

**QUARTERLY REPORT**

**FORM 51-901F**

<b>ISSUER DETAILS</b> NAME OF ISSUER Allied Hotel Properties Inc.		FOR QUARTER ENDED March 31, 2001	DATE OF REPORT Y M D 01 05 28	
ISSUER'S ADDRESS  Suite 300 – 515 West Pender Street				
CITY Vancouver	PROVINCE B.C.	POSTAL CODE V6B 6H5	ISSUER FAX NO. 604-682-8131	ISSUER TELEPHONE NO. 604-669-5335
CONTACT PERSON John R. Ellen, C.A.		CONTACT'S POSITION Chief Financial Officer		CONTACT TELEPHONE NO. 604-682-2533 x 160
CONTACT EMAIL ADDRESS john_ellen@alliedhotels.com		WEB SITE ADDRESS www.alliedhotels.com		

**CERTIFICATE**

*The three schedules required to complete this Quarterly Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Quarterly Report will be provided to any shareholder who requests it.*

DIRECTOR'S SIGNATURE "Peter Y.L. Eng" (signed)	PRINT FULL NAME Peter Y.L. Eng	DATE OF REPORT Y M D 01 05 28
DIRECTOR'S SIGNATURE "Ronald G. Erdman" (signed)	PRINT FULL NAME Ronald G. Erdman	DATE OF REPORT Y M D 01 05 28



Consolidated Financial Statements of

**ALLIED HOTEL PROPERTIES INC.**

March 31, 2001

# ALLIED HOTEL PROPERTIES INC.

Consolidated Balance Sheets  
 March 31, 2001 and December 31, 2000  
 (in thousands of dollars)

	March 2001	December 2000
	Unaudited	Audited
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,674	\$ 3,638
Accounts receivable	3,178	2,846
Inventories	706	799
Prepaid expenses	331	276
Land held for resale	11,326	11,326
Future income taxes	502	502
	<u>17,717</u>	<u>19,387</u>
Income-producing properties	173,511	174,432
Investments	1,355	1,319
Deferred costs, net of amortization	1,719	1,454
Future income taxes	7,157	6,433
	<u>\$ 201,459</u>	<u>\$ 203,025</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 17,557	\$ 15,441
Current portion of deferred revenue	134	216
Current portion of long-term debt	16,209	17,853
Current portion of capital lease obligation	514	482
Future income taxes	14	14
	<u>34,428</u>	<u>34,006</u>
Deferred revenue	1,765	1,799
Long-term debt (note 3)	135,448	133,458
Capital lease obligation	895	894
Due to affiliated companies	13,381	13,279
Future income taxes	3,605	3,605
Non-controlling interest	4,607	5,053
	<u>194,129</u>	<u>192,094</u>
Shareholders' equity:		
Share capital	29,868	29,868
Deficit	<u>(22,538)</u>	<u>(18,937)</u>
	7,330	10,931
	<u>\$ 201,459</u>	<u>\$ 203,025</u>

See accompanying notes to consolidated financial statements.

"Peter Y.L. Eng" (signed) \_\_\_\_\_ Director  
 Peter Y.L. Eng

"Ronald G. Erdman" (signed) \_\_\_\_\_ Director  
 Ronald G. Erdman

# ALLIED HOTEL PROPERTIES INC.

Unaudited Consolidated Statements of Operations  
 Three months ended March 31, 2001 and 2000  
 (in thousands of dollars, except per share amounts)

