

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Financial Report

For the three months ended March 31, 1999 and 1998

(unaudited)

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

	<u>As at</u>	
	<u>March 31</u> 1999	<u>December 31</u> 1998
ASSETS		
Current Assets		
Cash and short-term investments	11,624	14,642
Accounts and notes receivable	7,563	5,485
Other current assets	3,236	2,904
	<u>22,423</u>	<u>23,031</u>
Capital Assets (Note 3)	338,994	334,911
Other Assets	<u>5,174</u>	<u>4,680</u>
	<u>366,591</u>	<u>362,622</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	15,994	11,510
Current portion of mortgages and other debt	71,896	62,490
Other current liabilities	2,636	2,524
	<u>90,526</u>	<u>76,524</u>
Mortgages and other debt	74,004	77,019
Unitholders' Equity (Note 4)	<u>202,061</u>	<u>209,079</u>
	<u>366,591</u>	<u>362,622</u>

See accompanying Notes to Consolidated Financial Statements

ROYAL HOST REAL ESTATE INVESTMENT TRUST
Consolidated Statement of Net Earnings and Distributable Cash
For the three months ended March 31, 1999 and 1998
\$000 (unaudited)

	<u>1999</u>	<u>1998</u>
Hospitality Revenues		
Rooms	16,587	6,063
Food and beverages	4,462	1,234
Lease and other hotel revenues	5,153	810
	<u>26,202</u>	<u>8,107</u>
Hospitality Expenses		
Operating expenses	19,877	5,025
Franchise expenses	616	362
Management fees	132	345
	<u>20,625</u>	<u>5,732</u>
Operating Income	<u>5,577</u>	<u>2,375</u>
Other (Income) and Expenses		
Interest income	(123)	(1,054)
Interest on installment receipts term loans	-	842
Interest on mortgages	3,083	283
Trust administration	504	346
Corporate taxes	150	10
Depreciation and amortization	4,457	1,494
	<u>8,071</u>	<u>1,921</u>
Net (loss) earnings (Note 2)	<u>(2,494)</u>	<u>454</u>
Addback: Depreciation and amortization	4,457	1,494
Deduct: Capital replacement reserve	(692)	(241)
Distributable Cash (Note 2)	<u>1,271</u>	<u>1,707</u>

See accompanying Notes to Consolidated Financial Statements

ROYAL HOST REAL ESTATE INVESTMENT TRUST
Consolidated Statement of Changes in Financial Position
For the three months ended March 31, 1999 and 1998
\$000 (unaudited)

	<u>1999</u>	<u>1998</u>
CASH PROVIDED BY (USED IN)		
Operating Activities		
Net earnings	(2,494)	454
Add (deduct) non-cash items:		
Imputed interest on installment receipts receivable	-	(842)
Depreciation and amortization	4,457	1,494
Cash flows from operations	1,963	1,106
Changes in non-cash working capital	2,428	(599)
	<u>4,391</u>	<u>507</u>
Financing Activities		
Debt and mortgage principal repayments	(635)	(1,283)
Interest on convertible debenture	(434)	-
Payment on redeemable partnership units	(341)	-
Issuance of trust units under distribution reinvestment plan	2	-
Unit issue cost	-	(4)
Mortgages and debt assumed or financed on acquisition	7,026	3,201
	<u>5,618</u>	<u>1,914</u>
Investing Activities		
Capital expenditures and development	(7,848)	(1,446)
Capital replacement reserve used for property and equipment	(692)	(409)
Other assets	(721)	41
Acquisition of hotel properties	-	(6,570)
Acquisition deposits	-	(3,973)
	<u>(9,261)</u>	<u>(12,357)</u>
Distributions to unitholders	<u>(3,766)</u>	<u>(1,705)</u>
Net Change in Cash	<u>(3,018)</u>	<u>(11,641)</u>
Cash and Short-term Investments, beginning of period	14,642	17,699
Cash and Short-term Investments, end of period	<u>11,624</u>	<u>6,058</u>

See accompanying Notes to Consolidated Financial Statements

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

1. GENERAL INFORMATION

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

2. PER UNIT COMPUTATION

There were 18,829,778 trust units outstanding as at March 31, 1999. Per unit computations are based on the weighted average number of trust units outstanding for the period, after adjusting the distributable cash for payments on the convertible debenture and payments on the redeemable partnership units.

	1999		1998	
	Basic	Fully diluted	Basic	Fully diluted
Earnings (loss) per unit	\$(0.17)	anti-dilutive	\$ 0.03	n/a
Distributable cash per unit	\$ 0.03	anti-dilutive	\$ 0.13	n/a
Cash flows from operations	\$ 0.06	anti-dilutive	\$ 0.08	n/a
Weighted average number of trust units (000's)	18,830	24,108	13,114	n/a

3. CAPITAL ASSETS

	\$000			
	1999		1998	
	Gross book value	Accumulated depreciation	Net book Value	Net book Value
Land	37,325	-	37,325	37,334
Building	242,322	9,329	232,993	235,266
Furniture, fixtures, and equipment	23,032	4,219	18,813	19,309
Paving and other	1,094	44	1,050	1,064
	303,773	13,592	290,181	292,973
Properties under development	16,443	-	16,443	8,615
Goodwill	34,276	1,906	32,370	33,323
	354,492	15,498	338,994	334,911

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

4. EQUITY

	<u>\$000</u>
Unitholders' equity	
Balance, beginning of period	159,579
Interest paid on convertible debenture	(434)
Payment on redeemable partnership units	(341)
Net loss	(2,494)
Distributions paid	(3,766)
Issuance of units – reinvested distributions	2
Cumulative currency translation adjustments	15
	<u>152,561</u>
Convertible equity	
Redeemable partnership units	27,500
Convertible debenture	22,000
	<u>49,500</u>
Balance, end of period	<u>202,061</u>

5. LONG-TERM DEBT

	<u>\$000</u>	
	1999	1998
Mortgages and debt secured by hotel properties	145,900	139,509
Less: Current portion	<u>71,896</u>	<u>62,490</u>
	<u>74,004</u>	<u>77,019</u>

Principal repayments are as follows, in addition, the REIT intends to refinance approximately \$63 million of the debt due in 1999 prior to its maturity.

Year ending March 31	<u>\$000</u>
1999	71,896
2000	34,571
2001	33,938
2002	1,626
2003	1,741
Subsequent	<u>2,128</u>
	<u>145,900</u>