

QUARTERLY REPORT

FORM 51-901F

<b>ISSUER DETAILS</b> NAME OF ISSUER Allied Hotel Properties Inc.		FOR QUARTER ENDED March 31, 2002	DATE OF REPORT Y M D 01 05 31
ISSUER'S ADDRESS  Suite 300 – 515 West Pender Street			
CITY Vancouver	PROVINCE B.C.	POSTAL CODE V6B 6H5	ISSUER FAX NO. 604-682-8131
CONTACT PERSON John R. Ellen, C.A.		CONTACT'S POSITION Chief Financial Officer	ISSUER TELEPHONE NO. 604-669-5335
CONTACT EMAIL ADDRESS john_ellen@alliedhotels.com		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 31
DIRECTOR'S SIGNATURE "Ronald G. Erdman" (signed)	PRINT FULL NAME Ronald G. Erdman	DATE OF REPORT Y M D 01 05 31



Consolidated Financial Statements of

**ALLIED HOTEL PROPERTIES INC.**

March 31, 2002

# ALLIED HOTEL PROPERTIES INC.

Consolidated Balance Sheets  
 March 31, 2002 and December 31, 2001  
 (in thousands of dollars)

	March 2002	December 2001
	Unaudited	Audited
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ —	\$ 179
Accounts receivable	1,916	2,281
Due from affiliated company	—	72
Inventories	441	482
Prepaid expenses	568	506
Future income taxes	74	74
	<u>2,999</u>	<u>3,594</u>
Income-producing properties	117,365	118,059
Investments	2,550	916
Deferred costs, net of amortization	382	390
Future income taxes	4,947	4,566
	<u>\$ 128,243</u>	<u>\$ 127,525</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank indebtedness	\$ 961	\$ —
Accounts payable and accrued liabilities	13,038	12,749
Current portion of deferred revenue (note 5)	3,165	254
Current portion of capital lease obligation	413	444
Long-term debt (note 2)	99,188	3,532
	<u>116,765</u>	<u>16,979</u>
Deferred revenue	2,167	2,212
Long-term debt	—	96,623
Capital lease obligation	491	557
Non-controlling interest	484	819
	<u>119,907</u>	<u>117,190</u>
Shareholders' equity:		
Share capital	29,868	29,868
Deficit	(21,532)	(19,533)
	<u>8,336</u>	<u>10,335</u>
	<u>\$ 128,243</u>	<u>\$ 127,525</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, 2002 and 2001  
(in thousands of dollars, except per share amounts)

	2002	2001
Revenues:		
Rooms	\$ 5,597	\$ 9,709
Food and beverage	3,405	4,647
Other	1,232	1,205
	<u>10,234</u>	<u>15,561</u>
Cost of sales:		
Rooms	2,092	3,533
Food and beverage	3,180	4,105
Other	344	371
	<u>5,616</u>	<u>8,009</u>
Gross profit	4,618	7,552
Operating expenses:		
Selling, general and administrative	3,855	5,959
Management fees	126	333
Taxes and insurance	960	1,330
Depreciation and amortization	847	1,395
	<u>5,788</u>	<u>9,017</u>
Operating loss	1,170	1,465
Other expenses (income):		
Interest on long term debt	1,351	2,958
Other interest	193	453
Equity in income of investees	(32)	(36)
	<u>1,512</u>	<u>3,375</u>
Loss before income taxes and non-controlling interest	2,682	4,840
Income taxes (recovery):		
Current	33	53
Future	(381)	(724)
	<u>(348)</u>	<u>(671)</u>
Loss before non-controlling interest	2,334	4,169
Non-controlling interest	(335)	(568)
Net loss	\$ 1,999	\$ 3,601
Basic and diluted loss per share	\$0.02	\$0.03

See accompanying notes to consolidated financial statements.