	2001	2000
Revenues:		
Rooms	\$ 9,709	\$ 9,245
Food and beverage	4,647	4,314
Other	1,205	1,128
	<u>15,561</u>	<u>14,687</u>
Cost of sales:		
Rooms	3,533	3,543
Food and beverage	4,105	4,004
Other	371	380
	<u>8,009</u>	<u>7,927</u>
Gross profit	7,552	6,760
Operating expenses:		
Selling, general and administrative	5,959	5,344
Management fees	333	408
Taxes and insurance	1,330	1,337
Depreciation and amortization	1,395	1,507
	<u>9,017</u>	<u>8,596</u>
Operating loss	1,465	1,836
Other expenses (income):		
Interest on long term debt	2,958	2,657
Other interest	453	233
Equity in (income) of investees	(36)	(17)
	<u>3,375</u>	<u>2,873</u>
Loss before income taxes and non-controlling interest	4,840	4,709
Income taxes (recovery):		
Current	53	89
Future (note 2)	(724)	(746)
	<u>(671)</u>	<u>(657)</u>
Loss before non-controlling interest	4,169	4,052
Non-controlling interest	(568)	(685)
Net loss	\$ 3,601	\$ 3,367
Basic and fully diluted loss per share	\$0.03	\$0.03

See accompanying notes to consolidated financial statements.

# ALLIED HOTEL PROPERTIES INC.

Unaudited Consolidated Statements of Deficit  
Three months ended March 31, 2001 and 2000  
(in thousands of dollars)

		2001		2000
Net loss	\$	3,601	\$	3,367
Deficit, beginning of period				
As previously stated		18,937		12,874
Adjustment to reflect changes in accounting for income taxes		—		(2,536)
As restated		18,937		10,338
Deficit, end of period	\$	22,538	\$	13,705

*See accompanying notes to consolidated financial statements.*

# ALLIED HOTEL PROPERTIES INC.

Unaudited Consolidated Statements of Cash Flows  
Three months ended March 31, 2001 and 2000  
(in thousands of dollars)

	2001	2000
Cash provided by (used in):		
Operations:		
Net loss	\$ (3,601)	\$ (3,367)
Items not involving cash:		
Depreciation and amortization	1,395	1,507
Future income taxes	(724)	(746)
Non-controlling interest	(568)	(685)
Equity in income of investees	(36)	(17)
Amortization of deferred revenue	(116)	(127)
Funds from operations	(3,650)	(3,435)
Changes in non-cash operating working capital (note 6)	1,822	1,584
	(1,828)	(1,851)
Financing:		
Proceeds from long-term debt	10,000	—
Principal repayments on long-term debt	(9,654)	(2,090)
Due to affiliated companies	102	4,513
Repayment of obligations under capital leases	(121)	(11)
Deferred revenue	—	—
Payments received from non-controlling interest	122	—
	449	2,412
Investments:		
Additions to income-producing properties	(320)	(214)
Increase in deferred costs	(265)	(41)
	(585)	(255)
Increase (decrease) in cash and cash equivalents	(1,964)	306
Cash and cash equivalents, beginning of period	3,638	948
Cash and cash equivalents, end of period	\$ 1,674	\$ 1,254

Funds from operations per share (note 5)  
Supplemental information (note 6)

See accompanying notes to consolidated financial statements.

# ALLIED HOTEL PROPERTIES INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2001 and 2000  
(in thousands of dollars, except per share amounts)

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## 1. Significant accounting policies:

### a. General

The Company's accounting policies and its standards of financial disclosure are in accordance with Canadian generally accepted accounting principles ("GAAP") and are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies.

The Company's standards of financial disclosure in these interim financial statements are in accordance with the recommendations in the Canadian Institute of Chartered Accountants' ("CICA") new standard on Interim Financial Statements. Certain note disclosures do not fully conform to Canadian GAAP disclosure requirements for annual financial statements, and these financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2000 (the "Annual Financial Statements"). These interim financial statements follow the same accounting policies as the Annual Financial Statements.

### b. Cyclical Business

The nature of the hotel business is inherently cyclical such that, in prior years, approximately 60% of the Company's annual revenues are generated in the second and third quarters of the year. With a significant investment in income producing properties, the Company has high fixed costs, particularly for depreciation and interest expense. As a result, the first and fourth quarters have historically recorded lower net operating income than the second and third quarters. These seasonal factors should be considered when reviewing the Company's quarterly operating results.

