Consolidated Financial Statements
(Expressed in thousands of U.S. dollars)

AMERICAN HOTEL INCOME PROPERTIES REIT LP

And Independent Auditors' Report thereon

Years ended December 31, 2024 and 2023

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone 604 691 3000
Fax 604 691 3031

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of American Hotel Income Properties REIT LP:

Opinion

We have audited the consolidated financial statements of American Hotel Income Properties REIT LP (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2024 and December 31, 2023
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of partner's capital for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements ("Note 2"), which explains that certain comparative information presented as at December 31, 2023 and for the year then ended has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate comparative information.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of Impairment of Cash-Generating Units

Description of the Matter

We draw attention to Notes 3(d)(*ii*)(b), 4(e) and 6(a) to the financial statements. The hotel properties are measured at cost less accumulated depreciation and accumulated impairment losses. The Entity defines each hotel property as a separate cash-generating unit for purposes of evaluating impairment. Accordingly, each cash-generating unit is comprised of property, buildings and equipment, and the related intangible asset, which in aggregate, were recorded at carrying amounts of $564,627 thousand and $1,893 thousand, respectively. At each reporting date, the Entity performs an assessment for internal and external indicators of impairment for each cash-generating unit. If indicators are identified, the Entity then estimates the recoverable amount. During the current year, the Entity identified an indicator of impairment for a subset of cash-generating units, for which the Entity then estimated the recoverable amount.

The recoverable amount of each cash-generating unit is the greater of its value in use and its fair value less costs of disposal. When the carrying amount of the cash-generating unit exceeds its recoverable amount, an impairment loss is recognized in an amount equal to the excess. In determining the recoverable amount of cash-generating units, estimates include forecast cash flows from operations, revenue growth rates, discount rates and terminal capitalization rates.

Why the Matter is a Key Audit Matter

We identified the evaluation of impairment of cash-generating units as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of hotel properties and the high degree of estimation uncertainty in determining the recoverable amount of cash-generating units. In addition, specialized skills and knowledge and significant auditor judgment were required to evaluate the results of our audit procedures due to the sensitivity of the Entity's determination of the recoverable amount of cash-generating units to minor changes to significant assumptions.

How the Matter was Addressed in the Audit

The primary procedures we performed to address this key audit matter included the following:

- We assessed the forecasted cash flows used in determining the recoverable amount by comparing baseline forecasted cash flows to historical cash flows and annual operating budgets, as well as evaluating the consistency of assumptions with evidence obtained in other areas of the audit.
- We evaluated the estimated revenue growth rates by comparing them against hotel market outlook reports indicating occupancy and pricing trends. When performing this assessment, we considered changes in conditions and events affecting the performance of cash-generating units in order to assess the adjustment, or lack of adjustments, made by the Entity.
- We involved valuations professionals with specialized skills and knowledge to assist in:
  - Evaluating the appropriateness of the valuation method selected to determine the recoverable amount for cash-generating units.
  - Evaluating the appropriateness of discount rates and terminal capitalization rates used in determining the recoverable amount of certain cash-generating units. To perform this evaluation, our valuations professionals compared the discount and terminal capitalization rates to published reports of real estate industry commentators and considered features and risks specific to the cash-generating unit.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and, remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor’s report Dan Nipp.

Vancouver, Canada
March 31, 2025

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Consolidated Statements of Financial Position
(Expressed in thousands of U.S. dollars)

	Notes	December 31, 2024	December 31, 2023 (Restated – Note 2)
Assets			
Current assets:			
Cash and cash equivalents		$ 27,845	$ 17,798
Current portion of restricted cash	5	18,118	19,542
Trade and other receivables		6,086	12,388
Prepaids and other assets		8,079	10,748
Assets held for sale	21	41,316	46,873
		101,444	107,349
Other receivables	16(b)	5,811	5,598
Restricted cash	5	6,588	9,986
Property, buildings and equipment	6	564,627	802,223
Intangible assets	7	1,893	4,134
Deferred income tax assets	8	4,747	12,371
		$ 685,110	$ 941,661
Liabilities and Partners' Capital			
Current liabilities:			
Accounts payable and accrued liabilities		$ 24,835	$ 38,153
Current portion of term loans and revolving credit facility	9	161,523	111,150
Liabilities related to assets held for sale	21	39,140	33,425
Current portion of lease and other liabilities	10	92	325
		225,590	183,053
Term loans and revolving credit facility	9	223,286	479,401
Convertible debentures	11	46,185	44,888
Lease and other liabilities	10	542	717
Deferred management fee		1,771	953
Deferred income tax liabilities	8	3,717	3,219
		501,091	712,231
Partners' capital attributable to Unitholders		138,916	185,860
Non-controlling interest	12(a)	45,103	43,570
		$ 685,110	$ 941,661

Subsequent events (note 22)
Commitments and contingencies (note 17)

See accompanying notes to consolidated financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Consolidated Statements of Comprehensive Loss
(Expressed in thousands of U.S. dollars)

	Notes	Years ended December 31, 2024	2023 (Restated – Note 2)
Revenue:			
Rooms		$ 237,735	$ 261,583
Food, beverage and other		19,149	18,938
		256,884	280,521
Hotel expenses:			
Operating expenses		138,714	150,774
Energy		10,846	12,438
Property maintenance		15,289	15,148
Property taxes, insurance and ground lease		18,618	18,789
Total operating expenses		183,467	197,149
Net operating income		73,417	83,372
Depreciation and amortization	6,7	29,537	34,948
Income from operating activities		43,880	48,424
Corporate and administrative		13,961	18,640
Write-off (recovery) of property, building and equipment	6(c)	(1,118)	10,570
Impairment of cash-generating units	6(a)	30,990	75,861
Other income	6(d)	(2,249)	(14,796)
Loss (gain) on deconsolidation of subsidiary	6(e)	2,303	(171)
Gain on sale of properties	6(b)	(5,595)	(1,523)
Gain on convertible debenture conversion	11	(245)	-
Income (loss) from operations before undernoted		5,833	(40,157)
Finance income		(227)	(106)
Change in fair value of warrants	12(b)	(139)	(3,085)
Change in fair value of interest rate swap contracts		-	4,078
Finance costs	15	40,160	36,105
Loss from operations before income taxes		(33,961)	(77,149)
Current income tax expense (recovery)	8	(19)	459
Deferred income tax expense (recovery)	8	8,122	(172)
Loss and comprehensive loss		$ (42,064)	$ (77,436)
Income (loss) attributable to:			
Unitholders		$ (46,984)	$ (81,491)
Non-controlling interest	12(a)	4,920	4,055
		$ (42,064)	$ (77,436)
Basic loss per Unit:		$ (0.59)	$ (1.03)
Diluted loss per Unit:		$ (0.59)	$ (1.03)
Basic weighted average number of Units outstanding		79,174,822	78,852,669
Diluted weighted average number of Units outstanding		79,174,822	78,852,669

See accompanying notes to consolidated financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Consolidated Statements of Partners' Capital
(Expressed in thousands of U.S. dollars, except Units outstanding)

Years ended December 31, 2024 and 2023

	Notes	Units outstanding	Partners' contributions[1]	Contributed surplus	Cumulative deficit	Total	Non-controlling interest
Balance, January 1, 2024		79,026,415	$ 624,497	$ 1,437	$ (440,074)	$ 185,860	$ 43,570
Securities-based compensation	14	-	-	558	-	558	-
Issuance of Units under securities-based compensation plan	13,14	152,613	152	(462)	-	(310)	-
Issuance of Units for convertible debenture conversion	11	54,545	(29)	-	-	(29)	-
Unit repurchase commitment under ASPP	13(e)	-	(329)	-	-	(329)	-
Repurchase of Units under Normal Course Issuer Bid	13(e)	-	(41)	-	-	(41)	-
Loss and comprehensive loss		-	-	-	(46,984)	(46,984)	4,920
Other		-	-	-	191	191	-
Distributions to non-controlling interest in cash and in kind	12(a)	-	-	-	-	-	(4,920)
Issuance of Series C Preferred Stock to non-controlling interest	12(a)	-	-	-	-	-	1,533
Balance, December 31, 2024		79,233,573	$ 624,250	$ 1,533	$ (486,867)	$ 138,916	$ 45,103
Balance, January 1, 2023		78,795,444	$ 624,295	$ 998	$ (346,757)	$ 278,536	$ 43,570
Securities-based compensation	14	-	-	758	-	758	-
Issuance of Units under securities-based compensation plan	13,14	230,971	202	(319)	-	(117)	-
Loss and comprehensive loss (Restated – Note 2)		-	-	-	(81,491)	(81,491)	4,055
Distributions to non-controlling interest	12(a)	-	-	-	-	-	(4,055)
Distributions	13(d)	-	-	-	(11,826)	(11,826)	-
Balance, December 31, 2023 (Restated – Note 2)		79,026,415	$ 624,497	$ 1,437	$ (440,074)	$ 185,860	$ 43,570

[1] *Includes $0.1 of General Partner Units.*

See accompanying notes to consolidated financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

		Years ended December 31,	
	Notes	2024	2023 (Restated – Note 2)
Cash provided by (used in):			
Operating activities:			
Loss and comprehensive loss		$ (42,064)	$ (77,436)
Interest paid		(38,734)	(26,946)
Securities-based compensation paid in cash		-	11
Insurance proceeds for business interruption		-	3,479
Current income taxes paid		-	(459)
Items not affecting cash:			
Depreciation and amortization	6,7	29,537	34,948
Impairment of cash-generating units	6(a)	30,990	75,861
Write-off (recovery) of property, buildings and equipment	6(c)	(1,118)	10,570
Loss (gain) on deconsolidation of subsidiary		2,303	(171)
Gain on sale of properties	6(b)	(5,595)	(1,523)
Gain on conversion of convertible debenture	11	(245)	-
Securities-based compensation expense		558	747
Deferred income tax (expense) recovery		8,122	(172)
Current income tax expense		(19)	459
Change in fair value of warrants		(139)	(3,085)
Change in fair value of interest rate swap contracts		-	4,078
Finance costs	15	40,160	36,105
Finance income		(212)	-
Deferred management fees		576	-
Other income		(1,994)	(14,796)
		22,126	41,670
Change in non-cash working capital:	20(a)	(11,424)	(10,822)
		10,702	30,848
Investing activities:			
Additions to property, buildings and equipment		(10,071)	(32,257)
Proceeds from sale of hotel	6(b)	165,062	11,700
Insurance proceeds for property damage	6(d)	7,575	4,563
Principal and interest from loan receivable		-	2,939
Net change in restricted cash	5	1,533	8,722
Change in non-cash working capital related to investing activities		(8,904)	6,970
		155,195	2,637
Financing activities:			
Principal payments on term loans		(168,500)	(15,943)
Proceeds from term loans	9(d)	17,500	-
Distributions paid	13(d)	-	(11,826)
Distributions to non-controlling interest	12(a)	(3,387)	(4,055)
Payments on lease liabilities		(269)	(122)
Proceeds from revolving credit facility		-	5,000
Financing costs paid		(1,194)	(1,686)
		(155,850)	(28,632)
Increase in cash and cash equivalents		10,047	4,853
Cash and cash equivalents, beginning of period		17,798	12,945
Cash and cash equivalents, end of period		$ 27,845	$ 17,798

See accompanying notes to consolidated financial statements.

