



LANESBOROUGH

REAL ESTATE INVESTMENT TRUST

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LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

LANESBOROUGH REAL ESTATE INVESTMENT TRUST REPORTS FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2003.

Winnipeg, Manitoba, April 26, 2004 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX Venture: LRT.UN) is pleased to report the financial results for the year ended December 31, 2003. The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with the financial statements and the annual report, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

Fiscal 2003 was a successful year for LREIT, with the Trust achieving significant growth in its asset base and net income and successfully completing two new unit offerings, which have resulted in an increased pool of investment capital.

LREIT acquired two light industrial properties in 2003, both of which are 100% leased to single tenants and secured by long-term lease agreements. During 2003, LREIT also proceeded with a comprehensive and proactive capital improvement plan for the Kenaston Village Mall in Winnipeg, encompassing the construction of a 9,032 square foot addition to the property and extensive renovations to the exterior façade of the original building. The capital improvements have transformed the mall to a more dynamic and modern shopping complex and significantly enhanced the marketability of the property. As of December 31, 2003, the Kenaston Property, including the mall and office building, was effectively 95% leased, including a 12 year lease agreement which has been secured for the 9,032 square foot addition. The gross book value of the income properties of LREIT increased during 2003 from \$10.8 Million to \$15 Million.

In terms of financing investments, LREIT continued with its investment in the Minacs Building in 2003, achieving interest income at an average rate of 11.13% on the second mortgage loan financing. In December 2003, the Trust also provided a first mortgage loan of approximately \$3.1 Million for a shopping centre in Winnipeg (the McIvor Mall) at an interest rate of 5.23%. The McIvor Mall was purchased by the Trust in February 2004, at which time the first mortgage loan was fully repaid.

During 2003, LREIT raised approximately \$7.3 Million of additional capital from the private placement of trust units. In January 2004, an additional \$10 Million of capital was raised from a private placement of a new convertible debenture offering, while \$4 Million of additional capital was raised in March 2004 from a public convertible debenture offering.

In 2004, there will be a marked shift in the investment policy of LREIT toward the acquisition of multi-family residential properties. The new investment focus will result in an opportune blend of skill and resources, given the expertise and decades long experience of Shelter Canadian Properties Limited in the development and management of multi-family residential properties.

RESULTS OF OPERATIONS

Financial Highlights As at December 31

	2003		2002	
Revenue:				
Rentals from Income properties	\$ 2,172,374		\$ 1,211,190	
Interest and other income	<u>268,446</u>		<u>24,514</u>	
Total revenue	2,440,840		1,235,704	
Operating income	1,533,706		677,941	
Net income (loss)	175,938		(47,970)	
Total assets	21,894,509		12,544,843	
Mortgage loans payable	10,704,727		7,882,709	
Convertible debentures	<u>2,704,648</u>		<u>2,687,449</u>	
	13,409,375		10,570,158	
Cash distributions	525,585		124,000	
	(\$0.50/unit)		(\$0.16/unit)	
Distributable income	299,840		9,679	
PER UNIT	<u>Basic</u>	<u>Diluted</u>	<u>Basic</u>	<u>Diluted</u>
Operating income	1.55	1.25	1.022	1.022
Net income	0.178	0.165	(0.072)	(0.072)
Distributable income	0.303	0.303	0.015	0.013

NET INCOME

The net income of LREIT increased by \$223,908 in fiscal 2003. The increase in net income reflects an increase in operating income, offset by increases in financing, trust and amortization expenses. Operating income increased by approximately \$855,000 or 126% during fiscal 2003. The increase in operating income reflects an increase in total revenues, partially offset by an increase in property operating costs.

Revenues

Total revenues increased by approximately \$1.2 Million or 97% in fiscal 2003. The increase is primarily due to an increase in revenue from Income Properties, however, there was also a significant increase in interest and other income during 2003.