## 2. Restatement of prior period statements:

### *Future income taxes*

In the first quarter of 2000 the Company adopted the provisions of Section 3465 of the CICA Handbook, Income Taxes ("Section 3465"). A Future Tax Asset was recognized for each subsidiary company reporting a loss, resulting in a credit to Future Income Tax expense in the Statement of Operations of \$2,099. Upon subsequent review it was determined that a valuation allowance should be taken against the Future Tax Asset in certain subsidiary companies. The comparative statements for the first quarter 2000 have therefore been restated by recalculating the Future Tax Asset in the Balance Sheet and the Future Tax credit in the Statement of Operations, on the same basis as that used in the Company's year-end audited financial statements. The result of this restatement is to increase the loss previously reported for the comparative period by \$1,353.

# ALLIED HOTEL PROPERTIES INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2001 and 2000  
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### 3. Long-term debt:

In the first quarter of 2001 the Company refinanced a portion of its long-term debt secured by one of its hotel properties. \$8,000 of floating rate debt was refinanced through a new facility of \$10,000, with interest fixed at 9% for a five-year term. Principal repayments of long-term debt over the next five years as disclosed in the year-end audited financial statements reflected this refinancing.

### 4. Stock Options:

The Company has a stock option plan ("the Plan") providing for the issuance of up to 10,600,000 options to purchase common shares. The Plan provides that options have a maximum term of ten years and be exercisable at a price not less than fair market value of the shares at the time of grant.

During 1999, the Company granted 8,700,000 options to purchase common shares, exercisable at \$0.80 per share. 20% of these options vested on each of January 1, 2000 and January 1, 2001. The remaining 60% will vest in equal parts on January 1 of each of the next 3 years. The options expire on December 31, 2004. No options were exercised during the period.

The following table summarizes the status of the stock option plans:

	2001 stock options outstanding	Weighted average exercise price	2000 stock options outstanding	Weighted average exercise price
Outstanding, January 1	8,700,000	\$ 0.80	8,700,000	\$ 0.80
Granted	–	–	–	–
Exercised	–	–	–	–
Cancelled	(180,000)	0.80	–	–
Outstanding, March 31	8,520,000	\$ 0.80	8,700,000	\$ 0.80
Exercisable, March 31	3,480,000	\$ 0.80	1,740,000	\$ 0.80

On March 31, 2001 an employee holding options to purchase 300,000 common shares left the Company. Under the terms of the Plan, unvested options are cancelled immediately upon cessation of employment. The former employee has 180 days following cessation of employment in which to exercise any vested options. As of the date of these financial statements no options had been exercised.

# ALLIED HOTEL PROPERTIES INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2001 and 2000  
(in thousands of dollars, except per share amounts)

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## 5. Per share information:

	2001	2000
Weighted average number of common shares outstanding	106,327,268	106,147,220
Net loss per share, basic and fully diluted	\$ 0.03	\$ 0.03
Funds from operations per share, basic and fully diluted	\$ (0.03)	\$ (0.03)

## 6. Supplementary cash flow information:

Changes in non-cash operating working capital consist of the following:

	2001	2000
Accounts receivable	\$ (332)	\$ 794
Inventories	93	40
Prepaid expenses	(55)	96
Accounts payable and accrued liabilities	2,116	654
	\$ 1,822	\$ 1,584

Supplemental disclosures related to the statements of cash flows consist of the following:

	2001	2000
Supplemental information:		
Interest paid	\$ 12,376	\$ 3,413
Taxes paid	170	35

## 7. Subsequent event:

Subsequent to the period end, the Company entered into an unconditional agreement to sell a two-thirds interest in one of its hotel properties for cash of \$8,000. The Company has received a deposit of \$1,000 as partial payment, with the balance due September 30, 2001, or earlier at the purchaser's option.