Distributable Cash and Distributable Income.

(\$000's, except as otherwise noted, unaudited)	Three months ended March 31		
	2008	2007	Change (%)
Standardized Distributable Cash	197	(1,325)	
Capital Expenditures in Excess of Provision for Capital Replacement	2,316	2,063	12.3
Increase (decrease) in non-cash working capital and property under development	(1,203)	283	
Distributable Income	1,310	1,021	28.4

The calculation of Standardized Distributable Cash includes the effect of changes in non-cash working capital, whereas the calculation of Distributable Income excludes the effect of changes in non-cash working capital. Furthermore, the calculation of Standardized Distributable Cash includes the deduction of total capital expenditures, whereas the calculation of Distributable Income includes the deduction of the Trust's provision for capital replacement (calculated as 4.0% of rooms and food and beverage revenue).

Funds From Operations and Adjusted Funds From Operations

(\$'000's, except as otherwise noted, unaudited)	Three months ended March 31		
	2008	2007	Change (%)
Cash Flows from Total Operations	2,369	2,094	13.2
Realized Gains on Marketable Securities	3	-	
Unrealized Gains (Losses) on Marketable Securities	(241)	362	
Accretion on Mortgages	(112)	(158)	
Accretion on Convertible Debentures	(305)	(424)	
Premium on Repurchases of Convertible Debentures	(1)	-	
Funds From Operations	1,713	1,874	(8.5)
Provision for Capital Replacement	(1,059)	(1,073)	1.3
Adjusted Funds From Operations	654	801	(18.2)
Per Unit Funds From Operations (\$)			
Basic	0.06	0.08	(25.0)
Diluted ⁽¹⁾	0.06	0.08	(25.0)
Per Unit Adjusted Funds From Operations (\$)			
Basic	0.02	0.03	(33.3)
Diluted ⁽¹⁾	0.02	0.03	(33.3)

⁽¹⁾Based on a weighted-average number of trust units of 27,054,925 (2007 - 24,868,130).

For the period ending March 31, 2008, the Trust generated Funds from Operations of \$1.7 million (2007 - \$1.9 million). Funds from Operations reflects: the addition (deduction) of realized and unrealized gains and losses on marketable securities included in net income, and the deduction of accretion on mortgages and convertible debentures of \$0.4 million (2007 - \$0.6 million). Debt issuance costs and conversion options are accreted over the term of the related debt. Unrealized gains and losses on marketable securities included in other comprehensive income are not taken into account in the calculation of Funds From Operations or Adjusted Funds From Operations.

Adjusted Funds from Operations is calculated by deducting the Trust's provision for capital replacement from Funds from Operations. Adjusted Funds from Operations for the three months ended March 31, 2008 was \$0.7 million (2007 - \$0.8 million).

Seasonality

The hospitality industry business is seasonal in nature. The Trust's revenue and profitability are typically higher in the second and third quarters, as compared to the first and fourth quarters; consequently, distributions in the first and fourth quarters typically exceed the Trust's corresponding Distributable Income.

Three MONTHS ENDED MARCH 31, 2008

The Trust's hospitality revenue for the three months ended March 31, 2008 decreased \$0.7 million and hospitality gross margin decreased \$0.8 million. The Trust's loss from continuing operations improved by \$1.9 million to \$0.2 million (2007 - \$2.1 million loss).

(\$'000's, except as otherwise noted)	Three months ended March 31			
	2008	2007	Change	Change (%)
Hospitality Revenue	29,344	30,080	(736)	(2.4)
Hospitality Expenses	23,413	23,362	51	0.2
Hospitality Gross Margin	5,931	6,718	(787)	(11.7)
Investment	2,068	1,403	665	47.4
Gross Margin	7,999	8,121	(122)	1.5
Other Expenses	8,222	10,219	(2,788)	(19.5)
Loss from Continuing Operations	(223)	(2,098)	1,875	89.4

Hospitality Revenue

Hospitality revenue from continuing operations for the three months ended March 31, 2008 decreased by \$0.7 million to \$29.3 million (2007 - \$30.1 million).

(\$'000's, except as otherwise noted)	Three months ended March 31			
	2008	2007	Change	Change (%)
Revenue (continuing operations)				
Rooms	21,252	21,285	(33)	(0.2)
Food and Beverage	5,231	5,535	(304)	(5.5)
Franchising and Management	567	787	(220)	(28.0)
Other	2,294	2,473	(179)	(7.2)
	29,344	30,080	(736)	(2.4)

Rooms revenue decreased by 0.2%, to \$21.3 million (2007 - \$21.3 million), resulting from the unfavourable timing of the Easter holiday. The Holiday Inn (The Palace), the Best Western Village Park Inn and the Super 8 Regina all produced particularly strong results. The Trust's Northern Ontario properties as a whole also delivered excellent results.

Food and beverage revenue decreased \$0.3 million, or 5.5%, to \$5.2 million (2007- \$5.5 million), which was largely attributable to reduced conference business in the quarter at the Grand Okanagan Lakefront Resort and Conference Centre.

Franchising and management revenue decreased \$0.2 million due to the receipt of \$0.3 million of franchise termination fees in the first quarter of 2007.

Other revenue decreased by \$0.2 million, or 7.2%, to \$2.3 million (2007 - \$2.5 million), and includes revenue from telephone, retail sales, tenant lease and parking.

Hospitality Expenses

(\$000's, except as otherwise noted)	Three months ended March 31			
	2008	2007	Change	Change (%)
Hospitality Expenses	23,413	23,362	51	0.2

Total hospitality expenses increased by \$0.1 million, or 0.2%, to \$23.4 million (2007 - \$23.4 million). Hospitality expenses were unfavorably impacted by the statutory holiday pay associated with the Easter holiday, insurance costs and certain other non-recurring costs. The Trust continues to employ proactive strategies to lower costs in the areas of payroll, energy, property tax and insurance.

Hospitality Gross Margin

(\$000's, except as otherwise noted)	Three months ended March 31			
	2008	2007	Change	Change (%)
Hospitality Gross Margin	5,931	6,718	787	(11.7)

Hospitality gross margin is calculated by deducting gross margin generated by the Royal Private Residence Club development from gross margin. Hospitality gross margin decreased by \$0.8 million, or 11.7%, to \$5.9 million in the three months ended March 31, 2008 (2007 - \$6.7 million).

Investment Income

Interest and other investment income increased to \$2.3 million (2007 - \$1.0 million), as a result of higher returns from the Trust's investment portfolio, demonstrating the benefit of the Trust's innovative value-creation strategy. The Trust experienced unrealized losses on marketable securities of \$0.2 million (2007 – unrealized gain of \$0.4 million) due to market conditions at March 31, 2008, illustrating the variability of public markets. The investment portfolio provides management with an alternative method of cash deployment which allows the Trust to readjust the balance of resources dedicated to direct asset ownership and indirect investments, thereby enhancing Unitholder value over the long term.

Royal Private Residence Club

During the first half of 2007, sales of the final condominiums were closed, bringing cumulative sales to 100%. During the three months ended March 31, 2007, the Trust recognized revenue from the sale of condominiums of \$1.5 million and a corresponding \$1.5 million of cost of sales.

Other Expenses and Income

Interest and accretion on mortgages and capital leases for the three months ended March 31, 2008 decreased by \$0.2 million to \$2.7 million and included \$0.1 million of accretion (2007 - \$0.2 million). Interest and accretion on convertible debentures for the three months ended March 31, 2008 decreased by \$0.1 million. Interest on convertible debentures was unchanged despite the maturity of the 9.25% convertible debentures in March 2007 and the issuance of 5.9% convertible debentures on June 2007. Accretion on convertible debentures decreased by \$0.1 million to \$0.3 million in 2008 (2007 - \$0.4 million).

As a result of continued focus on cost efficiencies, the trust administration expense remained unchanged at \$0.4 million (2007 - \$0.4 million) despite incurring reorganization costs in 2008.

Depreciation and amortization remained consistent at \$3.7 million (2007 - \$3.7 million).

The Trust recognized a future income tax recovery of \$1.6 million during the three months ended March 31, 2008, due largely to the reorganization completed by the Trust effective January 1, 2008.

Net Income, Other Comprehensive Loss and Comprehensive Income

The Trust's loss from continuing operations for the three months ended March 31, 2008 was \$0.2 million (2007 - \$2.1 million net loss). Income from discontinued operations was \$12.3 million (2007 - \$4.4 million), as described further in "Discontinued Operations and Property Held For Sale".

Net income was \$12.1 million (2007 - \$2.3 million). The Trust's other comprehensive loss of \$1.6 million (2007 - \$nil) is attributable primarily to unrealized losses on marketable securities classified as available-for-sale, due to the weak financial markets at March 31, 2008. Comprehensive income, the combination of net income and other comprehensive loss, was \$10.5 million (2007 - \$2.3 million) for the three months ended March 31, 2008.

Discontinued Operations and Property Held for Sale

Royal Host regularly evaluates opportunities for strategic dispositions in the interest of maximizing Unitholder value. The operations of properties and businesses that were sold during or prior to the

three months ended March 31, 2008 or that are held for sale as at March 31, 2008 have been included in discontinued operations on the consolidated statements of net income and comprehensive income, and reflected as assets and liabilities of discontinued operations and property held for sale on the consolidated balance sheets beginning in the period they are determined to be discontinued.