1. Reporting entity:

American Hotel Income Properties REIT LP ("AHIP") is a limited partnership formed under the Limited Partnerships Act (Ontario) to invest in hotel real estate properties in the United States and was established pursuant to the terms of AHIP's Limited Partnership Agreement dated October 12, 2012, which was most recently amended and restated on June 17, 2021. AHIP's general partner is American Hotel Income Properties REIT (GP) Inc. ("General Partner"). AHIP's head office and address for service is 810 – 925 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3L2.

AHIP's primary business is owning Premium Branded hotels, which have franchise agreements with international hotel brands including Marriott, Hilton and IHG.

AHIP's units ("Units") are listed on the Toronto Stock Exchange (the "TSX") under the symbols HOT.UN and HOT.U and also in the United States on the OTCQX International marketplace under the symbol AHOTF. AHIP's convertible debentures are listed on the TSX under the symbol HOT.DB.V.

2. Restatement of previously issued financial statements:

AHIP has restated its comparative column to these consolidated financial statements for the year ended December 31, 2023.

a) AHIP reviewed the consolidation of a subsidiary with a non-recourse loan which had a non-payment of principal on the loan maturity date of December 6, 2023, triggering an event of default under the applicable loan agreement. The event of default triggered a reassessment of control and AHIP determined that it no longer had control of the subsidiary as at December 6, 2023. An adjustment has been made to deconsolidate the subsidiary, removing its assets and liabilities with a corresponding gain (loss) on deconsolidation being recognized for the year ended December 31, 2023. In addition, AHIP reviewed the estimated recoverable amount of the single hotel located in Pennsylvania securing the non-recourse loan and recognized an additional impairment loss of $1,691 prior to deconsolidation of the subsidiary.

b) AHIP reviewed the estimated recoverable amount related to a single hotel located in New Jersey as at December 31, 2023. Upon further review of the discounted cash flow analysis, AHIP made adjustments to the growth rates on the forecasted cash flows and the discount rate which resulted in an additional impairment loss of $2,000 for the year ended December 31, 2023.

These restatements did not impact the opening balances as at January 1, 2023 on AHIP's statement of financial position.

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

2. Restatement of previously issued financial statements (Continued):

The following tables present the impact of the restatement AHIP's previously reported consolidated financial statements for the year ended December 31, 2023:

Consolidated Statements of Financial Position Impact

	Previously Reported	Adjustments	Restated
Assets			
Current assets:			
Current portion of restricted cash	$ 20,718	$ (1,176)	$ 19,542
Trade and other receivables	12,474	(86)	12,388
Prepaids and other assets	10,947	(199)	10,748
Total current assets	108,810	(1,461)	107,349
Restricted cash	10,541	(555)	9,986
Property, buildings and equipment	813,413	(11,190)	802,223
Intangible assets	4,154	(20)	4,134
Total assets	$ 954,887	$ (13,226)	$ 941,661
Liabilities and Partners' Capital			
Current liabilities:			
Accounts payable and accrued liabilities	$ 38,537	$ (384)	$ 38,153
Current portion of term loans and revolving credit facility	120,472	(9,322)	111,150
Total liabilities	721,937	(9,706)	712,231
Partners' capital attributable to Unitholders	189,380	(3,520)	185,860
Total liabilities and partners' capital attributable to Unitholders	$ 954,887	$ (13,226)	$ 941,661

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

2. Restatement of previously issued financial statements (Continued):

Consolidated Statements of Comprehensive Loss Impact

	Previously Reported	Adjustments	Restated
Impairment of cash-generating units	$ (72,170)	$ (3,691)	$ (75,861)
Gain on deconsolidation of subsidiary	-	171	171
Loss and comprehensive loss	$ (73,916)	$ (3,520)	$ (77,436)
Income (loss) attributable to:			
Unitholders	$ (77,971)	$ (3,520)	$ (81,491)
Non-controlling interest	4,055	-	4,055
	$ (73,916)	$ (3,520)	$ (77,436)
Basic loss per Unit:	$ (0.99)	$ (0.04)	$ (1.03)
Diluted loss per Unit:	$ (0.99)	$ (0.04)	$ (1.03)

Consolidated Statements of Cash Flows Impact

	Previously Reported	Adjustments	Restated
Cash provided by (used in):			
Loss and comprehensive loss	$ (73,916)	$ (3,520)	$ (77,436)
Impairment of cash-generating units	72,170	3,691	75,861
Gain on deconsolidation of subsidiary	-	(171)	(171)
Cash generated from operating activities	$ 30,848	$ -	$ 30,848
Cash generated from investing activities	$ 2,637	$ -	$ 2,637
Cash used in financing activities	$ (28,632)	$ -	$ (28,632)

3. Basis of presentation and statement of compliance:

(a) Statement of compliance:

These consolidated financial statements have been prepared in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the Interpretations Committee ("IFRIC"). AHIP has consistently applied the accounting policies in all years presented.

The Board of Directors of AHIP's General Partner, upon recommendation of its Audit Committee, approved the contents of these consolidated financial statements on March 31, 2025.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis with the exception of interest rate swap contracts and warrants which are recorded at fair value.

(c) Functional and presentation currency:

The functional and presentation currency of AHIP and its subsidiaries is United States ("U.S.") dollars.

Transactions denominated in Canadian dollars ("CAD") are translated to U.S. dollars as follows:

(i) Monetary assets and liabilities are translated at current rates of exchange and non-monetary assets and liabilities are translated at historical rates of exchange;

(ii) Revenues and expenses are translated at average rates of exchange for the period; and

(iii) All exchange gains and losses are recognized in the consolidated statements of comprehensive loss.

3. Basis of presentation and statement of compliance (continued):

(d) Use of estimates, assumptions and judgments:

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Judgments:

(a) Financial statement classification of preferred shares and warrants:

Management used judgment in assessing, in accordance with IAS 32 *Financial Instruments: Presentation*, whether the preferred shares and warrants issued should be classified as a liability or an equity instrument. In making this judgment, management evaluated the criteria of whether a financial instrument is an equity instrument rather than a financial liability and determined that the preferred shares are an equity instrument, and the warrants are a financial liability.

(b) Impairment:

IAS 36 *Impairment of Assets* (“IAS 36”) requires management to use judgment in assessing whether there is an impairment of AHIP’s cash-generating units (“CGUs”). In making this judgment, management evaluates, among other factors, internal and external indicators of impairment, such as changes in market conditions, the economic or legal environment and any appraisal obtained during the year. AHIP has determined that each hotel property is a separate CGU for purposes of assessing indicators of impairment and the CGU comprises the hotel's property, plant and equipment and any associated intangible assets.

(ii) Estimates:

(a) Depreciation and amortization:

Management has estimated the useful lives of property, buildings and equipment in the determination of depreciation. The estimated useful lives of property, buildings and equipment are determined based on various factors including historical data and AHIP’s expected use of the assets. Intangible assets are amortized over the average remaining contractual term of the franchise agreements.

(b) Impairment:

IAS 36 requires management to exercise judgment in determining the recoverable amount of CGUs that are tested for impairment. Judgment is involved in estimating the fair value less cost of disposal or the value in use of the CGUs, including estimates of discount rates, terminal capitalization rates, revenue multiples, growth rates and forecasted net cash flows for those CGUs which were determined to have indicators of impairment.

3. Basis of presentation and statement of compliance (continued):

(d) Use of estimates, assumptions and judgments (continued):

(ii) Estimates (continued):

(b) Impairment (continued):

The estimates reflect past experience and are consistent with external sources of information. When measuring the fair value of the CGUs, AHIP uses observable market data to the extent possible.

(c) Deferred income tax:

Deferred income tax assets and liabilities require management to assess the likelihood that AHIP will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of AHIP to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of AHIP to realize or recognize net deferred tax assets, if any, at the reporting date could be impacted.

4. Material Accounting Policies:

(a) Basis of consolidation:

The consolidated financial statements comprise the financial statements of AHIP and subsidiaries controlled by AHIP. Control exists when AHIP is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

Intra-group transactions and balances are eliminated in preparing the consolidated financial statements. The consolidated financial statements reflect the financial position, results of operations and cash flows of AHIP and its subsidiaries.

AHIP consolidates its wholly-owned subsidiaries, which include the following material legal entities:

	State of incorporation
American Hotel Income Properties REIT Inc.	Maryland
AHIP Properties LLC	Delaware
AHIP Enterprises LLC	Delaware

(b) Property, buildings and equipment:

(i) Recognition and measurement:

Property, buildings and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

4. Material accounting policies (continued):

(b) Property, buildings and equipment (continued):

(i) Recognition and measurement (continued):

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

When parts of an item of property, buildings and equipment have different useful lives, they are accounted for as separate items of property, buildings and equipment, if significant.

On the acquisition of property, buildings, and equipment, IFRS 3 *Business Combinations* includes an election to use a concentration test which is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.

