



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 SECOND QUARTER ENDED JUNE 30, 2004.

Winnipeg, Manitoba, August 27, 2004 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX Venture: LRT.UN) is pleased to report the financial results for the second quarter ended June 30, 2004. 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 second quarter report, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

During the second quarter of 2004, the operating results of LREIT were generally in accordance with expectations, with LREIT achieving significant growth in operating income and operating cash flows. The new accounting policy for recording the cost of property acquisitions and for amortizing income properties, in accordance with a change in generally accepted accounting principles, has resulted in a very significant increase in amortization expense and, in turn, impacted the second quarter bottom line results. The second quarter net loss of \$214,017 includes amortization expense of \$538,253, including increased amortization charges of \$363,400, which are related specifically to the new accounting policies. The increase in amortization expense under the new accounting policies has fundamentally changed the determination of net income and altered both the relative significance of the second quarter loss and the future net income expectations of LREIT. In other words, the higher net loss in the second quarter of 2004 is not indicative of declining performance or a negative trend. The increased loss primarily reflects an increase in the allocation of non-cash expenses due to a change in accounting policies. In fact, the overall performance of LREIT has improved significantly during the second quarter of 2004, as evidenced by the growth in operating income, net income before amortization expense and cash from operations. Please refer to the chart below.

During the second quarter of 2004, the operating income of LREIT increased by approximately \$980,000 or 300%, in comparison to the second quarter of 2003, while cash from operations increased by approximately \$455,000 or 440%. The increase in income is mainly due to the growth in the real estate investment portfolio of the Trust.

Distributable income for the second quarter of 2004 was \$380,606 (\$0.145 per unit), compared to \$47,972 (\$0.062 per unit) for the second quarter of 2003. The increase from 2003 reflects the increased cash flow from operations due to the acquisition of additional properties.

As previously reported, the investment activities of LREIT are currently focused on the acquisition of multi-family residential properties and in this regard, LREIT acquired four apartment complexes during the second quarter of 2004. As of June 30, 2004, residential properties represent approximately 60% of the total portfolio of LREIT, based on property acquisition costs, and the expectation is that LREIT will become much more heavily weighted toward residential properties as additional acquisitions are completed. Overall, the real estate investment portfolio has increased by approximately \$42 Million since June 30, 2003, with approximately \$33 Million of the increase occurring during the second quarter of 2004.

During the third quarter of 2004, LREIT has acquired one additional multi-family property and finalized arrangements for the acquisition of another residential property. It is anticipated that the remaining capital of approximately \$2.3 Million will be fully committed to the acquisition of additional properties by the end of the third quarter. The income from the additional properties will further add to the operating income of the Trust.

In summary, LREIT has achieved significant growth in its income generating capabilities, in comparison to both the second quarter of 2003 and the first quarter of 2004. During the first six months of 2004, and particularly in the second quarter, there has also been a very significant increase in the asset base of LREIT. As a result of the new property acquisitions, the expectation is that the operating income and operating cash flows of the Trust will continue to improve during the third quarter of 2004.

RESULTS OF OPERATIONS

Analysis of Net Income For the Three Month Period Ended

	June 30, 2004	March 31, 2004	June 30, 2003
<i>Income Properties</i>			
Operating income	\$ 1,251,167	\$ 500,220	\$ 307,528
Financing expense – mortgage loans	<u>(406,076)</u>	<u>(137,354)</u>	<u>(119,749)</u>
Net income, excluding trust operations, financing expense on debentures and amortization	<u>845,091</u>	<u>362,866</u>	<u>187,779</u>
<i>Trust Operations</i>			
Interest income	68,028	101,757	29,047
Trust expense	<u>(44,120)</u>	<u>(34,128)</u>	<u>(21,466)</u>
	<u>23,908</u>	<u>67,629</u>	<u>7,581</u>
Financing expense – debentures	<u>(544,763)</u>	<u>(343,650)</u>	<u>(100,835)</u>
Net income, excluding amortization	324,236	86,845	94,525
<i>Amortization</i>			
Amortization of income properties	<u>(228,878)</u>	<u>(77,798)</u>	<u>(19,159)</u>
Net income, excluding amortization of deferred charges and intangibles	95,358	9,047	75,366
Amortization of deferred charges	<u>(88,502)</u>	<u>(89,038)</u>	<u>(52,388)</u>
Net income (loss), excluding amortization of Intangibles	6,856	(79,991)	22,978
Amortization of intangibles	<u>(220,873)</u>	<u>(59,251)</u>	<u>-</u>
Net income (loss)	<u>\$ (214,017)</u>	<u>\$ (139,242)</u>	<u>\$ 22,978</u>
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Operating income per Statement of Income (Loss)	<u>\$ 1,319,195</u>	<u>\$ 601,977</u>	<u>\$ 336,575</u>
Cash from operations per Statement of Cash Flows	<u>\$ 558,155</u>	<u>\$ 302,352</u>	<u>\$ 103,206</u>

**Quarterly Comparison
For the Three Month Period Ended**

	<u>June 30 2004</u>	<u>June 30 2003</u>	<u>Increase (Decrease)</u>	<u>March 31, 2004</u>	<u>Increase (Decrease)</u>
Revenue:					
Rentals from Income Properties	\$1,880,361	\$ 510,098	\$ 1,370,263	\$ 839,472	\$ 1,040,889
Interest and Other Income	<u>80,978</u>	<u>31,286</u>	<u>49,692</u>	<u>104,766</u>	<u>(23,788)</u>
Total revenue	1,961,339	541,384	1,419,955	944,238	1,017,101
Operating income	1,319,195	336,575	982,620	601,977	717,218
Net income (loss)	(214,017)	22,978	(236,995)	(139,242)	(74,775)

Comparison to Previous Second Quarter

The change in bottom line results, from the second quarter of 2003 to the second quarter of 2004, is primarily due to the implementation of new accounting policies for recording property acquisitions and for amortizing income properties, in accordance with a change in generally accepted accounting principles. The second quarter results for 2004 include an expense of \$220,873 for amortization of intangible assets, whereas there was not any amortization expense for intangible assets included in the second quarter results for 2003. Similarly, amortization expense for income properties is \$209,719 higher in comparison to the second quarter of 2003, of which \$122,302 pertains to a change in accounting policy.

Due to the extent of the amortization charges for intangible assets and income properties, the new accounting policy for recording property acquisitions has altered the relative significance of direct “net income” or bottom-line comparisons between accounting periods. A comparison of operating income, operating cash flows and net income, excluding amortization expense, as provided on the first chart above, indicates that the operating performance of LREIT for the second quarter of 2004 has improved significantly in comparison to the second quarter of 2003.

Comparison to Preceding Quarter

The increase in the net loss is mainly attributable to the increase in amortization expense, resulting from the change in accounting policy for recording the purchase price of income properties and for amortizing income properties. Excluding amortization expense, the net income of LREIT increased by approximately \$237,000 or 273% during the second quarter of 2004, compared to the first quarter, while operating income increased by approximately \$717,000 or 119%.

The increase in operating income mainly reflects the acquisition of four additional income properties during the second quarter of 2004, as well as the inclusion of the operating results of the McIvor Mall for the entire second quarter, compared to a two month period during the first quarter.

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.

FOR FURTHER INFORMATION PLEASE CONTACT:

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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.