Discontinued operations is comprised of the following business units of Royal Host:

- Travelodge Hotel Burlington on the Lake (Burlington, Ontario): Sold on February 21, 2008 for gross proceeds of \$24.8 million.
- Thriftlodge Fort Nelson (Fort Nelson, British Columbia): Destroyed by fire on January 11, 2008: The gross and net book values of capital assets destroyed totaled \$5.3 million and \$3.2 million, respectively. The Trust maintained adequate insurance coverage on the property. Management is currently considering the best use of the property site.
- El Rancho Motor Hotel & Convention Centre (Lethbridge, Alberta): Sold on April 30, 2008 for gross proceeds of \$2.9 million.
- Sundial Inn (Orillia, Ontario): Decommissioned effective January 31, 2008 due to decline in financial performance. Management continues to pursue selling this property.
- The Trust's former US hotel management business, which it sold effective January 1, 2007.

INCOME FROM DISCONTINUED OPERATIONS

(\$000's, except as otherwise noted)	Three months ended March 31	
	2008	2007
Hospitality revenue	948	1,782
Hospitality expenses	1,090	1,348
Gross margin	(142)	434
Other expenses	(699)	230
Income before gain on disposition	557	204
Gain on disposition	11,724	4,237
Income from discontinued operations	12,281	4,441

Hospitality revenue from discontinued operations for the three months ended March 31, 2008 was \$0.9 million (2007 - \$1.8 million). Hospitality expenses included costs associated with decommissioning and securing the Sundial Inn and the closure of the Thriftlodge Fort Nelson. Income from discontinued operations increased to \$12.3 million (2007 - \$4.4 million) due primarily to the

sale of the Travelodge Hotel Burlington on the Lake, which generated a gain of \$11.7 million and a future income tax recovery of \$0.9 million. Management reviewed opportunities to maximize the value of this property and determined that accepting this offer best served the long-term interests of the Unitholders. The Trust also recognized a property impairment provision of \$0.1 million during the three months ended March 31, 2008 in connection with the El Rancho Motor Hotel & Convention Centre.

Liquidity AND CAPITAL RESOURCES

As at March 31, 2008, the Trust had cash and cash equivalents of \$48.7 million (2007 - \$46.8 million) and liquid marketable securities of \$62.0 million (December 31, 2007 - \$49.9 million), comprised of publicly traded trust units, convertible debentures, preferred shares and common shares. The sale of the Travelodge Burlington on the Lake contributed in excess of \$24.0 million to the Trust's cash position.

As Royal Host evaluates opportunities, it exercises diligence by investing excess cash not required for operations in liquid income-earning marketable securities. As a result of the higher levels of cash invested in 2008, the Trust realized interest and investment income of \$2.1 million during the three months ended March 31, 2008 (March 31, 2007 - \$1.4 million).

During the three months ended March 31, 2008, Royal Host deployed cash on hand in the form of investments in publicly-traded securities with a focus on the hospitality and service sector. These investments further illustrate Royal Host's objective of increasing Unitholder value while remaining focused on its core business strengths in the hospitality industry. These investments are anticipated to generate superior yields to those otherwise available within the Trust's risk tolerance.

As part of this investment strategy, as at March 31, 2008, Royal Host held approximately 7.0 million trust units, or 18.1% of the issued and outstanding trust units, of Holloway Lodging REIT ("Holloway"), a hotel real estate investment trust. Royal Host may, in the future, take such actions in respect of its holdings as it may deem appropriate in light of the circumstances then existing, including the purchase of additional securities of Holloway through open market purchases or privately negotiated transactions, or the sale of all or a portion of its holdings in the open market or in privately negotiated transactions to one or more purchasers.

The Trust regularly reviews its hotel portfolio for accretive capital reinvestment opportunities. During the three months ended March 31, 2008, the Trust deployed \$3.4 million in capital improvements throughout the hotel portfolio, including a repositioning of the Yellowknife Inn and a casino expansion at the Grand Okanagan Lakefront Resort and Conference Centre.

As at March 31, 2008, the Trust also had restricted cash of \$3.8 million (December 31, 2007 - \$4.0 million), which consists primarily of funds held by lenders pursuant to financing arrangements for future planned capital expenditures.

Royal Host employs a modest amount of property secured debt. As at March 31, 2008, Royal Host's debt (excluding convertible debentures) to gross book value was 22.0% (December 31, 2007 - 21.9%). Royal Host's debt (excluding convertible debentures) is limited by its Declaration of Trust to 45% of gross book value. As at March 31, 2008 Royal Host's debt (including convertible debentures) to gross book value was 54.3% (December 31, 2007 - 54.3%).

Subsequent to March 31, 2008, the Trust deployed \$35.3 million in connection with its Substantial Issuer Bid.

Royal Host's cash and marketable securities, together with its future cash flows, are expected to be sufficient to fund all anticipated cash requirements over the next year, including distributions, required debt repayments, planned capital investment and operating expenses, as well as to pursue other opportunities to create value. Notwithstanding the foregoing, Royal Host has \$12.0 million of undrawn credit facilities and leverage capacity related to numerous unsecured properties.

Royal Host did not own any of the non-bank asset backed commercial paper that was negatively impacted by the subprime mortgage market crisis of 2007 and 2008, nor has Royal Host experienced any indirect impact from the liquidity crisis.

Contractual Obligations

The following tables identify Royal Host's mortgages, obligations under capital leases and convertible debentures and the amounts due during the periods indicated:

MORTGAGES AND CAPITAL LEASES

As at March 31, 2008, the carrying value of the Trust's mortgages was \$121.9 million (December 31, 2007 - \$122.6 million). The carrying value reflects total outstanding principal of \$123.0 million (December 31, 2007 - \$123.8 million) less \$1.1 million of debt issuance costs (2007 - \$1.2 million). The \$0.7 million decrease in carrying value is attributable to the accretion of debt issuance costs during the first quarter of \$0.1 million, and \$0.8 million of scheduled mortgage principal repayments made during the three months ended March 31, 2008.

For the twelve months ending March 31

(\$000's)	Total	2009	2010	2011	2012	2013	Thereafter
Mortgages	123,003	3,383	59,848	25,458	13,123	1,645	19,546
Capital Leases	319	92	66	71	77	13	-

CONVERTIBLE DEBENTURES

(\$000's)	Maturity Date	March 31, 2008		December 31, 2007		Conversion Price
		Carrying Value	Outstanding Balance	Carrying Value	Outstanding Balance	
7.90% Convertible Debenture, Series A	April 2009	8,146	8,250	8,025	8,250	\$6.00
6.00% Convertible Debenture, Series B	October 2015	52,396	55,627	52,317	55,627	\$6.85
6.25% Convertible Debenture, Series C	September 2013	55,715	59,313	55,585	59,313	\$7.00
5.90% Convertible Debenture, Series D	June 2014	57,460	60,000	57,380	60,000	\$8.90
		173,717	183,190	173,307	183,190	

Royal Host's convertible debentures have a total outstanding balance at March 31, 2008 of \$183.2 million (December 31, 2007 - \$183.2 million). The carrying value of the convertible debentures as at March 31, 2008 is \$173.7 million, reflecting \$9.5 million of debt issuance costs and conversion options.

AVERAGE MATURITY DATES AND INTEREST RATES

	Average Maturity (Years)		Average Interest Rate (%)	
	As at March 31, 2008	As at December 31, 2007	As at March 31, 2008	As at December 31, 2007
Mortgages	2.5	2.8	8.20%	8.20%
Convertible Debentures	6.2	6.4	6.13%	6.13%
Mortgages and Convertible Debentures <i>(combined)</i>	4.7	5.0	6.97%	6.96%

During the three months ended March 31, 2008, holders of the Trust's convertible debentures did not convert any of the Trust's convertible debentures into trust units.

Distributions

Distributions increased moderately to \$4.2 million for the three months ended March 31, 2008 from \$4.1 million in 2007. Although the Trust distributed \$0.165 per unit in the first quarter of both 2007 and 2008, the Trust's March distribution was significantly lower in 2008 than in 2007 resulting from the trust unit repurchases under the Trust's Substantial Issuer Bid and Normal Course Issuer Bid.

Investing Activities

In addition to its investment portfolio, the Trust also reinvested significantly in its hotel properties. Royal Host is committed to optimizing its portfolio through broad reinvestment across its properties, and during the three months ended March 31, 2008, the Trust's capital expenditures totaled \$2.2 million (2007 - \$2.2 million) and included the Yellowknife Inn repositioning; exterior improvements at the Holiday Inn Trenton; guest room renovations at the Grand Okanagan Lakefront Resort and Conference Centre, the London Hilton, Travelodge Ottawa West and Travelodge Thunder Bay; lobby renovations at the Ramada Belleville; as well as the casino expansion at the Grand Okanagan Lakefront Resort and Conference Centre, which is scheduled to be completed in early 2009. Capital expenditures utilized cash of \$3.4 million (2007 - \$3.1 million). Capital improvements have been predominantly deployed in areas that directly improve the guest experience. The Trust has spent approximately \$49.0 million since 2003 on capital reinvestments.

\$0.2 million was released from restricted cash during the three months ended March 31, 2008, for reimbursement of previous capital investment. Restricted cash, described above, is available for funding certain hotel capital expenditures.

Unitholders' Equity

During the three months ended March 31, 2008, equity decreased by \$32.5 million to \$67.2 million. The decrease is a result of comprehensive income of \$10.5 million, \$4.2 million of declared distributions, \$3.6 million related to the repurchase of 0.6 million trust units under the Trust's Normal Course Issuer Bid, and \$35.3 million related to the repurchase of 5.4 million trust units under the Trust's Substantial Issuer Bid.