AHIP may elect to use the concentration test to assess whether future properties acquired will be accounted for as business combinations or asset acquisitions.

Gains and losses on disposal of property, buildings and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, buildings, and equipment, and are recognized as a separate line item in the consolidated statements of comprehensive loss.

(ii) Subsequent costs:

The cost of replacing a part of an item of property, buildings and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to AHIP and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance of property, buildings and equipment are recognized in the consolidated statements of comprehensive loss as incurred.

(iii) Depreciation:

Depreciation is computed on a straight-line basis based on the useful lives of each component of property, buildings and equipment. Depreciation on new construction commences in the month after the asset is available for its intended use based upon the useful life of the asset, as outlined below.

Asset	Basis	Rate
Buildings	Straight-line	15 to 40 years
Equipment	Straight-line	2 to 15 years
Automobiles	Straight-line	5 years
Right of use property	Straight-line	Remaining term of lease
Right of use vehicles	Straight-line	Remaining term of lease

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted as appropriate.

4. Material accounting policies (continued):

(c) Assets held for sale:

Non-current assets that are expected to be recovered primarily through a sale rather than through continuing use are classified as held for sale. This is at the point in time when management has committed to a plan to sell the asset; there is an active program to locate a buyer; the non-current asset is being actively marketed at a reasonable price in relation to the current fair value of the asset; the sale is highly probable and is expected to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan.

Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses due to remeasurement (up to the amount of any previously recognized impairment loss) are also recognized in profit or loss. Once classified as held for sale, buildings and equipment are no longer depreciated.

(d) Intangible assets:

Intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss.

(i) Recognition and measurement:

AHIP's intangible assets consist of franchise application fees paid.

(ii) Amortization:

Amortization is calculated based on the cost of the asset less its residual value. Amortization is recognized in the consolidated statements of comprehensive loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, specifically when the agreements come into effect, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The basis of amortization and estimated useful lives is as follows:

Asset	Basis	Rate
Franchise fees	Straight-line	6 to 20 years

(e) Impairment of CGUs:

The carrying amount of each CGU is comprised of property, buildings and equipment, and the related intangible asset. At each reporting date, AHIP performs an assessment for internal and external indicators of impairment for each CGU. If any indicators are identified, AHIP then estimates the recoverable amount.

The recoverable amount of each CGU is the greater of its value in use and its fair value less costs of disposal. When the carrying amount of the CGU exceeds its recoverable amount, an impairment loss is recognized in an amount equal to the excess.

4. Material accounting policies (continued):

(e) Impairment of CGUs (continued):

When an indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased, the recoverable amount of that asset is estimated. A reversal of an impairment loss is recognized in the consolidated statements of comprehensive loss, to the extent that the resulting carrying value would not exceed the carrying value had no impairment loss been recognized for the asset or CGU in prior years.

(f) Financial instruments:

(i) Classification and measurement:

Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless AHIP identifies changes in its business model in managing financial assets that would result in the reassessment of the classification of financial assets.

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

Derivative instruments are financial contracts whose value is derived from interest rates, foreign exchange rates, financial instrument price or other financial or commodity indices. AHIP's interest rate swap agreements have not been designated as a hedge and are measured at FVTPL. The resulting unrealized gains and losses during the year are recorded in the consolidated statements of comprehensive loss with a corresponding asset or liability recorded within the consolidated statements of financial position. Payments and receipts under the interest rate swap contract are recognized as adjustments to interest expense which are recognized within finance costs. AHIP's warrants are derivative instruments measured at FVTPL.

Compound financial instruments issued by AHIP comprise of convertible debentures denominated in U.S. dollars that can be converted at the option of the holder into Units at any time prior to maturity at a specified conversion price. The initial carrying amount of a compound financial instrument is allocated to the underlying financial liability and equity components. AHIP first determines the fair value of the liability component based on the fair value of a similar liability that does not have an equity conversion option. The initial carrying amount allocated to the equity component is the residual amount after deducting the fair value of the financial liability component from the fair value of the entire compound financial instrument. Transaction costs related to the conversion feature are deducted from partner's capital. Transaction costs related to the liability component are amortized using the effective interest method.

Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of the compound financial instrument is recorded in the consolidated statements of partners' capital and is not subsequently remeasured.

4. Material accounting policies (continued):

(f) Financial instruments (continued):

(i) Classification and measurement (continued):

The following summarizes the classification and measurement of financial assets and liabilities:

Financial instrument	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease and other liabilities	Amortized cost
Term loans and revolving credit facility	Amortized cost
Convertible debentures	Amortized cost
Preferred shares	Amortized cost
Derivative instruments	FVTPL

(ii) Impairment:

An allowance for expected credit losses ("ECL") is recognized at each balance sheet date for all financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

Impairment losses, if incurred, are recorded as an expense in the consolidated statements of comprehensive loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In subsequent periods where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statements of comprehensive loss. The impairment reversal would be limited to the lesser of the decrease in impairment or to the extent that the carrying value of the financial asset at the date the impairment is reversed does not exceed what the carrying value would have been had the impairment not been recognized.

(g) Cash and cash equivalents:

AHIP considers all liquid investments with original terms to maturity of three months or less when acquired to be cash equivalents. Cash and cash equivalents consist of cash on hand and cash held in bank accounts.

(h) Restricted cash:

Restricted cash consists of cash reserves on deposit with lenders primarily in respect of future capital expenditures, cash collateral, property taxes and insurance premiums.

4. Material accounting policies (continued):

(i) Provisions:

A provision is recognized if, as a result of a past event, AHIP has a present legal or constructive obligation that can be estimated reasonably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the time value of money is material, provisions are determined by discounting the expected future cash flows using a current rate that reflects the risk profile of the liability, and the increase to the provision due to the passage of time will be recognized as a finance cost.

(j) Revenue recognition:

Revenue is generated primarily from the operation of AHIP's hotels and restaurants and is presented under two categories: 1) room revenue and 2) food, beverage, and other revenue. Other revenue is comprised of conference room rentals, parking revenues and other incidental income.

Revenue is recognized at an amount that reflects the consideration AHIP expects to be entitled to in exchange for transferring goods and services to a customer. AHIP's performance obligation is to provide accommodation and other goods and services to guests. Revenue is recognized when the rooms are occupied and food and beverages are sold.

AHIP may collect payments in advance of the utilization of a facility. These payments are recorded as other liabilities until such time as the applicable facility is utilized, at which time the customer deposit is recognized as revenue.

(k) Finance income and finance costs:

Finance income consists of interest on cash and cash equivalents and restricted cash, and interest on accounts receivable. Finance income is recognized in the year in which it is earned.

Finance costs consist of interest expense on the revolving credit facility, term loans, convertible debentures, accounts payable and accrued liabilities, other loans and lease liabilities, amortization of debt financing costs, mark-to-market adjustments on assumed loans, accretion of convertible debenture liability, and dividends paid on preferred shares. Interest expense and dividends paid are recognized in the year in which they are incurred.

(l) Debt financing costs and mark-to-market adjustments:

Fees and costs related to obtaining debt financing and mark-to-market adjustments on assumed loans are capitalized against the related debt and amortized over the term using the effective interest rate method, and are included in finance costs. The unamortized balance of the fees and costs are included and shown as a reduction of the related debt.

(m) Income (loss) per Unit:

Basic and diluted income (loss) per Unit is calculated by dividing net income (loss) and comprehensive income (loss) by the weighted average number of Units (basic and diluted) outstanding during the reporting period.

4. Material accounting policies (continued):

(n) Income taxes:

AHIP is not subject to tax under Part I of the Income Tax Act (Canada) (the “Tax Act”). Each partner of AHIP is required to include in computing the partner’s income for a particular taxation year the partner’s share of the income or loss of AHIP for its fiscal year ending in or on the partner’s taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings” (as defined in the Tax Act) at a rate that is substantially equivalent to the general income tax rate applicable to Canadian corporations. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership.

Management believes that AHIP did not hold any “non-portfolio property” during the year and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. Management intends to continue to operate AHIP in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. If AHIP becomes a SIFT partnership, it will generally be subject to income taxes at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations on its taxable non-portfolio earnings, if any.

AHIP filed an election to be treated as a partnership for U.S. federal income tax purposes. In addition, management believes at least 90% of AHIP's gross income for the taxation year is qualifying income within the meaning of U.S. Internal Revenue Code (the “Code”) Section 7704 and AHIP is not required to register as an investment company under the Investment Company Act of 1940. As such, it was not subject to U.S. federal income tax under the Code.

American Hotel Income Properties REIT Inc. (the “U.S. REIT”) elected to be taxed as a real estate investment trust (“REIT”) under the Code commencing with its first taxation year ending December 31, 2013 and intends to maintain such an election to be taxed as a REIT in the current and future taxation years. In order for the U.S. REIT to qualify as a REIT under the Code, it must meet a number of organizational and operational requirements, including a requirement to make annual dividend distributions to its stockholders equal to a minimum of 90% of its taxable income, computed without regards to a dividends paid deduction and net capital gains. The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed to its stockholders annually. Management believes that all REIT conditions necessary to eliminate income taxes for the U.S. REIT for the reporting period have been met. Accordingly, no provision for U.S. federal income taxes has been made for the U.S. REIT. Even though the U.S. REIT qualifies as a REIT under the Code, it may be subject to certain state and local taxes.

4. Material accounting policies (continued):

(n) Income taxes (continued):

Management has operated and intends to continue operating the U.S. REIT in such a manner to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual and quarterly operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates. In addition, the U.S. REIT may not be able to re-qualify as a REIT for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a REIT, it may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

AHIP's indirect Canadian subsidiary, AHIP Management Ltd., is a taxable REIT subsidiary ("TRS") of the U.S. REIT and a taxable Canadian corporation subject to Canadian income tax. AHIP's indirect U.S. subsidiary, AHIP Enterprises LLC is a TRS of the U.S. REIT that is treated as a U.S. corporation subject to U.S. federal and state income tax on its taxable income.