Revenue from income properties increased by approximately \$960,000 or 80% during fiscal 2003. The increase reflects the following:

- The Kenaston Property was acquired by LREIT on April 23, 2002. As a result, the revenue reporting period for fiscal 2003 is approximately four months longer than in 2002.
- The occupancy level of the Kenaston Property was significantly higher in 2003, averaging approximately 95% for the entire year. In comparison, on the acquisition date in 2002, the Kenaston Property was 83% leased and the occupancy level declined to below 80% during the second quarter of 2002.

- The acquisition of two new properties in 2003 contributed to an increase in third and fourth quarter revenues.

Interest and other income increased by approximately \$244,000 in fiscal 2003. The increase reflects the following:

- The receipt of a lease termination fee of \$130,356 in the third quarter of fiscal 2003; and
- An increase in interest income derived from the Minacs loan. The Minacs loan was advanced on December 19, 2002. As a result, the investment period for the loan for fiscal 2002 was only 12 days, compared to 365 days in fiscal 2003. On July 19, 2003, the interest rate on the Minacs loan was also increased from 10% to 12.5%.

Financing Expense

Financing expense increased by \$338,391 or 61% in 2003, mainly due to the following:

- The accounting period for financing expense in fiscal 2002 did not commence until August 2002, representing the month in which LREIT became a publicly-listed entity; and
- The acquisition of additional properties and the expansion/renovation of the Kenaston Property resulted in an increase in the balance of mortgage loans payable.

Trust Expense

Trust expense increased by \$82,434 or 138% in 2003, mainly due to the following:

- An increase of approximately \$30,000 in regulatory fees, reflecting the first full year in which LREIT operated under the reporting requirements of the TSX Venture Exchange;
- An increase of approximately \$11,000 in general legal fees, primarily in regard to the completion of the Annual Information Form;
- An increase of approximately \$30,000 in costs related to the assessment of potential property acquisitions, primarily in regard to one property in Thunder Bay, Ontario; and
- Fees of approximately \$10,000 in regard to the development of the LREIT website.

FOURTH QUARTER OF FISCAL 2003

The net income of LREIT decreased by \$104,231 during the fourth quarter of 2003. The decrease in net income reflects the fact that the third quarter operating results were comparatively higher due to the inclusion of a non-recurring revenue transaction. Specifically, the third quarter revenues include a fee of \$130,356 in regard to the early termination of one of the leases of Kenaston Place. The lease termination fee resulted in comparatively higher revenues, operating income and net income during the third quarter of fiscal 2003.

The closing of the \$5 Million trust unit offering in December 2003 had a material impact on the year end Balance Sheet of LREIT. In comparison to third quarter balances, the offering resulted in an increase in equity of approximately \$4.5 Million, an increase in cash of approximately \$945,000 and an increase in mortgage loans receivable of approximately \$3.1 Million.

DISTRIBUTABLE INCOME

The distributable income of LREIT for the fiscal year ended December 31, 2003 was \$299,840, representing an increase of \$290,161 in comparison to the distributable income for fiscal 2002. The increase is primarily due to the fact that the income results for 2002 are mainly based on an operating period of four months. The significant improvement in the operating results of the Kenaston Property during fiscal 2003, and the acquisition of two new properties, also contributed to the increase in distributable income.

CASH DISTRIBUTIONS

In fiscal 2003, LREIT paid cash distributions of \$525,585, representing a distribution of \$0.50 per unit, based on the number of units which were outstanding throughout the year. The distributions were paid on a quarterly basis in equal amounts of \$0.125 per unit.

LREIT is a real estate investment trust, which is listed on the TSX Venture Exchange under the symbol "LRT.UN". The objective of LREIT is to provide Unitholders with stable cash distributions from investment in a geographically diversified Canadian portfolio of quality real estate properties. For further information on LREIT, please visit our website at www.lreit.com.

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The TSX Venture Exchange has not reviewed or approved the contents of this press release and does not accept responsibility for the adequacy or accuracy of this press release.