As at March 31, 2008, 26,928,585 trust units were issued and outstanding.

During the three months ended March 31, 2008, 0.6 million trust units were repurchased and cancelled pursuant to the Trust's Normal Course Issuer Bid. Subsequent to March 31, 2008, the 5.4 million trust units repurchased pursuant to the Trust's Substantial Issuer Bid were cancelled.

Normal COURSE ISSUER BIDS

In the interest of delivering value to its Unitholders, the Trust has undertaken a number of Normal Course Issuer Bids ("NCIBs") to repurchase trust units and convertible debentures. Management believes that the market price of the Trust's securities may, from time to time, not fully reflect the underlying value of the securities, and therefore believes that the repurchase of the Trust's securities may at times represent an excellent use of available cash.

Normal Course Issuer Bid – Trust Units

Commencing on January 2, 2008, Royal Host initiated an NCIB to repurchase a maximum of 2,157,622, or approximately 10% of its "public float", of its issued and outstanding trust units. During the three months ended March 31, 2008, Royal Host repurchased 0.6 million trust units with an aggregate cost of \$3.5 million (average cost of \$6.18 per unit). Cumulatively to March 31, 2008, Royal Host has repurchased 5.6 million trust units with an aggregate cost of \$36.1 million pursuant to its NCIBs.

Commencing on December 29, 2006, Royal Host initiated a Normal Course Issuer Bid ("NCIB") to repurchase a maximum of 2.0 million, or approximately 10% of its "public float", of its issued and outstanding trust units. During the three months ended March 31, 2007, the Trust repurchased 0.3 million trust units with an aggregate cost of \$2.0 million (average cost of \$7.00 per unit) pursuant to this NCIB.

Normal Course Issuer Bid – 7.90% Convertible Debentures

Commencing on November 28, 2007, Royal Host initiated an NCIB to repurchase up to \$0.8 million principal amount of its issued and outstanding 7.90% convertible debentures. During the three months ended March 31, 2008, Royal Host did not repurchase any debentures pursuant to this NCIB.

Commencing on November 23, 2006, Royal Host initiated an NCIB to repurchase up to \$3.5 million principal amount of its issued and outstanding 7.90% convertible debentures. During the three months ended March 31, 2007, Royal Host repurchased \$0.3 million in principal balance with an aggregate cost of \$0.4 million (average cost of \$116.92) of 7.90% debentures pursuant to this NCIB.

Normal Course Issuer Bid – 6.00% Convertible Debentures

Commencing on March 30, 2007, Royal Host initiated an NCIB to repurchase up to \$5.9 million principal amount of its issued and outstanding 6.00% convertible debentures. During the three months ended March 31, 2008, Royal Host did not repurchase any debentures pursuant to this NCIB.

Normal Course Issuer Bid – 6.25% Convertible Debentures

Commencing on March 30, 2007, Royal Host initiated an NCIB to repurchase up to \$6.0 million principal amount of its issued and outstanding 6.25% convertible debentures. During the three months ended March 31, 2008, Royal Host did not repurchase any debentures pursuant to this NCIB.

Substantial ISSUER BID

On February 20, 2008, Royal Host initiated a Substantial Issuer Bid, pursuant to which the Trust offered to purchase for cancellation up to 5,386,000, or approximately 20%, of its outstanding trust units, at a price of \$6.50 per trust unit. The offer closed on March 30, 2008 and Royal Host agreed to take up 5,385,997 of the tendered units on March 31, 2008. Management believes that the offer was in the best interests of Royal Host and its Unitholders as it provides an attractive use of capital given its market valuation.

Reorganization OF ROYAL HOST

The Trust was reorganized effective January 1, 2008, as approved by the Trust's Unitholders on May 18, 2007 and as described in the Trust's Information Circular dated April 13, 2007. The purpose of the reorganization was to simplify the organizational structure of Royal Host and the entities in which it held substantial interests and to substantially reduce the complexity of the accounting, legal, reporting and income tax compliance required by the previous structure. The reorganization will allow the Trust to maximize certain tax deductions, reducing the return on capital portion of distributions to Unitholders. The reorganization will also eliminate the Trust's capital tax burden. The reorganization affects future income taxes by reducing the current future income tax asset to \$nil and reducing the long term future income tax liability to \$3.0 million, generating a \$1.9 million future income tax recovery in the first quarter of 2008.

Subsequent EVENTS

Sale of El Rancho Motor Hotel and Convention Centre

On April 30, 2008, Royal Host closed on the sale of the 105-room El Rancho Motor Hotel & Convention Centre to a third party for approximately \$2.9 million. Management believed that selling this non-core property was in the best interests of the Trust's Unitholders.

Summary OF QUARTERLY FINANCIAL RESULTS

(\$000's, except as otherwise noted)	2008		2007				2006	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	29,344	33,036	40,333	36,596*	30,080*	35,689*	91,328*	35,618
Income (Loss)								
From Continuing Operations	(223)	(145)	6,928	4,255	(2,098)	(191)	12,449	1,571
From Discontinued Operations	12,281	(164)	600	554	4,441	(53,470)	1,490	1,019
	12,058	(309)	7,528	4,809	2,343	(244)	13,939	2,590
Per Unit Results (\$)								
Income (Loss) from Continuing Operations								
Basic	(0.01)	0.00	0.27	0.16	(0.08)	(0.01)	0.48	0.06
Diluted	(0.01)	0.00	0.20	0.14	(0.08)	(0.01)	0.29	0.06
Income (Loss) from Total Operations								
Basic	0.44	(0.01)	0.29	0.19	0.10	(0.01)	0.54	0.10
Diluted	0.44	(0.01)	0.21	0.15	0.10	(0.01)	0.33	0.10

* Includes Royal Private Residence Club.

Quarterly financial results as presented reflect the changes to discontinued operations.

Business ENVIRONMENT AND OUTLOOK

Royal Host is in an advantageous position to capitalize on the opportunities that the Canadian hospitality industry is widely expected to offer in the remainder of 2008. Canada's overall general economic environment has softened. However there remain significant pockets of strength within certain markets of the economy, which Royal Host is favourably positioned to capture. Growth in demand is anticipated to exceed that of supply in 2008, resulting in higher revenue. With solid fundamentals, a focus on revenue management and a geographically diverse portfolio, which spans multiple demand generators and customer segments, Royal Host's position within the Canadian hospitality industry is strong. In markets where the Trust is faced with challenging economic environments, it is focused on maximizing revenue and controlling costs.

Royal Host has a solid Balance Sheet and is uniquely positioned to take advantage of opportunities. In addition to its continued efforts to refine operations and capitalize on investment opportunities going forward, the Trust will continue to employ strategies to return value to Unitholders, such as its Normal Course Issuer Bid and investment in securities, providing an excellent use of the Trust's resources for the benefit of Unitholders.

Royal Host's unique strategy for deploying resources and its core strengths position the Trust to maximize opportunities in the current economic environment to create and deliver Unitholder value.

Risks AND UNCERTAINTIES

Royal Host's business is subject to various risks and uncertainties, which occur in the normal course of business, that could adversely affect its earnings and cash flow, as well as its ability to make distributions to Unitholders. The following is a discussion of the key risks and uncertainties facing its business on a day-to-day basis and the strategies adopted to mitigate these risks. However, it should not be assumed that this discussion is exhaustive or that the strategies adopted to mitigate these risks will be effective.

These risks include general economic risks, operating risks, competitive risks, investment risks and environmental risks, among others.

Additional information with respect to the risks and uncertainties to which Royal Host is subject is contained in its Annual Information Form, which may be viewed on SEDAR at www.sedar.com.

General Economic Risks

Hotel performance is affected by a number of factors, listed below, many of which the Trust cannot anticipate:

- general economic conditions and consumer confidence, which determine discretionary spending;
- the state of the airline and other transportation industries;
- demographic shifts impacting the nature of travel;
- geopolitical events affecting consumer and business confidence;
- fiscal and taxation policies; and
- changes in legislation.

While these factors are mainly external and uncontrollable, the Trust has adopted several strategies in an effort to minimize their impact:

- diversification of its hotel portfolio both geographically and across market segments in order to lower its exposure to regional economic fluctuations;
- ownership of properties in desirable locations with a history of stable cash flows which are at or above its minimum expected rate of return;
- maintaining a strong balance sheet and undertaking conservative fiscal strategies; and
- using debt securities with fixed interest rates and repayment terms where such financing can be obtained on favourable terms.

Operating Risks

The Trust also faces normal operating risks associated with the hotel business. These risks include:

- operating cost increases due to inflation and other factors;
- dependence on business travelers and tourism;
- increases in energy costs and other expenses; and
- reliance on key personnel.

In order to mitigate these risks, the Trust has developed strategies focusing on:

- ensuring customer satisfaction through proactive measures such as staff training;
- maintaining a high quality product by ensuring, through constant reinvestment, that the hotel portfolio is constantly renovated and managed at or above industry standards;
- developing specific revenue management and sales and marketing programs targeting a wide variety of customer segments;
- employing sophisticated operating systems to manage and control costs;
- managing the capital structures with a focus on a prudent use of leverage; and
- providing incentive-based compensation programs to attract and maintain a high-quality management team.