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the consolidated statements of comprehensive loss, except to the extent that it relates to a business combination, or items recognized directly in partners' capital.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) Securities-based compensation plan:

As described in note 14, AHIP has a securities-based compensation plan that provides for the granting of Units and Options to directors, officers, employees or consultants of AHIP, the General Partner or any of their respective affiliates, or other persons as AHIP REIT (GP) Inc's Board of Directors may determine.

4. Material accounting policies (continued):

(o) Securities-based compensation plan (continued):

The fair value of the Units granted are measured based on the price of the Units on the grant date as each Unit is entitled to the same rights as all other outstanding Units. The fair value of the Units granted is expensed on a straight-line basis over the vesting period, based on AHIP’s estimate of the equity instruments that will eventually vest, with a corresponding increase to contributed surplus. Once issued, the Units are reclassified from contributed surplus to partners’ contributions.

Options are accounted for using the fair value method whereby the compensation expense is recorded based on the fair values determined through the use of an option-pricing model when the Options are granted. Compensation cost from the Options are recognized over the vesting period.

(p) Leases:

AHIP assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. AHIP recognizes a right of use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or, if that rate cannot be readily determined, AHIP’s incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there are changes in the following: i) the lease term; ii) AHIP’s assessment of whether it will exercise a purchase option; iii) a change in an index or a change in the rate used to determine the payments; or iv) amounts expected to be payable under residual value guarantees.

The right of use assets are initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations.

The right of use asset is depreciated over the shorter of the asset’s useful life and the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

(q) Non-controlling interest (“NCI”):

NCI is measured at the proportionate share of the entity’s identifiable net assets at the date of acquisition. AHIP’s NCI relates to Series C Preferred Stock issued by AHIP’s wholly owned subsidiary American Hotel Income Properties REIT Inc., that is classified as equity (note 12).

Income attributable to NCI is adjusted for the dividends on the preferred shares, whether or not the dividends have been declared.

Changes in AHIP’s interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions.

4. Material accounting policies (continued):

(r) Accounting standards effective in the year:

AHIP has adopted two amendments to IAS 1, *Presentation of Financial Statements* from January 1, 2024:

The first amendment clarifies that the classification between current and non-current liabilities is based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations of whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of "settlement" as the transfer of cash, equity instruments, other assets or services to the counterparty.

The second amendment introduces *Non-current liabilities with covenants*. It specifies that the classification of debt as current or non-current at the reporting date is not affected by the entity's compliance to the covenants after the reporting date.

Management has reviewed and updated the accounting policies disclosed in note 4 Material accounting policies, where applicable, in line with the amendments.

(s) Accounting standards issued but not yet effective in the year:

One amendment to IAS 21, *The Effects of Changes in Foreign Exchange Rates* is effective for January 1, 2025:

The amendment requires that a company needs to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include the nature and financial impacts of the currency not being exchangeable; the spot exchange rate used; the estimation process; and risks to the company because the currency is not exchangeable.

Management does not expect the amendments above will have any material impact on AHIP's financial disclosures.

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

5. Restricted cash:

	December 31, 2024	December 31, 2023 (Restated – Note 2)
Property improvement plans ("PIPs") reserves	$ 7,368	$ 2,155
Furniture, fixture and equipment reserves ("FF&E Reserves")	9,604	14,568
Property tax reserves	3,496	4,830
Cash collateral and other reserves	4,238	7,975
	24,706	29,528
Current portion of restricted cash	(18,118)	(19,542)
	$ 6,588	$ 9,986

AHIP has funded restricted cash reserves for brand mandated PIPs. Certain related term loans require AHIP to make deposits for FF&E Reserves, cash collateral, property taxes and insurance premiums. These amounts are released to AHIP as the expenditures are incurred or are paid directly to the service providers.

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

6. Property, buildings and equipment:

	Land	Buildings	Equipment	Construction-in-progress	Right of use Property	Right of use Vehicles	Total
Cost:							
Balance, January 1, 2023 [A]	$ 140,707	$ 947,675	$ 100,134	$ 35,266	$ 1,498	$ 589	$ 1,225,869
Additions	-	4,497	11,633	16,127	-	-	32,257
Transfers	-	11,067	10,587	(21,654)	-	-	-
Write-off of assets	-	(15,209)	(2,731)	(2,825)	-	-	(20,765)
Sale of properties	(843)	(9,281)	(1,040)	(71)	-	-	(11,235)
Reclass to assets held for sale	(7,000)	(61,642)	(11,677)	(161)	-	-	(80,480)
Deconsolidation of subsidiary [A, B]	(2,816)	(13,962)	(1,116)	(23)	-	(121)	(18,038)
Balance, December 31, 2023 [A]	130,048	863,145	105,790	26,659	1,498	468	1,127,608
Additions	-	3,904	3,375	2,821	-	-	10,100
Transfers	-	20,544	2,419	(22,963)	-	-	-
Recovery (write-off) of assets	-	3,115	(443)	(856)	-	(85)	1,731
ROU asset adjustment	-	-	(70)	-	(108)	-	(178)
Sale of properties	(2,400)	(14,279)	(1,925)	(29)	-	-	(18,633)
Reclass to assets held for sale	(18,039)	(170,275)	(22,313)	(2,269)	-	-	(212,896)
Deconsolidation of subsidiary [B]	(12,037)	(74,410)	(7,706)	(639)	-	(65)	(94,857)
Balance, December 31, 2024	$ 97,572	$ 631,744	$ 79,127	$ 2,724	$ 1,390	$ 318	$ 812,875
Accumulated depreciation and impairment:							
Balance, January 1, 2023 [A]	$ -	$ 193,189	$ 78,109	$ -	$ 679	$ 563	$ 272,540
Depreciation	-	25,996	8,074	-	173	22	34,265
Impairment	360	73,710	80	-	-	-	74,150
Write-off of assets	-	(6,878)	(3,317)	-	-	-	(10,195)
Sale of properties	-	(2,010)	(800)	-	-	-	(2,810)
Reclass to assets held for sale	-	(24,085)	(9,652)	-	-	-	(33,737)
Deconsolidation of subsidiary [A, B]	-	(7,726)	(981)	-	-	(121)	(8,828)
Balance, December 31, 2023 [A]	360	252,196	71,513	-	852	464	325,385
Depreciation	-	19,325	8,932	-	110	-	28,367
Impairment	2,818	24,281	462	-	-	-	27,561
Recovery (write-off) of assets	-	931	(202)	-	-	(84)	645
Sale of properties	-	(6,519)	(1,115)	-	-	-	(7,634)
Reclass to assets held for sale	-	(60,535)	(19,133)	-	-	-	(79,668)
Impairment reallocation	12,274	(15,684)	2,728	-	-	-	(682)
Deconsolidation of subsidiary [B]	(360)	(39,539)	(5,764)	-	-	(63)	(45,726)
Balance, December 31, 2024	$ 15,092	$ 174,456	$ 57,421	$ -	$ 962	$ 317	$ 248,248
Net book value, December 31, 2024	$ 82,480	$ 457,288	$ 21,706	$ 2,724	$ 428	$ 1	$ 564,627
Net book value, December 31, 2023 [A]	129,688	610,949	34,277	26,659	646	4	802,223

[A] Figures noted have been restated. Refer to Note 2.
[B] Refer to note 6(e).

6. Property, buildings and equipment (continued):

(a) Impairment:

The carrying amounts of AHIP's cash-generating units ("CGUs") are reviewed at each reporting date to determine whether there is any indication of impairment or reversal. If any such indication exists, then the CGU's recoverable amount is estimated. As of December 31, 2024, the recoverable amount of a CGU with an indicator of impairment or reversal was estimated based upon, where available, a third-party appraisal of the property, purchase price from an independent third-party sale, or using a discounted cash flow methodology. The impairment and reversal assessment are sensitive to changes in the discount rate and information on this sensitivity is provided below.

Where a third-party appraisal or sale agreement was not obtained, the recoverable amount was estimated utilizing a discounted cashflow methodology. A key to the valuation is the 2025 budget which has been approved by the Board and the 2026 to 2034 forecasted cash flows which are calculated by applying revenue and expense growth factors to the 2025 budget. The growth factors are management's projections based on current and anticipated market conditions. Such projections are inherently uncertain and could differ materially from actual results in future periods. The internal discounted cashflow models is consistent with the discounted cashflow models used in the third-party appraisals.

All the CGUs' recoverable amounts are calculated based on fair value less cost of disposal and the resulting fair value is categorized as a Level 3 measurement in the fair value hierarchy.

During the year ended December 31, 2024, AHIP recorded an impairment charge in aggregate of $32,601 (December 31, 2023 - $75,861) of which $9,271 was a result of classifying seven hotel properties as held for sale (December 31, 2023 - $7,134 on two hotel properties) and measuring the hotel properties at the lower of cost and fair value less cost to sell (note 21) and $23,330 relates to fifteen hotel properties which are primarily located in Kentucky, Oklahoma, Pennsylvania (December 31, 2023 (Restated – Note 2) - $68,727 on twenty-three hotel properties). The impairment is primarily due to revised expectations on the timeframe for properties to achieve stabilized income levels after the COVID-19 pandemic, higher operating costs as a result of cost inflation, elevated labor costs, higher property insurance premiums, challenges with our hotel managers ability to optimize cashflow, and local competition factors in select markets.

AHIP also reversed $1,611 for three hotel properties which were previously impaired that are primarily located in Maryland and Texas.

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

6. Property, buildings and equipment (continued):

(a) Impairment (continued):

The following table shows the valuation techniques used in measuring the fair value of the impaired CGUs, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Income approach - discounted cash flow	Discount rate (9.5% - 10.5%) Terminal cap rate (7.5%-8.5%) Forecast net cash flows	The estimated fair value would increase (decrease) if: - the discount rate was lower (higher) - forecast net cash flows were higher (lower).

For assets with impairment where the recoverable amount was determined using an internal valuation technique, a 0.5% increase in the discount rate (to 10%-11%) would result in a reduction to the recoverable amount of $5,096, while a decrease in the discount rate of 0.5% (to 9%-10%) would result in an increase to the recoverable amount of $4,547.

