

H&R REAL ESTATE INVESTMENT TRUST

H&R FINANCE TRUST

Combined Statements of Cash Flows

(In thousands of dollars)

Years ended December 31, 2010 and 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Net earnings	\$ 172,348	\$ 86,525
Items not affecting cash:		
Rent amortization (notes 13 and 24)	3,912	3,931
Depreciation and amortization (notes 15 and 24)	125,175	130,409
Gain on sale of income properties (note 24)	(3,576)	(10,649)
Gain on extinguishment of debt (note 3)	(17,296)	-
Impairment loss on income properties (note 3)	14,862	14,764
Future income tax recovery (note 23)	(123,303)	(9,613)
Unrealized (gain) loss on derivative instruments (notes 7, 9(b) and 19(c))	5,521	(3,463)
Loss on repayment of debentures (note 8(f))	38,834	-
Effective interest rate accretion (notes 14 and 24)	11,453	5,844
Unrealized loss on foreign exchange	6,779	20,487
Unit-based compensation (note 11(a))	1,225	535
Net earnings attributable to non-controlling interest (note 10)	6,421	3,670
Change in other non-cash operating items (note 17)	822	(3,499)
	243,177	238,941
Financing:		
Bank indebtedness	75,485	(99,374)
Mortgages payable:		
New mortgages payable	35,831	82,134
Principal repayments	(107,273)	(143,553)
Proceeds from issuance of debentures payable (notes 8(d) and 8(e))	445,924	510,352
Redemption of warrants (note 8(f))	-	(185,714)
Repayment of debentures payable (note 8(f))	(227,752)	-
Proceeds from issuance of units, net	14,829	13,781
Distributions to unitholders (note 11(b))	(99,426)	(93,811)
Distributions to non-controlling interest (note 10)	(4,282)	(3,915)
	133,336	79,900
Investments:		
Properties under development	(463,362)	(313,511)
Income properties:		
Net proceeds on disposition of income properties	22,183	96,258
Acquisitions (note 3)	(80,422)	-
Capital expenditures	(15,371)	(10,090)
Mortgages and amounts receivable	60,789	15,821
Restricted cash (note 5)	895	(15,497)
	(475,288)	(227,019)
Increase (decrease) in cash and cash equivalents	(98,775)	91,822
Cash and cash equivalents, beginning of year (notes 6 and 24)	109,505	17,683
Cash and cash equivalents, end of year (notes 6 and 24)	\$ 10,730	\$ 109,505

Supplemental cash flow information (note 17)

See accompanying notes to combined financial statements.