Competitive Risks

Substantially all of Royal Host's hotels are located in developed areas that include other hotel properties. The number of competitive hotel properties in a particular area could have a material effect on occupancy and ADR of its hotels or hotel properties acquired in the future. New, competing hotels may be opened in the Trust's markets, which could adversely affect the profitability of hotel operations.

Investment Risks

The Trust has invested in publicly-traded securities which are subject to decrease in value and can be expected to result in volatility of cash flows and financial results. Several factors can influence public markets, including economic developments, changes in interest rates, political changes, tax changes and catastrophic events. The Trust's investments are subject to these general market risks. In addition, the Trust has investments in relatively few companies.

In order to mitigate these risks, the Trust:

- has implemented strict investment policies and procedures;
- has invested exclusively in Canadian publicly-traded securities, which removes direct currency risk;

- holds significant cash and cash equivalents so that market volatility does not unduly influence the Trust's investment decisions; and
- has not pledged any marketable securities as security for indebtedness.

Environmental Risks

The Trust is subject to numerous federal, provincial and local laws and regulations concerning the environment. Under these laws and regulations, Royal Host may be liable for the costs of removal or remediation of certain hazardous or toxic substances on its properties.

In recent years, environmental legislation in Canada has undergone significant change in response to greater public awareness. As a result, environmental management and remediation standards have increased. The nature of the business does not subject it to a high level of environmental risk, but Royal Host takes this risk seriously. Under current investment guidelines, all potential acquisition properties must have minimum phase one environmental assessments conducted by an independent consultant prior to purchase. Royal Host also maintains environmental impairment insurance on all properties.

Taxation Changes to Income Trusts

On October 31, 2006, the Minister of Finance announced proposed changes to the manner in which certain flow-through entities and the distributions from such entities are taxed. On December 15, 2006, The Minister of Finance released guidelines on normal growth for income trusts and other flow-through entities (the "Guidelines"). On June 22, 2007, Bill C-52 An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007 ("Bill C-52") which includes legislative provisions to implement the proposals originally announced on October 31, 2006, received Royal Assent. These provisions will apply a tax, which we refer to as the "SIFT tax", on certain income earned by a "specified investment flow-through" ("SIFT") trust as well as taxing the taxable distributions received by investors from such entities as dividends.

Pursuant to the October 31, 2006 proposals, commencing on January 1, 2011 (provided Royal Host does not exceed "normal growth" as defined in guidelines issued by the Department of Finance) certain distributions from Royal Host which would otherwise have been taxed as ordinary income generally will be characterized as dividends, in addition to Royal Host generally being subject to tax on certain income at rates that approximate those applicable to corporations. Return of capital generally is (and under the October 31, 2006 proposals will continue to be) tax-deferred for Unitholders who are residents of Canada for purposes of the Income Tax Act (and reduce such Unitholders' adjusted cost base in such Unit for purposes of the Income Tax Act). Distributions, whether of income or capital, to a Unitholder who is not resident in Canada for purposes of the

Income Tax Act, or that is a partnership that is not a "Canadian Partnership" for purposes of the Income Tax Act, generally will be subject to Canadian withholding taxes.

Royal Host constitutes a SIFT trust and, as a result, Royal Host and its Unitholders will be subject to the SIFT tax. Subject to the normal growth limit discussed below for income trusts, the units of which were publicly-traded as of October 31, 2006, such as Royal Host, there will be a transition period and the SIFT tax will not apply until 2011. The Guidelines indicate that the 2011 date will continue to apply in respect of any SIFT whose equity capital grows as a result of issuances of new equity (which includes trust units, debt that is convertible into trust units, and potentially other substitutes for such equity), before 2011, by an amount that does not exceed the greater of \$50 million and an objective "safe harbour" amount. This amount is based on a percentage of the SIFT's market capitalization as of the end of trading on October 31, 2006 (measured in terms of the value of a SIFT's issued and outstanding publicly-traded units, not including debt, options or other interests that were convertible into units of the SIFT). For the period from November 1, 2006 to the end of 2007, the Guidelines provided that a SIFT's safe harbour is 40% of the October 31, 2006 benchmark and for the year ended December 31, 2008, a SIFT's safe harbour is 60%. As at March 31, 2007, the Trust is within its "safe harbour" growth limits described herein; however, there can be no assurance that Royal Host will not undertake actions in the future that could cause the SIFT tax to apply to it before 2011.

The following table outlines the safe harbour growth limits applicable to Royal Host.

(\$'000's unless otherwise noted)	2008	2009	2010	Total
Available Safe Harbour Limit	52,526	50,000	50,000	152,526

Disclosure CONTROLS AND PROCEDURES

The Executive Vice President / Chief Financial Officer (in the capacity of both Chief Financial Officer and Chief Executive Officer for this purpose) and the Executive Vice President (in the capacity of Chief Executive Officer for this purpose) both evaluated the effectiveness of Royal Host's disclosure controls and procedures as at March 31, 2008. Based on that evaluation, both concluded that the design and operation of these disclosure controls and procedures were effective as at March 31, 2008 to provide reasonable assurance that material information relating to Royal Host would be made known to them.

Internal CONTROL OVER FINANCIAL REPORTING

There have been no changes in Royal Host's internal control over financial reporting during the three months ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, Royal Host's internal control over financial reporting.

Key ACCOUNTING POLICIES AND ESTIMATES

Note 2 to the unaudited interim consolidated financial statements for the three months ended March 31, 2008 includes a summary of the Trust's significant accounting policies.

The application of some of these policies requires the Trust to make estimates of future events that may have a material effect on current or future financial results. These estimates require experience and judgment and are subject to the inherent risk of inaccuracy, particularly where they relate to events that are expected to take place well into the future.

Changes IN ACCOUNTING POLICIES

Inventories

In June 2007, the CICA issued Handbook Section 3031, "*Inventories*", which applies to periods beginning on or after January 1, 2008. This new primary source of GAAP states that when circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Royal Host adopted this section on January 1, 2008. This change in accounting policy did not have an impact on the financial statements of Royal Host.

Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535, "*Capital Disclosures*", which establishes guidelines for the disclosure of information on an entity's capital and how it is managed. Effective for fiscal periods beginning on or after October 1, 2007, this enhanced disclosure is intended to allow users to better evaluate the entity's objectives, policies and processes for managing capital.

Royal Host adopted this section on January 1, 2008. This new requirement is for disclosure only and will not impact Royal Host's financial results.

Financial Instruments

The CICA issued Handbook Section 3862, "*Financial Instruments – Disclosure*", and Handbook Section 3863, "*Financial Instruments – Presentation*" to replace Handbook Section 3861 "*Financial Instruments – Disclosure and Presentation*." Handbook Section 3862 requires enhanced disclosure of the nature and extent of financial instrument risks and how an entity manages those risks. Handbook Section 3863 retains the previous presentation requirements and provides additional guidance for the classification of financial instruments. These sections are effective for fiscal periods beginning on or after October 1, 2007.

Royal Host adopted these sections on January 1, 2008. This new requirement is for disclosure only and will not impact the financial results of Royal Host.

Future CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards

The Accounting Standards Board ("AcSB") establishes financial accounting and reporting standards for use by Canadian companies. It also participates in the development of internationally accepted accounting standards. The AcSB is accountable to the Accounting Standards Oversight Council, an independent body established in September 2000 by the CICA. On February 13, 2008, the AcSB announced the use of International Financial Reporting Standards ("IFRS") will be required for fiscal years beginning on or after January 1, 2011 for publicly accountable profit-oriented enterprises including listed companies. IFRS will replace Canada's current GAAP. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Trust is evaluating the impact of the adoption of IFRS.

Intangible Assets

The CICA issued Handbook Section 3064 "Goodwill and Intangible Assets" to replace Handbook Section 3062 "Goodwill and Other Intangible Assets". Handbook Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This section is effective for interim and annual financial statements for years beginning on or after October 1, 2008. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of International Accounting Standard 38 "Intangible Assets". The Trust is evaluating the impact of the adoption of Handbook Section 3064.

Off BALANCE SHEET ARRANGEMENT

Royal Host had no undisclosed off balance sheet arrangements as at March 31, 2008.

Forward-looking STATEMENTS

Certain statements in this Management's Discussion and Analysis, including those in the "Business Environment and Outlook" section, relate to periods commencing after March 31, 2008 and contain estimates or assumptions about the outcome of future events. These forward-looking statements are subject to risks, uncertainties, and other factors that could result in the outcome of these events being materially different from those anticipated in this MD&A. These factors include, but are not limited to: general economic conditions, levels of travel in Royal Host's key market areas, political conditions and events, competitive pressures, changes in government policy or regulations and other risk factors including risks and uncertainties described above. Royal Host does not undertake to update such forward-looking statements should its estimates or assumptions change, except as required by law. Additional information relating to Royal Host and the risks to which its business is subject is contained in its Annual Information Form, which is available at www.sedar.com.