(b) Sale of Properties:

The following table summarizes the sale of properties in 2024:

Date	Location	Gross Proceeds	CMBS Mortgage Loan Repayment	Term Loan Repayment	Gain (Loss) on Disposal
March 6, 2024	Harrisonburg	$ 8,550	$ 8,607	$ -	$ (146)
March 26, 2024	Cranberry	8,250	7,006	665	307
August 6, 2024	Amarillo[1,4]	17,541	16,100	680	(503)
August 22, 2024	Egg Harbor	11,100	-	10,300	(750)
September 10, 2024	Ocala[2,4]	26,000	19,000	3,500	3,278
October 15, 2024	Statesville[3,4]	25,241	24,865	-	6,022
November 4, 2024	Melbourne[4]	6,600	-	3,800	192
November 6, 2024	Houston[4]	9,030	-	8,187	(994)
November 13, 2024	Ocala[4]	7,700	-	3,547	92
November 14, 2024	Kingsland[4]	5,200	-	4,723	905
December 2, 2024	Corpus Christi[4]	10,250	-	9,706	(553)
December 5, 2024	Dallas[4]	27,000	17,566	4,278	(1,712)
December 11, 2024	Amarillo[4]	2,600	-	1,147	(305)
		$ 165,062	$ $93,144	$ 50,533	$ 5,833

[1]The sale includes two hotels in Amarillo, Texas. Proceeds from the sale were used to fully repay the CMBS mortgage loan.
[2]The sale includes two hotels in Ocala, Florida. Proceeds from the sale were used to fully repay the CMBS mortgage loan.
[3]The sale includes two hotels in Statesville, North Carolina. Proceeds from the sale were used to fully repay the CMBS mortgage loan.
[4]Property was reclassified to assets held for sale during the year prior to being sold (note 21).

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

6. Property, buildings and equipment (continued):

(b) Sale of Properties (continued):

The following table summarizes the sale of properties in 2023:

Date	Location	Gross Proceeds	CMBS Mortgage Loan Repayment	Term Loan Repayment	Gain (Loss) on Disposal
June 2, 2023	Pinehurst	$ 11,700	$ 6,357	$ -	$ 2,391
		$ 11,700	$ 6,357	$ -	$ 2,391

In September 2023, AHIP reversed a disposition fee of $540 that was accrued in 2022 in relation to certain hotel sales, as the amount has been waived by the hotel manager.

In December 2023, AHIP remeasured the outstanding receivable in connection with AHIP's sale of its Economy Lodging Portfolio in 2019 and recognized a loss on disposal of $1,402 due to changes in the timing of expected cash flows from the receivable.

(c) Write-off of Assets:

During the year ended December 31, 2024, AHIP recorded reversal of $2,759 for property, buildings and equipment impacted by weather-related damage. These reversals reflect the reduction in estimated cost to repair and restore the hotel properties as a result of weather-related damage in the current and prior years. These reversals were partially offset by write offs of $1,641, related to weather-related damage for the year ended December 31, 2024.

(d) Other income:

During the year ended December 31, 2024, AHIP recognized estimated insurance proceeds of $1,969 (December 31, 2023 - $16,335) in other income which represents the expected insurance proceeds related to the property damage at several properties.

As at December 31, 2024, insurance receivable of $540 (December 31, 2023 - $6,670) relating to property damage is included in accounts receivable.

(e) Deconsolidation of subsidiary:

During the year ended December 31, 2024, a non-recourse loan secured by four hotel properties went into default and the assets were placed in a court-order receivership. The event of default triggered a reassessment of control and AHIP determined that it no longer had control of the subsidiary holding the hotel properties and loan. An adjustment has been made to deconsolidate the subsidiary, removing its assets and liabilities with a corresponding loss on deconsolidation of $3,287 being recognized for the year ended December 31, 2024. Material items derecognized were property, plant and equipment of $48,727 and term loan of $50,897.

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

6. Property, buildings and equipment (continued):

(e) Deconsolidation of subsidiary (continued):

As disclosed in note 2, a non-recourse loan secured by one hotel property went into default in December 2023 and the assets were eventually placed in a court-order receivership. The event of default triggered a reassessment of control and AHIP determined that it no longer had control of the subsidiary holding the hotel property and loan. An adjustment has been made to deconsolidate the subsidiary, removing its assets and liabilities with a corresponding gain on deconsolidation of $171 being recognized for the year ended December 31, 2023. Material items derecognized were property, plant and equipment of $9,210 and term loan of $9,322.

7. Intangible assets:

		Franchise Agreements
Cost:		
Balance, January 1, 2023	$	9,367
Balance, December 31, 2023		9,367
Deconsolidation of subsidiary		(575)
Balance, December 31, 2024		8,792
Accumulated amortization:		
Balance, January 1, 2023	$	4,530
Amortization		683
Impairment (Restated – Note 2)		20
Balance, December 31, 2023 (Restated – Note 2)		5,233
Amortization		1,170
Impairment		750
Deconsolidation of subsidiary		(254)
Balance, December 31, 2024	$	6,899
Net book value, December 31, 2024	$	1,893
Net book value, December 31, 2023 (Restated – Note 2)		4,134

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

8. Income taxes:

(a) Current income tax:

For the year ended December 31, 2024, AHIP recorded current income tax recovery of $19 (December 31, 2023 – current income tax expense of $459) for Canadian and U.S. taxes associated with taxable AHIP subsidiaries.

(b) Deferred income tax:

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

		December 31, 2024		December 31, 2023
Deferred income tax assets:				
Non-capital losses carried forward	$	12,933	$	11,835
Intangible assets		335		187
Other		1,313		349
Valuation allowance		(9,834)		-
	$	4,747	$	12,371
Deferred income tax liabilities:				
Property, buildings and equipment	$	3,091	$	3,219
Other		626		-
	$	3,717	$	3,219

A deferred income tax expense of $8,122 was recognized during the year ended December 31, 2024 (December 31, 2023 – deferred income tax recovery of $172) in the statements of loss and comprehensive loss.

As of December 31, 2024, AHIP had net operating losses for tax purposes totaling $50,527 (December 31, 2023 - $45,964) of which $2,360 may be carried forward for up to 20 years, and $48,167 may be carried indefinitely, from the date of origination and applied against future taxable income. AHIP recognized a valuation allowance of $9,834 against its deferred tax asset to reflect the portion that is not expected to be realized based on projected future taxable income.

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

9. Term loans and revolving credit facility:

	December 31, 2024	December 31, 2023 (Restated – Note 2)
CMBS Term Loans (a)	$ 298,394	$ 444,866
Term Loans under the Senior Secured Facility (b)	127,732	183,158
	426,126	628,024
Reclass to liabilities related to assets held for sale (note 21)	(39,140)	(33,425)
	386,986	594,599
Unamortized portion of mark-to-market adjustments	-	17
Unamortized portion of debt financing costs	(2,177)	(4,065)
	384,809	590,551
Current portion of term loans	(161,523)	(111,150)
	$ 223,286	$ 479,401

All of AHIP's hotel properties have been pledged as security under various loan agreements. As of December 31, 2024, AHIP's loans had a weighted average interest rate of 5.72% (December 31, 2023 - 4.95%).

(a) Commercial Mortgage Backed Securities ("CMBS") Term Loans:

The CMBS Term Loans are secured by certain properties owned by AHIP. The CMBS Term loans generally require monthly payments of principal and interest on an amortized basis or interest only over the loan term. As of December 31, 2024, AHIP has $298,394 (December 31, 2023 (Restated – Note 2) - $444,866) in outstanding CMBS Term Loans with maturity dates between 2025 to 2029 (December 31, 2023 – 2024 to 2027). The interest rate on the outstanding CMBS Term Loans range from 4.24% to 7.84% (December 31, 2023 – 4.20% - 5.25%).

(b) Senior Secured Facility:

The senior secured facility ("Senior Secured Facility") with total credit commitments of $142,732 (December 31, 2023 - $198,158) is comprised of a revolving credit facility (the "RCF") of $75,000 (December 31, 2023 - $75,000) and a term loan ("Term Loan") of $67,732 (December 31, 2023 - $123,158).

The available borrowing capacity under the Senior Secured Facility is based on a borrowing base formula for the pool of twelve hotel properties (the "Borrowing Base Properties") (December 31, 2023 - twenty hotel properties) securing the facility. The borrowing capacity as of December 31, 2024 is $104,328 (December 31, 2023 - $193,185).

As of December 31, 2024, the RCF has a drawn balance of $60,000 (December 31, 2023 - $60,000).

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

9. Term loans and revolving credit facility (continued):

(b) Senior Secured Facility (continued):

Pursuant to the Fifth Amendment dated November 3, 2022, commencing with the first 2023 borrowing base certificates filed and until December 31, 2023, the availability under the revolving portion of the credit facility was determined in part by a valuation method which includes the lesser of; debt to 65% of gross book value, and 67.5% of appraised value of all the properties included in the borrowing base calculation and an implied debt service coverage ratio, with the maximum borrowing availability of $193,185.

On November 7, 2023, AHIP entered into an amendment to its RCF and certain term loans (the “Sixth Amendment”). The total facility size under the Sixth Amendment was $198,158. The initial maturity of the revolving portion of the credit facility was December 3, 2024 and subject to certain conditions, AHIP had the option to extend the maturity date to June 2025.

The Senior Secured Facility maturity date was extended in December 2024 to June 2025 as all conditions were met. The fixed charge coverage ratio is 1.1x in 2024 and increase to 1.25 for quarters ending in 2025.

Pursuant to the Sixth Amendment, the RCF availability is primarily limited by revised calculations based on the lesser of an implied debt service coverage ratio and a loan to value test.

As at December 31, 2024, the Senior Secured Facility is classified as current as they are due within twelve months of the date of these financial statements.

(c) Principal payments:

Future principal payments, excluding amortization of mark-to-market adjustments and debt financing costs, payable within the next five fiscal years and thereafter on the outstanding term loans and revolving credit facility are as follows:

		Future Principal Payments
2025	$	202,045
2026		57,080
2027		149,501
2028		-
2029		17,500
	$	426,126

(d) Covenants:

AHIP is required to comply with a series of financial and other covenants, including maintaining a minimum number of assets in the collateral pool.

As of December 31, 2024, AHIP was in compliance with its debt agreements except as noted below.