# ALLIED HOTEL PROPERTIES INC.

Unaudited Consolidated Statements of Deficit  
Three months ended March 31, 2002 and 2001  
(in thousands of dollars)

		2002		2001
Net loss	\$	1,999	\$	3,601
Deficit, beginning of period		19,533		18,937
Deficit, end of period	\$	21,532	\$	22,538

*See accompanying notes to consolidated financial statements.*

# ALLIED HOTEL PROPERTIES INC.

Unaudited Consolidated Statements of Cash Flows  
Three months ended March 31, 2002 and 2001  
(in thousands of dollars)

	2002	2001
Cash provided by (used in):		
Operations:		
Net loss	\$ (1,999)	\$ (3,601)
Items not involving cash:		
Depreciation and amortization	847	1,395
Future income taxes	(381)	(724)
Non-controlling interest	(335)	(568)
Equity in income of investees	(32)	(36)
Amortization of deferred revenue	(229)	(116)
Funds from operations	(2,129)	(3,650)
Changes in non-cash operating working capital (note 4)	633	1,822
	(1,496)	(1,828)
Financing:		
Proceeds from long-term debt	–	10,000
Principal repayments on long-term debt	(968)	(9,654)
Due from affiliated companies	72	102
Repayment of obligations under capital leases	(98)	(121)
Payments received from non-controlling interest	–	122
	(994)	449
Investments:		
Additions to income-producing properties	(145)	(320)
Deposits received (note 5)	1,495	–
Increase in deferred costs	–	(265)
	1,350	(585)
Decrease in cash and cash equivalents	(1,140)	(1,964)
Cash and cash equivalents, beginning of period	179	3,638
Cash and cash equivalents, end of period	\$ (961)	\$ 1,674

Cash and cash equivalents are defined as cash less bank indebtedness.

Supplemental information (note 4)

See accompanying notes to consolidated financial statements.

# ALLIED HOTEL PROPERTIES INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2002 and 2001  
(in thousands of dollars, except per share amounts)

---

## 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, 2001 (the "Annual Financial Statements").

These interim financial statements follow the same accounting policies as the Annual Financial Statements, except as described in note 2.

### 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. Change of accounting policy:

### a. *Long-term debt*

In the first quarter of 2002 the Company adopted the recommendations of the CICA's Emerging Issues Committee Abstract of Issue Discussed entitled "Balance sheet classification of callable debt obligations and debt obligations expected to be refinanced" ("EIC-122"). EIC-122 requires debt obligations that, by their terms, are due on demand be classified as current liabilities in the balance sheet, even though liquidation of a portion of the obligation may not be expected to occur within one year. In accordance with EIC-122 the accounting treatment has been applied prospectively, and the balance sheet as at December 31, 2001 has not been restated.

# ALLIED HOTEL PROPERTIES INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2002 and 2001  
(in thousands of dollars, except per share amounts)

## 2. Change of accounting policy (continued):

### *b. Stock-based compensation*

Effective January 1, 2002 the Company adopted the new recommendations of the CICA in respect of Stock-based Compensation and Other Stock-based Payments. Under this new standard, stock-based compensation awards that can be settled in cash or other assets should be valued at fair market value at the grant date of the award and treated as compensation expense in the period in which the award is granted. The company had no stock options outstanding during the period and, consequently, the implementation of this standard had no effect on the financial statements for the three months ended March 31, 2002 or March 31, 2001.

## 3. Per share information:

	2002	2001
Weighted average number of common shares outstanding	106,327,268	106,327,268

## 4. Supplementary cash flow information:

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

	2002	2001
Accounts receivable	\$ 365	\$ (332)
Inventories	41	93
Prepaid expenses	(62)	(55)
Accounts payable and accrued liabilities	289	2,116
	\$ 633	\$ 1,822

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

	2001	2000
Supplemental information:		
Interest paid	\$ 1,394	\$ 3,916
Taxes paid	-	-
Non-cash investing and financing activities:		
Acquisition of equipment under capital lease	-	154

# ALLIED HOTEL PROPERTIES INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2002 and 2001  
(in thousands of dollars, except per share amounts)

---

## 5. Deferred revenue:

In February 2002 the owner of a two-thirds interest in the Holiday Inn Vancouver Downtown Hotel ("Holiday Inn") served notice of its intention to exercise an option to acquire the one-third interest owned by the Company. The Company received a deposit from the purchaser. The Company ceased to account for its one-third share in the net income or loss of the Holiday Inn effective February 2002 as the purchaser is entitled to all revenues and is responsible for all expenses beyond such date. The gain on sale of the property has been deferred pending receipt of the balance of the purchase price, on or before September 30, 2002, and the removal of the Company as guarantor of the indebtedness on the property.