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Consolidated Interim Financial Statements

(unaudited)

2008

**FOR THE THREE MONTHS
ENDED MARCH 31, 2008**

ROYAL HOST[®]
HOTELS & RESORTS^{REIT}

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets

in \$000's

	As at	
	March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	48,745	46,823
Marketable securities	62,031	49,874
Accounts and notes receivable	9,701	8,464
Insurance receivable	3,209	-
Prepaid expenses	3,190	3,225
Assets of discontinued operations (Note 5)	333	46
Inventories (note 6)	3,011	3,327
Future income taxes (Note 14)	-	1,316
	<u>130,220</u>	<u>113,075</u>
Capital assets (Note 7)	283,208	303,359
Property held for sale (Note 5)	4,774	2,025
Restricted cash	3,798	3,954
	<u>422,000</u>	<u>422,413</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	13,036	14,314
Equity repurchases payable	35,338	-
Equity distributions payable	1,185	1,512
Interest accrued on convertible debentures	2,547	1,592
Mortgages (Note 8)	2,981	3,325
Obligations under capital leases (Note 10)	92	119
Other liabilities	3,255	1,872
Liabilities of discontinued operations (Note 5)	283	43
	<u>58,717</u>	<u>22,777</u>
Mortgages (Note 8)	118,944	119,298
Convertible debentures (Note 9)	173,717	173,307
Obligations under capital leases (Note 10)	227	242
Deferred revenue	168	168
Future income taxes (Note 14)	3,021	6,907
	<u>354,794</u>	<u>322,699</u>
Unitholders' equity (Note 11)	67,206	99,714
	<u>422,000</u>	<u>422,413</u>

See accompanying Notes to the Consolidated Interim Financial Statements

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Net Income and Comprehensive Income

in \$000's (except per unit amounts)

(unaudited)

	Three Months Ended	
	March 31, 2008	March 31, 2007
Hospitality revenue		
Rooms	21,252	21,285
Food and beverage	5,231	5,535
Franchising and management	567	787
Other	2,294	2,473
	<u>29,344</u>	<u>30,080</u>
Hospitality expenses	<u>23,413</u>	<u>23,362</u>
	<u>5,931</u>	<u>6,718</u>
Investment income		
Interest and investment income	2,306	1,041
Unrealized gains (losses) on marketable securities	(241)	362
Realized gains on marketable securities	3	-
	<u>2,068</u>	<u>1,403</u>
Royal Private Residence Club (Note 4)		
Revenue	-	1,498
Cost of sales	-	1,498
	<u>-</u>	<u>-</u>
	<u>7,999</u>	<u>8,121</u>
Other expenses		
Trust administration	407	411
Interest and accretion on mortgages and capital leases	2,675	2,921
Interest and accretion on convertible debentures	3,115	3,210
Depreciation and amortization	3,721	3,663
Future income taxes recovery (Note 14)	(1,642)	(19)
Capital and other taxes	-	29
Loss (gain) on foreign currency translation	(54)	4
	<u>8,222</u>	<u>10,219</u>
Loss from continuing operations	<u>(223)</u>	<u>(2,098)</u>
Income from discontinued operations (Note 5)	<u>12,281</u>	<u>4,441</u>
Net income	<u>12,058</u>	<u>2,343</u>
Other comprehensive loss (Note 15)	<u>(1,554)</u>	<u>(32)</u>
Comprehensive income	<u>10,504</u>	<u>2,311</u>
Basic per unit net earnings (loss) (Note 12)		
- from continuing operations	(0.01)	(0.08)
- from discontinued operations	0.45	0.18
	<u>0.44</u>	<u>0.10</u>
Diluted per unit net earnings (loss) (Note 12)		
- from continuing operations	(0.01)	(0.08)
- from discontinued operations	0.45	0.18
	<u>0.44</u>	<u>0.10</u>

See accompanying Notes to the Consolidated Interim Financial Statements

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Unitholders' Equity

in \$000's

(unaudited)

	Trust Units	Convertible Equity	Contributed Surplus	Accumulated Income	Accumulated Other Comprehensive Loss	Distributions	Total
Balance, December 31, 2006	201,775	3,480	7,497	24,676	-	(150,228)	87,200
Transitional adjustment on adoption of new accounting policy	-	-	-	111	-	-	111
Comprehensive income (loss)	-	-	-	2,343	(32)	-	2,311
Equity distributions							
Trust units	-	-	-	-	-	(4,141)	(4,141)
Issuance of trust units pursuant to distribution reinvestment plan	3	-	-	-	-	-	3
Issuance of trust units pursuant to debenture conversion option	8,323	-	-	-	-	-	8,323
Trust units cancelled pursuant to normal course issuer bid (Note 11)	(2,447)	-	487	-	-	-	(1,960)
Employee loans pursuant to employee unit purchase program	124	-	-	-	-	-	124
Conversion option related to issuance of convertible debentures (Note 9)	-	-	-	-	-	-	-
Balance, March 31, 2007	207,778	3,480	7,984	27,130	(32)	(154,369)	91,971
Comprehensive income (loss)	-	-	-	12,033	(2,178)	-	9,855
Equity distributions							
Trust units	-	-	-	-	-	(13,273)	(13,273)
Issuance of trust units pursuant to distribution reinvestment plan	6	-	-	-	-	-	6
Issuance of trust units pursuant to debenture conversion option	23,449	(80)	-	-	-	-	23,369
Convertible debentures cancelled pursuant to normal course issuer bid (Note 11)	-	(63)	-	-	-	-	(63)
Trust units cancelled pursuant to normal course issuer bid (Note 11)	(14,154)	-	1,644	-	-	-	(12,510)
Employee loans pursuant to employee unit purchase program	59	-	-	-	-	-	59
Conversion option related to issuance of convertible debenture	-	300	-	-	-	-	300
Balance, December 31, 2007	217,138	3,637	9,628	39,163	(2,210)	(167,642)	99,714
Comprehensive income (loss) (Note 15)	-	-	-	12,058	(1,554)	-	10,504
Equity distributions							
Trust units	-	-	-	-	-	(4,153)	(4,153)
Trust units cancelled pursuant to normal course issuer bid (Note 11)	(4,530)	-	957	-	-	-	(3,573)
Trust units repurchased pursuant to substantial issuer bid (Note 11)	(35,338)	-	-	-	-	-	(35,338)
Employee loans pursuant to employee unit purchase program	52	-	-	-	-	-	52
Balance, March 31, 2008	177,322	3,637	10,585	51,221	(3,764)	(171,795)	67,206

Accumulated income, accumulated other comprehensive loss and distributions at March 31, 2008 were (\$124,338) (December 31, 2007 - (\$130,689))

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows

in \$000's

(unaudited)

	Three Months Ended	
	March 31, 2008	March 31, 2007
Operating activities		
Loss from continuing operations	(223)	(2,098)
Items not affecting cash:		
Depreciation and amortization	3,721	3,663
Future income taxes recovery	(1,642)	(19)
Unrealized (gains) losses on marketable securities	241	(362)
Realized gains on marketable securities	(3)	-
Accretion on mortgages and convertible debentures (Note 8 and 9)	418	583
Cash flows provided by continuing operations	2,512	1,767
Cash flows provided by (used in) discontinued operations (Note 5)	(143)	327
Changes in non-cash working capital - continuing operations (Note 13)	1,250	(1,701)
Changes in non-cash working capital - discontinued operations (Note 5)	(47)	(82)
Decrease in property under development	-	1,500
	3,572	1,811
Financing activities		
Redemption upon maturity of convertible debentures	-	(32,469)
Repurchases of convertible debentures pursuant to normal course issuer bids	-	(300)
Principal repayments on mortgages and capital leases	(852)	(882)
Repurchases of trust units pursuant to normal course issuer bids	(3,468)	(3,001)
Equity distributions	(4,480)	(3,968)
Proceeds from repayment of employee unit purchase program loan	52	124
	(8,748)	(40,496)
Investing activities		
Purchases of marketable securities	(14,409)	(14,267)
Dispositions of marketable securities	460	937
Net cash on dispositions of capital assets (Note 5)	24,266	5,251
Acquisitions of capital assets	(3,375)	(3,136)
Decrease in restricted cash	156	1,743
Decrease in long-term notes receivable	-	3
	7,098	(9,469)
Increase (decrease) in cash and cash equivalents	1,922	(48,154)
Cash and cash equivalents, beginning of period	46,823	92,144
Cash and cash equivalents, end of period	48,745	43,990
Cash interest paid		
Mortgages and capital leases	2,557	2,569
Convertible debentures	1,853	3,620
	4,410	6,189

See accompanying Notes to the Consolidated Interim Financial Statements

ROYAL HOST REAL ESTATE INVESTMENT TRUST
Notes to the Consolidated Interim Financial Statements
(*unaudited*)

1. GENERAL INFORMATION

Royal Host Real Estate Investment Trust ("Royal Host" or the "Trust") was created pursuant to the Declaration of Trust dated August 27, 1997. Royal Host is an unincorporated open-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. CHANGES IN ACCOUNTING POLICIES

These unaudited consolidated interim financial statements and notes have been prepared using the accounting policies that are consistent with the policies used in preparing the Trust's 2007 annual consolidated financial statements with the exception of the policies noted below. These financial statements do not include all disclosures required under Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the annual consolidated financial statements.

(a) Inventories

In June 2007, the CICA issued Handbook Section 3031, "*Inventories*" which applies to periods beginning on or after January 1, 2008. This new primary source of GAAP states that when circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Royal Host adopted CICA Handbook Section 3031, "*Inventories*" on January 1, 2008. This change in accounting policy did not have an impact on the financial statements of Royal Host.

(b) Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535 "*Capital Disclosures*", which establishes guidelines for the disclosure of information on an entity's capital and how it is managed. Effective fiscal periods beginning January 1, 2008 for Royal Host, this enhanced disclosure enables users to evaluate the entity's objectives, policies and processes for managing capital. This new requirement is for disclosure only and has not impacted the financial results of Royal Host at March 31, 2008.