9. Term loans and revolving credit facility (continued):

(d) Covenants (continued):

As of December 31, 2024, three non-recourse loans totaling $109,571 (December 31, 2023 - five non-recourse loans totaling $215,729) did not meet the minimum required debt service coverage ratio under their respective loan agreement. The covenant violations do not constitute an event of default and are either under cash management or in the process of entering cash management. Under such arrangements, the loan servicer controls the disbursement of funds in the order of priority as defined in the loan agreements, specifically loan payments, property taxes, insurance and then approved expenses, which are released to AHIP. Any remaining funds are then retained by the loan servicer until the minimum debt service ratios are achieved for a specified number of quarters as required per the respective loan agreements. At that time, or when a property is sold and net proceeds exceed the debt outstanding, any restricted funds will be returned to AHIP.

As disclosed in note 6(e), during the year ended December 31, 2024, a four-property non-recourse loan with a total carrying value of $50,897 went into default. AHIP initiated a managed foreclosure process with the lender and a receiver was appointed with full control over the operations of the hotels and eventual disposition. Net cash flow of the hotel accrues to the lender. The loans are non-recourse and do not trigger any cross-default provisions with any other loans. The loan has been derecognized as it was determined that AHIP no longer has control of the subsidiary.

As disclosed in note 6(e), during the year ended December 31, 2023, a single-property non-recourse loans with a total carrying value of $9,322 went into default. AHIP initiated a managed foreclosure process with the lender and a receiver was appointed with full control over the operations of the hotels and eventual disposition Net cash flow of the hotel accrues to the lender. The loans are non-recourse and do not trigger any cross-default provisions with any other loans. The loan has been derecognized as it was determined that AHIP no longer has control of the subsidiary – refer to note 2.

In September 2024, AHIP received notices of franchise default letters advising that two properties which are part of a four-hotel loan pool are in the Red Zone status under Marriott's global quality program and global accountability program, and AHIP is in default under the terms of the Marriott Franchise Agreement. The default of the franchise agreements do not trigger an event of default under the loan agreement as a cure period of two years is permitted. As at December 31, 2024, one of the hotels under franchise default has been classified as assets held for sale (note 21) along with two of the other hotels in the same loan pool and the aggregate loan amount of $39,140 for these three hotels have been classified as liabilities related to assets held for sale. AHIP is in the process of curing these franchise defaults by improving the performance of these hotels.

In September 2024, AHIP received a notice of franchise letter advising that one property is in the Red Zone status under Marriott's global quality program and global accountability program and AHIP is in default under the terms of the Marriott Franchise Agreement. The default of the franchise agreement does not trigger an event of default under the loan agreement as a cure period of two years is permitted. AHIP is in the process of curing these by improving the performance of the hotel and get Clean Slate status and be fully in compliance with the Marriott franchise agreements and related CMBS loan agreements.

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

9. Term loans and revolving credit facility (continued):

(d) Virginia Portfolio term loan:

On March 6, 2024, AHIP refinanced an existing loan secured by four hotel properties with a remaining principal balance of $22,222 (December 31, 2023 – $22,293). The refinanced loan is interest only and has a principal balance of $17,500 secured by three hotel properties located in Virginia. The loan has a five-year term and matures on March 6, 2029, with a fixed interest rate of 7.84% per annum.

10. Lease and other liabilities:

	December 31, 2024	December 31, 2023
Lease and other liabilities (a)	$ 634	$ 1,042
	634	1,042
Current portion of lease and other liabilities	(92)	(325)
	$ 542	$ 717

(a) Other liabilities – Series B preferred shares:

As of December 31, 2024, a subsidiary of AHIP has $125 (December 31, 2023 - $125) in Series B preferred shares outstanding. These non-voting shares have a par value of $1 with a fixed rate of dividend at 12.5% per annum. As such, these preferred shares are classified as liabilities rather than equity on the consolidated statements of financial position. Consequently, any dividend payments are classified as finance costs on the consolidated statements of comprehensive loss.

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

11. Convertible debentures:

	Liability carrying value	Equity carrying value	Total carrying value
Balance, January 1, 2023	$ 43,487	$ 6,238	$ 49,725
Amortization of transaction costs	414	-	414
Accretion of liability component	987	-	987
Balance, December 31, 2023	44,888	6,238	51,126
Amortization of transaction costs	473	-	473
Accretion of liability component	1,069	-	1,069
Redemption of convertible debentures	(245)	(29)	(274)
Balance, December 31, 2024	$ 46,185	$ 6,209	$ 52,394

On November 26, 2021, AHIP issued an aggregate principal amount of $50,000 of convertible unsecured subordinated debentures due on December 31, 2026 (“Debentures”).

The Debentures bear interest of 6.0% per annum, payable semi-annually in arrears on June 30 and December 31, which commenced on June 30, 2022.

The Debentures are convertible at the option of the holder of the Debenture at any time prior to the close of business on the earlier of: (i) the business day immediately preceding the business day preceding the maturity date; and (ii) if called for redemption, the business day immediately preceding the date specified for redemption of the Debentures, at a conversion price of $4.95 per Unit, being a conversion rate of approximately 202 Units for each $1,000 principal amount of the Debentures.

The Debentures may not be redeemed by AHIP prior to December 31, 2024, except in certain limited circumstances. AHIP has the option to call the Debentures beginning on or after December 31, 2024 as follows:

(i) On or after December 31, 2024 and prior to December 31, 2025, the Debentures may be redeemed by AHIP, in whole or in part, at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption on not more than 60 days’ and not less than 30 days’ prior written notice, provided that the Current Market Price on the date on which notice of redemption is given is not less than 125% of the Conversion Price.

(ii) On or after December 31, 2025 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part from time to time at AHIP’s option at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption on not more than 60 days’ and not less than 30 days’ prior written notice. AHIP will pay the redemption price and all accrued and unpaid interest in cash.

As of December 31, 2024, $49,730 of the face value of the Debentures were outstanding (December 31, 2023 - $50,000).

During the year ended December 31, 2024, a portion of the Debentures with a face value of $270 were converted in exchange for 54,545 Units with a fair value of $29.

12. Private Placement Issuance of Series C Preferred Stock and Warrants:

On January 28, 2021, AHIP completed a $50,000 private placement through the issuance of an aggregate 50,000 shares of newly created Series C cumulative redeemable non-voting preferred stock (the "Series C Preferred Stock") issued by AHIP's wholly owned subsidiary American Hotel Income Properties REIT Inc. and warrants to acquire Units of AHIP.

(a) Series C Preferred Stock:

The Series C Preferred Stock have no par value and have a liquidation preference of $1,000 per share. They are perpetual and redeemable by AHIP. The Series C Preferred Stock provides for an annual cumulative dividend, payable quarterly, of 8.00% per annum for the first three years after issuance, and, to the extent still outstanding, increases to 9.00% per annum on the third anniversary of the issuance with further escalations after the fifth anniversary of the issuance. AHIP has the option to either cash settle the dividend or settle it through the issuance of additional shares of Series C Preferred Stock. During the year ended December 31, 2024, AHIP declared quarterly dividends of $4,920 (December 31, 2023 - $4,055). Of these amounts $1,533 was paid in kind through the issuance of additional shares of Series C Preferred Stock (December 31, 2023 – nil). As of December 31, 2024, the face value of the Series C Preferred Stock is $51,533.

The Series C Preferred Stock are classified as equity and presented as NCI on the consolidated statements of financial position. The cumulated dividends on the Series C Preferred Stock, regardless if they are declared or not, are deducted on the consolidated statements of comprehensive income to determine the income attributable to the Unitholders.

(b) Warrants:

The investor also subscribed for and was issued 19,608,755 warrants (the "Warrants") of AHIP, equivalent to 19.99% of the outstanding Units of AHIP immediately following the closing of the investment on an as-exercised basis. The warrants are exercisable at any time prior to January 28, 2026 for Units in AHIP at an exercise price of $3.20 per Unit. The Warrants may only be exercised by means of cashless exercise and are classified as a derivative instrument liability measured at fair value on AHIP's statements of financial position. As at December 31, 2024, no warrants have been exercised.

AHIP's warrants are considered Level 3 financial instruments since the inputs are not based on observable market data.

As of December 31, 2024, the warrants had a fair value of $1 (December 31, 2023 - $140). The decrease in fair value of the warrants liability for the year ended December 31, 2024 was $139 (December 31, 2023 - decrease of $3,085) is included in the consolidated statements of comprehensive loss as a gain.

13. Partners' capital:

(a) Authorized:

The capital of AHIP consists of an unlimited number of Units and the equity interest held by the General Partner.

(b) Issued:

During the year ended December 31, 2024, AHIP issued 207,158 Units (December 31, 2023 - 230,971 Units). Of the total Units issued, 152,613 Units were issued to senior management and the Board for the vesting of Units granted under AHIP's securities-based compensation plan. An additional 54,545 Units were issued for convertible debenture conversion.

(c) Allocation of net income or net loss:

Where Distributable Cash (defined as, for any period, the aggregate of all amounts received by AHIP in such period, whether by way of dividends, interest or otherwise, from and in respect of its direct and indirect investment in the securities held by AHIP, including its investment in any subsidiaries, less reasonable reserves determined by the General Partner to be necessary to operate the affairs of AHIP in a prudent and businesslike manner, and less taxes, if any, payable by AHIP) is paid in respect of a fiscal year, the net income and taxable income of AHIP in respect of that fiscal year shall be allocated among all Partners (defined as General Partner and the Unitholders) that were Partners at any time in the fiscal year on the following basis:

(i) first, to the General Partner 0.01% of the net income and taxable income of AHIP to a maximum of $0.10 per annum; and

(ii) as to the balance, to the Unitholders who were holders of Units at the end of each month ending in such fiscal year, pro-rata in accordance with their respective Proportionate Shares of the balance divided by 12. Proportionate Share, in respect of each Unitholder, means that fraction which, as of the date of such determination:

- has as its numerator the number of Units held by such Unitholder; and
- has as its denominator the aggregate number of Units outstanding.