(c) Financial Instruments

The CICA issued Handbook Section 3862, "*Financial Instruments - Disclosure*" and Handbook Section 3863, "*Financial Instruments - Presentation*" to replace Handbook Section 3861 "*Financial Instruments - Disclosure and Presentation*." Handbook Section 3862 requires enhanced disclosure of the nature and extent of financial instrument risks and how an entity manages those risks. Handbook Section 3863 carries forward the existing presentation requirements and provides additional guidance for the classification of financial instruments. These sections are effective for fiscal periods beginning January 1, 2008 for Royal Host. This new requirement is for disclosure only and has not impacted the financial results of Royal Host at March 31, 2008.

ROYAL HOST REAL ESTATE INVESTMENT TRUST
Notes to the Consolidated Interim Financial Statements
(unaudited)

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The CICA has announced two future changes in accounting policy which will affect the financial statements of Royal Host subsequent to March 31, 2008. The significant changes, along with the impact on the financial statements of Royal Host are as follows:

(a) International Financial Reporting Standards

The Accounting Standards Board ("AcSB") establishes financial accounting and reporting standards for use by Canadian companies. It also participates in the development of internationally accepted accounting standards. The AcSB is accountable to the Accounting Standards Oversight Council, an independent body established in September 2000 by the CICA. On February 13, 2008, the AcSB announced the use of International Financial Reporting Standards ("IFRS") will be required for fiscal years beginning on or after January 1, 2011 for publicly accountable profit-oriented enterprises including listed companies. IFRS will replace Canada's current GAAP. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Trust is evaluating the impact of the adoption of IFRS.

(b) Goodwill and Intangible Assets

The CICA has issued a new accounting standard, Section 3064, "Goodwill and Intangible Assets", which clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. The Trust does not believe this new standard will have an impact on its consolidated financial statements. This new and amended standard will be effective for the Trust's 2009 fiscal year, and will be adopted on a retroactive basis with restatement.

4. ROYAL PRIVATE RESIDENCE CLUB

A subsidiary of Royal Host developed, for resale, the Royal Private Residence Club, a residential condominium, on a property adjacent to the Grand Okanagan Lakefront Resort and Conference Centre in Kelowna, British Columbia. Revenue and cost of sales (including commissions and other selling costs) were recorded at the time each condominium sale was closed, and title and possession were transferred to the buyer. During the six months ended June 30, 2007, Royal Host completed the final sales of the condominium units.

5. PROPERTY HELD FOR SALE, DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS

The operations of properties and businesses that were disposed of during the period ended March 31, 2008 and those held for sale as at March 31, 2008 have been included in discontinued operations on the consolidated statements of net income and comprehensive income, and reflected as assets and liabilities of discontinued operations and property held for sale on the consolidated balance sheets.

Effective January 1, 2007, Royal Host sold its US management business, resulting in a gain on disposition of approximately \$4.2 million.

On January 11, 2008, the Thriftlodge Fort Nelson was destroyed by fire. The gross book value of capital assets destroyed in the fire totalled \$5.3 million. The net book value of capital assets destroyed in the fire totalled \$3.2 million. Royal Host maintained adequate insurance coverage on the property. Royal Host has reclassified the assets destroyed by the fire to an insurance receivable.

Effective January 31, 2008, the Trust decommissioned the Sundial Inn in Orillia, Ontario. Royal Host continues to pursue disposing of this property.

On February 21, 2008, Royal Host sold the Travelodge Hotel Burlington on the Lake for total proceeds of \$24.8 million. The gain on sale of this hotel property was \$11.7 million.

On April 30, 2008, Royal Host sold the El Rancho Motor Hotel and Convention Centre in Lethbridge, Alberta for total proceeds of \$2.9 million. The Trust recognized a property impairment provision of \$0.1 million during the three months ended March 31, 2008.

ROYAL HOST REAL ESTATE INVESTMENT TRUST
Notes to the Consolidated Interim Financial Statements
(unaudited)

5. PROPERTY HELD FOR SALE, DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS (continued)

The following table sets forth the results of operations associated with the above noted properties and businesses held for sale and long-lived assets, separately reported as discontinued operations for the current and prior quarter.

	<i>(in \$000's)</i>	
	March 31, 2008	March 31, 2007
Hospitality revenue		
Rooms	596	1,232
Food and beverage	195	300
Management	-	60
Other	157	190
	948	1,782
Hospitality expenses	1,090	1,348
Gross margin	(142)	434
Other expenses		
Depreciation and amortization	96	156
Property impairment provision	132	-
Future income taxes (recovery)	(928)	(33)
Capital and other taxes	1	76
Loss on foreign currency translation	-	31
	(699)	230
Income before gain on disposition	557	204
Gain on disposition	11,724	4,237
Income from discontinued operations	12,281	4,441

Cash flows from discontinued operations, reported on the statement of cash flows, are reconciled to the earnings from discontinued operations as follows:

	Three Months Ended <i>(in \$000's)</i>	
	March 31, 2008	March 31, 2007
Income from discontinued operations	12,281	4,441
Items not affecting cash:		
Future income taxes (recovery)	(928)	(33)
Depreciation and amortization	96	156
Gain on disposition	(11,724)	(4,237)
Property impairment provision	132	-
Cash flows provided by (used in) discontinued operations	(143)	327
Changes in non-cash working capital		
Assets of discontinued operations	(287)	4,104
Liabilities of discontinued operations	240	(4,186)
	(47)	(82)

ROYAL HOST REAL ESTATE INVESTMENT TRUST
Notes to the Consolidated Interim Financial Statements
(unaudited)

6. INVENTORIES

Inventories are comprised of the following items:

	<i>(in \$000's)</i>	
	March 31, 2008	December 31, 2007
Linens	1,720	1,842
Food and beverage	516	659
China, glassware and other	775	825
	3,011	3,326

Included in hospitality expenses are \$1.6 million (March 31, 2007 - \$1.7 million) of cost of goods sold related to the inventory items listed above.

7. CAPITAL ASSETS

	<i>(in \$000's)</i>		
March 31, 2008	Gross Book Value	Accumulated Amortization	Net Book Value
Buildings	306,050	76,528	229,522
Land	35,592	-	35,592
Furniture, fixtures and equipment	49,325	41,056	8,269
Other	1,626	430	1,196
	392,593	118,014	274,579
Capital assets under development	2,822	-	2,822
Intangible assets:			
Franchise rights and management contracts	27,414	21,607	5,807
	422,829	139,621	283,208
		<i>(in \$000's)</i>	
December 31, 2007	Gross Book Value	Accumulated Amortization	Net Book Value
Buildings	327,961	80,199	247,762
Land	37,192	-	37,192
Furniture, fixtures and equipment	50,731	42,182	8,549
Other	1,678	436	1,242
	417,562	122,817	294,745
Capital assets under development	2,312	-	2,312
Intangible assets:			
Franchise rights and management contracts	27,414	21,112	6,302
	447,288	143,929	303,359

During the three months ended March 31, 2008, capital additions to Royal Host's hotel properties totalled \$2.2 million (March 31, 2007 - \$2.2 million).

ROYAL HOST REAL ESTATE INVESTMENT TRUST
Notes to the Consolidated Interim Financial Statements
(unaudited)

8. MORTGAGES

	<i>(in \$000's)</i>	
	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Mortgages secured by hotel properties	121,925	122,623
Less: current portion	2,981	3,325
	<u>118,944</u>	<u>119,298</u>

Principal repayments required for the twelve months ending March 31:

	<i>(in \$000's)</i>
2009	3,383
2010	59,848
2011	25,458
2012	13,123
2013	1,645
Subsequent	19,546
Total principal outstanding	123,003
Debt issuance costs	(1,078)
	<u>121,925</u>

9. CONVERTIBLE DEBENTURES

	<i>(in \$000's)</i>	
	<u>March 31, 2008</u>	<u>December 31, 2007</u>
7.90% Convertible Unsecured Subordinated Debentures, Series A	8,146	8,025
6.00% Convertible Unsecured Subordinated Debentures, Series B	52,396	52,317
6.25% Convertible Unsecured Subordinated Debentures, Series C	55,715	55,585
5.90% Convertible Unsecured Subordinated Debentures, Series D	57,460	57,380
	<u>173,717</u>	<u>173,307</u>

Principal repayments required for the twelve months ending March 31:

	<i>(in \$000's)</i>
2008	-
2009	8,250
2010	-
2011	-
2012	-
Subsequent	174,940
Total principal outstanding	183,190
Debt issuance costs	(6,462)
Equity conversion option	(3,011)
	<u>173,717</u>

(a) 9.25% Convertible Unsecured Subordinated Debentures

During the three months ended March 31, 2007, \$5.6 million of Royal Host's 9.25% convertible unsecured subordinated debentures were converted into 0.8 million trust units. The remaining \$32.5 million of the 9.25% convertible unsecured subordinated debentures were redeemed upon maturity on March 1, 2007.

ROYAL HOST REAL ESTATE INVESTMENT TRUST
Notes to the Consolidated Interim Financial Statements
(unaudited)

9. CONVERTIBLE DEBENTURES (continued)

(b) 7.90% Convertible Unsecured Subordinated Debentures, Series A

During the three months ended March 31, 2008, \$nil (March 31, 2007 - \$2.2 million) of Royal Host's 7.90% convertible unsecured subordinated debentures were converted into trust units (March 31, 2007 - 0.4 million trust units).

(c) 6.00% Convertible Unsecured Subordinated Debentures, Series B

During the three months ended March 31, 2008, \$nil (March 31, 2007 - \$0.6 million) of Royal Host's 6.00% convertible unsecured subordinated debentures were converted into trust units (March 31, 2007 - 0.1 million trust units).

10. OBLIGATIONS UNDER CAPITAL LEASES

Royal Host has entered into various capital lease obligations to acquire computers and furniture, fixtures and equipment. The present values of future minimum lease payments under capital leases as at March 31, 2008 are as follows:

	<i>(in \$000's)</i>	
	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Present value of future minimum lease payments	319	361
Less: current portion of principal payments	92	119
	<u>227</u>	<u>242</u>

Total repayments required for the twelve months ending March 31:

	<i>(in \$000's)</i>	
	2009	112
	2010	81
	2011	81
	2012	81
	2013	15
Future minimum lease payments		<u>370</u>
Less: amounts representing interest		51
Present value of future minimum lease payments		<u>319</u>

During the three months ended March 31, 2008, Royal Host did not acquire any new assets under capital lease (March 31, 2007 - \$0.4 million). The net book value of assets under capital lease as at March 31, 2008 was \$1.3 million (December 31, 2007 - \$1.4 million).

ROYAL HOST REAL ESTATE INVESTMENT TRUST
Notes to the Consolidated Interim Financial Statements
(unaudited)

***II.* NORMAL COURSE ISSUER BIDS AND SUBSTANTIAL ISSUER BID**

(a) Trust Units

Normal Course Issuer Bid

Commencing on January 2, 2008, Royal Host initiated a normal course issuer bid to repurchase a maximum of 2.1 million of its issued and outstanding trust units. During the three months ended March 31, 2008, 0.6 million trust units with an aggregate cost of \$3.5 million (average cost of \$6.20 per units) were repurchased pursuant to this bid. Subsequent to March 31, 2008, 0.1 million trust units with an aggregate cost of \$0.9 million (average cost of \$6.41 per unit) were repurchased pursuant to this bid.

Commencing on December 29, 2006, Royal Host initiated a normal course issuer bid to repurchase a maximum of 2.0 million of its issued and outstanding trust units. During the three months ended March 31, 2007, 0.3 million trust units with an aggregate cost of \$2.0 million (average cost of \$7.00 per unit) were repurchased pursuant to this bid.

Substantial Issuer Bid

On February 20, 2008, Royal Host initiated a substantial issuer bid, pursuant to which Royal Host offered to purchase for cancellation up to 5.4 million of its issued and outstanding trust units at a price of \$6.50 per trust unit. The offer remained open for acceptance until March 27, 2008.

Unitholders tendered 6.4 million trust units pursuant to the substantial issuer bid, of which Royal Host purchased the maximum of 5.4 million on a pro rata basis, or approximately 85% of the units that were tendered. Payment for Trust Units tendered, and accepted for purchase, was made on April 3, 2008.

(b) 9.25% Convertible Unsecured Subordinated Debentures

Commencing on July 17, 2006, Royal Host initiated a normal course issuer bid to repurchase up to \$3.9 million in principal of its issued and outstanding 9.25% convertible debentures. During the three months ended March 31, 2007, no debentures were repurchased pursuant to this bid.

(c) 7.90% Convertible Unsecured Subordinated Debentures, Series A

Commencing on November 28, 2007, Royal Host initiated a normal course issuer bid to repurchase up to \$0.8 million in principal of its issued and outstanding 7.90% convertible debentures. During the three months ended March 31, 2008, no debentures were repurchased pursuant to this bid.

Commencing on November 23, 2006, Royal Host initiated a normal course issuer bid to repurchase up to \$3.5 million in principal of its issued and outstanding 7.90% convertible debentures. During the three months ended March 31, 2007, \$0.3 million in principal of the 7.90% convertible debentures were repurchased with an aggregate cost of \$0.4 million (average cost of \$116.92) pursuant to this bid.

(d) 6.00% Convertible Unsecured Subordinated Debentures, Series B

Commencing on March 30, 2007, Royal Host initiated a normal course issuer bid to repurchase up to \$5.9 million in principal of its issued and outstanding 6.00% convertible debentures. During the three months ended March 31, 2007 and March 31, 2008, no debentures were repurchased pursuant this bid.

(e) 6.25% Convertible Unsecured Subordinated Debentures, Series C

Commencing on March 30, 2007, Royal Host initiated a normal course issuer bid to repurchase up to \$6.0 million in principal of its issued and outstanding 6.25% convertible debentures. During the three months ended March 31, 2007 and March 31, 2008, no debentures were repurchased pursuant to this bid.

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12. PER UNIT CALCULATIONS

As at March 31, 2008, a total of 26,928,585 trust units (December 31, 2007 - 27,487,825) were issued and outstanding. At March 31, 2008 the 5.4 million trust units repurchased under the Substantial Issuer Bid (SIB) had not been cancelled and as such are included issued and outstanding trust units. Per unit computations are based on the weighted average number of trust units outstanding for the period and include the effect of units purchased under the SIB.

For the three months ended March 31, 2008:

	Weighted Average Units <i>(in 000's)</i>	Per Unit (\$)
<i>(in \$000's)</i>	<i>(in 000's)</i>	<i>(in \$)</i>
Basic earnings - continuing operations	(223)	(0.01)
Basic earnings - discontinued operations	12,281	0.45
Basic earnings - total operations	12,058	0.44

Diluted earnings - continuing operations	(223)	(0.01)
Diluted earnings - discontinued operations	12,281	0.45
Diluted earnings - total operations	12,058	0.44

For the three months ended March 31, 2007:

	Weighted Average Units <i>(in 000's)</i>	Per Unit (\$)
<i>(in \$000's)</i>	<i>(in 000's)</i>	<i>(in \$)</i>
Basic earnings - continuing operations	(2,098)	(0.08)
Basic earnings - discontinued operations	4,441	0.18
Basic earnings - total operations	2,343	0.10
Diluted earnings - continuing operations	(2,098)	(0.08)
Diluted earnings - discontinued operations	4,441	0.18
Diluted earnings - total operations	2,343	0.10

The diluted earnings per unit for the three months ended March 31, 2008 and March 31, 2007 include no trust units issuable on the conversion of any convertible unsecured subordinated debentures because all of the conversions are anti-dilutive.

13. CHANGES IN NON-CASH WORKING CAPITAL

	Three Months Ended <i>(in \$000's)</i>	
	March 31, 2008	March 31, 2007
(Increase) decrease in:		
Accounts and notes receivable	(1,237)	(88)
Prepaid expenses	35	(619)
Inventories	316	29
	(886)	(678)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(202)	118
Interest accrued on convertible debentures	955	(834)
Other liabilities	1,383	(24)
Deferred revenue	-	(235)
Future income taxes	-	(48)
	2,136	(1,023)
	1,250	(1,701)

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14. FUTURE INCOME TAXES

The net future income tax liability is made up of the following:

	<i>(in \$000's)</i>	
	March 31, 2008	December 31, 2007
Tax assets relating to subsidiary operating losses and temporary differences on current items	-	1,316
Future income tax asset	-	1,316
Tax liabilities related to temporary differences on debt issuance costs	(1,052)	(1,059)
Tax liabilities relating to temporary differences on capital assets	(1,969)	(5,848)
Future income tax liability	(3,021)	(6,907)

On June 12, 2007, Bill C-52 *An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007* ("Bill C-52") received Third Reading in the Canadian House of Commons. Bill C-52 includes legislative provisions to implement proposal originally announced on October 31, 2006 and amended on March 27, 2007 relating to the taxation of certain income trust and partnerships under the Income Tax Act. Pursuant to the October 31, 2006 proposals, commencing on January 1, 2011 (provided Royal Host does not exceed "normal growth" as defined in guidelines issued by the Department of Finance) certain distributions from Royal Host which would have otherwise been taxed as ordinary income generally will be characterized as dividends, in addition to Royal Host generally being subject to tax on certain income at tax rates that approximate those applicable to corporations. Returns of capital generally are (and under the October 31, 2006 proposals will continue to be) tax-deferred for Unitholders who are resident in Canada for purposes of the Tax Act (and reduce such Unitholder's adjusted cost base in Unit for purposes of the Tax Act). Distributions, whether of income or capital, to a Unitholder who is not resident in Canada for purposes of the Tax Act, or that is a partnership that is not a "Canadian partnership" for purposes of the Tax Act, generally will be subject to Canadian withholding tax.

15. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Three Months Ended <i>(in \$000's)</i>	
	March 31, 2008	March 31, 2007
Accumulated other comprehensive loss, beginning of period	2,210	-
Other comprehensive loss	1,554	32
Accumulated other comprehensive loss, end of period	3,764	32

Other comprehensive loss above, and on the consolidated statements of net income and comprehensive loss, includes the following:

	Three Months Ended <i>(in \$000's)</i>	
	March 31, 2008	March 31, 2007
Unrealized losses generated on available-for-sale assets	1,551	32
Realized gains on available-for-sale assets transferred to net income	3	-
Other comprehensive loss	1,554	32

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Notes to the Consolidated Financial Statements

16. STATEMENT OF CASH FLOWS

During the year ended December 31, 2007, Royal Host declared monthly distributions on or about the 15th of the month to Unitholders of record on or about the 15th day of the following month with distributions payable on or about the last business day of the following month. Commencing with a distribution record date of December 31, 2007, Royal Host paid monthly distributions to Unitholders of record on or about the last day of the month, with distributions payable on or about the 15th day of the following month.