Net loss and taxable loss of AHIP in respect of a fiscal year shall be allocated among all Partners that were Partners at any time in the fiscal year on the following basis:

- first, to the General Partner 0.01% of the net loss and taxable loss of AHIP to a maximum of $0.10 per annum; and
- as to the balance, to the Unitholders who were holders of Units at the end of each month ending in such fiscal year, pro-rata in accordance with their respective Proportionate Shares as at the end of each month, the balance divided by 12.

13. Partners' capital (continued):

(d) Distributions:

AHIP historically made monthly distributions to Unitholders of record on the last business day of each month. Distributions were paid on or about the 15th day following the end of each month. AHIP may make additional distributions in excess of monthly distributions, or temporarily suspend distributions, during the year as determined by the General Partner.

In November 2023, AHIP temporarily suspended its monthly distribution. AHIP did not declare any distributions for the year ended December 31, 2024. For the year ended December 31, 2023, AHIP declared and paid distributions of $0.15 per Unit totaling $11,826.

(e) Normal Course Issuer Bid:

On December 23, 2024, the Company announced the launch of a Normal Course Issuer Bid ("NCIB") to be executed through the facilities of the Toronto Stock Exchange ("TSX"). The NCIB permits AHIP to repurchase up to 7,521,189 of the Units trading under the symbols HOT.UN and HOT.U, which represents 10% of the "public float" (as defined in the TSX Company Manual). The repurchase period commenced December 30, 2024 and will remain in effect until the earlier of December 29, 2025 or the date in which the AHIP has purchased the maximum number of Units permitted under the NCIB.

In connection with the NCIB, AHIP has entered into an Automatic Securities Purchase Plan ("ASPP") with a designated broker. The ASPP is intended to facilitate the purchase of Units under the NCIB when AHIP would ordinarily not be permitted to purchase Units due to regulatory restrictions and customary self-imposed blackout periods. As at December 31, 2024, AHIP has recorded an estimated liability of $329 within accounts payable and accrued liabilities as an estimate of the maximum number of share that will be repurchased from December 31, 2024 to March 14, 2025.

During the year ended December 31, 2024, AHIP repurchased 33,303 Units, under the NCIB for an aggregate purchase price of $22, which was recorded in share capital as treasury shares until they are cancelled.

14. Compensation plan:

(a) RSUs in lieu of cash compensation:

During the year ended December 31, 2024, AHIP granted nil (December 31, 2023 - 185,724) RSUs to an officer and 172,047 (December 31, 2023 – 166,074) RSUs to Board Members, in lieu of their cash compensation. The fair value of these RSUs were $85 (December 31, 2023 - $314) and vested over the service period.

(b) Long term incentive plan ("LTIP"):

On March 26, 2024, AHIP granted 1,624,274 LTIP awards in the form of RSUs and performance awards (also in the form of RSUs) to certain members of senior management. The fair value of the LTIP awards granted was $778. Of this grant 669,804 will vest over three years in equal instalments from the grant date. The remaining 954,470 are performance awards that are subject to a market performance condition based on AHIP's performance relative to a market index which could result in as few as no Units and as many as 1,908,940 Units being issued at the end of the performance measurement period which is December 31, 2026.

On May 12, 2023, AHIP granted 441,566 LTIP awards in the form of RSUs and performance awards (also in the form of RSUs) to certain members of senior management. The fair value of the LTIP awards granted was $781. Of this grant 176,627 will vest over three years in equal instalments from the issuance date. The remaining 264,939 are performance awards that are subject to a market performance condition based on AHIP's performance relative to a market index which could result in as few as no Units and as many as 529,878 Units being issued at the end of the performance measurement period which is December 31, 2025.

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

14. Compensation plan (continued):

(b) Long term incentive plan ("LTIP") (continued):

As of December 31, 2024, AHIP had a total of 2,205,698 unvested Units as follows (December 31, 2023 – 877,310):

	Number of Units		Weighted average grant date fair value
Unvested, January 1, 2023	607,836	$	2.69
Granted	793,364		1.38
Vested	(230,971)		(1.10)
Forfeited or cash-settled	(230,691)		(1.07)
Cancelled	(62,228)		(1.76)
Unvested, December 31, 2023	877,310	$	(2.28)
Granted	1,796,321		0.48
Vested	(152,613)		(0.47)
Forfeited or cash-settled	(155,277)		(0.47)
Cancelled	(160,043)		(2.80)
Unvested, December 31, 2024	2,205,698	$	0.90

The vesting schedule of the unvested Units grant awards is as follows:

Vesting dates	Number of Units		Total fair value of Units at grant date
March 14, 2025	282,146		218
June 30, 2025	198,735		527
December 31, 2025	264,939		448
March 31, 2026	282,141		218
December 31, 2026	954,470		457
March 13, 2027	223,267		107
Total unvested Units	2,205,698	$	1,975

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

14. Compensation plan (continued):

(c) Options:

During the year ended December 31, 2020, AHIP granted a total of 2,200,000 options (the “Options”) to an officer and Board members. Each option entitles the holder to purchase a Unit at an exercise price of CAD$5.00. The fair value of each option at grant date was CAD$0.06, as determined using the Black-Scholes option pricing model. The remaining contractual life of the Options as of December 31, 2024 was 0.8 years (December 31, 2023 - 1.8 years). The Options vested immediately and were all outstanding and exercisable as of December 31, 2024.

The following table summarizes the changes to Options outstanding for the year ended December 31, 2024:

	Number of Options	Exercise price and weighted average exercise price (CAD$)	Weighted average fair value per Option (CAD$)
Outstanding	2,200,000	5.00	0.06

15. Finance costs:

	Years ended December 31, 2024	2023
Interest expense on term loans and revolving credit facility	$ 32,364	$ 30,668
Interest expense on debentures	2,997	2,999
Amortization of debt financing costs	2,725	2,031
Accretion of debenture liability	1,069	987
Amortization of debenture costs	473	414
Loss (gain) on debt settlement	209	(1,155)
Other financing costs	323	161
	$ 40,160	$ 36,105

16. Financial instruments:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants at the measurement date.

The following table shows a hierarchy for disclosing fair value based on inputs used to value assets or liabilities that are measured at fair value or for which fair value disclosure is required. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The carrying values of AHIP's cash and cash equivalents, restricted cash, trade and other receivables, other liabilities and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities.

The fair value of AHIP's term loans and outstanding revolving credit facility was determined using present value calculations based on market-observable interest rates for loans with similar terms and conditions. The fair value of AHIP's term loans and outstanding revolving credit facility as of December 31, 2024 was $404,967 (December 31, 2023 (Restated – Note 2) - $586,570) and these instruments are considered Level 2 in the fair value hierarchy.

AHIP's convertible debentures are considered Level 1 financial instruments since they are quoted on the TSX. The fair value of the liability portion of AHIP's debentures based on the quoted market price as of December 31, 2024 was $41,988 (December 31, 2023 - $36,000).

There were no transfers between levels during the period.

AHIP is exposed to a number of risks in its normal course of operations from its use of financial instruments. These risks, and the actions taken to manage them, are as follows:

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. AHIP monitors its interest rate exposure on an ongoing basis.

AHIP is exposed to interest rate risk on its revolving credit facility. As at December 31, 2024, a 100 bps increase (decrease) in interest rates its revolving credit facility would impact AHIP's net loss and comprehensive loss by $1,299.

16. Financial instruments (continued):

(b) Credit risk:

Credit risk is the risk of financial loss to AHIP if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk is the full carrying value of the financial instrument.

AHIP is exposed to credit risk with respect to trade and other receivables. As of December 31, 2024, trade and other receivables were $6,086 (December 31, 2023 (Restated – Note 2) - $12,388). Amounts over 30 days past due totaled $492 (December 31, 2023 - $774), all of which are expected to be collected. The bad debt write-off was $270 for the year ended December 31, 2024 (December 31, 2023 - $416). The associated risk is mitigated by closely monitoring accounts receivable, initiating a prompt collection process, and credit checks on all new customers.

As at December 31, 2024, AHIP had one individual counter-party in excess of 10% of total other receivables (December 31, 2023 - one counter-party). Included in other receivables is $5,811 (December 31, 2023 - $5,598) in connection with AHIP's sale of its Economy Lodging Portfolio in 2019. As at December 31, 2023, AHIP has remeasured the related receivable due to expected changes to the timing of future cash flows all of which are expected to be collected.

(c) Liquidity risk:

Liquidity risk is the risk that AHIP is not able to meet its financial obligations as they become due or can only do so at excessive cost. AHIP manages liquidity risk by balancing the maturity profile of mortgages and borrowings on the credit facility. The following are key risks which could reduce the amount of liquidity available to AHIP: adverse economic conditions may result in a decrease in net income, or the appraised value of the borrowing base properties are less than expected which can become the limiting factors in the borrowing base calculation, or higher interest rates. Cash flow projections are updated on a regular basis to ensure there will be adequate liquidity to maintain operating, capital, and investment activities. In addition, AHIP continues to monitor its capital structure and sources of financing, including amendments to the existing credit facility and/or establishing additional credit facilities. Such cash flow projections involve a significant degree of judgment. There is a risk that such projections may not be achieved, and that currently available liquidity may not be available to AHIP at terms and conditions that are favorable to AHIP, or at all.

AHIP's objective for managing liquidity and capital resources is to ensure adequate liquidity for operating, capital and investment activities. Management oversees AHIP's liquidity to fund principal and interest payments for debt, property maintenance and improvements, and property acquisitions. AHIP's sources of capital mainly include (i) cash flows from operating activities, (ii) term loans, mortgage refinancing and credit facilities, and (iii) equity and debt issuances.

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

16. Financial instruments (continued):

(c) Liquidity risk (continued):

AHIP's term loans have repayment schedules as defined by the underlying agreements. Portions of such term loans due within one year of the date of the financial statements are classified as current liabilities. AHIP's plan to satisfy such current liabilities includes cash flows from operations, planned asset sales and term loan refinancing. In select circumstances, AHIP's non-payment of principal and interest or amounts due at maturity may result in non-recourse foreclosure. This can arise when the loan balance exceeds the expected market value of the hotel. The loans are non-recourse and do not trigger any cross-default provisions with any other CMBS loans, other than certain recourse carve-out guarantee provisions included to protect the lender from any misdeeds or wrongful acts by the borrower. On the RCF, they do not trigger default unless such default would result in material adverse effect as defined in the Sixth Amendment.