The Trust's revenue and profitability are typically higher in the second and third quarters, as compared to the first and fourth quarters. Therefore, cash flows from operating activities are not generated evenly throughout the year. Royal Host's Board of Trustees determines monthly distributions to Unitholders based on, among other considerations, annual performance projected cash flows, capital commitments and working capital requirements. The objective is to set the distribution at a level that will be sustainable over a longer period. The terms of the distribution are set by the Declaration of Trust. In each year, the aggregate amount payable by Royal Host for distribution to Unitholders shall not be less than the Trust's income for the year, as calculated in accordance with the Income Tax Act (Canada).

17. RELATED PARTY TRANSACTIONS

Clarke Inc.

At March 31, 2008, Clarke Inc. owned approximately 5.2 million of Royal Host's issued and outstanding trust units and, as such, is a related party. For the three months ended March 31, 2008 there were no material related party transactions with Clarke Inc. Royal Host owns approximately \$3.4 million of Clarke Inc. 6.0% Convertible Debentures. These assets are included in marketable securities on the balance sheet.

18. MEASUREMENT UNCERTAINTY

Royal Host is involved in various legal claims associated with the normal course of operations. Where appropriate, Royal Host believes it has made adequate provisions for such legal claims.

On February 23, 2005, Royal Host completed the sale of its 50% interest in a hotel property located in Toronto, Ontario to a condominium developer. The net cost of winding up the business, to a maximum of \$2.0 million, is to be reimbursed by the purchaser to Royal Host in the form of a non-interest bearing vendor take-back mortgage.

In December 2007, the purchaser commenced an action against Royal Host for alleged breach of the agreement of purchase and sale. Royal Host intends to vigorously defend against the claim. Subsequent to March 31, 2008, Royal Host filed a Statement of Defence and Counterclaim seeking enforcement of the mortgage and payment of \$2.0 million. No amounts have been recorded with respect to this lawsuit.

There is measurement uncertainty as to the final resolution of amounts recorded with respect to the above transactions. Such adjustments could be material.

On January 11, 2008 the Thriftlodge Fort Nelson was destroyed by fire. Royal Host has not recorded a gain or loss on the event. The assets that were destroyed by fire have been included in insurance receivable on the balance sheet. There is measurement uncertainty surrounding this insurance receivable.

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19. CAPITAL MANAGEMENT

Royal Host's capital consists of cash and cash equivalents, marketable securities, debt and Unitholders' equity.

The following table provides a summary of certain information with respect to the Trust's capital structure and financial position:

	<i>(in \$000's)</i>	
	March 31, 2008	December 31, 2007
Mortgages	121,925	122,623
Convertible debentures	173,717	173,307
Total debt	295,642	295,930
Cash and cash equivalents	(48,745)	(46,823)
Net debt	246,897	249,107
Unitholders' equity	67,206	99,714
Total capitalization (total debt plus unitholders' equity)	362,848	395,644

In accordance with CICA Handbook Section 1535 "*Capital Disclosures*", the Trust's primary objective for managing capital is to maximize long-term Unitholder value by:

- (i) providing sufficient capital to provide sustainable cash distributions to Unitholders and fund operations and capital expenditures;
- (ii) maintain adequate financial flexibility to fund attractive investment opportunities that may arise;
- (iii) maintain a strong financial position, and
- (iv) maintain a low cost of debt.

The Trust's objectives and strategies in maintaining capital have remained unchanged from December 31, 2007.

The Trust relies on its cash flow from operations to fund distributions to Unitholders and capital expenditures. This cash flow is supplemented, when necessary, by the issuance of its securities. Royal Host sets distributions at a sustainable level as determined by the Trustees based on, among other considerations, annual performance, projected cash flows, capital requirements and working capital requirements.

The Trust monitors key short-term and long-term capital ratios including interest coverage (cash flow from operations to interest), net debt to cash flow from operations, and net debt to total capitalization.

The Trust is subject to certain capital growth restrictions referred to as "normal growth" equity rules. These rules limit the amount of Unitholders' capital that can be issued by the Trust, based on the Trust's market capitalization on October 31, 2006, to \$52.5 million in 2008, \$50.0 million in 2009 and \$50.0 million in 2010. If the maximum growth allowed is exceeded, the Trust may be subject to taxation prior to 2011. The Trust has not exceeded the maximum growth allowed.

The Trust's long-term debt obligations have certain covenants concerning debt service coverage, compliance with the Trust's Declaration of Trust, and replacement reserves. The covenants remain unchanged from December 31, 2007 and the Trust is in compliance with those covenants.

The Trust has complied with externally imposed capital restrictions.

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19. CAPITAL MANAGEMENT (continued)

The Declaration of Trust under which the Trust was formed provides that indebtedness (defined to exclude convertible debentures) is not permitted to exceed 45% of gross book value (defined as the book value of the Trust's assets plus accumulated amortization). As at March 31, 2008, the Trust's indebtedness excluding convertible debentures was 22.0% of gross book value (December 31, 2007 - 21.9%).

The Declaration of Trust under which the Trust was formed, provides that no more than 49% of the Units of the Trust can be held by non-Canadian residents. The potential impact of exceeding this maximum foreign ownership may be the loss of mutual fund trust status, which may adversely impact the valuation of the Units. At March 31, 2008, the Trust's estimate of foreign ownership was 2.0% based on account data as at April 22, 2008.

20. FINANCIAL INSTRUMENTS

The Trust's financial instruments consist of cash and cash equivalents, marketable securities, accounts and notes receivable, accounts payable and accrued liabilities, equity distributions payable, interest accrued on convertible debentures, mortgages and convertible debentures and capital leases.

(a) Fair Values

The carrying value of cash and cash equivalents, marketable securities, accounts and notes receivable, accounts payable and accrued liabilities, equity distributions payable, interest accrued on convertible debentures, current portion of mortgages and capital leases approximates their fair market value. The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair market value of marketable securities are based on the quoted market prices at the balance sheet date.

The fair value of non-current portion of mortgages and other debt and convertible equity instruments are as follows:

	March 31, 2008		December 31, 2007	
	<i>(in \$000's)</i>		<i>(in \$000's)</i>	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgages	118,944	120,294	119,298	122,892
Convertible debentures	173,717	161,147	173,307	162,958
Capital leases	227	239	242	244

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 judgement and cannot be determined with precision. Changes in assumptions and estimates could significantly affect fair values.

(b) Credit Risk

As at March 31, 2008, the Trust held investments in the form of Banker's Acceptance Notes. The credit risk on cash and cash equivalents is limited because the counter-parties are banks with high credit-ratings.

As at March 31, 2008, the Trust had accounts receivable of \$9.7 million (December 31, 2007 - \$8.5 million), net of allowances for doubtful accounts, estimated by management based on prior collectability and assessment of overall credit risk. Management does not believe the Trust is subject to any significant credit risk. Credit risk arising from trade receivables are minimized, as amounts due from any one debtor are not significant and routine credit assessments are carried out prior to credit being granted.

As at March 31, 2008, the accounts and notes receivable include \$2.7 million of accounts receivables over 30 days and a vendor take-back mortgage (December 31, 2007 - \$3.3 million). The average days outstanding for accounts receivable past due are 68 days (December 31, 2007 - 60 days). The vendor take-back mortgage was due August 24, 2006.

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20. FINANCIAL INSTRUMENTS (continued)

(c) Interest Rate and Liquidity Risk

Interest rate risk is continually monitored and managed through limiting the amount of variable rate debt as well as the total amount of debt. As at March 31, 2008 and December 31, 2007, Royal Host had no variable rate debt outstanding.

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the Trust to refinance its debts as they mature. Royal Host manages its liquidity risk through its capital management program described in note 19 of the interim consolidated financial statements.

As at March 31, 2008, the Trust's mortgages had a weighted average maturity of 2.5 years (December 31, 2007 - 2.8 years) and convertible debentures had a weighted average maturity of 6.2 years (December 31, 2007 - 6.4 years).

(d) Market Risk

Marketable securities include both available-for-sale and assets held for trading. The following table summarizes the carrying value of each category of marketable securities included under marketable securities on the balance sheet:

	<i>(in \$000's)</i>	
	March 31, 2008	December 31, 2007
Marketable securities available for sale	56,879	44,482
Marketable securities held for trading	5,152	5,392
	62,031	49,874

Royal Host has certain exposures to fluctuations in market prices of its financial instruments. Historical movements and volatilities in these market variables may significantly increase or decrease the value of the Trust's financial instruments. Based on the Trust's knowledge and experience of the financial markets, Royal Host believes the following movements are "reasonably possible" over a 12 month period. Fluctuations in market prices over the amounts presented below are possible. The information provided below is for presentation purposes only and does not represent an estimate of expected volatility in its financial instruments.

Other price risk represents the risk of an increase or decrease in the trading price of marketable securities listed on the TSX. If these movements were to occur, the impact on the consolidated statement of comprehensive income would be as follows:

	Other Price Risk (in \$000's)		
	Carrying amount	(+10%) Income	(-10%) Income
Marketable securities			
Available for sale (other comprehensive income)	56,879	5,688	(5,688)
Held for trading (net income)	5,152	515	(515)
Total marketable securities	62,031	6,203	(6,203)