As at December 31, 2024, AHIP had a working capital deficiency of $124,146 (December 31, 2023 (Restated – Note 2) - $75,704 deficiency). Excluding working capital amounts to assets held for sale and the current portion of term loans and RCF of $159,347, working capital is a surplus of $35,201, which is stable compared to the previous quarter. AHIP expects assets classified as held for sale to close in Q1 2025 and to refinance the current portion of loans with new long-term term loans or mortgages prior to each maturity or repayment through assets sales. Subsequent to December 31, 2024, AHIP has entered into purchase and sales agreements for eight hotels with expected total gross proceeds of $32,195.

As at December 31, 2024, the outstanding RCF balance of $60,000 and term loan balance of $67,732 is classified as current as they are due on June 4, 2025. AHIP has completed $93,621 of gross proceeds for the sale of nine hotels in Q4 2024 which resulted in $43,781 being repaid on the RCF and $42,431 being repaid on CMBS term loans during the quarter.

The timing of estimated cash outflows relating to financial liabilities (including expected interest payments) are outlined in the table below:

	Less than one year	1-5 years	Total	Carrying amount
Accounts payable and accrued liabilities	$ 24,835	$ -	$ 24,835	$ 24,835
Term loans and revolving credit facility[1]	179,687	240,853	420,540	384,809
Liabilities related to assets held for sale	43,758	-	43,758	39,140
Convertible debentures	2,984	52,714	55,698	46,185
Lease and other liabilities	80	351	431	634
	$ 251,344	$ 293,918	$ 545,262	$ 495,603

[1] Cash outflows in respect of terms loans and revolving credit facility have been calculated based on the outstanding balances and interest rates as of December 31, 2024.

17. Commitments and contingencies:

(a) Hotel management agreements:

Aimbridge Hospitality LLC (the "Hotel Manager") is AHIP's exclusive hotel manager to manage and operate its hotels. AHIP's operating subsidiaries are responsible for reimbursing the Hotel Manager for any hotel operating expenses and direct costs including payroll and benefit costs of hotel staff and other operating expenses.

The master hotel management agreement provides for the payment of the following amounts to the Hotel Manager: a base management fee, a capital expenditure fee, an annual administration fee and an incentive fee, if certain profit thresholds are met.

On September 30, 2023, AHIP entered into a third amendment to its master hotel management agreement with One Lodging Management LLC (an affiliate of Aimbridge Hospitality LLC) (the "Amendment"). In accordance with the Amendment, the management fee on certain hotel properties has been reduced or payment deferred until future periods.

(b) Property Improvement Plans:

Under the terms of AHIP's franchise agreements for its hotels, AHIP is required to complete brand mandated property improvement plans. AHIP's operating subsidiaries have entered into contracts or commitments with various suppliers to supply products and services in compliance with these renovation plans. Payments for these items are held as restricted cash (note 5) and funds are disbursed in the ordinary course of business.

(c) Claims:

In the normal course of operations, AHIP and its subsidiaries may become subject to a variety of legal and other claims. Management and legal counsel evaluate all claims on their apparent merits and accrue management's best estimate of the costs to satisfy such claims. Although the outcome of legal and other claims is not reasonably determinable, management believes that any such outcome will not have a material adverse effect on these consolidated financial statements.

18. Related party transactions:

(a) Executive loan program:

Under AHIP's Executive Loan Guarantee Policy (the "Loan Policy") with a major Canadian financial institution, an AHIP subsidiary has provided a limited guarantee for loans made to former executive officers to make eligible purchase of Units.

The loan of CAD$800 matured on December 31, 2023 without settlement by a former executive officer. To recognize the obligation under the Loan Policy, AHIP recorded the obligation of CAD$800 in accounts payable and accrued liabilities which is partially offset by the fair value of the AHIP Units held as collateral of CAD$83. In June 2024, AHIP made a payment of CAD$885 to a major Canadian financial institution to settle the principal and interest for this loan. As at December 31, 2024, no further amounts remain outstanding under the Loan Policy and AHIP has received in cash $26 for the sale of the AHIP Units held as collateral.

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

18. Related party transactions (Continued):

(b) Compensation:

Key management includes those persons having authority and responsibility for planning, directing, and controlling the activities of AHIP, directly or indirectly, and includes the Board. Total compensation awarded to key management for the year ended December 31, 2024, was $2,303 (December 31, 2023 - $2,662), which included securities-based compensation expense of $160 (December 31, 2023 - $188).

19. Capital management:

		December 31, 2024		December 31, 2023 (Restated – Note 2)
Term loans and outstanding revolving credit facility	$	384,809	$	590,551
Convertible debentures, liability portion		46,185		44,888
Partners' capital attributable to Unitholders		138,916		185,860
Non-controlling interest		45,103		43,570
Total capital	$	615,013	$	864,869

AHIP defines capital as the aggregate of its term loans, outstanding revolving credit facility, convertible debentures and partners' capital, net of related financing costs. AHIP's objectives in managing capital are to maintain a level of capital that: complies with investment and debt restrictions as prescribed in the Limited Partnership Agreement; complies with existing debt covenants; funds its business strategies; and builds long-term value. AHIP's capital structure is periodically reviewed by the Board.

20. Supplemental cash flow disclosure:

(a) Changes in non-cash operating working capital:

	Years ended December 31			
		2024		2023
Accounts payable and accrued liabilities	$	(8,602)	$	(8,790)
Prepaids and other assets		765		(2,229)
Trade and other receivables		(3,587)		197
Change in non-cash working capital	$	(11,424)	$	(10,822)

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

20. Supplemental cash flow disclosure (continued):

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities:

		Warrants		Term loans and revolving credit facility		Convertible debentures		Lease and other liabilities		Non-controlling interest		Partners' capital		Total
Balance, January 1, 2024 (Restated - Note 2)	$	140	$	590,551	$	44,888	$	902	$	43,570	$	189,380	$	869,431
Changes from financing cash flows:														
Distributions paid		-		-		-		-		(3,387)		-		(3,387)
Term loan repayments		-		(168,500)		-		-		-		-		(168,500)
Proceeds from term loans		-		17,500		-		-		-		-		17,500
Finance lease payments		-		-		-		(269)		-		-		(269)
Financing costs paid		-		(1,194)		-		-		-		-		(1,194)
Total changes from financing cash flows:	$	-	$	(152,194)	$	-	$	(269)	$	(3,387)	$	-	$	(155,850)
Liability-related:														
Fair value changes		(139)		-		-		-		-		-		(139)
Liabilities held for sale		-		(5,241)		-		-		-		-		(5,241)
Interest expense		-		2,478		1,542		-		-		-		4,020
Deconsolidation of subsidiary		-		(50,785)		-		-		-		-		(50,785)
Redemption of convertible debentures		-		-		(245)		-		-		-		(245)
Total liability-related other changes:	$	(139)	$	(53,548)	$	1,297	$	-	$	-	$	-	$	(52,390)
Total partners' capital-related other changes:		-		-		-		-		4,920		(50,464)		(45,544)
Balance, December 31, 2024	$	1	$	384,809	$	46,185	$	633	$	45,103	$	138,916	$	615,647

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

21. Assets held for sale:

As at December 31, 2024, AHIP entered into purchase and sale agreements ("PSAs") for two hotels in Maryland and one hotel in Pennsylvania. AHIP had recorded an impairment to these hotels in the aggregate amount of $2,172 net of impairment reversal based on the PSAs less selling costs. The sales are expected to close in March 2025.

During the year ended December 31, 2024, fourteen other hotels with an aggregate carrying amount of $139,904 were reclassified to assets held for sale based on PSAs and were subsequently sold prior to December 31, 2024. AHIP had recorded an impairment on these hotels in the aggregate amount of $6,161 based on the PSAs less selling costs. AHIP also recorded an additional impairment of $5,241 for a hotel that was classified as held for sale at December 31, 2023.

As at December 31, 2023, AHIP entered into PSAs for three hotels located in Pennsylvania, Texas and Virginia. All sales closed in 2024. AHIP had recorded an impairment on these hotels in the aggregate amount of $12,375 based on the PSAs less selling costs.

The assets and liabilities related to the hotels held for sale are consequently presented separately in the consolidated statements of financial position as at December 31, 2024 as follows:

	December 31, 2024	December 31, 2023
Assets		
Property, buildings and equipment	$ 41,170	$ 46,743
Inventory	146	130
Total assets held for sale	$ 41,316	$ 46,873
Liabilities		
Term loans	39,140	33,425
Total liabilities related to assets held for sale	$ 39,140	$ 33,425

22. Subsequent events:

On January 27, 2025, AHIP completed a CMBS refinancing for five hotel properties with total gross proceeds of $43,000 (the “CMBS Loan”). The CMBS Loan has a five-year term and bears interest at a fixed annual interest rate of 7.63%. The aggregate balance of the Credit Facility Revolver and Credit Facility Term Loan was reduced to $89,328 as a result of the pay down following the completion of this new CMBS Loan as well as the application of a portion of the net proceeds from previously announced hotel dispositions that closed in December 2024.

On March 10, 2025, AHIP completed a refinancing for eleven hotel properties on a non-recourse basis with initial gross proceeds of $84,991, and additional proceeds up to $41,019, comprised of $16,309 for the addition of a further hotel property and $24,710 for properties improvement (the “Bank Loan”). The Bank Loan has a two-year term with the option to extend the term for another one-year period, and bears interest at SOFR plus 4.65% per annum. A portion of the net proceeds from the Bank Loan were used to fully repay the outstanding balance under the Credit Facility Revolver and Credit Facility Term Loan.

On March 27, 2025, AHIP completed the disposition of two hotels in Maryland and one hotel in Pennsylvania, classified as assets held for sale (Note 21), for gross proceeds of $41,200. AHIP also added one hotel property in New Jersey to the Bank Loan for gross proceeds of $16,309. The net proceeds from the sale and refinancing were used to fully repay the CMBS mortgage loan of $55,219.